Financial Section

TOYOBO CO., LTD.

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016 and 2015

Disclaimer Regarding Forward-Looking Statements

This report describes not only 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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Overview of Fiscal Year Ended March 31, 2016

During the fiscal year ended March 31, 2016, from April 1, 2015 through March 31, 2016, the business environment for the Toyobo Group (hereinafter referred to as the "Group") was characterized by continued uncertainty about the future of the global economy, which included a strengthening sense of economic slowdown in China and a slump in crude oil prices while the economy in the United States maintained its recovery led by an expansion of domestic demand mainly related to personal consumption. Meanwhile, in Japan, the economy enjoyed a mild recovery backed by inbound demand.

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

In "accelerating overseas business development," in the engineering plastics business, Toyobo worked to expand sales in overseas markets, primarily in the United States. Also, in the airbag fabrics business, the Group made efforts to strengthen its production sites in Thailand, China and the United States, taking advantage of the acquisition, jointly done with another company, of an airbag fiber manufacturer based in Germany and focused on sales expansion targeting new users to promote the building of systems aimed at expansion in the second half of the Medium-Term Management Plan. Furthermore, in the bioproducts business, the Group enhanced production capacity in response to growing demand for enzymes for diagnostic reagents in emerging countries. In "developing new products and creating new businesses," the Group worked to expand sales of "COSMOSHINE SRF" polarizer protective films for LCDs and "Nerbridge," Japan's first nerve bridging devices and other products. "COSMOSHINE SRF" has been adopted by a major polarizer manufacturer for use in LCD televisions, and sales have increased. Meanwhile, as for "Nerbridge," the Group pursued preparations to obtain approval and secure sales routes in the United States, aiming at overseas sales amid a steady increase in the number of successful applications and the number of facilities using the product in Japan. The Group also proceeded with clinical trials of bone regeneration inducing materials as a move aimed at future growth and expansion.

Overall, although consolidated net sales for the subject fiscal year decreased ¥3.5 billion (1.0%) from the previous fiscal year to ¥347.8 billion, operating income rose ¥2.5 billion (12.4%) to ¥23.1 billion, and net income attributable to owners of parent increased ¥2.0 billion (25.0%) to ¥10.1 billion.

Films and Functional Polymers

Within this segment, sales decreased but operating income increased from the previous fiscal year despite the impact of adjustments in the LCD market, the economic slowdown in China and the slump in Japanese automobile production, etc., because there was a decline in costs incurred in connection with sales promotion of new products and the start-up of new production facilities in the films business. In the films business, sales of packaging film increased due to aggressive sales promotion amid a trend of decline in imported goods as domestic demand was underpinned by inbound demand. Meanwhile, sales of industrial film were affected by adjustments in the LCD market and stagnation of the smartphone market, although "COSMOSHINE SRF" has been adopted by a major polarizer manufacturer for use in LCD televisions, and its sales have increased. In the functional polymers business, the market environment for the industrial adhesive "VYLON" in the paint industry and for IT and electronic uses was difficult. Sales of engineering plastics increased overseas, primarily in China, the United States and Thailand, despite struggling in Japan due to a drop in automobile production. As a result, sales in this segment declined ¥2.6 billion (1.8%) from the previous fiscal year to ¥143.4 billion, but operating income increased ¥2.9 billion (42.0%) to ¥9.9 billion.

Industrial Materials

Sales and operating income fell in this segment from previous fiscal year despite robust sales of some high-performance fibers and functional filters because sales of airbag fabrics were weak. The airbag fabrics business was affected by the drop in Japanese automobile production. Sales of high-performance fibers grew despite difficult conditions for sales of “Dyneema” for fishing line applications as sales of “ZYLON” increased primarily for use in heat-resistant materials. In the functional filters business, sales increased because demand for volatile organic compound (VOC) emissions treatment equipment in the Asian market held firm, although sales to the consumer electronics and energy industry were weak. In products for consumer and industrial uses, although polyester staple fibers for use in hygiene products remained favorable, sales of “BREATHAIR” declined. As a consequence, sales in this segment declined ¥1.0 billion (1.4%) from the previous fiscal year to ¥70.5 billion, and operating income decreased ¥0.3 billion (4.8%) to ¥6.3 billion.

Healthcare

In this segment, sales and operating income fell from the previous fiscal year because even though sales in the bioproducts business were steady, the medical devices and functional membrane businesses struggled. In the bioproducts business, sales of reagents for life sciences increased and mainstay enzymes for diagnostic reagents also remained steady, but sales of diagnostic systems struggled. The medical devices business was affected by the postponement of projects for the contract manufacturing business of pharmaceuticals. In the functional membranes business, replacement demand for Reverse Osmosis (RO) membrane elements for seawater desalination plants in Japan and overseas remained steady, but the business was sluggish overall as there were no shipments for new projects. As a result, sales in this segment declined ¥1.1 billion (3.7%) from the previous fiscal year to ¥27.7 billion, and operating income decreased ¥0.3 billion (6.3%) to ¥4.7 billion.

