

Consolidated Financial Report for Year ended March 31, 2019

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 25, 2019

Planned start of dividend payments: June 26, 2019

Planned filing of an annual security report: June 25, 2019

(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	%
2019	336,698	1.7	21,727	(9.2)	17,788	(12.9)	(603)	---
2018	331,148	0.5	23,923	2.5	20,415	(1.1)	13,044	38.1

(Note) Comprehensive profit: Year ended March 31, 2019: ¥ (467) million --- %
 Year ended March 31, 2018: ¥15,611 million 15.5%

	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	%	%	%
2019	(6.80)	---	(0.3)	3.9	6.5
2018	146.93	---	7.5	4.6	7.2

(Reference) Gain (loss) on investment by equity method: Year ended March 31, 2019: ¥ 471 million,
 Year ended March 31, 2018: ¥ 305 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
2019	461,047	181,226	38.3	1,989.29
2018	445,495	184,515	40.5	2,034.04

(Reference) Total shareholders' equity: March 31, 2019: ¥176,585 million, March 31, 2018: ¥180,561 million

(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
2019	7,838	(24,286)	12,608	22,167
2018	22,353	(1,174)	(27,831)	25,857

2. Dividends

Years ended/ending March 31

Record date	Dividends per share					Total amount of dividends (for the entire fiscal year)	Payout ratio	Dividends-to-net assets ratio
	June 30	Sept. 30	Dec. 31	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
2018	---	0.00	---	40.0	40.0	3,551	27.2	2.0
2019	---	0.00	---	40.0	40.0	3,551	---	2.0
2020 (Forecast)	---	0.00	---	40.0	40.0		20.9	

3. Forecasts for Fiscal Year ending March 31, 2020

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

	Net sales		Operating profit		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	350,000	4.0	22,000	1.3	18,000	1.2

	Profit attributable to owners of parent		Net profit per share
	Millions of yen	%	Yen
Fiscal year	17,000	---	191.51

4. Other

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

3. Number of Shares Outstanding (Common stock)

Number of shares outstanding at fiscal year-end:

2019: 89,048,792 shares 2018: 89,048,792 shares

Number of treasury stocks at fiscal year-end:

2019: 281,342 shares 2018: 279,146 shares

Average number of shares outstanding:

2019: 88,768,449 shares 2018: 88,774,822 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, average number of shares outstanding for each period is 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	%
2019	199,322	(1.8)	15,036	(8.2)	11,888	(9.2)	(1,625)	---
2018	202,877	3.3	16,382	7.0	13,086	(0.1)	10,296	30.0

	Net profit per share	Net profit per share after dilution
	Yen	Yen
2019	(18.31)	---
2018	115.98	---

※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
2019	400,684	156,256	39.0	1,760.29
2018	393,212	162,486	41.3	1,830.42

(Reference) Total shareholders' equity: March 31, 2019: ¥156,256 million, March 31, 2018: ¥162,486 million

※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 global economy surrounding the Toyobo Group (hereinafter the “Group”) in the fiscal year ended March 31, 2019, the economies of the United States, China and Europe continued to grow firmly in the first half of the fiscal year. However, the economy slowed down in the second half of the fiscal year due to anxieties from economic turmoil accompanying the trade friction between the United States and China, the slowdown in the Chinese economy, the issue of the United Kingdom’s exit from the EU and other issues. Likewise in Japan, although the economy recovered at a moderate pace in the first half of the fiscal year ended March 31, 2019, it became sluggish in the second half following a decline in export and slowdown in the growth of capital spending.

Amid this operating environment, the Group has started the 2018 Medium-Term Management Plan setting “Films & Coatings,” “Mobility,” and “Healthcare & Wellness” as the growth fields. In the fiscal year ended March 31, 2019, the first year of the Plan, particularly for the “Films & Coatings,” the Group substantially expanded the sales of polarizer protective films for LCDs “COSMOSHINE SRF” and mold releasing films for MLCC, but on the other hand results were significantly affected by the fluctuations in raw material and fuel prices and the soaring logistics cost.

In addition, ¥13.8 billion, including the costs related to procurement of replacement materials for airbag yarn, was recorded as extraordinary losses because the manufacturing facilities for airbag yarn were burnt down due to the fire accident.

