Financial Section

TOYOBO CO., LTD.
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2019 and 2018

Disclaimer Regarding Forward-Looking Statements

This report not only describes the past and present facts about Toyobo Co., Ltd. and its affiliates (together, the “Toyobo Group”) but also projects future business performance and forecasts the future business environment. Such projections include assumptions and evaluations that were developed based on information that Toyobo was able to obtain as of the time this report was prepared and, thus, contain unknown as well as known risks and uncertainties. Consequently, there is a possibility that these risks and uncertainties will render the projections and forecast inaccurate and result in actual future business performance and a future business environment significantly different from the projections and forecast presented in this report. Readers are thus advised to exercise caution. The projections of future business performance and forecast of the future business environment that are found in this report were developed based on information that our corporation was able to obtain at the time the descriptions were written. These projections and forecast, therefore, contain elements of uncertainty. Moreover, there is a possibility that latent risks that have the potential of rendering such projections and forecasts inaccurate will materialize. Please be fully advised that, in the future, actual business performance and the actual business environment could turn out to be different from the projections and forecast presented in this report.

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Management’s Discussion and Analysis

Overview of Fiscal Year Ended March 31, 2019

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 global 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 exports and a slowdown in the growth of capital spending.

Amid this operating environment, the Group has continued 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. However, results were significantly affected by the fluctuations in raw material and fuel prices and soaring logistics costs.

In addition, ¥13.8 billion, including the costs related to procurement of replacement materials for airbag yarn, was recorded as extraordinary loss as a result of the manufacturing facilities for airbag yarn being destroyed due to a 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, and loss attributable to owners of parent was ¥0.6 billion, a decrease from 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 costs 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 increased 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 a negative 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 fluctuations in raw material prices and the effects of 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 “Tsunooga” 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 previous fiscal year to ¥66.5 billion, but operating profit decreased ¥1.6 billion (38.5%) to ¥2.6 billion.

Healthcare
In this segment, sales and operating profit decreased from the previous fiscal year due to the difficult conditions in 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 the 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, but 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.

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 from 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 proceeds 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).

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 and despite an increase in valuation difference on available-for-sale securities.

Forecast for Fiscal Year 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 strong domestic demand, exports will grow sluggishly, and the recovery trend of the economy is expected to weak. It will also 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 (realizing prosperity by acting rationally). 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), and profit attributable to owners of parent of ¥17.0 billion, an increase from loss attributable to the owners of parent of ¥0.6 billion for fiscal year ended March 31, 2019).

Management Policy, Business Environment, Issues to Be Addressed

(1) Basic Management Policy

Under the corporate philosophy of "Jun-Ri-Soku-Yu (**順理則裕**)", which means "realizing prosperity by acting rationally," the Group aims to be a "strong and good Toyobo Group" with growth potential and stable profitability achieved by pursuing "continuous reform of business portfolio," its management policy: the Group focuses its corporate resources in highly profitable growth businesses and aggressively expands its business activities in domestic and overseas markets while increasing its asset efficiency and strengthening its financial position.

(2) Target Managerial Indicators, etc.

The Group is focusing on operating profit, return on invested capital (ROA) and return on equity (ROE), which serve as its quantitative targets and managerial indicators, contained in its 2018 Medium-Term Management Plan, effective from the fiscal year ended March 31, 2019 through the end of the fiscal year ending March 31, 2022. Accordingly, its numerical targets are operating profit amounting to no less than ¥30.0 billion, ROA of at least 7% and ROE of at least 8%. The Group aims to attain these targets through efforts that involve evaluating operations of its respective business departments and Group companies on the basis of uniform criteria encompassing gains and losses, ROA and cash flow and accordingly taking steps to reform its business portfolio.

In assessing its financial position the Group focuses on a "ratio of interest bearing debt and net assets (excluding non-controlling interests) (D/E Ratio)" and has accordingly set the objective of reducing its D/E ratio to 1.0. The Group achieved a D/E ratio of 0.93, below 1.0, as of the end of the fiscal year (March 31, 2019) and will persist with its efforts to hold the ratio to less than 1.0.

(3) Medium- to Long-Term Business Strategies and Issues to Be Addressed

Under the 2018 Medium-Term Management Plan, based on the "Three Part Harmony," which includes working to resolve short-term issues while focusing on medium- to long-term issues and progressing with business base enhancements such as reforming the corporate culture, the Group has set the following three key initiatives: (a) prioritizing businesses and harvesting crops (short- and medium- term), (b) enhance the development of new products and new businesses in the medium- and long-term and (c) strengthen the business base, and will carry out these initiatives as follows.

(a) Prioritizing businesses and harvesting crops (short- and medium- term)

The Group has numerous businesses subject to varying operating environments. It is important that the Group takes appropriate measures geared to changes in the relevant operating environment and sets targets suitable with respect to each of its businesses premised on the aims of increasing rates of growth and achieving profit targets. As such, the Group is promoting a prioritized approach to business operations which involves setting key performance indicators (KPIs) tailored to circumstances facing the respective businesses. The Group will also aggressively invest corporate resources into businesses in fields of growth.

The Group designates Films & Coatings, Mobility, and Healthcare & Wellness as fields of growth going forward under its 2018 Medium-Term Management Plan. The Group will concentrate corporate resources mainly on the following activities. In the Films & Coatings field, it will focus on expansion with respect to polarizer protective films for LCDs “COSMOSHINE SRF,” mold releasing film for MLCC and overseas development with respect to transparent vapor-deposited film “ECOSYAR.” Meanwhile in the Mobility field, the focus will be on engineering plastics and airbag fabrics.

(b) Enhance the development of new products and new businesses in the medium- and long-term
The Group’s efforts undertaken with its sights set on the future will involve outlays of strategic growth funds in addition to its existing capital spending and R&D expenditure. The Group will strengthen development of new products and businesses, particularly such as the nerve regeneration inducing materials “Nerbridge,” bone regeneration inducing material “Bonarc” and hollow fiber membranes for artificial kidneys (medical membrane) in the Healthcare & Wellness field, and heat-resistant polyimide film “XENOMAX” in the Films & Coatings field. In addition, the Group is actively promoting “open innovation” that incorporates knowledge and technology from outside the Company.

(c) Strengthen the business base
On the basis of its “Jun-Ri-Soku-Yu (**順理則裕**)” corporate philosophy, the Group has been working to develop its business base, acting as a company that adheres to rules of the world community as a good community member and a company that meets the expectations of society. Unfortunately a fire accident occurred in September 2018, causing the Group to review its safety and disaster prevention initiatives. The Group will redouble efforts that involve building a compliance oriented corporate culture that places top priority on safety. Furthermore, in order to foster a corporate atmosphere best equipped to succeed in a climate of neck-and-neck market competition and instill mindsets for growth in our employees, the Group has launched the “KAERU Project” (Kaeru means “to change”). In this project, the Group intends to overhaul prevailing systems and approaches to work and promote various initiatives geared to creating a better corporate atmosphere, culture and talent pool. Through these efforts, the Group will contribute to solutions for social challenges and work to improve economic value to increase the corporate value (CSV: Creating Shared Value).

Risk Factors

The Group is exposed to the following risks that may affect its operating results and financial status. The future matters specified in the following are based on information that was available as of the end of the fiscal year and certain assumptions that serve as the basis for its judgments.

(1) Worsening Political & Economic Situations

The Group produces and sells in Japan and overseas a wide range of products in the films and functional polymers, industrial materials, healthcare and textiles and trading fields. Political turmoil or a serious economic recession in the countries in which our production bases are located or in major markets could seriously affect our operating results or financial status through the impact on our production and sales.

(2) Decline in Retail Prices

The wide range of products sold by the Group in Japan and overseas in the films and functional polymers, industrial materials, healthcare and textiles and trading fields are in competition with the products of other companies. Price cuts by our competitors may cause a decline in our retail prices or a decrease in our sales volume. In our medical business, our retail prices may drop due to lower official price standards. Our operating results or financial status may be seriously affected by such circumstances through a decrease in sales.

(3) Business Downturn or Retreat by Major Customers

Although the Group sells a wide range of products in the films and functional polymers, industrial materials, healthcare and textiles and trading to a variety of customers both in Japan and overseas, certain products are sold to specific significant customers. In the event that such customers face a downturn in business, retreat from business, cut back inventories significantly, demand drastic rate reductions or request substantial production adjustments, our operating results or financial status may be seriously affected by such events through a decrease in sales.

(4) Tariff Hikes and Import Regulations in Overseas Major Markets

Because the Group sells a wide range of products in the films and functional polymers, industrial materials, healthcare and textiles and trading in Japan and overseas, tariff hikes or import regulations on quantity limits might be imposed under antidumping laws in major overseas markets and could seriously affect our business and financial condition.

(5) Alteration of Credit

The Group has made provisions for bad debt losses based on past default ratios and strives to minimize its credit risk under its credit management regulations by setting credit limits for each customer and other means. However, in the event of the bankruptcy of major customers due to economic recession or other reasons, our operating results or financial status could be seriously affected by bad debt loss that substantially exceeds the amount of provisions made.

(6) Product Defects

To prevent product defects, the Group produces its products in the films and functional polymers, industrial materials, healthcare and textiles and trading fields in accordance with specific quality control standards under the control of the Global Environment and Safety Committee and Product Liability Prevention/Quality Assurance Committee and is covered by product liability insurance. However, we cannot guarantee that all of our current products are free from all defects, that there will be no defective products in the future or that compensatory payment will be fully covered by insurance. Therefore, in the occurrence of material product defects, our operating results or financial status could be seriously affected by large liability payments or loss of credit.

(7) Purchases of Raw Materials

The Group purchases raw materials from various suppliers in order to produce its wide range of products in the films and functional polymers, industrial materials, healthcare and textiles and trading fields. Although major materials are provided by a number of suppliers due in part to risk management considerations, there remains a risk that we may not be able to purchase a sufficient volume of raw materials should suppliers fail, withdraw from the business, etc. Even if we can purchase such materials, purchase prices may rise suddenly. In either event, our operating results or financial status could be seriously affected by the cost increases or production cutbacks.

(8) Intellectual Property

The Group works to actively expand the scale of its businesses for highly functional products for which we enjoy a strong competitive advantage, drawing on our core technologies of polymerization, modification, processing and biotechnology. For this reason, we endeavor to build and protect technology and know-how differentiated from those of our competitors' products in fibers and textiles, polymer and bio-medical fields. However, there is a risk in certain areas that we may not be able to prevent the production and sale of similar products, the violation of a patent or the use of confidential business information by a third party. Although we observe the intellectual property rights of other companies, we are not free from the possibility that we might infringe the intellectual property rights of other companies as we develop our products and technology. In the event that our intellectual property rights are infringed or we infringe the rights of other companies, our operating results or financial status could be seriously influenced leading to resulting sales decrease or liability payments.

(9) Development of New Products and New Uses

As part of the Group's commitment to being a speciality business conglomerate, our research and development investment targets high functional products for which we have a strong competitive advantage, including products in the films and functional polymers, industrial materials, healthcare and textiles and trading fields, drawing on our core technologies of polymerization, modification, processing and biotechnology. However, it is not guaranteed that our investment will always lead to the successful development of new products or new uses for existing products. Our operating results or financial status could be seriously affected by unsuccessful circumstances by a decline in our future growth and profitability.