Textiles and Trading

In this segment, sales and operating income increased from the previous fiscal year as sales of textiles continued to be strong even though conditions for acrylic fiber were difficult. Sales of sports apparel to large apparel manufacturers were steady, but sales of nylon fabrics for export struggled, affected by the warm winter. Meanwhile, sales of materials for uniforms, particularly for work wear and school uniforms, remained firm. Sales of textile products increased as exports of materials for traditional Arabic menswear remained firm. Sales of acrylic fibers struggled, reflecting the deterioration in market conditions of materials for winter clothing in China. As a consequence, sales in this segment rose ¥0.4 billion (0.5%) from the previous fiscal year to ¥85.5 billion, and operating income increased ¥0.2 billion (7.1%) to ¥2.5 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. Total sales in these businesses rose ¥0.8 billion (3.9%) from the previous fiscal year to ¥20.6 billion, and operating income increased ¥0.2 billion (8.0%) to ¥2.8 billion.

Cash Flows

Net cash produced by operating activities amounted to ¥32.3 billion at the end of the subject fiscal year. This consisted mainly of ¥16.2 billion in income before income taxes and non-controlling interests, ¥14.4 billion in depreciation and amortization and ¥5.8 billion decrease in inventories. Net cash used in investing activities amounted to ¥10.6 billion. This consisted mainly of ¥17.0 billion in expenditures for purchase of property, plant and equipment and intangible assets and ¥3.3 billion in proceeds from sales of investment securities. Net cash used in financing activities amounted to ¥21.4 billion. This consisted mainly of ¥15.2 billion in repayments of long-term loans payable and ¥10.0 billion in redemption of bonds. As a result, the balance of cash and cash equivalents at the end of the subject fiscal year (March 31, 2016) stood at ¥20.1 billion, an decrease of ¥0.3 billion from the end of the previous fiscal year (March 31, 2015).

Assets, Liabilities and Net Assets

Total assets at the end of the subject fiscal year (March 31, 2016) decreased ¥21.2 billion (4.6%) to ¥444.6 billion from the end of the previous fiscal year (March 31, 2015). This was due mainly to a decrease in merchandise and finished goods. Total liabilities decreased ¥20.2 billion (6.6%) to ¥284.5 billion. This was due mainly to a decrease in the current portion of bonds. Total net assets decreased ¥1.0 billion (0.6%) to ¥160.1 billion. This was due mainly to a decrease in remeasurements of defined benefit plans and foreign currency translation adjustments.

Forecast for Fiscal Year Ending March 31, 2017

The outlook for the business environment overseas during the fiscal year ending March 31, 2017 is that while the economy in the United States will remain firm, there are concerns about stagnation of the slowing economies in emerging countries in Asia, particularly China, Europe and the Middle East. On the other hand, in Japan, while the domestic economy is expected to achieve a moderate recovery after a period of stagnation backed by falling crude oil prices and wage increases, the outlook for the Group's business environment, including overseas, is expected to remain uncertain. In view of these prospects for the business environment, the Group will work to build an earnings generating capacity that will be strong in the face of changes in the environment. In addition, the Group will aim to become "The category leader, continuing to create new value that contributes to society in the environment, healthcare, and high-function products fields" as it focuses its corporate resources in highly profitable growth businesses. In addition, through activities, including increasing asset efficiency and strengthening financial position, the Group will endeavor to become a "strong company," with growth potential and stable profitability. As a result of these activities, for the fiscal year ending March 31, 2017, the Group is forecasting net sales of ¥360.0 billion (an increase of ¥12.2 billion year on year), operating income of ¥25.0 billion (an increase of ¥1.9 billion) and net income attributable to owners of parent of ¥13.0 billion (an increase of ¥2.9 billion).

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 as well as 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, life science and textile fields. Political turmoil or a serious economic recession in the countries in which our production bases are located or in major markets could seriously influence 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, life science and textile 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 influenced 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, life science and textile fields 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 influenced 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, life science and textile fields in Japan and overseas, tariff hikes or import regulations on quantity limits might be imposed under antidumping laws in major overseas markets that 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 influenced 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, life science and textile 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 products are free from all defects, that there will be no defective products in the future or that compensatory payment would be fully covered by insurance. In the occurrence of material product defects, our operating results or financial status could be seriously influenced 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, life science and textile fields. Although major materials are provided by a number of suppliers in part due 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 influenced 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 by a sales decrease or liability payments.

(9) Development of New Products and New Uses

As part of the Group's commitment to being a specialty 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, life science and textile 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 influenced under such unsuccessful circumstances by a decline in our future growth and profitability.

(10) Public Regulations

The Group conducts production activities and other corporate activities in various locations in Japan and abroad and operates its business under various public regulations on business licensing, tax, environment and chemical substance 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 influenced 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) Litigation

The Group conducts production activities 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 lawsuit is filed against the Group, we intend to defend ourselves properly and establish the fact that the claims against us are meritless. However, if we or Toyobo's U.S. subsidiary, TOYOBO U.S.A., INC, loses a suit, our business and financial conditions could be seriously affected by the compensation claims of plaintiffs.

(12) 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 the 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 a conversion to the yen.

(13) Major Interest Rate Fluctuations

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

(14) 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.

(15) 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 influenced by a loss in value or losses incurred when selling.

(16) 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.

(17) 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 and 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.

(18) 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.

(19) Accidents and Disasters

The Group conducts production activities and other corporate activities at various domestic and overseas locations. We carry out strict plant control 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 infectious diseases such as pandemic flu occurs at production facilities, business sites or the site of a business partner, our operating results or financial status may be seriously influenced as production activities may be interrupted.

