

Consolidated Financial Report for Year ended March 31, 2018

Toyobo Co., Ltd.

Listed on the First Section of the TSE

Stock Code: 3101

URL <http://www.toyobo-global.com/ir/>

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Date of the General Meeting of the Shareholders: June 27, 2018

Planned start of dividend payments: June 28, 2018

Planned filing of an annual security report: June 27, 2018

(Figures are rounded to the nearest million yen.)

1. Consolidated Business Performance

(1) Consolidated Operating Results

Years ended March 31

Percentages indicate year-on-year increase/ (decrease).

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2018	331,148	0.5	23,923	2.5	20,415	(1.1)	13,044	38.1
2017	329,487	(5.3)	23,332	0.9	20,650	1.3	9,444	(6.9)

(Note) Comprehensive profit: Year ended March 31, 2018: ¥ 15,611 million 15.5%
Year ended March 31, 2017: ¥13,519 million 529.8%

	Net profit per share	Net profit per share after dilution	Return on equity	Ordinary profit-to-total assets ratio	Operating profit-to-net sales ratio
	Yen	Yen	%	%	%
2018	146.93	---	7.5	4.6	7.2
2017	106.38	---	5.8	4.6	7.1

(Reference) Gain (loss) on investment by equity method: Year ended March 31, 2018: ¥ 305 million,
Year ended March 31, 2017: ¥ 351 million

※The Company consolidated shares on the basis of one new common share for every 10 common shares with an effective date of October 1, 2017. As a result, net profit per share is calculated assuming the consolidation took place at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

At March 31

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2018	446,156	184,515	40.5	2,034.04
2017	450,790	170,910	37.2	1,889.81

(Reference) Total shareholders' equity: March 31, 2018: ¥180,561 million, March 31, 2017: ¥167,773 million

※The Company consolidated shares on the basis of one new common share for every 10 common shares with an effective date of October 1, 2017. As a result, net assets per share are calculated assuming the consolidation took place at the beginning of the previous fiscal year.

(3) Consolidated Cash Flows

Years ended March 31

	Cash flow provided by operating activities	Cash flow used in investing activities	Cash flow used in financing activities	Cash and cash equivalent at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
2018	22,353	(1,174)	(27,831)	25,857
2017	26,872	(14,132)	(324)	32,179

2. Dividends

Years ended/ending March 31

Record date	Dividends per share					Total amount of dividends (for the entire fiscal year) Millions of yen	Payout ratio %	Dividends-to-net assets ratio %
	June 30	Sept. 30	Dec. 31	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen			
2017	---	0.00	---	3.50	3.50	3,107	32.9	1.9
2018	---	0.00	---	40.0	40.0	3,551	27.2	2.0
2019 (Forecast)	---	0.00	---	40.0	40.0		27.3	

※The Company consolidated shares on the basis of one new common share for every 10 common shares with an effective date of October 1, 2017. As a result, the year-end dividend per share for the fiscal year ending March 31, 2018 represents the amount taking into account of the share consolidation. The annual dividend per share is ¥35 for the fiscal year ended March 31, 2017, after taking into consideration the share consolidation.

3. Forecasts for Fiscal Year ending March 31, 2019

Percentages indicate year-on-year increase/ (decrease).

	Net sales		Operating profit		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	340,000	2.7	25,000	4.5	21,500	5.3

	Profit attributable to owners of parent		Net profit per share
	Millions of yen	%	Yen
Fiscal year	13,000	(0.3)	146.44

(Note) The consolidated results forecast for the second quarter has been left out because we decided to manage results annually from the fiscal year ended March 31, 2019.

4. Other

1. Significant changes in subsidiaries during the subject fiscal year (Transfer of particular subsidiaries following a change in the scope of consolidation): None
2. Changes from accounting methods, procedures and the presentation of the consolidated financial statements:
 - 1) Changes based on revision of accounting standards : None
 - 2) Changes other than 1) above : None
 - 3) Changes due to accounting estimation change : None
 - 4) Error correction : None

3. Number of Shares Outstanding (Common stock)

Number of shares outstanding at fiscal year-end:

2018: 89,048,792 shares 2017: 89,048,792 shares

Number of treasury stocks at fiscal year-end:

2018: 279,146 shares 2017: 270,958 shares

Average number of shares outstanding:

2018: 88,774,822 shares 2017: 88,779,337 shares

※The Company consolidated shares on the basis of one new common share for every 10 common shares with an effective date of October 1, 2017. As a result, number of shares outstanding, number of treasury stock, and average number of shares outstanding for each period are calculated assuming the consolidation took place at the beginning of the previous fiscal year.