(10) Laws and Regulations

The Group conducts production activities and other corporate activities in various locations in Japan and abroad and operates its business under various laws and regulations on business licensing, tax, the environment, chemical use related issues, etc. If water restrictions or other regulations related to the environment become tighter in areas where our major business sites are located, substances currently being used become prohibited or regulations regarding usage levels are implemented, our operating results or financial status could be seriously affected by restrictions imposed on our production activities or other corporate activities or by being forced to make large capital investments, tax payments or other expenditures in order to comply with the regulations.

(11) Business Management

The Group conducts business activities in a way that pays suitable attention to the related laws and regulations by practicing fair and free competition, conducting appropriate transactions and so forth. However, there is a possibility that our operating results and financial status could be seriously affected by an incident such as one in which a problem arises from illegal acts of an employee, supplier or customer.

(12) Litigation

The Group conducts production and other corporate activities in various domestic and overseas locations. In this process, there is a possibility that lawsuits may be brought against us in connection with product liability, the environment, labor, intellectual property or other areas. If a major lawsuit is filed against the Group, our operating results and financial status could be seriously affected. The major lawsuit that was pending in the previous fiscal year was settled in the current fiscal year.

(13) Foreign Exchange Rate Fluctuation

The Group's operations include the production and sale of products in foreign markets and require the use of foreign currency. Substantial fluctuations in foreign exchange rates could negatively affect operating results or financial status by causing a decrease in sales, an increase in costs or a reduction in price competitiveness after conversion to the yen.

(14) Major Interest Rate Fluctuations

The Group strives to reduce its interest-bearing debt and arranges for borrowings at fixed interest rates. However, if interest rates rise substantially above current levels, the consequences would include a corresponding rise in interest payable and could have a material effect on our operating results and financial status.

(15) Substantial Declines in Stock Prices

The Group holds a significant volume of stocks that are traded on exchange markets. If the prices of these stocks decline by a large margin, net unrealized holding gains on securities may decrease and losses may be recorded when these stocks are sold. These circumstances could have a material effect on our operating results and financial status.

(16) Substantial Decline in Land Prices

The Group owns a great deal of land, most of which has already been revaluated pursuant to the Land Revaluation Law. If land prices decline substantially, our operating results or financial status could be seriously affected by a loss in value or losses incurred when selling.

(17) Severance and Retirement Benefit Obligations and Expenses

The Group calculates severance and retirement benefit obligations and expenses by using various standard rates of return on pension assets and other indicators. If assumptions for pension actuarial calculations are altered, changes could result in the market value of pension assets, interest rates could fluctuate, changes could be made in the retirement and pension systems or other circumstances could occur. Such changes could result in increases in severance and retirement benefit obligations and/or increases in severance and pension expenses (the portion of actuarial differences that are treated as expenses). These circumstances could have a material effect on the Group’s operating results and financial status.

(18) Lowering of Credit Ratings

The Group raises funds by borrowing from financial institutions and issuing bonds, among other means. If credit rating agencies lower credit ratings for the Company’s previously issued bonds or the like, this could have a major effect on our ability to raise funds or otherwise have a material effect on our finances, including our operating results and financial status.

(19) Deferred Income Tax Assets

The Group reports certain deferred income tax assets on its balance sheets, including losses carried forward for tax purposes and temporary differences to be deducted from tax liabilities in future periods. Deferred income tax assets are reported after consideration for the possibility of recovery based on forecasts of future taxable income. However, when it becomes necessary to reconsider the possibility of recovery of deferred income tax assets because of changes in the outlook for future taxable income and/or when there are revisions in the taxation system, including changes in the tax rates, and/or deferred income tax assets are exercised to reduce tax liabilities, these circumstances could have a material effect on our operating results and financial status.

(20) Accidents and Disasters

The Group conducts production activities and other corporate activities at various domestic and overseas locations. We carry out strict plant controls and strive to prevent damage caused by accidents and disasters at these production facilities and business sites. However, if a massive earthquake, wind and flood damage, snow damage, other natural disaster, incidence of an infectious disease such as a pandemic flu occurs at production facilities, a business site or the site of a business partner, our operating results or financial status may be seriously affected as production activities may be interrupted.

On September 6, 2018, a fire accident occurred at the Company’s Tsuruga Research and Production Center, and manufacturing machines and systems, etc. were destroyed in the fire. The Company is working for the prompt restoration.

(21) Overseas Business Activities

The Group is driving to expand its business activities globally. At the same time, we are guarding against the risks associated with overseas business activities by developing the risk management system overseas. However, if any country in which we operate experiences unforeseen events, including unexpected changes in laws, regulations or policies or social unrest as a result of terrorism, war, political upheaval or any other cause, this could have a material effect on our operating results and financial status.

(22) Information Security

The Group manages a lot of important information such as customer information and confidential information related to the execution of business. To handle this information, the Group has put in place ample security measures, such as physical measures to be taken when constructing and operating information systems and employee education relating to the management of information. However, there is a possibility that our operating results and financial status could be seriously affected if information was leaked or used improperly as a result of unforeseen circumstances.

Consolidated Financial Highlights

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars *1
	2019	2018	2019
Net sales	¥336,698	¥331,148	$3,033,589
Cost of sales	255,634	250,042	2,303,217
Profit before income taxes and non-controlling interests	102	18,225	919
Profit attributable to owners of parent	(603)	13,044	(5,433)
Total assets *2	461,047	445,495	4,153,951
Total net assets	¥181,226	¥184,515	$1,632,814

	Yen		U.S. dollars *1
Net profit per share	(¥6.80)	¥146.93	($0.061)

*1 The U.S. dollar amounts in this report represent translations of yen for convenience only at the rate of ¥110.99 to U.S.$1.00.
*2 The Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) effective from the beginning of the fiscal year ended March 31, 2019. Accordingly, major managerial indicators, etc., for the fiscal year ended March 31, 2018 are those after retrospective application of this accounting standard and the relevant guidance.

Financial Section

CONSOLIDATED FIVE-YEAR SUMMARY

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Fiscal years ended March 31, 2019, 2018, 2017, 2016 and 2015

	Millions of yen, except per share information				
	2019	2018	2017	2016	2015
For the year:					
Net sales	¥336,698	¥331,148	¥329,487	¥347,763	¥351,279
Cost of sales	255,634	250,042	249,940	268,069	274,504
Selling, general and administrative expenses	59,337	57,183	56,215	56,571	56,195
Operating profit	21,727	23,923	23,332	23,123	20,580
Other expenses	21,625	5,698	9,392	6,898	8,264
Profit before income taxes and non-controlling interests	102	18,225	13,940	16,225	12,316
Provision for income taxes	912	5,243	4,913	5,959	4,024
Profit attributable to owners of parent	(603)	13,044	9,444	10,150	8,117
Comprehensive income	(¥467)	¥15,611	¥13,519	¥2,147	¥18,182
Net profit per share (yen) *1	(¥6.80)	¥146.93	¥106.38	¥11.43	¥9.14
At the end of the year:					
Total current assets *2	¥193,125	¥186,571	¥196,292	¥186,633	¥196,607
Property, plant and equipment	208,476	203,451	207,906	208,937	209,289
Total assets *2	461,047	445,495	450,790	444,587	465,809
Total long-term liabilities	148,053	135,870	143,015	153,796	158,472
Total net assets	¥181,226	¥184,515	¥170,910	¥160,101	¥161,087

*1 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 (yen) is calculated assuming the consolidation took place April 1, 2017.

*2 The Group has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) effective from the beginning of the fiscal year ended March 31, 2019. Accordingly, major managerial indicators, etc, for the fiscal year ended March 31, 2018 are those after retrospective application of this accounting standard and the relevant guidance.

Consolidated Balance Sheets

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2019	2018	2019
Current assets:			
Cash and time deposits (Note 3, 11 and 18)	¥22,318	¥26,006	$201,081
Notes and accounts receivable:			
Trade (Note 3)	85,790	82,727	772,953
Other	3,405	4,502	30,678
Allowance for doubtful receivables	(199)	(229)	(1,793)
	88,996	87,000	801,838
Inventories (Note 6)	76,799	71,296	691,945
Other current assets	5,012	2,268	45,157
Total current assets	193,125	186,570	1,740,022
Investments and other assets:			
Investment securities (Note 3 and 4)			
Unconsolidated subsidiaries and affiliates	9,110	10,044	82,079
Other	23,839	22,581	214,785
Deferred income tax assets (Note 8)	17,276	15,208	155,654
Other	6,258	4,234	56,383
Allowance for doubtful accounts	(691)	(578)	(6,226)
	55,792	51,489	502,676
Property, plant and equipment (Note 11 and 17):			
Land (Note 16)	98,199	98,971	884,755
Buildings and structures	140,973	137,663	1,270,141
Machinery and equipment	331,290	343,259	2,984,864
Tools, furniture and fixtures	21,363	21,009	192,477
Lease assets	3,503	2,688	31,561
Construction in progress	11,335	8,126	102,126
	606,663	611,716	5,465,925
Less accumulated depreciation	398,187	408,265	3,587,593
	208,476	203,451	1,878,331
Intangible assets:			
Other	3,654	3,985	32,922
	3,654	3,985	32,922
Total assets (Note 15)	¥461,047	¥445,495	$4,153,951

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
LIABILITIES AND NET ASSETS	2019	2018	2019
Current liabilities:			
Short-term borrowing (Note 3 and 9)	¥41,882	¥32,682	$377,349
Long-term debt due within one year (Note 3, 9 and 11)	22,433	23,962	202,117
Notes and accounts payable:			
Trade (Note 3 and 11)	44,772	45,311	403,388
Other	13,418	9,925	120,894
	58,190	55,236	524,281
Accrued employees' bonuses	4,128	4,412	37,193
Other current liabilities (Note 11)	5,135	8,818	46,265
Total current liabilities	131,768	125,110	1,187,206
Long-term liabilities:			
Long-term debt due after one year (Note 3, 9 and 11)	99,009	88,188	892,053
Deferred income tax liabilities on land revaluation (Note 8 and 16)	21,277	21,280	191,702
Defined benefit liability (Note 10)	18,236	18,222	164,303
Directors' and statutory auditors' retirement benefits	233	300	2,099
Provision for environmental measures	419	749	3,775
Other long-term liabilities (Note 8)	8,879	7,131	79,998
Total long-term liabilities	148,053	135,870	1,333,931
Total liabilities	279,821	260,980	2,521,137
Contingent liabilities (Note 13)			
Net assets (Note 12):			
Capital stock			
Authorized - 200,000 thousand shares			
Issued - 89,049 thousand shares in 2019 and 2018	51,730	51,730	466,078
Capital surplus	32,206	32,240	290,170
Retained earnings	51,858	56,117	467,231
Less treasury stock, at cost (281 thousand shares in 2019 and 279 thousand shares in 2018)	(416)	(411)	(3,748)
Total shareholders' equity	135,378	139,676	1,219,732
Valuation difference on available-for-sale securities	9,071	8,040	81,728
Deferred gains and losses on hedges	(33)	(49)	(297)
Land revaluation (Note 16)	44,483	44,467	400,784
Foreign currency translation adjustments	(10,277)	(9,948)	(92,594)
Accumulated remeasurements of defined benefit plans	(2,038)	(1,625)	(18,362)
Total accumulated other comprehensive income	41,206	40,885	371,259
Non-controlling interests	4,642	3,954	41,824
Total net assets	181,226	184,515	1,632,814
Total liabilities and net assets	¥461,047	¥445,495	$4,153,951