(20) Overseas Business Activities

The Group is driving its business expansion forward globally, having set “accelerating overseas business development” as one of its action plans. At the same time, we are guarding against the risks associated with overseas business activities by investing effort in 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.

Consolidated Financial Highlights

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Net sales	¥347,763	¥351,279	$3,086,289
Cost of sales	268,069	274,504	2,379,029
Income before income taxes and non-controlling interests	16,225	12,316	143,992
Net income attributable to owners of parent	10,150	8,117	90,078
Total assets	444,587	465,809	3,945,572
Total net assets	¥160,101	¥161,087	$1,420,847

	Yen		U.S. dollars (Note 1)
Net income per share	¥11.43	¥9.14	$0.101

Note 1. The U.S. dollar amounts in this report represent translations of yen for convenience only at the rate of ¥112.68 to U.S.$1.00.

Financial Section

CONSOLIDATED FIVE-YEAR SUMMARY

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Fiscal years ended March 31, 2016, 2015, 2014, 2013 and 2012

	Millions of yen, except per share information				
	2016	2015	2014	2013	2012
For the year:					
Net sales	¥347,763	¥351,279	¥351,577	¥339,009	¥349,505
Cost of sales	268,069	274,504	274,603	267,694	274,804
Selling, general and administrative expenses	56,571	56,195	55,968	54,234	56,396
Operating income	23,123	20,580	21,006	17,081	18,306
Other expenses	6,898	8,264	7,135	4,307	7,442
Income before income taxes and non-controlling interests	16,225	12,316	13,871	12,774	10,863
Provision for income taxes	5,959	4,024	4,721	4,398	5,142
Net income attributable to owners of parent	10,150	8,117	8,154	7,639	4,587
Comprehensive income	¥2,147	¥18,182	¥12,988	¥11,097	¥9,065
Net income per share (yen)	¥11.43	¥9.14	¥9.18	¥8.61	¥5.17
At the end of the year:					
Total current assets	¥186,633	¥196,607	¥184,630	¥184,739	¥177,736
Property, plant and equipment	208,937	209,289	209,620	202,273	199,789
Total assets	444,587	465,809	456,256	447,445	437,841
Total long-term liabilities	153,796	158,472	150,558	127,093	127,267
Total net assets	¥160,101	¥161,087	¥145,115	¥155,522	¥147,724

Consolidated Balance Sheets

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2016	2015	2016
Current assets:			
Cash and cash equivalents (Note 3, 11 and 18)	¥20,258	¥20,550	$179,783
Notes and accounts receivable:			
Trade (Note 3)	81,176	83,710	720,412
Other	2,948	2,933	26,163
Allowance for doubtful receivables	(390)	(391)	(3,461)
	83,734	86,252	743,113
Inventories (Note 6)	75,337	82,383	668,592
Deferred income tax assets (Note 8)	5,147	4,925	45,678
Other current assets	2,157	2,497	19,143
Total current assets	186,633	196,607	1,656,310
Investments and other assets:			
Investment securities (Note 3 and 4)			
Unconsolidated subsidiaries and affiliates	9,140	9,265	81,115
Other	19,264	24,215	170,962
Loans	792	1,920	7,029
Deferred income tax assets (Note 8)	14,053	14,019	124,716
Asset for retirement benefits (Note 10)	-	5,019	-
Other	2,771	3,041	24,592
Allowance for doubtful accounts	(863)	(877)	(7,659)
	45,157	56,602	400,754
Property, plant and equipment (Note 7 and 11):			
Land (Note 16)	106,025	106,249	940,939
Buildings and structures	139,208	136,823	1,235,428
Machinery and equipment	346,668	344,475	3,076,571
Tools, furniture and fixtures	23,046	23,561	204,526
Lease assets	2,394	2,285	21,246
Construction in progress	5,357	4,271	47,542
	622,698	617,664	5,526,251
Less accumulated depreciation	413,761	408,375	3,672,000
	208,937	209,289	1,854,251
Other assets:			
Intangible assets (Note 7)	3,003	2,216	26,651
Goodwill	581	905	5,156
Lease assets	276	190	2,449
	3,860	3,311	34,256
Total assets (Note 15)	¥444,587	¥465,809	$3,945,572