(Reference)

1. Non-Consolidated Business Performance

(1) Non-Consolidated Operating Results

Years ended March 31

Percentages indicate year-on-year increase/ (decrease).

	Net sales		Operating profit		Ordinary profit		Net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2018	202,877	3.3	16,382	7.0	13,086	(0.1)	10,296	30.0
2017	196,381	(5.9)	15,304	6.6	13,100	16.7	7,921	75.7

	Net profit per share	Net profit per share after dilution
	Yen	Yen
2018	115.98	---
2017	89.22	---

※The Company consolidated shares on the basis of one new common share for every 10 common shares with an effective date of October 1, 2017. As a result, net profit per share is calculated assuming the consolidation took place at the beginning of the previous fiscal year.

(2) Non-Consolidated Financial Position

At March 31

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2018	393,212	162,486	41.3	1,830.42
2017	384,291	155,009	40.3	1,746.03

(Reference) Total shareholders' equity: March 31, 2018: ¥162,486 million, March 31, 2017: ¥155,009 million

※The Company consolidated shares on the basis of one new common share for every 10 common shares with an effective date of October 1, 2017. As a result, net assets per share are calculated assuming the consolidation took place at the beginning of the previous fiscal year.

※Explanation regarding the appropriate use of forecasts of business results

The forward-looking statements made in this document, including the aforementioned forecasts, are based on all information available to the management at the time of this document's release. Actual results may differ from the results anticipated in the statements.

1. Operating Results

(1) Analysis of Operating Results

As for the business environment for the Group in the fiscal year ended March 31, 2018, in the global economy, the economy in the United States was steady backed by job growth, and the economy in the Euro area expanded supported by favorable business circumstances. However, in China, the economy continued to slow gradually. Meanwhile, in Japan, the economy remained on a recovery trend based on background of strong demand overseas and capital spending. On the other hand, it continued to be necessary to be mindful of rising trends, etc. in raw material and fuel prices, packing material costs, and logistics costs.

Amid this operating environment, the Group continued its activities aimed at becoming “The category leader, continuing to create new value that contributes to society in the environment, healthcare, and high-function products fields.” Accordingly, the Group is expanding its businesses in Japan and overseas markets through developing specialty products. Also, during the fiscal year ended March 31, 2018, the Group promoted business activities in accordance with the five action plans set forth in the Medium-Term Management Plan, namely “accelerating overseas business development,” “developing new products and creating new businesses,” “increasing competitiveness of domestic businesses,” “improving asset efficiency,” and “strengthening global Group management.”

In “accelerating overseas business development,” in the airbag fabrics business, as a global manufacturer engaged in integrated production from yarn to fabrics, the Group went into full-scale production at overseas production sites and expanded sales to overseas customers. In addition, the Group established a joint venture in Indonesia to produce packaging film for sales expansion of transparent vapor-deposited film “ECOSYAR.”

In “developing new products and creating new businesses,” sales of polarizer protective films for LCDs “COSMOSHINE SRF” increased considerably, and the Group decided to newly establish manufacturing facilities with an eye to further expansion in the future. Furthermore, the Group decided to establish a joint venture for the commercialization of heat-resistant polyimide film “XENOMAX” used in products such as electronic paper displays.

In “increasing competitiveness of domestic businesses,” the Group decided to increase mold releasing film manufacturing facilities in response to expansion of the ceramic capacitors market.

In “improving asset efficiency,” the Group transferred the trust beneficiary right in Toyobo Building held by the Company to improve the efficiency of assets and the financial standing by making effective use of managerial resources.

In the fiscal year ended March 31, 2018, the “gain on sales of non-current assets” accompanying the transfer of trust beneficiary right for the Toyobo Building of ¥10.4 billion was recorded under extraordinary income. In addition, with regard to a litigation filed by the U.S. government in association with bulletproof vests that were manufactured and sold by a U.S.-based bulletproof vest maker, a settlement was reached with the plaintiff, and settlement money, etc. of ¥7.4 billion was recorded under extraordinary losses.