	Yen		U.S. dollars (Note 1)
Net assets per share (Note 2)	¥1,989.29	¥2,034.04	$17.923

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Operations

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Net sales (Note 15)	¥336,698	¥331,148	$3,033,589
Cost of sales	255,634	250,042	2,303,217
Gross profit	81,064	81,106	730,372
Selling, general and administrative expenses	59,337	57,183	534,616
Operating profit (Note 15)	21,727	23,923	195,756
Other income (expenses)			
Dividend income	742	667	6,685
Interest expense	(1,305)	(1,270)	(11,758)
Gain on sales of investment securities	198	137	1,784
Loss on sales of shares of subsidiaries and associates	(1,873)	-	(16,875)
Foreign exchange gains (losses)	114	(403)	1,027
Loss on disposal of property, plant and equipment	(1,905)	(4,699)	(17,164)
Loss due to fire (Note 7)	(13,822)	-	(124,534)
Insurance income	306	-	2,757
Gain on bargain purchase	175	-	1,577
State subsidy	607	-	5,469
Equity in gains of unconsolidated subsidiaries and affiliates	471	305	4,244
Loss on reduction of non-current assets	(607)	-	(5,469)
Loss on suspension of production	(1,079)	(955)	(9,722)
Salaries paid to dispatched employees	(1,014)	(1,205)	(9,136)
Losses on lawsuits	-	(7,970)	-
Other, net	(2,633)	9,695	(23,723)
	(21,625)	(5,698)	(194,837)
Profit before income taxes and non-controlling interests	102	18,225	919
Income taxes (Note 8)			
Current	2,907	5,281	26,192
Deferred	(1,995)	(38)	(17,975)
	912	5,243	8,217
Net profit (loss)	(810)	12,982	(7,298)
Net profit (loss) attributable to non-controlling interests	(207)	(62)	(1,865)
Net profit (loss) attributable to owners of parent	(¥603)	¥13,044	($5,433)
	Yen		U.S. dollars (Note 1)
Net profit (loss) per share (Note 2)			
Basic	¥-6.80	¥146.93	($0.061)
Cash dividends applicable to the year	¥40.00	¥40.00	$0.360

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Net profit (loss)	(¥396)	¥13,106	($3,568)
Other comprehensive income (Note 19)			
Valuation difference on available-for-sale securities	1,035	1,800	9,325
Deferred gains and losses on hedges	16	9	144
Land revaluation	-	-	-
Foreign currency translation adjustments	(123)	42	(1,108)
Remeasurements of defined benefit plans	(413)	627	(3,721)
Share of other comprehensive income of associates accounted for using equity method	(172)	151	(1,550)
Total other comprehensive income	343	2,629	3,090
Comprehensive income	(53)	15,735	(478)
Comprehensive income attributable to			
Owners of parent	(298)	15,650	(2,685)
Non-controlling interests	(¥169)	(¥39)	($1,523)

Consolidated Statements of Changes in Net Assets

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Shareholders' equity			
Capital stock			
Balance at beginning of year	¥51,730	¥51,730	$466,078
Changes in items during the year			
Total changes in items during the year	-	-	-
Balance at end of year	51,730	51,730	466,078
Capital surplus			
Balance at beginning of year	32,240	32,239	290,477
Changes in items during the year			
Capital increase of consolidated subsidiaries	(34)	-	(306)
Disposal of treasury stock	0	1	0
Total changes in items during the year	(34)	1	(306)
Balance at end of year	32,206	32,240	290,170
Retained earnings			
Balance at beginning of year	56,117	45,919	505,604
Changes in items during the year			
Dividends from surplus	(3,551)	(3,107)	(31,994)
Profit (loss) attributable to owners of parent	(603)	13,044	(5,433)
Reversal of land revaluation	(16)	-	(144)
Change in scope of consolidation	(89)	261	(802)
Total changes in items during the year	(4,259)	10,198	(38,373)
Balance at end of year	51,858	56,117	467,231
Treasury stock			
Balance at beginning of year	(411)	(393)	(3,703)
Changes in items during the year			
Purchase of treasury stock	(5)	(19)	(45)
Disposal of treasury stock	0	1	0
Total changes in items during the year	(5)	(18)	(45)
Balance at end of year	(416)	(411)	(3,748)
Total shareholders' equity			
Balance at beginning of year	139,676	129,495	1,258,456
Changes in items during the year			
Dividends from surplus	(3,551)	(3,107)	(31,994)
Profit (loss) attributable to owners of parent	(603)	13,044	(5,433)
Reversal of land revaluation	(16)	-	(144)
Change in scope of consolidation	(89)	261	(802)
Capital increase of consolidated subsidiaries	(34)	-	(306)
Purchase of treasury stock	(5)	(19)	(45)
Disposal of treasury stock	0	2	0
Total changes in items during the year	(4,298)	10,181	(38,724)
Balance at end of year	¥135,378	¥139,676	$1,219,732

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at beginning of year	¥8,040	¥6,388	$72,439
Changes in items during the year			
Net changes in items other than shareholders' equity	1,031	1,652	9,289
Total changes in items during the year	1,031	1,652	9,289
Balance at end of year	9,071	8,040	81,728
Deferred gains and losses on hedges			
Balance at beginning of year	(49)	(58)	(441)
Changes in items during the year			
Net changes in items other than shareholders' equity	16	9	144
Total changes in items during the year	16	9	144
Balance at end of year	(33)	(49)	(297)
Land revaluation			
Balance at beginning of year	44,467	44,467	400,640
Changes in items during the year			
Net changes in items other than shareholders' equity	16	-	144
Total changes in items during the year	16	-	144
Balance at end of year	44,483	44,467	400,784
Foreign currency translation adjustments			
Balance at beginning of year	(9,948)	(10,268)	(89,630)
Changes in items during the year			
Net changes in items other than shareholders' equity	(329)	320	(2,964)
Total changes in items during the year	(329)	320	(2,964)
Balance at end of year	(10,277)	(9,948)	(92,594)
Accumulated remeasurements of defined benefit plans			
Balance at beginning of year	(1,625)	(2,251)	(14,641)
Changes in items during the year			
Net changes in items other than shareholders' equity	(413)	626	(3,721)
Total changes in items during the year	(413)	626	(3,721)
Balance at end of year	(2,038)	(1,625)	(18,362)
Total accumulated other comprehensive income			
Balance at beginning of year	40,885	38,278	368,367
Changes in items during the year			
Net changes in items other than shareholders' equity	321	2,607	2,892
Total changes in items during the year	321	2,607	2,892
Balance at end of year	41,206	40,885	371,259
Non-controlling interests			
Balance at beginning of year	3,954	3,137	35,625
Changes in items during the year			
Net changes in items other than shareholders' equity	688	817	6,199
Total changes in items during the year	688	817	6,199
Balance at end of year	4,642	3,954	41,824
Total net assets			
Balance at beginning of year	184,515	170,910	1,662,447
Changes in items during the year			
Dividends from surplus	(3,551)	(3,107)	(31,994)
Profit (loss) attributable to owners of parent	(603)	13,044	(5,433)
Reversal of land revaluation	(16)	-	(144)
Change in scope of consolidation	(89)	261	(802)
Capital increase of consolidated subsidiaries	(34)	-	(306)
Purchase of treasury stock	(5)	(19)	(45)
Disposal of treasury stock	0	2	0
Net changes in items other than shareholders' equity	1,009	3,424	9,091
Total changes in items during the year	(3,289)	13,605	(29,633)
Balance at end of year	¥181,226	¥184,515	$1,632,814

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Cash flows provided by operating activities:			
Profit before income taxes and non-controlling interests	¥102	¥18,225	$919
Depreciation and amortization	15,823	15,666	142,562
Allowance for doubtful receivables, net	101	(325)	910
Increase in net defined benefit liability	(671)	(215)	(6,046)
Interest and dividend income	(863)	(822)	(7,775)
Interest expense	1,305	1,270	11,758
Equity in gains of unconsolidated subsidiaries and affiliates	(471)	(305)	(4,244)
Loss (gain) on sale and disposal of property, plant and equipment, net	1,902	(6,444)	17,137
Gain on sales and valuation of investment securities	(87)	(69)	(784)
Loss (gain) on sales of shares of subsidiaries and associates	1,873	(65)	16,875
Loss due to fire	13,822	-	124,534
Losses related to lawsuits	-	7,970	-
Increase in trade notes and accounts receivable	(4,562)	(1,591)	(41,103)
Decrease (increase) in inventories	(7,098)	1,895	(63,952)
Increase in trade notes and accounts payable	603	1,919	5,433
Decrease in net defined benefit asset	1,452	961	13,082
Other, net	(1,082)	(3,533)	(9,749)
Total	22,149	34,537	199,559
Payments for loss due to fire	(8,029)	-	(72,340)
Payments related to lawsuits	(255)	(7,739)	(2,298)
Income taxes paid	(6,027)	(4,445)	(54,302)
Net cash flows provided by operating activities	7,838	22,353	70,619
Cash flows used in investing activities:			
Purchase of property, plant and equipment and intangibles	(24,235)	(20,694)	(218,353)
Proceeds from sale of property, plant and equipment and intangibles	529	21,271	4,766
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	425	-	3,829
Purchase of shares of subsidiaries and associates	-	(1,979)	-
Proceeds from sales of shares of subsidiaries and associates	475	95	4,280
Collections of long-term loans receivable	33	73	297
Payments of long-term loans receivable	(1,940)	(245)	(17,479)
Interest and dividends received	944	908	8,505
Other, net	(517)	(603)	(4,658)
Net cash flows used in investing activities	(24,286)	(1,174)	(218,813)
Cash flows provided by (used in) financing activities			
Cash dividends	(3,550)	(3,111)	(31,985)
Cash dividends to non-controlling interests	(7)	(3)	(63)
Increase (decrease) in short-term bank loans	8,719	(7,386)	78,557
Proceeds from long-term loans payable	23,316	31,848	210,073
Repayments of long-term loans payable	(24,105)	(38,107)	(217,182)
Proceeds from issuance of bonds	10,000	-	90,098
Payments of bonds	-	(10,000)	-
Payments of interest	(1,307)	(1,325)	(11,776)
Proceeds from sales of treasury shares	-	1	-
Payments for purchase of treasury stock	(5)	(21)	(45)
Other, net	(453)	273	(4,081)
Net cash flows provided by (used in) financing activities	12,608	(27,831)	113,596
Adjustments for foreign currency translation	(106)	110	(955)
Net increase (decrease) in cash and cash equivalents	(3,946)	(6,542)	(35,553)
Cash and cash equivalents at beginning of year	25,857	32,179	232,967
Increase resulting from changes in consolidated subsidiaries	256	211	2,307
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	-	9	-
Cash and cash equivalents at end of year (Note 18)	¥22,167	¥25,857	$199,721

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Toyobo Co., Ltd. (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of major consolidated foreign subsidiaries for the years ended March 31, 2019 and 2018 were prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles for consolidation purposes, with adjustments for the specified four items as applicable in compliance with ASBJ (Accounting Standards Board of Japan) Practical Solution No. 18, "Tentative Treatment of Accounting for Foreign Subsidiaries in Preparing Consolidated Financial Statements." If other GAAP are used in preparing other foreign subsidiaries financial statements for consolidation purposes, appropriate modifications in compliance with ASBJ Practical Solution No. 18 are also made.