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of yen 2016	2015	Thousands of U.S. dollars (Note 1) 2016
Current liabilities:			
Short-term borrowing (Note 3 and 9)	¥40,586	¥40,949	$360,188
Long-term debt due within one year (Note 3, 9 and 11)	20,091	24,669	178,301
Notes and accounts payable:			
Trade (Note 3 and 11)	43,441	49,173	385,525
Other	12,808	11,932	113,667
	56,249	61,105	499,192
Employees' savings deposits	98	5,208	870
Customers' deposits (Note 11)	5,386	5,714	47,799
Accrued employees' bonuses	4,289	4,108	38,064
Accrued income taxes	2,273	1,981	20,172
Other current liabilities	1,718	2,516	15,247
Total current liabilities	130,690	146,250	1,159,833
Long-term liabilities:			
long-term debt due after one year (Note 3, 9 and 11)	103,697	110,425	920,279
Deferred income tax liabilities (Note 8)	3,416	3,579	30,316
Deferred income tax liabilities on land revaluation (Note 8 and 16)	21,228	21,922	188,392
Defined benefit liability (Note 10)	20,192	17,244	179,198
Directors' and statutory auditors' retirement benefits	317	339	2,813
Provision for environmental measures	945	831	8,387
Lease obligations	650	676	5,769
Other long-term liabilities	3,351	3,456	29,739
Total long-term liabilities	153,796	158,472	1,364,892
Contingent liabilities (Note 13)			
Net assets:			
Common stock			
Authorized - 2,000,000,000 shares			
Issued - 890,487,922 shares in 2016 and 2015	51,730	51,730	459,088
Capital surplus	32,239	32,239	286,111
Retained earnings	39,539	32,479	350,896
Less treasury stock, at cost (2,684 thousand shares in 2016 and 2,653 thousand shares in 2015)	(389)	(383)	(3,452)
Shareholders' equity	123,119	116,065	1,092,643
Valuation difference on available-for-sale securities	5,847	7,126	51,890
Deferred losses on hedges	(162)	(34)	(1,438)
Land revaluation (Note 16)	44,578	43,920	395,616
Foreign currency translation adjustments	(10,748)	(7,460)	(95,385)
Accumulated remeasurements of defined benefit plans	(5,719)	(1,628)	(50,754)
Total accumulated other comprehensive income	33,796	41,924	299,929
Non-controlling interests	3,186	3,098	28,275
Total net assets	160,101	161,087	1,420,847
Total liabilities and net assets	¥444,587	¥465,809	$3,945,572

	Yen		U.S. dollars (Note 1)
Net assets per share	¥176.75	¥177.95	$1.569

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Net sales (Note 15)	¥347,763	¥351,279	$3,086,289
Cost of sales	268,069	274,504	2,379,029
Gross profit	79,694	76,775	707,259
Selling, general and administrative expenses	56,571	56,195	502,050
Operating income (Note 15)	23,123	20,580	205,209
Other income (expenses)			
Interest income	148	183	1,313
Dividend income	705	623	6,257
Interest expense	(1,619)	(1,792)	(14,368)
Gain on sale of securities	702	362	6,230
Loss on sale of securities	-	(99)	-
Foreign exchange gains (losses)	(384)	1,215	(3,408)
Loss on disposal of property, plant and equipment	(2,764)	(1,573)	(24,530)
Impairment loss (Note 7 and 15)	-	(766)	-
Equity in income (loss) of unconsolidated subsidiaries and affiliates	251	(1,102)	2,228
Loss on liquidation of subsidiaries and associates	-	(869)	-
Restructuring cost	(765)	(707)	(6,789)
Salaries paid to dispatched employees	(888)	(882)	(7,881)
Amortization of net transition obligation (Note 10)	-	(1,569)	-
Losses on lawsuits	(803)	(759)	(7,126)
Amortization of negative goodwill	-	419	-
Reversal of provision for environmental measures	-	798	-
Other, net	(1,481)	(1,746)	(13,143)
	(6,898)	(8,264)	(61,218)
Income before income taxes and non-controlling interests	16,225	12,316	143,992
Provision for income taxes (Note 8)			
Current	3,728	2,999	33,085
Deferred	2,231	1,025	19,799
	5,959	4,024	52,884
Net income	10,266	8,292	91,108
Net income attributable to non-controlling interests	(116)	(175)	(1,029)
Net income attributable to owners of parent	¥10,150	¥8,117	$90,078
	Yen		U.S. dollars (Note 1)
Net income per share			
Basic (Note 2)	¥11.43	¥9.14	$0.101
Cash dividends applicable to the year	¥3.50	¥3.50	$0.031

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Net income	¥10,266	¥8,292	$91,108
Other comprehensive income (Note 19)			
Valuation difference on available-for-sale securities	(1,432)	3,175	(12,709)
Deferred gains and losses on hedges	(128)	(32)	(1,136)
Land revaluation	685	2,689	6,079
Foreign currency translation adjustments	(2,910)	1,300	(25,825)
Accumulated remeasurements of defined benefit plans	(4,086)	2,565	(36,262)
Share of other comprehensive income of associates accounted for using equity method	(248)	193	(2,201)
Total other comprehensive income	(8,119)	9,890	(72,054)
Comprehensive income	2,147	18,182	19,054
Comprehensive income attributable to			
Owners of the parent	2,040	17,890	18,104
Non-controlling interests	¥107	¥292	$950