As a result, consolidated net sales in the fiscal year ended March 31, 2018, increased ¥1.7 billion (0.5%) over the previous fiscal year, to ¥331.1 billion. Operating profit increased ¥0.6 billion (2.5%), to ¥23.9 billion, ordinary profit decreased ¥0.2 billion (1.1%) to ¥20.4 billion, and profit attributable to owners of parent increased ¥3.6 billion (38.1%), to ¥13.0 billion.

Results by business segment were as follows:

The Company changed its reporting segment classification from the the fiscal year ended March 31, 2018. Accordingly, in the following segment information, the figures for the previous fiscal year ended March 31, 2017, have been restated in accordance with the method of classification existing after the aforesaid change for the purpose of comparing them with those of the fiscal year ended March 31, 2018.

Films and Functional Polymers

Within this segment, sales and operating profit increased from the previous fiscal year because of the further sales expansion in both films business and functional polymers business, despite the effects of the rise in raw material and fuel prices.

In the films business, sales of packaging film were struggling due to the effects of the rise in raw material and fuel prices. Meanwhile, as for the industrial film business, sales of “COSMOSHINE SRF” grew centered on the shipments for major polarizer manufacturers, and sales of mold releasing film for ceramic capacitors were also strong.

In the functional polymers business, sales of engineering plastics were expanded further for automobile industry both in Japan and overseas. Sales of the industrial adhesives “Vylon” and sales of the adhesion promoter for polyolefin “HARDLEN” were robust primarily for use in electronic materials and for automobile coatings and construction, respectively. In addition, sales of photo functional materials, which are water-wash photo-sensitive printing plates, progressed overseas.

As a result, sales in this segment increased ¥10.1 billion (7.3%) from the previous fiscal year to ¥148.7 billion, and operating profit increased ¥1.0 billion (7.6%) to ¥13.7 billion.

Industrial Materials

In this segment, sales and operating profit increased from the previous fiscal year because of a recovery in sales of products for consumer and industrial uses, despite the rise in raw material and fuel prices.

In high-performance fibers, although sales of “ZYLON” remained sluggish, “Tsunoooga” remained favorable primarily for gloves.

Meanwhile, as for products for consumer and industrial uses, sales of PPS materials for filter bag “PROCON” recovered. Sales of airbag fabrics were affected by the rise in raw material and fuel prices, but increased due to the full-scale production at overseas production sites.

As a result, sales in this segment increased ¥3.5 billion (5.9%) from the previous fiscal year to ¥63.5 billion, and operating profit increased ¥0.4 billion (10.0%) to ¥4.3 billion.

Health care

In this segment, sales and operating profit decreased from the previous fiscal year, despite the further sales expansion overseas in the bio-science & medical business, due to the difficult condition for the contract manufacturing business of pharmaceuticals.

In the bio-science & medical business, sales of enzymes for diagnostic reagents and reagents for life sciences increased overseas, but the contract manufacturing business of pharmaceuticals was affected by lump-sum recording of cost for compliance with Good Manufacturing Practice (GMP; standards for manufacturing and quality control of pharmaceuticals and others). As for “Nerbridge,” a conduit for peripheral nerve regeneration, the number of cases of successful applications increased steadily in Japan.

In the membranes & environment business, sales of volatile organic compound (VOC) emissions treatment equipment recovering solvent expanded primarily in the Chinese market.

As a result, sales in this segment decreased ¥0.7 billion (1.9%) from the previous fiscal year to ¥35.7 billion, and operating profit decreased ¥0.1 billion (1.2%) to ¥5.2 billion.

Textiles and Trading

In this segment, sales and operating profit decreased from the previous fiscal year.

Although sales of materials for uniforms remained firm, sales of sports apparel were flagging due to disposal of stock and a decrease in sales volume. Sales volume of materials for traditional Arabic menswear declined owing to deteriorating market conditions. Furthermore, revenue declined significantly mainly as a result of the termination of the textile business in Brazil, which was conducted in the previous fiscal year.