As a result, consolidated net sales in the fiscal year ended March 31, 2019, increased ¥5.5 billion (1.7%) over the previous fiscal year, to ¥336.7 billion. Operating profit decreased ¥2.2 billion (9.2%), to ¥21.7 billion, ordinary profit decreased ¥2.6 billion (12.9%) to ¥17.8 billion, and loss attributable to owners of parent was ¥0.6 billion (Compared with profit attributable to owners of parent of ¥13.0 billion for the previous fiscal year.).

Results by business segment were as follows:

Films and Functional Polymers

Within this segment, sales and operating profit increased from the previous fiscal year due to growth in sales of industrial film in the films business, despite the effects of fluctuating raw material prices and soaring logistics cost in both the films and functional polymers businesses.

In the films business, the packaging film business struggled due to the effects of fluctuating raw material prices. The industrial film business significantly grew sales of polarizer protective films for LCDs “COSMOSHINE SRF” for use in LCD televisions and expanded sales of mold releasing film for MLCC for automobile use.

In the functional polymers business, although sales of engineering plastics increased for the automobile industry both in Japan and overseas, fluctuating raw material prices had an effect. Sales of industrial adhesives “Vylon” slowed for use in adhesive applications, particularly involving electronic materials.

As a result, sales in this segment increased ¥7.6 billion (5.1%) from the previous fiscal year to ¥156.2 billion, and operating profit increased ¥0.0 billion (0.1%) to ¥13.7 billion.

Industrial Materials

In this segment, sales increased but operating profit decreased from the previous fiscal year amid the effects of the fluctuations in raw material prices and the fire accident.

The airbag fabrics business increased sales to overseas customers but faced challenges due to the fire accident and fluctuating raw material prices. In the high-performance fibers business, sales of “Tsunoooga” grew primarily for use in gloves, but sales of “ZYLON” were sluggish. The life and industrial materials business expanded sales of polyester staple fibers for use in hygiene products to overseas markets but struggled due to fluctuating raw material prices. Sales of functional cushion material “BREATHAIR” decreased in the aftermath of the fire accident.

As a result, sales in this segment increased ¥3.1 billion (4.9%) from the same period of the previous fiscal year to ¥66.5 billion, and operating profit decreased ¥1.6 billion (38.5%) to ¥2.6 billion.

Health care

In this segment, sales and operating profit decreased from the previous fiscal year due to the difficult conditions for the contract manufacturing business of pharmaceuticals.

The bio-science & medical business maintained strong sales of enzymes for diagnostic reagents to overseas markets, but the contract manufacturing business of pharmaceuticals faced challenges in winning contracts and piled up costs for compliance with Good Manufacturing Practice (GMP; standards for manufacturing and quality control of pharmaceuticals and others).

In the membranes & environment business, orders were at a standstill for replacement for Reverse Osmosis (RO) membrane elements for seawater desalination plants. Sales of functional filters for applications such as office machinery decreased. However, with the expansion of environmental related investment in China, sales of volatile organic compound (VOC) emissions treatment equipment for recovering solvents remained healthy.

As a result, sales in this segment decreased ¥1.0 billion (2.9%) from the previous fiscal year to ¥34.7 billion, and operating profit decreased ¥0.0 billion (0.2%) to ¥5.2 billion.

Textiles and Trading

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

Sales of materials for uniforms slowed and sales volume of materials for traditional Arabic menswear decreased owing to deteriorating market conditions. Meanwhile, sales of sports apparel recovered.

As a result, sales in this segment decreased ¥3.7 billion (5.5%) from the previous fiscal year to ¥64.6 billion, and operating profit increased ¥0.3 billion (41.6%) to ¥0.9 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 ¥0.3 billion (2.2%) from the previous fiscal year to ¥14.7 billion, and operating profit decreased ¥0.6 billion (20.8%) to ¥2.2 billion.

(2) Analysis of Financial Position

Assets, Liabilities and Net Assets

Total assets at the end of the subject fiscal year (March 31, 2019) increased ¥15.6 billion (3.5%) from the end of the previous fiscal year (March 31, 2018) to ¥461.0 billion. This was due mainly to an increase of ¥5.0 billion in property, plant and equipment resulting from a rise in capital spending, an increase of ¥2.8 billion in merchandise and finished goods, and an increase of ¥2.1 billion in deferred tax assets.