Consolidated Statements of Changes in Net Assets

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Shareholders' equity			
Capital stock			
Balance at the beginning of current period	¥51,730	¥51,730	$459,088
Changes in items during the period			
Total changes in items during the period	-	-	-
Balance at the end of current period	51,730	51,730	459,088
Capital surplus			
Balance at the beginning of current period	32,239	32,239	286,111
Changes in items during the period			
Disposal of treasury stock	0	0	0
Total changes in items during the period	0	0	0
Balance at the end of current period	32,239	32,239	286,111
Retained earnings			
Balance at the beginning of current period	32,479	26,424	288,241
Cumulative effects of changes in accounting policies	-	917	-
Restated balance	32,479	27,341	288,241
Changes in items during the period			
Dividends from surplus	(3,107)	(3,108)	(27,574)
Net income attributable to owners of parent	10,150	8,117	90,078
Reversal of land revaluation	17	144	151
Change in scope of consolidation	-	(15)	-
Total changes in items during the period	7,060	5,138	62,655
Balance at the end of current period	39,539	32,479	350,896
Treasury stock			
Balance at the beginning of current period	(383)	(378)	(3,399)
Changes in items during the period			
Purchase of treasury stock	(6)	(5)	(53)
Disposal of treasury stock	0	0	0
Total changes in items during the period	(6)	(5)	(53)
Balance at the end of current period	(389)	(383)	(3,452)
Total shareholders' equity			
Balance at the beginning of current period	116,065	110,015	1,030,041
Cumulative effects of changes in accounting policies	-	917	-
Restated balance	116,065	110,932	1,030,041
Changes in items during the period			
Dividends from surplus	(3,107)	(3,108)	(27,574)
Net income attributable to owners of parent	10,150	8,117	90,078
Reversal of land revaluation	17	144	151
Change in scope of consolidation	-	(15)	-
Purchase of treasury stock	(6)	(5)	(53)
Disposal of treasury stock	0	0	0
Total changes in items during the period	7,054	5,133	62,602
Balance at the end of current period	¥123,119	¥116,065	$1,092,643

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the beginning of current period	¥7,126	¥3,954	$63,241
Changes in items during the period			
Net changes in items other than shareholders' equity	(1,279)	3,172	(11,351)
Total changes in items during the period	(1,279)	3,172	(11,351)
Balance at the end of current period	5,847	7,126	51,890
Deferred gains and losses on hedges			
Balance at the beginning of current period	(34)	(2)	(302)
Changes in items during the period			
Net changes in items other than shareholders' equity	(128)	(32)	(1,136)
Total changes in items during the period	(128)	(32)	(1,136)
Balance at the end of current period	(162)	(34)	(1,438)
Land revaluation			
Balance at the beginning of current period	43,920	41,409	389,776
Changes in items during the period			
Net changes in items other than shareholders' equity	658	2,511	5,840
Total changes in items during the period	658	2,511	5,840
Balance at the end of current period	44,578	43,920	395,616
Foreign currency translation adjustments			
Balance at the beginning of current period	(7,460)	(8,864)	(66,205)
Changes in items during the period			
Net changes in items other than shareholders' equity	(3,288)	1,404	(29,180)
Total changes in items during the period	(3,288)	1,404	(29,180)
Balance at the end of current period	(10,748)	(7,460)	(95,385)
Remeasurements of defined benefit plans			
Balance at the beginning of current period	(1,628)	(4,202)	(14,448)
Changes in items during the period			
Net changes in items other than shareholders' equity	(4,091)	2,574	(36,306)
Total changes in items during the period	(4,091)	2,574	(36,306)
Balance at the end of current period	(5,719)	(1,628)	(50,754)
Total accumulated other comprehensive income			
Balance at the beginning of current period	41,924	32,295	372,062
Changes in items during the period			
Net changes in items other than shareholders' equity	(8,128)	9,629	(72,133)
Total changes in items during the period	(8,128)	9,629	(72,133)
Balance at the end of current period	33,796	41,924	299,929
Non-controlling interests			
Balance at the beginning of current period	3,098	2,805	27,494
Changes in items during the period			
Net changes in items other than shareholders' equity	88	293	781
Total changes in items during the period	88	293	781
Balance at the end of current period	3,186	3,098	28,275
Total net assets			
Balance at the beginning of current period	161,087	145,115	1,429,597
Cumulative effects of changes in accounting policies	-	917	-
Restated balance	161,087	146,032	1,429,597
Changes in items during the period			
Dividends from surplus	(3,107)	(3,108)	(27,574)
Net income attributable to owners of parent	10,150	8,117	90,078
Reversal of land revaluation	17	144	151
Change in scope of consolidation	-	(15)	-
Purchase of treasury stock	(6)	(5)	(53)
Disposal of treasury stock	0	0	0
Net changes in items other than shareholders' equity	(8,040)	9,922	(71,353)
Total changes in items during the period	(986)	15,055	(8,750)
Balance at the end of current period	¥160,101	¥161,087	$1,420,847