As a result, sales in this segment decreased ¥9.2 billion (11.9%) from the previous fiscal year to ¥68.3 billion, and operating profit decreased ¥0.4 billion (39.5%) to ¥0.6 billion.

Real Estate and Other Businesses

This segment includes infrastructure-related businesses, such as real estate, engineering, information processing services, and logistics services. Results in these businesses were generally in line with plans.

As a result, total sales in these businesses decreased ¥2.0 billion (11.9%) from the previous fiscal year to ¥15.0 billion, and operating profit decreased ¥0.5 billion (15.7%) to ¥2.8 billion.

(2) Analysis of Financial Position

Assets, Liabilities and Net Assets

Total assets at the end of the subject fiscal year (March 31, 2018) decreased ¥4.6 billion (1.0%) from the end of the previous fiscal year (March 31, 2017) to ¥446.2 billion. This was due mainly to decreases of ¥6.3 billion in cash and deposits and ¥4.5 billion in property, plant and equipment accompanying the transfer of trust beneficiary rights for Toyobo Building held by the Company, and an increase of ¥5.1 billion in investment securities.

Total liabilities decreased ¥18.2 billion (6.5%) to ¥261.6 billion. This was due mainly to redemption of bonds of ¥10.0 billion and a decrease of ¥6.2 billion in long-term loans payable

including current portion of long-term loans payable.

Total net assets at the end of the fiscal year under review increased ¥13.6 billion (8.0%) compared to the previous fiscal year to ¥184.5 billion due to increases in retained earnings and valuation difference on available-for-sale securities.

(3) Cash Flows

Net cash proceeded by operating activities amounted to ¥22.4 billion at the end of the subject fiscal year. This was due mainly to a cash increase from profit before income taxes of ¥18.2 billion and depreciation of ¥15.7 billion, and payments of ¥7.7 billion for loss on litigation.

Net cash used in investing activities amounted to ¥1.2 billion. This was due mainly to purchase of property, plant and equipment and intangible assets of ¥20.7 billion, purchase of shares of subsidiaries and associates of ¥2.0 billion, and proceeds from sales of property, plant and equipment and intangible assets of ¥21.3 billion.

Net cash used in financing activities amounted to ¥27.8 billion. This was due mainly to repayments of long-term loans payable of ¥38.1 billion, redemption of bonds of ¥10.0 billion, and proceeds from long-term loans payable of ¥31.8 billion.

As a result, the balance of cash and cash equivalents at the end of the subject fiscal year (March 31, 2018) stood at ¥25.9 billion, a decrease of ¥6.3 billion from the end of the previous fiscal year (March 31, 2017).

(Reference) Cash Flow Indicators

Years ended March 31

	2014	2015	2016	2017	2018
Equity ratio (%)	31.2	33.9	35.3	37.2	40.5
Equity ratio, based on market value (%)	31.5	30.9	33.7	38.0	41.8
Return on equity (%)	5.8	5.4	6.4	5.8	7.5
Interest-bearing debt to cash flow ratio (Years)	7.1	8.8	5.1	6.3	6.5
Interest coverage ratio (Times)	13.3	11.3	19.4	19.3	16.9
D/E ratio (Times)	1.20	1.12	1.05	1.01	0.81

Notes:

Equity ratio: shareholders' equity/ total assets

Market-based rate of equity ratio: total market capitalization/ total assets

Return on equity: profit attributable to owners of parent / an average of the balances at the beginning and end of period for the total net assets excluding non-controlling interests.

Interest-bearing debt to cash flow ratio: interest-bearing debt/ operating cash flows

Interest coverage ratio: operating cash flows/ interest expense

D/E ratio: interest-bearing debt/ net assets excluding minority interests

(4) Forecast for Fiscal 2019 (ending March 31, 2019)

The outlook for the business environment during the fiscal year ending March 31, 2019 overseas is that the economy in the United States and the Euro area will remain firm, and the economy in China will show sustainable, stable growth due to fiscal and monetary policies, despite a slowdown in the growth rate. On the other hand, in Japan, the domestic economy is expected to remain steady backed by a continued modest recovery in demand both in Japan and overseas. However, it is still necessary to be mindful of the cost of raw materials and fuels and other price trends as well as fluctuations in exchange rates.