Total liabilities increased ¥18.8 billion (7.2%) to ¥279.8 billion. This was due mainly to an increase of ¥10.0 billion in bonds payable and an increase of ¥9.2 billion in short-term loan payable.

Total net assets at the end of the fiscal year under review decreased ¥3.3 billion (1.8%) compared to the previous fiscal year to ¥181.2 billion. This was due mainly to decreases in retained earnings despite an increase in valuation difference on available-for-sale securities.

(3) Cash Flows

Net cash proceeded by operating activities amounted to ¥7.8 billion at the end of the subject fiscal year. This was due mainly to a cash increase of depreciation of ¥15.8 billion, and a payment for loss due to the fire of ¥8.0 billion.

Net cash used in investing activities amounted to ¥24.3 billion. This was due mainly to purchase of property, plant and equipment and intangible assets of ¥24.2 billion.

Net cash used in financing activities amounted to ¥12.6 billion. This was due mainly to proceeds from long-term loan payable of ¥23.3 billion, proceeds from insurance of bonds of ¥10.0 billion, and repayments of long-term loans payable of ¥24.1 billion.

As a result, the balance of cash and cash equivalents at the end of the subject fiscal year (March 31, 2019) stood at ¥22.2 billion, a decrease of ¥3.7 billion from the end of the previous fiscal year (March 31, 2018).

(Reference) Cash Flow Indicators

Years ended March 31

	2015	2016	2017	2018	2019
Equity ratio (%)	33.9	35.3	37.2	40.5	38.3
Equity ratio, based on market value (%)	30.9	33.7	38.0	41.8	27.2
Return on equity (%)	5.4	6.4	5.8	7.5	(0.3)
Interest-bearing debt to cash flow ratio (Years)	8.8	5.1	6.3	6.5	21.0
Interest coverage ratio (Times)	11.3	19.4	19.3	16.9	6.0
D/E ratio (Times)	1.12	1.05	1.01	0.81	0.93

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 2020 (ending March 31, 2020)

The outlook for the business environment during the fiscal year ending March 31, 2020 is that insecurity in the global economy caused by economic confusion accompanying the trade friction between the United States and China, the slowdown of the Chinese economy, and the UK's exit from the EU will continue to be a cause for concern and growth will slow. In Japan, despite a strong domestic demand, export will grow sluggishly and recovery trend of the economy is expected to weak. Also it will still be necessary to be mindful of trends in raw material and fuel prices as well as fluctuations in exchange rates.

In view of these prospects for the business environment, the Group will aim to build a strong and "good Toyobo Group" with stable profitability and growth potential under its corporate philosophy Jun-Ri-Soku-Yu (acting rationally and realizing prosperity). Furthermore, the Group will promote new product development and business expansion in each of the growth fields of "Films & Coatings," "Mobility," and "Healthcare & Wellness" under the "Three part harmony" philosophy, which is an approach to resolve short-term issues, while also tackling medium- to -long-term issues and building business foundations through means such as reforming corporate culture.

As a result of these activities, for the fiscal year ending March 31, 2020, the Group is forecasting net sales of ¥350.0 billion (an increase of ¥13.3 billion year on year), operating profit of ¥22.0 billion (an increase of ¥0.3 billion), ordinary profit of ¥18.0 billion (an increase of ¥0.2 billion), and profit attributable to owners of parent of ¥17.0 billion (Compared with loss attributable to owners of parent of ¥0.6 billion for fiscal year ended March 31, 2019.).

(5) Basic Policy Regarding Earnings Distribution, and Dividends for Fiscal 2019 and 2020

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. For fiscal 2020, we currently expect to pay a dividend 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)

	2018 (As of March 31, 2018)	2019 (As of March 31, 2019)
Assets		
Current assets		
Cash and deposits	26,006	22,318
Notes and accounts receivable - trade	80,610	81,909
Electronically recorded monetary claims - operating	2,117	3,881
Merchandise and finished goods	43,059	45,849
Work in process	13,007	13,704
Raw materials and supplies	15,230	17,247
Other	6,771	8,417
Allowance for doubtful accounts	(229)	(199)
Total current assets	186,571	193,125
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	47,049	50,166
Machinery, equipment and vehicles, net	44,738	43,163
Land	98,971	98,199
Construction in progress	8,126	11,335
Other, net	4,566	5,613
Total property, plant and equipment	203,451	208,476
Intangible assets		
Other	3,985	3,654
Total intangible assets	3,985	3,654
Investments and other assets		
Investment securities	28,999	29,745
Deferred tax assets	15,208	17,276
Other	7,861	9,462
Allowance for doubtful accounts	(578)	(691)
Total investments and other assets	51,489	55,792
Total non-current assets	258,924	267,922
Total assets	445,495	461,047