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Cash flows provided by operating activities:			
Income before income taxes and non-controlling interests	¥16,224	¥12,316	$143,983
Depreciation and amortization	14,434	14,916	128,097
Amortization of negative goodwill	-	(419)	-
Allowance for doubtful receivables, net	54	(425)	479
Increase in net defined benefit liability	478	710	4,242
Interest and dividend income	(854)	(818)	(7,579)
Interest expense	1,619	1,792	14,368
Equity in losses (gains) of unconsolidated subsidiaries and affiliates	(251)	1,102	(2,228)
Loss on impairment of fixed assets	-	766	-
Loss on sale and disposal of property, plant and equipment, net	2,764	1,683	24,530
Loss on liquidation of subsidiaries and affiliates	-	869	-
Write-down and gain on sale of securities, net	(432)	(263)	(3,834)
Restructuring cost	765	707	6,789
Losses related to lawsuits	803	759	7,126
Decrease (increase) in trade notes and accounts receivable	1,571	(6,215)	13,942
Decrease (increase) in inventories	5,804	(5,942)	51,509
Decrease in trade notes and accounts payable	(5,377)	(1,064)	(47,719)
Decrease in net defined benefit asset	1,606	2,212	14,253
Other, net	(2,725)	956	(24,184)
Total	36,483	23,642	323,775
Payments related to lawsuits	(773)	(820)	(6,860)
Income taxes paid	(3,373)	(2,715)	(29,934)
Net cash flows provided by operating activities	32,337	20,107	286,981
Cash flows used in investing activities:			
Purchase of property, plant and equipment and intangibles	(16,958)	(17,949)	(150,497)
Proceeds from sale of property, plant and equipment and intangibles	382	1,725	3,390
Proceeds from sale of investment securities	3,328	255	29,535
Proceeds from sale of shares of subsidiaries and associates	631	390	5,600
Payments for investments in capital	(80)	(3,565)	(710)
Collections of long-term loans receivable	1,163	217	10,321
Payments of long-term loans receivable	(2)	(2,187)	(18)
Interest and dividends received	873	818	7,748
Other, net	27	207	240
Net cash flows used in investing activities	(10,636)	(20,089)	(94,391)
Cash flows provided by (used in) financing activities:			
Cash dividends	(3,111)	(3,115)	(27,609)
Cash dividends to non-controlling interests	(19)	(5)	(169)
Increase (decrease) in short-term bank loans	182	(5,310)	1,615
Proceeds from long-term loans payable	13,924	29,623	123,571
Repayments of long-term loans payable	(15,162)	(31,689)	(134,558)
Proceeds from issuance of bonds	-	15,000	-
Payments of bonds	(10,000)	-	(88,747)
Payments of interest	(1,669)	(1,775)	(14,812)
Payments for purchase of treasury stock	(8)	(6)	(71)
Repayments of finance lease obligations	(407)	(1,926)	(3,612)
Repayment of deposits received from employees	(5,114)	-	(45,385)
Net cash flows provided by (used in) financing activities:	(21,384)	797	(189,776)
Adjustments for foreign currency translation	(605)	372	(5,369)
Net increase (decrease) in cash and cash equivalents	(288)	1,187	(2,556)
Cash and cash equivalents at beginning of year	20,389	19,177	180,946
Increase resulting from changes in consolidated subsidiaries	-	19	-
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	-	6	-
Cash and cash equivalents at end of year (Note 18)	¥20,101	¥20,389	$178,390

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 overseas subsidiaries for the years ended March 31, 2016 and 2015 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 five items as applicable in compliance with ASBJ 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 Act. 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, 2016, which was ¥112.68 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 54 significant, substantially controlled subsidiaries. Investments in 9 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, 2016, the accounts of 17 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.The accounting period of TOYOBO (THAILAND) CO., LTD. and TOYOBO INDUSTRIAL MATERIAL (THAILAND) LTD. for the fiscal year ended March 31, 2016 was 15 months because these companies changed their account closing date from December 31 to March 31.

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.

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 are amortized using the same depreciation method applied to tangible 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 are accounted for as operating leases if the inception of the lease was on or before March 31, 2008.

Intangible assets

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

Bond issuance costs

Bond issuance costs are recorded at total cost when expended.

Research and development expenses

Expenses related to research and development are charged to income as incurred. Research and development expenses were ¥11,266 million ($99,982 thousand) and ¥10,819 million for the years ended March 31, 2016 and 2015, 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. Amortization method for differences due to changes in accounting standards, prior service costs and actuarial differences

Net transition obligation is amortized over fifteen years. However, amortization is accelerated in cases in which a large number of eligible employees who were employed at the time of the change resign. 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 respective 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.

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 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,
   (a) 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
   (b) 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

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.

Net income per share

Computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period. Diluted net income per share is not disclosed because the Company had no dilutive shares outstanding.

Reconciliation of the differences between basic and diluted net income per share for the years ended March 31, 2016 and 2015 was as follows.

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income attributable to owners of parent	Weighted average number of shares	Net income per share	
For the year ended March 31, 2016:				
Basic	¥10,150	887,817	¥11.43	$0.101

	Millions of yen	Thousands of shares	Yen
	Net income attributable to owners of parent	Weighted average number of shares	Net income per share
For the year ended March 31, 2015:			
Basic	¥8,117	887,850	¥9.14

Changes in accounting policy

The Group adopted “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013, hereinafter referred to as the “Business Combinations Accounting Standard”), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22,September 13, 2013, hereinafter the “Consolidated Financial Statements Accounting Standard”) and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013, hereinafter the “Business Divestitures Accounting Standard”) from the current fiscal year. As a result, the Group changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Company’s ownership interest of subsidiaries over which the Group continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Group changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. The Group also changed the presentation of net income, and the term “non-controlling interests” is used instead of “minority interests.” Certain amounts in the prior year comparative information were reclassified to conform to such changes in the current year presentation. With regard to the application of the Business Combination Accounting Standard, the Group followed the provisional treatments in Article 58-2 (4) of the Business Combinations Accounting Standard, Article 44-5 (4) of the Consolidated Financial Statements Accounting Standard and Article 57-4 (4) of the Business Divestitures Accounting Standard with application from the beginning of the current fiscal year prospectively. These changes have had no effect on the consolidated financial statements of the current fiscal year.