In view of these prospects for the business environment, the Group will work to build an earnings generating capacity that will be strong in the face of changes in the environment. In addition, the Group will aim to become "The category leader, continuing to create new value that contributes to society in the environment, healthcare, and high-function products fields" as it focuses its corporate resources in highly profitable growth businesses. In addition, through activities including increasing asset efficiency and strengthening financial position, the Group will endeavor to become a "strong company," with growth potential and stable profitability.

As a result of these activities, for the fiscal year ending March 31, 2019, the Group is forecasting net sales of ¥340.0 billion (an increase of ¥8.9 billion year on year), operating profit of ¥25.0 billion (an increase of ¥1.1 billion), ordinary profit of ¥21.5 billion (an increase of ¥1.1 billion), and profit attributable to owners of parent of ¥13.0 billion (an decrease of ¥0.0 billion).

(5) Basic Policy Regarding Earnings Distribution, and Dividends for Fiscal 2018 and 2019

Toyobo considers providing returns to shareholders to be one of its highest priorities. Our basic policy is to continually provide a stable dividend, in a comprehensive consideration of such factors as sustainable profits levels, retention of earnings for future investment, and improving the financial position to provide shareholders returns, including the acquisition of treasury shares, with a target total return ratio (*1) of 30%.

Toyobo plans to pay a year-end dividend for the subject fiscal year of ¥40 per share. However, this will be reviewed in the future based on the policy above.

(*1) Total return ratio = (total dividend + total amount of share buybacks) ÷ profit attributable to owners of parent

2. Basic Approach to Selection of Accounting Standards

After considering the possibility of comparisons among financial results for consolidated accounting periods and the possibility of comparisons with other companies, the Toyobo Group has decided to continue to adopt generally accepted accounting principles in Japan for the time being. Please note that, regarding the adoption of International Financial Reporting Standards (IFRS), the policy of the Group is to take appropriate action after the consideration of related issues in Japan and overseas.

3. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

(Millions of yen)

	2017 (As of March 31, 2017)	2018 (As of March 31, 2018)
Assets		
Current assets		
Cash and deposits	32,329	26,006
Notes and accounts receivable - trade	81,407	82,727
Merchandise and finished goods	43,516	43,059
Work in process	13,916	13,007
Raw materials and supplies	15,336	15,230
Deferred tax assets	4,616	4,236
Other	5,482	6,771
Allowance for doubtful accounts	(309)	(229)
Total current assets	196,293	190,806
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	48,445	47,049
Machinery, equipment and vehicles, net	44,208	44,738
Land	105,578	98,971
Construction in progress	5,292	8,126
Other, net	4,383	4,566
Total property, plant and equipment	207,906	203,451
Intangible assets		
Other	4,186	3,985
Total intangible assets	4,186	3,985
Investments and other assets		
Investment securities	23,945	28,999
Deferred tax assets	11,673	11,633
Other	7,610	7,861
Allowance for doubtful accounts	(821)	(578)
Total investments and other assets	42,406	47,914
Total non-current assets	254,497	255,350
Total assets	450,790	446,156

(Millions of yen)

	2017 (As of March 31, 2017)	2018 (As of March 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	42,721	45,311
Short-term loans payable	39,989	32,682
Current portion of bonds	10,000	—
Current portion of long-term loans payable	22,916	23,962
Provision for bonuses	4,313	4,412
Other	16,925	18,745
Total current liabilities	136,865	125,110
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term loans payable	65,440	58,188
Deferred tax liabilities for land revaluation	21,280	21,280
Provision for directors' retirement benefits	322	300
Provision for environmental measures	791	749
Net defined benefit liability	18,331	18,222
Other	6,852	7,793
Total non-current liabilities	143,016	136,531
Total liabilities	279,880	261,642
Net assets		
Shareholders' equity		
Capital stock	51,730	51,730
Capital surplus	32,239	32,240
Retained earnings	45,919	56,117
Treasury shares	(393)	(411)
Total shareholders' equity	129,495	139,676
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,388	8,040
Deferred gains or losses on hedges	(58)	(49)
Revaluation reserve for land	44,467	44,467
Foreign currency translation adjustment	(10,268)	(9,947)
Remeasurements of defined benefit plans	(2,251)	(1,625)
Total accumulated other comprehensive income	38,278	40,885
Non-controlling interests	3,137	3,954
Total net assets	170,910	184,515
Total liabilities and net assets	450,790	446,156