(Millions of yen)

	2018 (As of March 31, 2018)	2019 (As of March 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	42,556	42,736
Electronically recorded obligations - operating	2,755	2,036
Short-term loans payable	32,682	41,882
Current portion of bonds	—	10,000
Current portion of long-term loans payable	23,962	12,433
Provision for bonuses	4,412	4,128
Other	18,745	18,553
Total current liabilities	125,110	131,768
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term loans payable	58,188	69,009
Deferred tax liabilities for land revaluation	21,280	21,277
Provision for retirement benefits for directors (and other officers)	300	233
Provision for environmental measures	749	419
Retirement benefit liability	18,222	18,236
Other	7,132	8,879
Total non-current liabilities	135,870	148,053
Total liabilities	260,980	279,821
Net assets		
Shareholders' equity		
Capital stock	51,730	51,730
Capital surplus	32,240	32,206
Retained earnings	56,117	51,858
Treasury shares	(411)	(415)
Total shareholders' equity	139,676	135,378
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,040	9,071
Deferred gains or losses on hedges	(49)	(33)
Revaluation reserve for land	44,467	44,483
Foreign currency translation adjustment	(9,947)	(10,277)
Remeasurements of defined benefit plans	(1,625)	(2,038)
Total accumulated other comprehensive income	40,885	41,206
Non-controlling interests	3,954	4,641
Total net assets	184,515	181,226
Total liabilities and net assets	445,495	461,047

(2) Consolidated Statements of Income

(Millions of yen)

	2018 (From April 1, 2017 To March 31, 2018)	2019 (From April 1, 2018 To March 31, 2019)
Net sales	331,148	336,698
Cost of sales	250,042	255,634
Gross profit	81,106	81,064
Selling, general and administrative expenses	57,183	59,337
Operating profit	23,923	21,727
Non-operating income		
Dividend income	667	742
Share of profit of entities accounted for using equity method	305	471
Other	1,724	1,779
Total non-operating income	2,696	2,992
Non-operating expenses		
Interest expenses	1,270	1,305
Salaries paid to dispatched employees	1,205	1,014
Loss on suspension of production	955	1,079
Other	2,774	3,533
Total non-operating expenses	6,204	6,931
Ordinary profit	20,415	17,788
Extraordinary income		
Gain on sales of investment securities	137	198
Insurance income	—	306
Gain on bargain purchase	—	175
State subsidy	—	607
Other	11,355	233
Total extraordinary income	11,492	1,519
Extraordinary losses		
Loss on disposal of non-current assets	4,699	1,905
Loss on reduction of non-current assets	—	607
Loss on sales of shares of subsidiaries and associates	—	1,873
Loss due to fire	—	13,822
Loss on litigation	7,970	—
Other	1,014	997
Total extraordinary losses	13,683	19,204
Profit before income taxes	18,225	102
Income taxes - current	5,281	2,907
Income taxes - deferred	(39)	(1,994)
Total income taxes	5,242	913
Profit (loss)	12,982	(810)
Loss attributable to non-controlling interests	(61)	(207)
Profit (loss) attributable to owners of parent	13,044	(603)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	2018 (From April 1, 2017 To March 31, 2018)	2019 (From April 1, 2018 To March 31, 2019)
Profit (loss)	12,982	(810)
Other comprehensive income		
Valuation difference on available-for-sale securities	1,799	1,035
Deferred gains or losses on hedges	9	16
Revaluation reserve for land	—	—
Foreign currency translation adjustment	42	(123)
Remeasurements of defined benefit plans, net of tax	627	(413)
Share of other comprehensive income of entities accounted for using equity method	151	(171)
Total other comprehensive income	<u>2,629</u>	<u>343</u>
Comprehensive income	<u>15,611</u>	<u>(467)</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	15,650	(298)
Comprehensive income attributable to non-controlling interests	(39)	(169)