Accounting standards issued but not yet effective

“ Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016)

1. Summary

With regards to the treatment of the recoverability of deferred tax assets, a necessary review was conducted basically following the framework prescribed in Japanese Institute of Certified Public Accountants (JICPA) Auditing Standards Committee Report No. 66, “Audit Treatment for Determining the Recoverability of Deferred Tax Assets,” whereby companies are categorized into five categories and deferred tax assets are calculated based on each of these categories.

(1) Treatment of companies that do not satisfy any of the category criteria from Category 1 to Category 5

(2) Category criteria for Category 2 and Category 3

(3) Treatment of temporary differences in future temporary differences that cannot be scheduled for companies applicable to Category 2

(4) Treatment concerning the reasonable estimable period of temporary differences in future pre-adjusted taxable income for companies applicable to Category 3

(5) Treatment in cases in which a company satisfying the category criteria of Category 4 is also applicable to Category 2 or Category 3

2. Effective date

The above revisions will be applied from the beginning of the fiscal year ending March 31, 2017.

3. Impact of applying the accounting standard

The impact of the application of the “Implementation Guidance on Recoverability of Deferred Tax Assets” on the consolidated financial statements is minimal.

Changes in presentation method

Consolidated Statements of Cash Flows

In the previous fiscal year, ¥390 million for “proceeds from sale of shares of subsidiaries and associates” and ¥217 million for “collections of long-term loans receivable” were included in “other, net” under “cash flows used in investing activities.” However, these items have now become more important in terms of value, and they are therefore presented as independent items from the fiscal year ended March 31, 2016. To reflect these changes in presentation method, the Company has reclassified its full-year consolidated financial statements for the previous fiscal year. As a result, the amount of ¥814 million recorded for “other, net” under “cash flows used in investing activities” in the previous fiscal year’s consolidated statements of cash flows has now been reclassified as ¥390 million for “proceeds from sale of shares of subsidiaries and associates,” ¥217 million for “collections of long-term loans receivable ” and ¥207 million for “other, net.”

Changes Due to Accounting Estimate

Previously, provision for environmental measures was recognized for expenses relating to environmental measures such as the removal of polychlorinated biphenyl (PCB). As it has now become possible for the Company to estimate the cost of processing low-density PCB waste owned by the Group, the processing cost was re-estimated. The amount of difference from the previous estimate that resulted from the re-estimation is recorded under “Other, net” as an other expense. As a result, income before income taxes for the fiscal year ended March 31, 2016 decreased ¥268 million ($2,378 thousand) .

3. FINANCIAL INSTRUMENTS

1. Overall status of financial instruments

(1) Policy for the use of financial instruments

In the Toyobo Group, cash is managed only in the form of short-term instruments after ensuring the collectibility of the principal and sufficient liquidity. Funds are raised through both 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, they 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 fluctuations. 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 fluctuations, 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 Group's finance subsidiary 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 such 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 these 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, 2016 and 2015. 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	Book value	Fair value
For the year ended March 31, 2016:				
(1) Cash and cash equivalents	¥20,258	¥20,258	$179,783	$179,783
(2) Notes and accounts receivable - trade	81,176	81,176	720,412	720,412
(3) Investment securities				
Held-to-maturity investments	12	13	106	115
Available-for-sale securities	17,188	17,188	152,538	152,538
Total assets	¥118,634	¥118,635	$1,052,840	$1,052,849
(1) Notes and accounts payable - trade	¥43,441	¥43,441	$385,525	$385,525
(2) Short-term borrowing	40,586	40,586	360,188	360,188
Long-term debt				
(3) Corporate bonds	25,000	25,140	221,867	223,110
(4) Long-term loans payable	98,788	99,904	876,713	886,617
Total liabilities	¥207,815	¥209,071	$1,844,294	$1,855,440
Derivatives (*)	(¥149)	(¥149)	($1,322)	($1,322)

(*) 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
For the year ended March 31, 2015:		
(1) Cash and cash equivalents	¥20,550	¥20,550
(2) Notes and accounts receivable - trade	83,710	83,710
(3) Investment securities		
Held-to-maturity investments	19	20
Available-for-sale securities	21,898	21,898
Total assets	¥126,177	¥126,178
(1) Notes and accounts payable - trade	¥49,173	¥49,173
(2) Short-term borrowing	40,949	40,949
Long-term debt		
(3) Corporate bonds	35,000	35,105
(4) Long-term loans payable	100,094	100,730
Total liabilities	¥225,216	¥225,957
Derivatives (*)	(¥89)	(¥89)

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

(Note 1) 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 these items are settled within a short-term period, their fair value is nearly equal to the carrying amount. Therefore, for these items, 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 notes on securities categorized by the purpose for which they are held.

Liabilities

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

As these items are settled within a short-term period, their fair value is nearly equal to the carrying amount. Therefore, for these items, the carrying amount is reported as the fair value.

(3) Corporate bonds

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

(4) 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 debts 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-term 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 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
	2016	2015	2016
Non-listed equity securities	¥1,041	¥1,210	$9,239

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 was 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 ¥2,405 million ($21,344 thousand) and ¥2,299 million for the years ended March 31, 2016 and 2015, respectively, and the fair value was ¥838 million ($7,437 thousand) and ¥771 million for the years ended March 31, 2016 and 2015, respectively, with the difference being a negative ¥1,567 million ($13,907 thousand) and ¥1,528 million for the years ended March 31, 2016 and 2015, respectively. The carrying amount of stocks of unlisted subsidiaries and affiliates was stated at ¥2,818 million ($25,009 thousand) and ¥2,640 million for the years ended March 31, 2016 and 2015, respectively.