The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the corporate Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements. Certain reclassifications have been made in the previous consolidated financial statements to conform to the current presentation.

Translations of the Japanese yen amounts into U.S. dollar amounts were included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2019, which was ¥110.99 to U.S. $1.00. These translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its 51 significant, substantially controlled subsidiaries. Investments in 5 affiliates over which the Company has significant influence are accounted for using the equity method. Intercompany transactions and accounts have been eliminated upon consolidation. Any significant difference between the cost of an investment in a consolidated subsidiary and the equity in the net assets at the date of acquisition is amortized over five years. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling stockholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary.

For the year ended March 31, 2019, the accounts of 2 consolidated subsidiaries were included based on a fiscal year that ended on December 31. These subsidiaries did not prepare for consolidation purposes financial statements that corresponded with the fiscal year of the Company. For the consolidated subsidiaries with a fiscal year-end different from that of the Company, if significant transactions occurred between their fiscal year-end and that of the Company, necessary adjustments were made to reflect the transactions in the consolidated financial statements.

From the fiscal year ended March 31, 2019, Xenomax – Japan Co., Ltd. has been included in the scope of consolidation because the company was newly established. TOYOBO INDIA PRIVATE LIMITED and two other companies have been included in the scope of consolidation in consideration of their materiality. Arabian Japanese Membrane Company, LLC has been included in the scope of consolidation due to an acquisition of its additional shares. In addition, Toyobo Technowool Co., Ltd. has been excluded from the scope of consolidation because this company merged with Miyuki Keori Co., Ltd. Toyobo Techno Uni Co., Ltd. and two other companies have been excluded from the scope of consolidation because these companies merged with Godo Syoji Co., Ltd. In addition, Sundiya Co., Ltd. and Kureha Apparel Co., Ltd. have been excluded from the scope of consolidation due to the completion of their liquidation. Kureha Elastomer Co., Ltd. has been excluded from the scope of consolidation because all its shares held by the Company were transferred.
Godo Syoji Co., Ltd. changed its company name to TOYOBO UNI PRODUCTS CO., LTD.

In the fiscal year ended March 31, 2019, TOYOBO BINH DUONG CO., LTD. changed the method used for its financial statements based on the provisional settlement of accounts conducted on the consolidated account closing date in accordance with the actual settlement of accounts. Therefore, its accounting period for the fiscal year ended March 31, 2019 was 15 months.

Securities
Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are calculated using moving average cost. Other securities with no available fair market value are stated at moving average cost. Held-to-maturity securities are stated at amortized cost by the straight-line method.

Inventories
Inventories are principally stated at the lower of weighted average cost or net realizable value at the fiscal year-end.

Property, plant and equipment
The Company and its consolidated subsidiaries use the straight-line method for the depreciation of property, plant and equipment.

Lease assets
Lease assets under finance lease transactions that transfer ownership of the lease assets to the lessee are amortized using the same depreciation method applied to tangible and intangible fixed assets.

Lease assets under finance lease transactions that do not transfer ownership of the lease assets are amortized using the straight-line method over the lease term, assuming that the useful life coincides with the lease term and the residual value is zero. Finance lease transactions that do not transfer ownership of the lease assets and commenced on or before March 31, 2008 are accounted for as operating leases.

Intangible assets
Other intangible assets, including software, are amortized using the straight-line method over the estimated useful life of five years.

Bond issuance expenses
Bond issuance expenses are expensed at incurred.

Research and development expenses
Expenses related to research and development are charged to income as incurred. Research and development expenses were ¥11,022 million ($99,306 thousand) and ¥10,402 million for the years ended March 31, 2019 and 2018, respectively.

Allowance for doubtful receivables
With respect to normal trade accounts receivable, an allowance for doubtful receivables is stated based on the actual rate of historical bad debts. For certain other doubtful receivables, the uncollectible amount is individually estimated.

Retirement benefits accounting
1. Attribution method for estimated amounts of retirement benefits
   The benefit formula basis is used for attributing the estimated amount of retirement benefits to the current period in calculating projected benefit obligations.

2. Prior service costs and actuarial differences
   Prior service costs are amortized using the straight-line method over a certain period within the average remaining years of service of the eligible employees (ten years) at the time of recognition. Actuarial differences are amortized using the straight-line method over a certain period within the average remaining years of service of the eligible employees (ten years) at the time of recognition and allocated proportionately from the year following the year of recognition.

3. Unrecognized actuarial gains and losses and unrecognized prior service costs
   Unrecognized actuarial gains and losses and unrecognized prior service costs are reported as accumulated remeasurements of defined benefit plans within other comprehensive income in net assets, after adjusting for tax effects.

Retirement benefits for directors, operating officers and corporate auditors
Some consolidated subsidiaries accrue estimated amounts of retirement benefits for directors, operating officers and corporate auditors equal to management’s estimate of the amounts that would be payable at the balance sheet date if they retired at that date. Amounts payable to directors and corporate auditors upon retirement are subject to the approval of the stockholders of the subsidiaries.

Accrued employees' bonuses
In order to prepare for the payment of employee bonuses, the Company and its consolidated subsidiaries accrue the estimated amounts.

Provision for environmental measures
In order to prepare for expenditures related to environmental measures such as the removal of hazardous substances required by laws and regulations, the Company and some consolidated subsidiaries reserve the amount expected to be incurred in future periods.

Translation of foreign currencies
Accounts denominated in foreign currencies, namely cash, receivables and payables are translated at year-end exchange rates. The assets and liabilities in the financial statements of the foreign consolidated subsidiaries are also translated into Japanese yen at year-end exchange rates. Income and expenses are translated at the average exchange rates prevailing during the year. Resulting translation adjustments are reflected in the consolidated financial statements as "Foreign currency translation adjustments" and in non-controlling interests.

Derivatives and hedge accounting
Derivative financial instruments are stated at fair value, and changes in the fair value are recognized as gain or loss unless the derivative financial instruments are used for hedging purposes. If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its consolidated subsidiaries defer recognition of gain or loss resulting from a change in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized. However, when forward foreign exchange contracts are used as hedges and meet certain hedging criteria, the foreign exchange forward contracts and hedged items are accounted for in the following manner:

1. If a foreign exchange forward contract is executed to hedge an existing foreign currency receivable or payable, the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable (translated using the spot rate at the inception date of the contract) and the book value of the receivable or payable is recognized in the statement of income in the period which includes the inception date, and the discount or premium on the contract (the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

2. If a foreign exchange forward contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gain or loss on the forward foreign exchange contract will be recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

Below are the hedging derivative financial instruments used by the Company and its consolidated subsidiaries and the corresponding items hedged:

Hedging instruments:	Hedged items:
Foreign exchange forward contracts	Future transactions denominated in foreign currencies
	Foreign currency receivables and payables
Interest rate swap contracts	Interest expense on borrowings

The Company and certain consolidated subsidiaries evaluate hedge effectiveness by comparing the cumulative changes in cash flows or the changes in fair value of the hedged items and the corresponding changes in the hedging derivative instruments.

Amortization of goodwill
Goodwill is amortized using the straight-line method over five years.

Impairment of fixed assets
In accordance with the "Accounting Standards for Impairment of Fixed Assets" issued by the Business Accounting Council in Japan, fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparing the carrying amount of an asset or group of assets to the estimated undiscounted future cash flows expected to be generated by the asset or group of assets. If the carrying amount exceeds the estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount exceeds the greater of net realizable value or value in use.

Income taxes

Income taxes comprise corporation tax, enterprise tax and prefectural and municipal inhabitants' taxes. The Company and its consolidated subsidiaries provide for income taxes at the amounts currently payable and for deferred income taxes pertaining to loss carryforwards, temporary differences between financial and tax reporting and temporary differences in respect to the elimination of unrealized intercompany profits and other adjustments for consolidation purposes. The asset-liability method is used to recognize deferred income tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Amounts per share

Computations of net profit per share of common stock are based on the weighted average number of shares outstanding during each period. Diluted net profit per share is not disclosed because the Company had no dilutive shares outstanding. Computations of net assets per share of common stock are based on the number of shares outstanding at year end. Cash dividends per share represent amounts applicable for the respective years on an accrual basis.

Net profit per share for the years ended March 31, 2019 and 2018 is calculated based on the following factors.

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Profit attributable to owners of parent	Weighted average number of shares	Net profit per share	
For the year ended March 31, 2019:				
Basic	(¥603)	88,768	(¥6.80)	($0.061)

	Millions of yen	Thousands of shares	Yen
	Profit attributable to owners of parent	Weighted average number of shares	Net profit per share
For the year ended March 31, 2018:			
Basic	¥13,044	88,774	¥146.93

Accounting standards issued but not yet effective

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018)

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018)

1. Summary

This is a comprehensive accounting standard on revenue recognition. Revenue is recognized using the following five steps.

1: Identify the contract(s) with a customer
2: Identify the performance obligations in the contract
3: Determine the transaction price
4: Allocate the transaction price to the performance obligations in the contract
5: Recognize revenue when, or as, the entity satisfies a performance obligation

2. Effective date

Effective from the beginning of the fiscal year ending March 31, 2022

3. Impact of applying the accounting standards

The impact of the application of these new standards on the consolidated financial statements is currently under evaluation.

Changes in presentation

(Changes associated with the application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and relevant guidance effective from the beginning 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 “long-term liabilities.” As a result, in the consolidated balance sheets of the fiscal year ended March 31, 2018, deferred tax assets in current assets decreased ¥4,236 million, deferred tax assets in investments and other assets increased ¥3,575 million, and deferred tax liabilities in long-term liabilities decreased ¥661 million. In addition, total assets has decreased ¥661 million compared to before the change, because the deferred tax assets and deferred tax liabilities of taxable entities are offset in presentation.

Furthermore, the contents described in annotation No. 8 (excluding the total amount of valuation allowance) and annotation No. 9 to the “Accounting Standard for Tax Effect Accounting” set forth in Paragraph 3 through Paragraph 5 of the Partial Amendments to Accounting Standard for Tax Effect Accounting have been added in the notes on tax effect accounting. However, of these, information for the fiscal year ended March 31, 2018 has not been provided in accordance with the transitional treatment specified in Paragraph 7 of the Partial Amendments to Accounting Standard for Tax Effect Accounting.