(3) Consolidated Statements of Changes in Net Assets

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 (loss) attributable to owners of parent			13,044		13,044
Reversal of revaluation reserve for land					—
Change of scope of consolidation			261		261
Capital increase of consolidated subsidiaries					—
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 (loss) attributable to owners of parent								13,044
Reversal of revaluation reserve for land								—
Change of scope of consolidation								261
Capital increase of consolidated subsidiaries								—
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

2019 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	51,730	32,240	56,117	(411)	139,676
Changes of items during period					
Dividends of surplus			(3,551)		(3,551)
Profit (loss) attributable to owners of parent			(603)		(603)
Reversal of revaluation reserve for land			(16)		(16)
Change of scope of consolidation			(89)		(89)
Capital increase of consolidated subsidiaries		(34)			(34)
Purchase of treasury shares				(4)	(4)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(34)	(4,259)	(4)	(4,297)
Balance at end of current period	51,730	32,206	51,858	(415)	135,378

	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	8,040	(49)	44,467	(9,947)	(1,625)	40,885	3,954	184,515
Changes of items during period								
Dividends of surplus								(3,551)
Profit (loss) attributable to owners of parent								(603)
Reversal of revaluation reserve for land								(16)
Change of scope of consolidation								(89)
Capital increase of consolidated subsidiaries								(34)
Purchase of treasury shares								(4)
Disposal of treasury shares								0
Net changes of items other than shareholders' equity	1,032	16	16	(330)	(413)	321	687	1,008
Total changes of items during period	1,032	16	16	(330)	(413)	321	687	(3,289)
Balance at end of current period	9,071	(33)	44,483	(10,277)	(2,038)	41,206	4,641	181,226

(Millions of yen)

	2018 (From April 1, 2017 To March 31, 2018)	2019 (From April 1, 2018 To March 31, 2019)
Cash flows from operating activities		
Profit before income taxes	18,225	102
Depreciation	15,666	15,823
Increase (decrease) in allowance for doubtful accounts	(325)	101
Increase (decrease) in retirement benefit liability	(215)	(671)
Interest and dividend income	(822)	(863)
Interest expenses	1,270	1,305
Share of loss (profit) of entities accounted for using equity method	(305)	(471)
Loss (gain) on sales and disposal of property, plant and equipment, net	(6,444)	1,902
Loss (gain) on sales and valuation of investment securities	(69)	(87)
Loss (gain) on sales of shares of subsidiaries and associates	(65)	1,873
Loss due to fire	—	13,822
Loss on litigation	7,970	—
Decrease (increase) in notes and accounts receivable - trade	(1,591)	(4,562)
Decrease (increase) in inventories	1,895	(7,098)
Increase (decrease) in notes and accounts payable - trade	1,919	603
Decrease (increase) in retirement benefit asset	961	1,452
Other, net	(3,530)	(1,084)
Subtotal	<u>34,537</u>	<u>22,149</u>
Payments for Loss due to fire	—	(8,029)
Payments for loss on litigation	(7,739)	(255)
Income taxes (paid) refund	(4,446)	(6,027)
Net cash provided by (used in) operating activities	<u>22,353</u>	<u>7,838</u>
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(20,694)	(24,235)
Proceeds from sales of property, plant and equipment and intangible assets	21,271	529
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	425
Purchase of shares of subsidiaries and associates	(1,979)	—
Proceeds from sales of shares of subsidiaries and associates	95	475
Collection of long-term loans receivable	73	33
Payments of long-term loans receivable	(245)	(1,940)
Interest and dividend income received	908	944
Other, net	(603)	(517)
Net cash provided by (used in) investing activities	<u>(1,174)</u>	<u>(24,286)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(7,386)	8,719
Proceeds from long-term loans payable	31,848	23,316
Repayments of long-term loans payable	(38,107)	(24,105)
Proceeds from issuance of bonds	—	10,000
Redemption of bonds	(10,000)	—
Proceeds from sales of treasury shares	1	—
Purchase of treasury shares	(21)	(5)
Interest expenses paid	(1,325)	(1,307)
Cash dividends paid	(3,111)	(3,550)
Dividends paid to non-controlling interests	(3)	(7)
Other, net	273	(453)
Net cash provided by (used in) financing activities	<u>(27,831)</u>	<u>12,608</u>