(2) Consolidated Statements of Income

(Millions of yen)

	2017 (From April 1, 2016 To March 31, 2017)	2018 (From April 1, 2017 To March 31, 2018)
Net sales	329,487	331,148
Cost of sales	249,940	250,042
Gross profit	79,547	81,106
Selling, general and administrative expenses	56,215	57,183
Operating profit	23,332	23,923
Non-operating income		
Dividend income	576	667
Share of profit of entities accounted for using equity method	351	305
Contribution for equipments	580	300
Other	1,647	1,424
Total non-operating income	3,155	2,696
Non-operating expenses		
Interest expenses	1,408	1,270
Salaries paid to dispatched employees	951	1,205
Loss on suspension of production	556	955
Other	2,921	2,774
Total non-operating expenses	5,837	6,204
Ordinary profit	20,650	20,415
Extraordinary income		
Gain on sales of non-current assets	269	11,327
Other	200	165
Total extraordinary income	469	11,492
Extraordinary losses		
Loss on disposal of non-current assets	2,311	4,699
Loss on litigation	582	7,970
Loss on realized foreign currency translation adjustments due to liquidation of foreign subsidiary	1,084	—
Impairment loss	2,005	—
Other	1,198	1,014
Total extraordinary losses	7,179	13,683
Profit before income taxes	13,940	18,225
Income taxes - current	4,013	5,281
Income taxes - deferred	899	(39)
Total income taxes	4,913	5,242
Profit	9,027	12,982
Loss attributable to non-controlling interests	(417)	(61)
Profit attributable to owners of parent	9,444	13,044

Consolidated Statements of Comprehensive Income

(Millions of yen)

	2017 (From April 1, 2016 To March 31, 2017)	2018 (From April 1, 2017 To March 31, 2018)
Profit	9,027	12,982
Other comprehensive income		
Valuation difference on available-for-sale securities	542	1,799
Deferred gains or losses on hedges	104	9
Revaluation reserve for land	(70)	—
Foreign currency translation adjustment	748	42
Remeasurements of defined benefit plans, net of tax	3,471	627
Share of other comprehensive income of entities accounted for using equity method	(303)	151
Total other comprehensive income	4,492	2,629
Comprehensive income	13,519	15,611
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,968	15,650
Comprehensive income attributable to non-controlling interests	(449)	(39)

(3) Consolidated Statements of Changes in Net Assets

2017 (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	51,730	32,239	39,540	(389)	123,119
Changes of items during period					
Dividends of surplus			(3,107)		(3,107)
Profit attributable to owners of parent			9,444		9,444
Reversal of revaluation reserve for land			41		41
Change of scope of consolidation			1		1
Purchase of treasury shares				(5)	(5)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	—	0	6,379	(5)	6,375
Balance at end of current period	51,730	32,239	45,919	(393)	129,495

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	5,847	(162)	44,578	(10,748)	(5,719)	33,796	3,186	160,101
Changes of items during period								
Dividends of surplus								(3,107)
Profit attributable to owners of parent								9,444
Reversal of revaluation reserve for land								41
Change of scope of consolidation								1
Purchase of treasury shares								(5)
Disposal of treasury shares								0
Net changes of items other than shareholders' equity	541	104	(111)	480	3,469	4,483	(49)	4,434
Total changes of items during period	541	104	(111)	480	3,469	4,483	(49)	10,809
Balance at end of current period	6,388	(58)	44,467	(10,268)	(2,251)	38,278	3,137	170,910

2018 (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	51,730	32,239	45,919	(393)	129,495
Changes of items during period					
Dividends of surplus			(3,107)		(3,107)
Profit attributable to owners of parent			13,044		13,044
Reversal of revaluation reserve for land					
Change of scope of consolidation			261		261
Purchase of treasury shares				(18)	(18)
Disposal of treasury shares		0		1	1
Net changes of items other than shareholders' equity					
Total changes of items during period	—	0	10,198	(17)	10,181
Balance at end of current period	51,730	32,240	56,117	(411)	139,676