3. FINANCIAL INSTRUMENTS

1. Overall status of financial instruments

(1) Policy for the use of financial instruments

In the Toyobo Group, cash is managed using only short-term financial instruments after ensuring the collectability of the principal and sufficient liquidity. Funds are raised both through direct access to capital markets such as through the issuance of bonds and through indirect financing in the form of borrowings from banks. As a policy, the Company uses derivative financial instruments only for the purpose of hedging the risk of exchange rate and interest rate fluctuation in the normal course of the Company's business and does not engage in highly leveraged transactions or speculative transactions using these instruments.

(2) Type and risk of financial instruments and related risk management system

Notes and accounts receivable－trade arising in the normal course of the Company's business are exposed to the credit risk of customers. This risk is managed through the monitoring of due dates and balances by customer and by examining the credit standing of major customers in each fiscal period in accordance with the credit management rules of the Company. Most notes and accounts payable －trade arising in the normal course of the Company's business are due in less than one year.

Trade receivables and payables denominated in foreign currencies are exposed to the risk of exchange rate fluctuation. In principle, the receivables and payables are hedged for the net position risk remaining after cross currency netting by using derivative instruments such as foreign exchange forward contracts.

Investment securities consist mainly of stocks of our customers and suppliers held in connection with our ongoing business relationships and are exposed to the risk of market price fluctuation. The Company and its consolidated subsidiaries regularly monitor the current market price of these stocks and the financial conditions of the issuers, i.e., our customers and suppliers, and review the status of our stock holdings on an ongoing basis, taking into consideration our relationship with these customers and suppliers.

Short-term borrowing is used mainly to finance operating transactions. Long-term loans payable and corporate bonds are used mainly to finance capital improvements, other investments and lending. For loans payable exposed to the risk of interest rate fluctuation, derivatives (mainly interest rate swaps) are used as hedging instruments on an individual contract basis to avoid the risk of changes in interest payments. The hedging instruments, hedged items, hedging policy and the method used to assess hedge effectiveness in relation to hedge accounting are described in the Note 2, "Significant Accounting Policies."

In accordance with the internal rules of the Toyobo Group, derivative transactions are executed and managed under a system that segregates functions and promotes mutual checking, including (1) the establishment of risk management policies by the director in charge of finance, (2) the execution of transactions and management of positions by the Finance Department and (3) the valuation of and accounting for financial instruments by the Accounting and Control Department. Overall derivative positions across the Toyobo Group are managed by the Finance Department and reported to the director in charge of finance. The Company and its consolidated subsidiaries deal with highly rated financial institutions as counterparties to these transactions and no counterparty default is expected.

Trade payables and interest bearing debt such as borrowings create exposure to liquidity risk. The liquidity risk arising from these liabilities is managed at the individual company level based on cash flow projections prepared by each group company. In addition, the liquidity risk of the domestic subsidiaries is managed centrally by the Company using a cash management system.

(3) Supplementary explanation on disclosure about fair value of financial instruments

In addition to the fair values determined by market price, the fair value of financial instruments includes a reasonably determined value if no market price is available. Certain assumptions used for such determinations are subject to change. Accordingly, the results of the valuations could change if different assumptions were used. Furthermore, the contractual and other amounts of derivative transactions included in Note 5, "Derivatives and hedge accounting," do not reflect the market risk associated with the derivative transactions themselves.

2. Disclosure about fair value, etc., of financial instruments

The following table summarizes the carrying amounts and the estimated fair values of financial instruments as of March 31, 2019 and 2018. Note that the following table does not include unlisted equity securities and certain other securities whose fair value is extremely difficult to estimate.

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
For the year ended March 31, 2019:						
(1) Cash and time deposits	¥22,318	¥22,318	¥ -	$201,081	$201,081	$ -
(2) Notes and accounts receivable - trade	85,790	85,790	-	772,953	772,953	-
(3) Investment securities						
Held-to-maturity securities	-	-	-	-	-	-
Available-for-sale securities	21,729	21,729	-	195,774	195,774	-
Total assets	¥129,837	¥129,837	¥ -	$1,169,808	$1,169,808	$ -
(1) Notes and accounts payable - trade	¥44,772	¥44,772	¥ -	$403,388	$403,388	$ -
(2) Short-term borrowing	41,882	41,882	-	377,349	377,349	-
(3) Corporate bonds	40,000	40,199	(199)	360,393	362,186	(1,793)
(4) Long-term loans payable	81,442	82,078	(636)	733,778	739,508	(5,730)
Total liabilities	¥208,096	¥208,931	(¥835)	$1,874,908	$1,882,431	($7,523)
Derivatives *	(¥58)	(¥58)	¥ -	($523)	($523)	$ -

* Derivative assets and liabilities are presented on a net basis, and an amount enclosed in parentheses ( ) indicates a net liability position.

	Millions of yen		
	Book value	Fair value	Difference
For the year ended March 31, 2018:			
(1) Cash and cash equivalents	¥26,006	¥26,006	¥ -
(2) Notes and accounts receivable - trade	82,727	82,727	-
(3) Investment securities			
Held-to-maturity securities	-	-	-
Available-for-sale securities	20,502	20,502	-
Total assets	¥129,235	¥129,235	¥ -
(1) Notes and accounts payable - trade	¥45,311	¥45,311	¥ -
(2) Short-term borrowing	32,682	32,682	-
(3) Corporate bonds	30,000	30,030	(30)
(4) Long-term loans payable	82,150	82,708	(558)
Total liabilities	¥190,143	¥190,731	(¥588)
Derivatives *	(¥52)	(¥52)	¥ -

* Derivative assets and liabilities are presented on a net basis, and an amount enclosed in parentheses ( ) indicates a net liability position.

(Note1) Methods used to determine the fair value of financial instruments and matters concerning marketable securities and derivatives.

Assets

(1) Cash and cash equivalents and (2) Notes and accounts receivable－trade

As cash and cash equivalents and notes and accounts receivable－trade are settled within a short period, their fair value is nearly equal to the carrying amount. Therefore, the carrying amount is reported as the fair value.

(3) Investment securities

The fair value of held-to-maturity securities is calculated as the present value of expected receipts from redemption discounted at an interest rate applicable to safe investments. The fair value of available-for-sale securities is determined based on the price quoted on the exchange (for stocks) or the published net asset value per unit (for investment trusts). For investments in investment partnerships that are deemed to be securities, the proportional equity share in the value of the partnership assets is reported as the fair value. See Note 4, "Securities," for information on securities categorized by the purpose for which they are held.

Liabilities

(1) Notes and accounts payable- trade and (2) Short-term borrowing

As notes and accounts payable-trade and short-term borrowing are settled within a short period, their fair value is nearly equal to the carrying amount. Therefore, the carrying amount is reported as the fair value.

(2) Corporate bonds

The fair value of corporate bonds is based on the market price.

(3) Long-term loans payable

The fair value of long-term loans payable is determined by discounting the sum of the principal and interest payments at an interest rate that is estimated to be applicable to newly arranged debt of similar quality. For variable-rate, long-term loans payable, the carrying amount is reported as fair value as it is considered to be a reasonable approximation of fair value because such loans payable reflect the market interest rates in a short period and there has been no significant change in the creditworthiness of the Company. However, the fair value of certain variable-rate, long-term loans payable that qualify for the special treatment of interest rate swaps is determined by discounting the sum of the principal and interest payments net of any cash flows from the interest rate swap at an interest rate that is reasonably estimated to be applicable to similar fixed rate debt.

Derivative transactions

Refer to the Note 5, “Derivatives and hedge accounting.”

(Note 2) Financial instruments whose fair value is extremely difficult to estimate

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Non-listed equity securities	¥1,084	¥1,107	$9,767

For the financial instruments shown in the above table, quoted market price was not available. Therefore, the fair value was considered to be extremely difficult to estimate, and the instruments were not included in “Investment securities” in the above table summarizing the carrying amounts and estimated fair values of financial instruments.

(Note 3) Stocks of subsidiaries and affiliates are also not included in “Investment securities” in the above table summarizing the carrying amounts and estimated fair values of financial instruments. For stocks of listed subsidiaries and affiliates, the carrying amount was ¥2,869 million ($25,849 thousand) and ¥2,674 million for the years ended March 31, 2019 and 2018, respectively, the fair value was ¥1,188 million ($10,704 thousand) and ¥1,732 million, respectively, and the difference was a negative ¥1,681 million ($15,146 thousand) and ¥942 million, respectively. The carrying amount of stocks of unlisted subsidiaries and affiliates was stated at ¥4,063 million ($36,607 thousand) and ¥4,716 million for the years ended March 31, 2019 and 2018, respectively.

4. SECURITIES

The following tables summarize acquisition cost and book value (fair value) of securities with available fair values as of March 31, 2019 and 2018.

Available-for-sale securities

	Millions of yen					
	2019			2018		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:						
Equity securities	¥6,443	¥19,993	¥13,550	¥7,632	¥19,604	¥11,972
Other	6	13	7	6	13	7
	¥6,449	¥20,006	¥13,557	¥7,638	¥19,617	¥11,979
Securities with book values not exceeding acquisition costs:						
Equity securities	¥1,763	¥1,616	(¥147)	¥1,021	¥799	(¥222)
Other	107	107	-	86	86	-
Total	¥1,870	¥1,723	(¥147)	¥1,107	¥885	(¥222)

	Thousands of U.S. dollars		
	2019		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	$58,050	$180,133	$122,083
Other	54	117	63
	$58,104	$180,250	$122,146
Securities with book values not exceeding acquisition costs:			
Equity securities	$15,884	$14,560	($1,324)
Other	964	964	-
Total	$16,848	$15,524	($1,324)

The following table summarizes sales of available-for-sale securities and the related gains and losses for the years ended March 31, 2019 and 2018.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Total sales of available-for-sale securities	¥682	¥113	$6,145
Related gains	198	72	1,784
Related losses	3	-	27

5. DERIVATIVES AND HEDGE ACCOUNTING

The Company and some of its consolidated subsidiaries use derivatives to manage risks related to foreign currencies and interest rates. Details of these derivatives are as follows.

Currency related transactions not designated as hedging transactions at March 31, 2019 and 2018 consisted of the following:

	Millions of yen					
	2019			2018		
	Contract amount	Fair value	Revaluation gain (loss)	Contract amount	Fair value	Revaluation gain (loss)
Over the counter						
Forward						
Sold	¥2,475	(¥11)	(¥11)	¥3,011	¥22	¥22
Bought	201	1	1	308	(3)	(3)
Total	¥2,676	(¥10)	(¥10)	¥3,319	¥19	¥19

	Thousands of U.S. dollars		
	2019		
	Contract amount	Fair value	Revaluation gain (loss)
Over the counter			
Forward			
Sold	$22,299	($99)	($99)
Bought	1,811	9	9
Total	$24,110	($90)	($90)

(Note) The fair values of the transactions are provided by financial institutions.