Effect of exchange rate change on cash and cash equivalents	110	(106)
Net increase (decrease) in cash and cash equivalents	(6,543)	(3,945)
Cash and cash equivalents at beginning of period	32,179	25,857
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	211	256
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	9	—
Cash and cash equivalents at end of period	25,857	22,167

※ Additional Information

The Group has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the first quarter of the fiscal year ended March 31, 2019. Accordingly, deferred tax assets were presented under “Investments and other assets” and deferred tax liabilities were presented under “Non-current liabilities.” As a result, in consolidated balance sheets of the fiscal year ended March 31, 2018, deferred tax assets in current assets decreased ¥423.6 billion, deferred tax assets in investments and other assets increased ¥357.5 billion, and deferred tax liabilities in non-current liabilities decreased ¥66.1 billion. In addition, total assets has decreased ¥66.1 billion compared to before the change, because the deferred tax assets and deferred tax liabilities of taxable entities are offset in presentation.

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.

ii) Segment sales and Operating profit

[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	140,141	80,534	42,070	70,595	49,348	382,688	16,471	399,159	46,336	445,495
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. (1) 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.

(2) The adjustment of segment assets of ¥46,336 million includes corporate assets of 74,845 million that are not allocated to the reportable segments.

(3) The adjustment of increases in property, plant and equipment and intangible assets of ¥1,595 million represents that amount of capital investment related to research and development expenses.

3. Segment profit has been adjusted with operating income on the consolidated financial statements.

[Fiscal Year ended March 31, 2019]

(Millions of yen)

	Segment to be reported						Other Businesses	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	156,241	66,540	34,675	64,585	4,197	326,238	10,460	336,698	—	336,698
(2) Inter-segment sales and transfers	60	317	2,454	482	456	3,769	14,137	17,906	(17,906)	—
Total	156,301	66,857	37,129	65,068	4,653	330,007	24,597	354,604	(17,906)	336,698
Operating Profit	13,727	2,620	5,170	914	1,572	24,002	661	24,663	(2,936)	21,727
Assets	150,834	84,779	44,590	69,122	49,112	398,438	15,080	413,517	47,530	461,047
Others										
Depreciation and Amortization	6,846	2,480	2,826	1,410	588	14,150	301	14,451	1,372	15,823
Capital Expenditure	13,401	4,094	3,066	2,730	468	23,760	431	24,191	1,321	25,512

Note:

1. Other includes design and construction of buildings, equipment, etc., information services, logistics services and other items.

2. (1) Includes segment profit adjustment of (¥2,936) million, eliminations of inter segment transactions of (¥154) million, and companywide expenses that are not allocated across reporting segments of (¥2,782) million. The principal components of companywide expenses are those related to basic research and development.

(2) The adjustment of segment assets of ¥47,530 million includes corporate assets of 85,531 million that are not allocated to the reportable segments.

(3) The adjustment of increases in property, plant and equipment and intangible assets of ¥1,321 million represents that amount of capital investment related to research and development expenses.

3. Segment profit has been adjusted with operating income on the consolidated financial statements.

(Significant subsequent events)

At the meeting of the Board of Directors held on April 25, 2019, a comprehensive resolution regarding the issuance of unsecured straight bonds in the Japanese market was passed. The details of this resolution are as follows:

(1) Issue amount: ¥20,000 million or less.

However, multiple issues within the scope of this amount are not ruled out.

(2) Issue price: ¥100 for each bond with par value of ¥100.

(3) Interest rate: Market yield of Japanese government bonds with the same maturities plus 1.0% or less

(4) Payment dates: From April 25, 2019 to March 31, 2020.

However, if the bonds are offered during this period, payments after this period will be accepted.

(5) Maximum maturity: Five years or more, to 10 years

(6) Method of redemption: Full amount on maturity.

However, a retirement by purchase clause may be included.

(7) Uses of funds: For redemption of bonds, repayment of borrowings, and purchases of plant and equipment

(8) Special provisions: These bonds will include a negative pledge clause.

(9) Other: Decisions regarding matters covered in Article 676 of the Companies Act and all other items related to the issuance of bonds will be made within the scope stated above at the discretion of the director in charge of the Finance Department.

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