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	6,388	(58)	44,467	(10,268)	(2,251)	38,278	3,137	170,910
Changes of items during period								
Dividends of surplus								(3,107)
Profit attributable to owners of parent								13,044
Reversal of revaluation reserve for land								
Change of scope of consolidation								261
Purchase of treasury shares								(18)
Disposal of treasury shares								1
Net changes of items other than shareholders' equity	1,651	9	—	321	626	2,607	817	3,424
Total changes of items during period	1,651	9	—	321	626	2,607	817	13,605
Balance at end of current period	8,040	(49)	44,467	(9,947)	(1,625)	40,885	3,954	184,515

(Millions of yen)

	2017 (From April 1, 2016 To March 31, 2017)	2018 (From April 1, 2017 To March 31, 2018)
Cash flows from operating activities		
Profit before income taxes	13,940	18,225
Depreciation	14,939	15,666
Increase (decrease) in allowance for doubtful accounts	(106)	(325)
Increase (decrease) in net defined benefit liability	884	(215)
Interest and dividend income	(755)	(822)
Interest expenses	1,408	1,270
Share of loss (profit) of entities accounted for using equity method	(351)	(305)
Impairment loss	2,005	—
Loss (gain) on sales and disposal of property, plant and equipment, net	2,085	(6,444)
Loss (gain) on sales and valuation of investment securities	(193)	(134)
Loss on litigation	582	7,970
Decrease (increase) in notes and accounts receivable - trade	(2,447)	(1,591)
Decrease (increase) in inventories	1,247	1,895
Increase (decrease) in notes and accounts payable - trade	908	1,919
Decrease (increase) in net defined benefit asset	2,430	961
Other, net	(5,445)	(3,530)
Subtotal	31,132	34,537
Payments for loss on litigation	(632)	(7,739)
Income taxes (paid) refund	(3,628)	(4,446)
Net cash provided by (used in) operating activities	26,872	22,353
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(17,152)	(20,694)
Proceeds from sales of property, plant and equipment and intangible assets	362	21,271
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	567	—
Purchase of shares of subsidiaries and associates	(35)	(1,979)
Collection of long-term loans receivable	851	73
Payments of long-term loans receivable	(252)	(245)
Interest and dividend income received	923	908
Other, net	604	(508)
Net cash provided by (used in) investing activities	(14,132)	(1,174)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	95	(7,386)
Proceeds from long-term loans payable	9,890	31,848
Repayments of long-term loans payable	(20,315)	(38,107)
Proceeds from issuance of bonds	15,000	—
Redemption of bonds	—	(10,000)
Proceeds from sales of treasury shares	—	1
Purchase of treasury shares	(5)	(21)
Interest expenses paid	(1,394)	(1,325)
Cash dividends paid	(3,112)	(3,111)
Dividends paid to non-controlling interests	(5)	(3)
Other, net	(478)	273
Net cash provided by (used in) financing activities	(324)	(27,831)
Effect of exchange rate change on cash and cash equivalents	(351)	110
Net increase (decrease) in cash and cash equivalents	12,065	(6,543)

Cash and cash equivalents at beginning of period	20,101	32,179
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	13	211
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	9
Cash and cash equivalents at end of period	<u>32,179</u>	<u>25,857</u>

Segment Information

i) Segment Information

Toyobo's reportable segments allow it to acquire financial data separated into the various components of the corporate group. The scope of the segments is reviewed on a regular basis in order to allow the highest decision-making body to determine the allocation of management resources, and evaluate earnings performance.

Toyobo's basic organization comprises business headquarters and business divisions within the head office, separated by the type, nature and market for products and services. Each business headquarters and business division formulates comprehensive strategies for its domestic and overseas operations, and conducts business activities.