Currency related transactions designated as hedging transactions at March 31, 2019 and 2018 consisted of the following:

		Millions of yen					
		2019			2018		
		Contract amount			Contract amount		
	Major hedged items	Total	Maturity over 1 year	Fair value	Total	Maturity over 1 year	Fair value
Deferral hedge accounting (Note 1)							
Forward							
Sold	Accounts receivable - trade	¥30	-	¥1	¥108	-	¥3
Bought	Accounts payable - trade	1,568	-	(33)	976	-	(26)
Alternative method (Note 2)							
Forward							
Sold	Accounts receivable - trade	56	-	(Note 3)	236	-	(Note 3)
Bought	Accounts payable - trade	348	-	(Note 3)	377	-	(Note 3)
Total		¥2,002	-	(¥32)	¥1,697	-	(¥23)

		Thousands of U.S. dollars		
		2019		
		Contract amount		
	Major hedged items	Total	Maturity over 1 year	Fair value
Deferral hedge accounting (Note 1)				
Forward				
Sold	Accounts receivable - trade	$270	-	$9
Bought	Accounts payable - trade	14,127	-	(297)
Alternative method (Note 2)				
Forward				
Sold	Accounts receivable - trade	505	-	(Note 3)
Bought	Accounts payable - trade	3,135	-	(Note 3)
Total		$18,038	-	($288)

(Notes) 1. The fair values of the transactions are determined by the forward exchange rate.
2. Monetary obligations denominated in foreign currencies for which foreign exchange forward contracts are used to hedge foreign currency fluctuation are translated at the contracted rate if the forward contract qualifies for hedge accounting.
3. Since foreign exchange forward contracts under the alternative method are accounted for as an integral part of accounts receivable and accounts payable as hedged items, their fair values are included in the fair value of the underlying accounts receivable and accounts payable.

Interest rate related transactions designated as hedging transactions at March 31, 2019 and 2018 consisted of the following:

	Millions of yen					
	2019			2018		
	Contract amount			Contract amount		
Major hedged items	Total	Maturity over 1 year	Fair value	Total	Maturity over 1 year	Fair value
Deferral hedge accounting of interest rate swaps (Note 1)						
Long-term loans payable						
Receive - float / Pay - fixed	¥15,000	¥15,000	(¥17)	¥15,000	¥15,000	(¥48)
Special treatment of interest rate swaps						
Long-term loans payable						
Receive - float / Pay - fixed	-	-	-	1,600	-	(Note 2)
Total	¥15,000	¥15,000	(¥17)	¥16,600	¥15,000	(¥48)

	Thousands of U.S. dollars		
	2019		
	Contract amount		
Major hedged items	Total	Maturity over 1 year	Fair value
Deferral hedge accounting of interest rate swaps (Note 1)			
Long-term loans payable			
Receive - float / Pay - fixed	$135,147	$135,147	($153)
Special treatment of interest rate swaps			
Long-term loans payable			
Receive - float / Pay - fixed	-	-	-
Total	$135,147	$135,147	($153)

(Notes) 1. The fair value of the transactions is provided mainly by financial institutions.

2. As interest rate swaps subject to the special treatment of interest rate swaps are accounted for as a single item with the underlying long-term loans payable, which are the hedged items, their fair value is included in the long-term loans payable.

6. INVENTORIES

Inventories at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Finished goods	¥45,849	¥43,059	$413,091
Work-in-process	13,704	13,007	123,471
Raw materials	11,218	9,758	101,072
Supplies	6,028	5,472	54,311
	¥76,799	¥71,296	$691,945

7. LOSS DUE TO FIRE

This is a breakdown of the loss due to the fire accident that occurred at the Company’s Tsuruga Research and Production Center No. 2 on September 6, 2018.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cost related to procurement of replacement materials	¥7,856	-	$70,781
Loss on extinguishment of non-current assets and inventories	2,093	-	18,858
Expenses of removing assets and restoration	1,747	-	15,740
Fixed costs during a closed period	1,397	-	12,587
Other related expenses	729	-	6,568
	¥13,822	-	$124,534

8. INCOME TAXES

Significant components of the Company's and its consolidated subsidiaries' deferred income tax assets and liabilities as of March 31, 2019 and 2018 are set forth below.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred income tax assets:			
Accrued employee bonuses	¥1,485	¥1,594	$13,380
Devaluation loss on inventories	498	559	4,487
Defined benefit liability	6,084	6,116	54,816
Allowance for doubtful receivables	181	122	1,631
Provision for environmental measures	128	224	1,153
Impairment loss	850	924	7,658
Write-down of investment securities	466	646	4,199
Depreciation	270	252	2,433
Tax losses carried forward	4,652	4,548	41,914
Unrealized gains eliminated in consolidation	9,248	9,248	83,323
Securities acquired through merger	195	195	1,757
Deficit of subsidiaries under liquidation	1,031	1,358	9,289
Loss due to fire	2,805	-	25,273
Other	1,566	1,686	14,109
Subtotal deferred income tax assets	29,459	27,472	265,420
Valuation allowance for tax losses carried forward	(4,246)	-	(38,256)
Valuation allowance for temporary differences	(2,553)	-	(23,002)
Total valuation allowance	(6,799)	(6,616)	(61,258)
Net deferred income tax assets	22,660	20,856	204,163
Deferred income tax liabilities:			
Reserve for deferred gains on sale of property	(439)	(445)	(3,955)
Undistributed earnings of overseas subsidiaries and affiliates	(1,589)	(1,373)	(14,317)
Consolidation adjustment of allowance for doubtful receivables	(2)	(3)	(18)
Valuation difference of subsidiaries	(1,522)	(1,519)	(13,713)
Tax deferred gains on assets transferred to a new company	(1,335)	(1,335)	(12,028)
Tax deferred gains on spin-off	(497)	(497)	(4,478)
Valuation difference on available-for-sale securities	(4,209)	(3,619)	(37,922)
Foreign currency translation adjustments	(11)	(12)	(99)
Total deferred income tax liabilities	(9,604)	(8,803)	(86,530)
Net deferred income tax assets	¥13,056	¥12,053	$117,632

	2019	2018	2019
Investments and other assets	17,276	15,208	155,654
Long-term liabilities	(4,220)	(3,155)	(38,021)
Total	¥13,056	¥12,053	$117,632

Deferred income tax liabilities on land revaluation of ¥21,277 million ($191,702 thousand) and ¥21,280 million as of March 31, 2019 and 2018, respectively, were recognized in long-term liabilities.

Balance by carry forward deadline of tax losses and deferred income tax assets.
A breakdown of tax losses carried forward and valuation allowance by expiry date as of March 31, 2019 is as follows:

	Tax losses carried forward *	Valuation allowance	Deferred income tax assets
Within 1st year	¥278	(¥272)	¥6
2nd year	414	(296)	118
3rd year	304	(304)	0
4th year	206	(96)	110
5th year	210	(198)	12
thereafter	3,240	(3,080)	160
Total	¥4,652	(¥4,246)	¥406

* The amounts are determined by multiplying the corresponding tax losses carried forward by the statutory tax rate.

	Thousands of U.S. dollars		
	Tax losses carried forward *	Valuation allowance	Deferred income tax assets
Within 1st year	$2,505	($2,451)	$54
2nd year	3,730	(2,667)	1,063
3rd year	2,739	(2,739)	0
4th year	1,856	(865)	991
5th year	1,892	(1,784)	108
thereafter	29,192	(27,750)	1,442
Total	$41,914	($38,256)	$3,658

* The amounts are determined by multiplying the corresponding tax losses carried forward by the statutory tax rate.

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate a statutory tax rate in Japan of approximately 31.0% for both the years ended March 31, 2019 and 2018.
The effective tax rate for the years ended March 31, 2019 and 2018 differ from statutory tax rate as follows:

	2019	2018
Statutory tax rate	31.0%	31.0%
Expenses not deductible for tax purposes	79.1	0.4
Nontaxable dividend income	(112.8)	(0.7)
Tax losses carried forward	(51.8)	(4.5)
Tax credits	(34.2)	(1.8)
Valuation allowance	189.9	4.9
Equity in income of unconsolidated subsidiaries and affiliates	(132.6)	(0.5)
Unrealized gains and losses	14.2	0.0
Undistributed earnings of overseas subsidiaries and affiliates	210.8	0.9
Difference in tax rate	0.3	(0.4)
Goodwill	34.2	0.4
Effect of exclusion of subsidiaries from consolidation	703.0	1.2
Other	(40.0)	(2.1)
Effective tax rate	891.1%	28.8%

9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2019 and 2018 consisted of short-term loans due within one year bearing interest at an average rate of 0.75% and 0.68%, respectively.

Long-term debt at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unsecured:			
0.28% bonds due 2019	¥10,000	¥10,000	$90,098
0.45% bonds due 2021	5,000	5,000	45,049
0.16% bonds due 2021	5,000	5,000	45,049
0.31% bonds due 2023	10,000	10,000	90,098
0.29% bonds due 2025	10,000	-	90,098
Long-term loans payable, principally maturing through 2078 at the weighted average interest rate of 0.88% as of March 31, 2019			
Secured	7	44	63
Unsecured	81,435	82,106	733,715
Lease obligations maturing serially through 2034	1,446	763	13,028
Total	122,888	112,913	1,107,199
Less amount due within one year	22,712	24,266	204,631
	¥100,176	¥88,647	$902,568

The aggregate annual maturities of long-term debt outstanding as of March 31, 2019 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2020	¥22,712	$204,631
2021	8,615	77,620
2022	14,913	134,363
2023	16,388	147,653
2024	32,656	294,225
Thereafter	27,604	248,707
	¥122,888	$1,107,199

The Company has credit facility commitments with three banks in order to secure financing. The total unused credit available to the Company through these facilities at March 31, 2019 was ¥17,500 million ($157,672 thousand).

10. EMPLOYEES SEVERANCE AND RETIREMENT BENEFITS

Overview of defined benefit plans

The Company and certain consolidated subsidiaries have established funded and unfunded defined benefit plans and defined contribution plans. Under the defined benefit corporate pension plan and lump-sum severance payment plan, a lump-sum payment or pension payment based on the employee's salary at the time of retirement or termination and length of service is provided. In addition, a corporate-type defined contribution pension system was newly introduced to the Company in the fiscal year ended March 31, 2018.

In certain cases, the Company pays employees who are retiring additional retirement benefits that are not considered to be retirement benefit obligations as calculated under actuarial methods according to retirement benefit accounting principles. Although one consolidated subsidiary subscribed to a social welfare fund plan under a multi-employer type employee pension fund plans, the subsidiary shifted to a corporate pension plan under a multi-employer type employee pension fund plans in the fiscal year ended March 31, 2019. As this plan is unable to rationally calculate amounts of pension assets corresponding to the Company's contribution, the Group adopts an accounting procedure that treats the plan as being equivalent to a defined contribution plan.

Defined benefit plans

Reconciliation of the beginning balance and the ending balance of retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Retirement benefit obligations at beginning of year	¥63,216	¥61,542	$569,565
Service cost	2,584	2,624	23,281
Interest cost	374	360	3,370
Actuarial differences incurred	926	1,482	8,343
Retirement benefits paid	(3,480)	(2,839)	(31,354)
Prior service cost incurred	-	-	-
Other	(1,405)	47	(12,659)
Retirement benefit obligations at end of year	¥62,215	¥63,216	$560,546

(Note) The above table includes retirement benefit obligations of the consolidated subsidiaries applying the simplified method.

Reconciliation of the beginning balance and the ending balance of plan assets

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Plan assets at beginning of year	¥44,995	¥43,212	$405,397
Expected return on plan assets	870	840	7,839
Actuarial differences incurred	(943)	651	(8,496)
Employer's contribution	1,269	2,303	11,433
Retirement benefits paid	(2,212)	(2,011)	(19,930)
Plan assets at end of year	¥43,979	¥44,995	$396,243

Reconciliation of retirement benefit obligations and plan assets and net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Funded retirement benefit obligations	¥59,657	¥59,400	$537,499
Plan assets	(43,979)	(44,995)	(396,243)
	15,678	14,405	141,256
Unfunded retirement benefit obligations	2,558	3,817	23,047
Net liability and asset recorded on the consolidated balance sheet	18,236	18,222	164,303
Defined benefit liability	18,236	18,222	164,303
Net liability and asset recorded on the consolidated balance sheet	¥18,236	¥18,222	$164,303

Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Service cost – benefits earned during the year	¥2,584	¥2,624	$23,281
Interest cost on projected benefit obligation	374	360	3,370
Expected return on plan assets	(870)	(840)	(7,839)
Amortization of prior service cost	(64)	(39)	(577)
Amortization of actuarial differences	1,333	1,785	12,010
Additional retirement benefits	154	265	1,388
Retirement benefit expenses for defined benefit plans	¥3,511	¥4,155	$31,633

(Note) Retirement benefit expenses of the consolidated subsidiaries applying the simplified method are included in service cost.

Remeasurements of defined benefit plans, before tax effect

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Prior service cost	(¥64)	(¥39)	($577)
Actuarial differences	(536)	954	(4,829)
Total	(¥600)	¥915	($5,406)

Accumulated remeasurements of defined benefit plans, before tax effect

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrecognized prior service cost	(¥942)	(¥1,006)	($8,487)
Unrecognized actuarial differences	3,896	3,360	35,102
Total	¥2,954	¥2,354	$26,615

Plan assets

Components of plan assets by main categories are as follows:

	2019	2018
Debt securities	25%	24%
Equity securities	24	24
General accounts	39	35
Cash and deposits	1	4
Other	11	13
Total	100%	100%

(Note) The ratio of the plan assets used to fund a retirement benefit trust established for corporate pension plans was 6% and 7% for the years ended March 31, 2019 and 2018, respectively.

Method used to determine expected long-term rate of return on plan assets

The expected long-term rate of return on plan assets is based on the current and expected allocation of plan assets and the current and expected long-term rate of return on the various plan assets.

Assumptions used for actuarial calculation

The assumptions used for the actuarial calculation at the end of the years ended March 31, 2019 and 2018 were as follows:

	2019	2018
Discount rates	0.6%	0.6%
Expected rates of return on plan assets	2.0%	2.0%

Defined contribution plans

The amount contributed to defined contribution plans by the Company and certain consolidated subsidiaries was ¥385 million ($3,469 thousand) and ¥476 million for the fiscal years ended March 31, 2019 and 2018, respectively.

Multi-employer type employee pension fund plans

The total amount contributed to multi-employer type employee pension fund plans, which are calculated in the same way as defined contribution plans, was ¥10 million ($90 thousand) and ¥9 million for the years ended March 31, 2019 and 2018, respectively.

11. ASSETS PLEDGED AS COLLATERAL

At March 31, 2019 and 2018, assets pledged as collateral for secured long-term debt of ¥7 million ($63 thousand) and ¥44 million, respectively, customers' deposits of ¥106 million ($955 thousand) and ¥128 million, respectively, and accounts payable of ¥20 million ($180 thousand) and ¥20 million, respectively, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and time deposits	¥22	¥22	$198
Property, plant and equipment – net of accumulated depreciation	901	1,016	8,118
	¥923	¥1,038	$8,316

12. NET ASSETS

The significant provisions of the Japanese Companies Act (the "Companies Act") that affect financial and accounting matters are summarized below:

1. Dividends:
   The Companies Act allows Japanese companies to pay dividends at any time during the fiscal year, in addition to the year-end dividend, upon resolution at the stockholders meeting. For Japanese companies that meet certain criteria such as having a board of directors, independent auditors, a board of corporate auditors and one-year terms of service for directors rather than the two-year normal term provided by the articles of incorporation, the board of directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation. The Companies Act permits Japanese companies to distribute dividends in kind (noncash assets) to stockholders subject to certain limitations and additional requirements. The Companies Act provides certain limitations on the amounts available for dividends and the purchase of treasury stock. The maximum amount that the Company can distribute as dividends is determined based on the nonconsolidated financial statements of the Company in accordance with the Companies Act and regulations.

2. Increases/decreases in and transfers of common stock, reserve and surplus:
   The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (of retained earnings) or as additional paid-in capital (of capital surplus), depending on the equity account charged upon the payment of such dividends, until the total aggregate amount of legal reserve and additional paid-in capital equals 25% of the capital stock. Under the Companies Act, all additional paid-in capital and all legal reserve may be transferred to other capital surplus and retained earnings, respectively, and are potentially available for dividends. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the stockholders. Under the Companies Act, the entire amount paid for new shares must be designated as common stock. However, a company may, by a resolution of the board of directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

3. Treasury stock:
   The Companies Act provides for Japanese companies to repurchase or dispose of treasury stock. The amount of treasury stock purchased, however, cannot exceed the amount available for distribution to the stockholders, an amount which is determined by a specific formula.

13. CONTINGENT LIABILITIES

At March 31, 2019 and 2018, the Company and certain consolidated subsidiaries were contingently liable for the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
As guarantor of indebtedness			
Unconsolidated subsidiaries and affiliates	¥3,342	¥2,100	$30,111
Employees (housing loans)	7	18	63
	¥3,349	¥2,118	$30,174

14. OFF-BALANCE SHEET LEASE TRANSACTIONS

Finance leases which do not transfer ownership of the lease assets and commenced on or before March 31, 2008 are accounted for as operating leases.
Lease payments for these finance leases were ¥44 million ($396 thousand) and ¥56 million for the years ended March 31, 2019 and 2018, respectively. Future minimum lease payments for the remaining lease periods as of March 31, 2018, including interest, was ¥56 million for payments due within one year and ¥15 million for payments due beyond one year. There are no future minimum lease payments as of March 31, 2019.

Original lease obligations, accumulated payments and remaining payments on leased properties as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U. S. dollars
	2019	2018	2019
Machinery and equipment:			
Original lease obligations	¥457	¥589	$4,117
Payments made	457	518	4,117
Remaining payments	¥ -	¥71	$ -

Future minimum lease receipts as lessor under non cancelable operating leases for the remaining lease periods as of March 31, 2019 and 2018 were ¥6,925 million ($62,393 thousand) and ¥7,626 million, respectively, of which ¥700 million ($6,307 thousand) and ¥700 million, respectively, were due within one year.

15. SEGMENT INFORMATION

1. Overview of reportable segments
   Toyobo's reportable segments allow it to acquire financial data that can be separated into various components of the corporate group. The segment results are 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 organizes business segments by products and services. Its five reportable segments are “Films and Functional Polymers,” “Industrial Materials,” “Healthcare,” “Textiles and Trading” and “Real Estate.” The “Films and Functional Polymers” segment manufactures and sells packaging film, industrial film, industrial adhesives, engineering plastics, photo functional materials and other products. The “Industrial Materials” segment manufactures and sells fiber materials for automotive applications, high-performance fibers, non-woven fabrics and other products. The “Healthcare” segment manufactures and sells bio-products such as enzymes for diagnostic reagents, contract manufacturing of pharmaceuticals, medical-use membranes, medical equipment and equipment devices, functional filters, water treatment membranes 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.

2. The methods of accounting for business segments are the same as those stated in Note 2, “Significant Accounting Policies.” Profit of the reporting segments is operating profit. Transfers among segments are based on market prices.

   The Group has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) effective from the beginning of the fiscal year ended March 31, 2019. Accordingly, figures after the reclassification reflecting the change in presentation are shown for identifiable assets for the fiscal year ended March 31, 2018.

Year ended March 31, 2019	Millions of yen						
	Net sales to external customers	Intersegment net sales and transfer amounts	Net sales	Segment profit	Segment assets	Depreciation and amortization	Capital expenditure
Films and Functional Polymers	¥156,241	¥60	¥156,301	¥13,727	¥150,834	¥6,846	¥13,401
Industrial Materials	66,540	317	66,857	2,620	84,779	2,480	4,094
Helthcare	34,675	2,453	37,128	5,170	44,590	2,826	3,066
Textiles and Trading	64,585	483	65,068	913	69,122	1,410	2,731
Real Estate	4,197	456	4,653	1,572	49,112	588	468
	326,238	3,769	330,007	24,002	398,437	14,150	23,760
Other businesses	10,460	14,137	24,597	661	15,080	301	431
Total	336,698	17,906	354,604	24,663	413,517	14,451	24,191
Elimination or Corporate	-	(17,906)	(17,906)	(2,936)	47,530	1,372	1,321
Consolidated	¥336,698	¥ -	¥336,698	¥21,727	¥461,047	¥15,823	¥25,512

Year ended March 31, 2019	Thousands of U.S. dollars						
	Net sales to external customers	Intersegment net sales and transfer amounts	Net sales	Segment profit	Segment assets	Depreciation and amortization	Capital expenditure
Films and Functional Polymers	$1,407,703	$541	$1,408,244	$123,678	$1,358,987	$61,681	$120,741
Industrial Materials	599,513	2,856	602,370	23,606	763,844	22,344	36,886
Helthcare	312,416	22,101	334,517	46,581	401,748	25,462	27,624
Textiles and Trading	581,899	4,352	586,251	8,226	622,777	12,704	24,606
Real Estate	37,814	4,108	41,923	14,163	442,490	5,298	4,217
	2,939,346	33,958	2,973,304	216,254	3,589,846	127,489	214,073
Other businesses	94,243	127,372	221,615	5,955	135,868	2,712	3,883
Total	3,033,589	161,330	3,194,918	222,209	3,725,714	130,201	217,957
Elimination or Corporate	-	(161,330)	(161,330)	(26,453)	428,237	12,361	11,902
Consolidated	$3,033,589	$ -	$3,033,589	$195,756	$4,153,951	$142,562	$229,859

(Notes) 1. Other businesses include design and construction of buildings, equipment, etc., information services, logistics services and other items.

2. (a) Elimination or Corporate for segment profit adjustment of ¥-2,936 million ($-26,453 thousand) includes eliminations of intersegment transactions of ¥-154 million ($-1,388 thousand) and companywide expenses that are not allocated across reportable segments of ¥-2,782 million ($-25,065 thousand). The principal components of companywide expenses are those related to basic research and development.

(b) Elimination or Corporate for segment assets adjustment of ¥47,530 million ($428,237 thousand) includes companywide assets that are not allocated across reportable segments and amount to ¥85,531 million ($770,619 thousand).

(c) The increase in the adjustment of tangible and intangible fixed assets of ¥1,321 million ($11,902 thousand) is the amount of capital investment related to research and development.