Accordingly, Toyobo comprises business segments by product and service. Its five reportable segments are "Films and Functional Polymers," "Industrial Materials," "Health care," "Textiles and Trading" and "Real Estate." The "Films and Functional Polymers" segment manufactures and sells packaging films, industrial films, industrial adhesives, engineering plastics, photo functional materials. The "Industrial Materials" segment manufactures and sells fiber materials for automotive applications, high-performance fibers, non-woven fabrics and other products. The "Health care" segment manufactures and sells bio-products such as enzymes for diagnostics, contract manufacturing of pharmaceuticals, medical-use membranes, medical equipment and equipment devices, water treatment membranes, functional filters and other products. The "Textiles and Trading" segment manufactures and sells functional textiles, apparel products, apparel textiles, apparel fibers, and other products. The "Real Estate" segment leases and manages real estate properties.

※ Matters Concerning Changes to Reporting Segments

Effective from the first quarter of the fiscal year under review, in order to reinforce business synergies, the Company has implemented organizational changes to consolidate its business relating to membranes and release materials, and it has moved the AC business, which was previously included in the "Industrial Materials" business segment, into the "Healthcare" business segment. In accordance with these organizational changes, some business segments of the consolidated subsidiaries were each moved from the "Industrial Materials" business segment to the "Healthcare" business segment. Segment information for the fiscal year ended March 31, 2017 has been prepared in accordance with the method of classification following the changes.

ii) Segment sales and Operating profit

[Fiscal Year ended March 31, 2017]

(Millions of yen)

	Segment to be reported						Other Business- ses	Total	Adjustment	Consolidated Statements of Income
	Films and Functional Polymers	Industrial Materials	Health care	Textiles and Trading	Real Estate	Total				
Net Sales										
(1) Outside customers	138,574	59,925	36,423	77,552	4,444	316,918	12,569	329,487	—	329,487
(2) Inter-segment sales and transfers	0	145	1,256	283	1,116	2,800	11,370	14,170	(14,170)	—
Total	138,575	60,070	37,679	77,834	5,559	319,718	23,939	343,657	(14,170)	329,487
Operating Profit	12,747	3,875	5,242	1,066	2,344	25,273	1,000	26,274	(2,941)	23,332
Assets	137,842	72,122	41,655	71,312	50,054	372,985	15,431	388,416	62,374	450,790
Others										
Depreciation and Amortization	6,641	1,939	2,728	1,729	753	13,789	326	14,115	824	14,939
Capital Expenditure	5,546	4,710	3,752	1,872	603	16,482	352	16,834	1,526	18,360

Note:

1. Other includes design and construction of buildings, equipment, etc., information services, logistics services and other items.
2. Includes segment profit adjustment of (¥2,941) million, eliminations of inter segment transactions of (¥254) million, and companywide expenses that are not allocated across reporting segments of (¥2,687) million. The principal components of companywide expenses are those related to basic research and development.
3. Segment profit has been adjusted with operating income on the consolidated financial statements.

[Fiscal Year ended March 31, 2018]

(Millions of yen)

	Segment to be reported						Other Business- ses	Total	Adjustment	Consolidated Statements of Income
	Films and Functional Polymers	Industrial Materials	Health care	Textiles and Trading	Real Estate	Total				
Net Sales										
(1) Outside customers	148,667	63,454	35,723	68,317	4,284	320,445	10,703	331,148	—	331,148
(2) Inter-segment sales and transfers	1	270	2,049	277	880	3,478	13,847	17,325	(17,325)	—
Total	148,668	63,724	37,772	68,595	5,164	323,923	24,550	348,473	(17,325)	331,148
Operating Profit	13,713	4,262	5,179	645	2,023	25,822	796	26,617	(2,694)	23,923
Assets	140,421	80,602	42,070	70,724	49,388	383,204	16,471	399,675	46,481	446,156
Others										
Depreciation and Amortization	6,916	2,312	2,825	1,365	698	14,116	286	14,402	1,264	15,666
Capital Expenditure	5,038	6,750	5,313	1,835	389	19,324	340	19,664	1,595	21,259

Note:

1. Other includes design and construction of buildings, equipment, etc., information services, logistics services and other items.
2. Includes segment profit adjustment of (¥2,694) million, eliminations of inter segment transactions of (¥137) million, and companywide expenses that are not allocated across reporting segments of (¥2,557) million. The principal components of companywide expenses are those related to basic research and development.
3. Segment profit has been adjusted with operating income on the consolidated financial statements.

Disclosure of notes other than those above is omitted because the necessity of their disclosure in the quarterly report is considered immaterial.