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

Year ended March 31, 2018	Millions of yen: Net sales to external customers	Intersegment net sales and transfer amounts	Net sales	Segment profit	Segment assets	Depreciation and amortization	Capital expenditure
Films and Functional Polymers	¥148,667	¥1	¥148,668	¥13,713	¥140,141	¥6,916	¥5,038
Industrial Materials	63,454	270	63,724	4,262	80,534	2,312	6,750
Helthcare	35,723	2,049	37,772	5,179	42,070	2,825	5,313
Textiles and Trading	68,317	278	68,595	645	70,595	1,365	1,835
Real Estate	4,284	880	5,164	2,023	49,348	698	388
	320,445	3,478	323,923	25,822	382,688	14,116	19,324
Other businesses	10,703	13,847	24,550	795	16,471	286	340
Total	331,148	17,325	348,473	26,617	399,159	14,402	19,664
Elimination or Corporate	-	(17,325)	(17,325)	(2,694)	46,336	1,264	1,595
Consolidated	¥331,148	¥ -	¥331,148	¥23,923	¥445,495	¥15,666	¥21,259

(Notes) 1. Other businesses include design and construction of buildings, equipment, etc., information services, logistics services and other items.
2. (a) Elimination or Corporate for segment profit adjustment of ¥-2,694 million includes eliminations of intersegment transactions of ¥-137 million and companywide expenses that are not allocated across reportable segments of ¥-2,557 million. The principal components of companywide expenses are those related to basic research and development.
(b) Elimination or Corporate for segment assets adjustment of ¥46,336 million includes companywide assets that are not allocated across reportable segments and amount to ¥74,845 million.
(c) The increase in the adjustment of tangible and intangible fixed assets of ¥1,595 million is the amount of capital investment related to research and development.
3. Segment profit has been adjusted with operating profit on the consolidated financial statements.

Sales in Japan, Southeast Asia and other areas are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Japan	¥233,959	¥235,075	$2,107,929
Southeast Asia	70,237	62,532	632,823
Other areas	32,502	33,541	292,837
Total	¥336,698	¥331,148	$3,033,589

Principal countries and areas in each segment are:

Southeast Asia: China, Korea, Taiwan, Malaysia, Indonesia, Thailand, etc.
Other areas: USA, Germany, Spain, Brazil, Saudi Arabia, etc.

Amortization and balance of goodwill

	Millions of yen				Thousands of U.S. dollars	
	2019		2018		2019	
	Amortization of goodwill	Balance of goodwill	Amortization of goodwill	Balance of goodwill	Amortization of goodwill	Balance of goodwill
Films and Functional Polymers	¥ -	¥ -	¥ -	¥ -	$ -	$ -
Industrial Materials	-	-	-	-	-	-
Helthcare	115	-	230	115	1,036	-
Textiles and Trading	-	-	-	-	-	-
Real Estate	-	-	-	-	-	-
Other businesses	-	-	-	-	-	-
Total	115	-	230	115	1,036	-
Elimination or Corporate	-	-	-	-	-	-
Consolidated	¥115	¥ -	¥230	¥115	$1,036	$ -

Gain on Bargain Purchase by Reportable Segment

Fiscal year ended March 31, 2019
In the “Healthcare” business segment, the Company acquired additional shares of Arabian Japanese Membrane Company, LLC, which was an affiliate accounted for using equity method, and made this company a consolidated subsidiary. In conjunction with this, gain on negative goodwill of ¥175 million ($1,577 thousand) was recorded.

Fiscal year ended March 31, 2018
Not applicable

16. LAND REVALUATION

Applying the law on revaluation of land, the Company, a consolidated subsidiary and an affiliate accounted for using the equity method revaluated land for business use on March 31, 2002 and included the increase, net of income taxes and non-controlling interests, in net assets. As of March 31, 2019 and 2018, the fair value of this land was lower than book value by ¥34,437 million ($310,271 thousand) and ¥34,778 million, respectively. Another consolidated subsidiary revaluated its land for business use on March 31, 2000 and included the increase, net of income taxes and non-controlling interests, in net assets. As of March 31, 2019 and 2018, the fair value of this land was lower than book value by ¥3,179 million ($28,642 thousand) and ¥3,177 million, respectively.

17. INVESTMENT AND RENTAL PROPERTY

The Company and some of its consolidated subsidiaries hold investment and rental office buildings (including land) located in Osaka, Japan and other areas. For the fiscal years ended March 31, 2019 and 2018, the rental income (principal rental income is recorded in net sales and principal rental expenses are recorded in cost of sales) on these real estate properties was ¥1,918 million ($17,281 thousand) and ¥2,387 million, respectively. The gain on the sale of fixed assets, recorded in other income (expenses) was ¥46 million ($414 thousand) and ¥4,771 million for the years ended March 31, 2019 and 2018, respectively. The loss on the sale of fixed assets, recorded in order income (expenses) was ¥182 million ($1,640 thousand) and ¥174 million for the years ended March 31, 2019 and 2018, respectively.

The following table summarizes the carrying amount, the change during the fiscal year and the estimated fair value of investment and rental property.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Carrying amount at beginning of year	¥33,715	¥38,027	$303,766
Change during the year	(317)	(4,312)	(2,856)
Carrying amount at end of year	33,398	33,715	300,910
Fair value on March 31, 2019 and 2018	¥38,148	¥35,345	$343,707

(Notes) 1. The carrying amount represents the net amount calculated as the acquisition cost less accumulated depreciation and impairment loss.
2. The change during the fiscal year ended March 31, 2019 and 2018 was attributable mainly to a decrease in the sale of assets of ¥289 million ($2,604 thousand) and ¥4,482 million.
3. The fair value at March 31, 2019 and 2018 was based on real estate appraisal reports provided by external real estate appraisers for major properties and the index considered to reflect the current market price for other properties.

18. CASH FLOW INFORMATION

Cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents in preparing the consolidated statements of cash flows.

The reconciliation of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2019 and 2018 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and time deposits in the consolidated balance sheets	¥22,318	¥26,006	$201,081
Time deposits maturing after three months	(151)	(149)	(1,360)
Cash and cash equivalents in the consolidated statements of cash flows	¥22,167	¥25,857	$199,721

19. COMPREHENSIVE INCOME

Amounts reclassified to profit in the current period that were recognized in other comprehensive income in the current or previous period and the tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Valuation difference on available-for-sale securities			
Increase during the year	¥1,580	¥2,695	$14,236
Reclassification adjustments	66	(71)	595
Subtotal, before tax	1,646	2,624	14,830
Tax (expense) benefit	(611)	(824)	(5,505)
Subtotal, net of tax	1,035	1,800	9,325
Deferred gains and losses on hedges			
Increase during the year	73	60	658
Reclassification adjustments	(49)	(49)	(441)
Subtotal, before tax	24	11	216
Tax (expense) benefit	(8)	(2)	(72)
Subtotal, net of tax	16	9	144
Foreign currency translation adjustments			
Increase (decrease) during the year	(124)	112	(1,117)
Reclassification adjustments	-	-	-
Subtotal, before tax	(124)	112	(1,117)
Tax (expense) benefit	1	(70)	9
Subtotal, net of tax	(123)	42	(1,108)
Remeasurements of defined benefit plans			
Decrease during the year	(1,869)	(831)	(16,839)
Reclassification adjustments	1,269	1,746	11,433
Subtotal, before tax	(600)	915	(5,406)
Tax (expense) benefit	187	(288)	1,685
Subtotal, net of tax	(413)	627	(3,721)
Share of other comprehensive income of associates accounted for using equity method			
Increase (decrease) during the year	(172)	151	(1,550)
Reclassification adjustments	-	-	-
Subtotal, net of tax	(172)	151	(1,550)
Total other comprehensive income	¥343	¥2,629	$3,090

20. RELATED PARTY TRANSACTIONS

Related party transactions for the years ended March 31, 2019 and 2018 were as follows:

1. For the year ended March 31, 2019
   There were no material related party transactions to report.

2. For the year ended March 31, 2018
   There were no material related party transactions to report.

21. SUBSEQUENT EVENTS

1. Issuance of unsecured straight bonds in the Japanese market

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. In accordance with the resolution, the Company issued the 41st unsecured bonds (with inter-bond pari passu clauses) on June 20, 2019.

The details are as follows:

(1) Issue amount: ¥15.0 billion
(2) Issue price: ¥100 for each bond with par value of ¥100
(3) Interest rate: 0.180% per annum
(4) Payment date: June 20, 2019
(5) Maturity date: June 20, 2024
(6) Method of redemption: Full amount on maturity
(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.

2. Stock acquisition making two firms subsidiaries

The Company decided at its Board of Directors meeting on May 22, 2019, to make Teijin Film Solutions Limited (TFS) and P.T. Indonesia Teijin Film Solutions (ITFS) its subsidiaries through stock purchases. The Company also signed a stock purchase agreement with the firms' shareholder, Teijin Limited, on the same day.

(1) Names of the acquirees and descriptions of their businesses

a. The Names
Teijin Film Solutions Limited
P.T. Indonesia Teijin Film Solutions

b. Business operations
Teijin Film Solutions Limited: Production and sales of Polyester film
P.T. Indonesia Teijin Film Solutions: Production and sales of Polyester film

c. Capital stock
Teijin Film Solutions Limited: ¥10,010 million ($90,188 thousand)
P.T. Indonesia Teijin Film Solutions: $77,400 thousand

(2) Reasons for stock acquisitions

The Company, which regards films and coatings products as important growth areas, manufactures and sells film products for a wide range of uses, from industrial to packaging. Among its industrial films, recent sales growth has been seen for "COSMOSHINE SRF" (super retarder film), a low moisture-permeable, durable polyester film for eliminating polarization on liquid crystal displays and for an extremely smooth mold releasing film for MLCC. The Company also produces numerous environmentally friendly, high-performance packaging films, including high oxygen and moisture barrier films capable of extending the shelf life of foods used to create thinner packaging to reduce the amount of waste generated.

TFS and ITFS are also engaged in the production and marketing of polyester films. They make various types of release films for industrial use, such as those used in MLCC, which are seeing increased demand for use in electronics in automobiles: high-quality packaging films for can lamination. In addition, they provide signature high-performance polyethylene naphthalate (PEN) films, including insulating films for automobiles and films used in flexible printed circuits.

Through the stock acquisitions, the Company will strengthen its ability to develop and manufacture high-performance films. Incorporating TFS's advanced development and production technologies and its broad lineup of products will solidify the foundation of the Company's film business. Placing ITFS under its umbrella will strengthen the Company's overseas production capabilities, helping to develop its film business into a global operation.

(3) Date of executing the share transfer

Scheduled for October 1, 2019

(4) Number of shares to be acquired, acquisition price, and ownership ratio after acquisition

a. Number of shares to be acquired
Teijin Film Solutions Limited: 1,000 shares
P.T. Indonesia Teijin Film Solutions: 378,000 shares

b. Value of acquired shares
The monetary value of the acquired shares is expected to be about ¥10 billion ($90 million), though this is subject to change from adjustment made at the time of the share transfer.

c. Ownership ratio after acquisition
Teijin Film Solutions Limited: 100%
P.T. Indonesia Teijin Film Solutions: 100%

Independent Auditor's Report

To the Board of Directors of TOYOBO Co., Ltd.:

We have audited the accompanying consolidated financial statements of TOYOBO Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated statements of operations, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of TOYOBO Co., Ltd. and its consolidated subsidiaries as at March 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

September 17, 2019
Osaka, Japan