4. SECURITIES

The following tables summarize book values and fair values of held-to-maturity investments with available fair values as of March 31, 2016 and 2015:

Held-to-maturity investments

	Millions of yen					
	2016			2015		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Held-to-maturity investments with fair value exceeding book value:						
Coporate bonds	¥12	¥13	¥1	¥19	¥20	¥1
Other	-	-	-	-	-	-
Total	¥12	¥13	¥1	¥19	¥20	¥1
Held-to-maturity investments with fair value not exceeding book value:						
Coporate bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	-	-	-	-	-	-

	Thousands of U.S. dollars		
	2016		
	Book value	Fair value	Difference
Held-to-maturity investments with fair value exceeding book value:			
Coporate bonds	$106	$115	$9
Other	-	-	-
Total	$106	$115	$9
Held-to-maturity investments with fair value not exceeding book value:			
Coporate bonds	-	-	-
Other	-	-	-
Total	-	-	-

The following tables summarize acquisition cost and book value (fair value) of securities with available fair values as of March 31, 2016 and 2015:

Available-for-sale securities

	Millions of yen					
	2016			2015		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:						
Equity securities	¥6,949	¥15,621	¥8,672	¥9,900	¥20,595	¥10,695
Other	6	10	4	6	11	5
	¥6,955	¥15,631	¥8,676	¥9,906	¥20,606	¥10,700
Securities with book values not exceeding acquisition costs:						
Equity securities	¥1,909	¥1,515	(¥394)	¥1,528	¥1,274	(¥254)
Other	42	42	-	18	18	-
Total	¥1,951	¥1,557	(¥394)	¥1,546	¥1,292	(¥254)

	Thousands of U.S. dollars		
	2016		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	$61,670	$138,632	$76,961
Other	53	89	35
	$61,723	$138,720	$76,997
Securities with book values not exceeding acquisition costs:			
Equity securities	$16,942	$13,445	($3,497)
Other	373	373	-
Total	$17,315	$13,818	($3,497)

The following table summarizes sales of available-for-sale securities and the related gains and losses for the years ended March 31, 2016 and 2015:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Total sales of available-for-sale securities	¥3,375	¥268	$29,952
Related gains	702	98	6,230
Related losses	¥4	¥ -	$35

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, 2016 and 2015 consisted of the following:

	Millions of yen					
	2016			2015		
	Contract amount	Fair value	Revaluation gain (loss)	Contract amount	Fair value	Revaluation gain (loss)
Over the counter						
Forward						
Sold	¥2,815	¥101	¥101	¥3,490	(¥43)	(¥43)
Bought	510	(16)	(16)	413	4	4
Total	¥3,325	¥85	¥85	¥3,903	(¥39)	(¥39)

	Thousands of U.S. dollars		
	2016		
	Contract amount	Fair value	Revaluation gain (loss)
Over the counter			
Forward			
Sold	$24,982	$896	$896
Bought	4,526	(142)	(142)
Total	$29,508	$754	$754

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

Currency related transactions designated as hedging transactions at March 31, 2016 and 2015 consisted of the following:

		Millions of yen					
		2016			2015		
		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	¥23	-	¥0	¥35	-	(¥0)
Bought	Accounts payable - trade	655	-	(21)	755	-	22
Alternative method (Note 2)							
Forward							
Sold	Accounts receivable - trade	308	-	(Note 3)	375	-	(Note 3)
Bought	Accounts payable - trade	435	-	(Note 3)	96	-	(Note 3)
Total		¥1,421	-	(¥21)	¥1,261	-	¥22

		Thousands of U.S. dollars		
		2016		
		Contract amount		
	Major hedged items	Total	Maturity over 1 year	Fair value
Deferral hedge accounting (Note 1)				
Forward				
Sold	Accounts receivable - trade	$204	-	$0
Bought	Accounts payable - trade	5,813	-	(186)
Alternative method (Note 2)				
Forward				
Sold	Accounts receivable - trade	2,733	-	(Note 3)
Bought	Accounts payable - trade	3,860	-	(Note 3)
Total		$12,611	-	($186)

Note: 1. The fair values of the transactions are determined by the forward exchange rate.

2. Foreign 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 contracts qualify for hedge accounting.

3. For certain accounts receivable - trade and accounts payable - trade denominated in foreign currencies for which foreign exchange forward contracts are used to hedge foreign currency fluctuations, the fair value of the derivative financial instrument is included in fair value of the account receivable - trade or account payable - trade as a hedged item.

Interest rate related transactions designated as hedging transactions at March 31, 2016 and 2015 consisted of the following:

	Millions of yen					
	2016			2015		
	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	(¥212)	¥15,000	¥15,000	(¥73)
Special treatment of interest rate swaps						
Long-term loans payable						
Receive - float / Pay - fixed	2,100	1,600	(Note 2)	2,100	2,100	(Note 2)
Total	¥17,100	¥16,600	(¥212)	¥17,100	¥17,100	(¥73)

	Thousands of U.S. dollars		
	2016		
	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	$133,120	$133,120	($1,881)
Special treatment of interest rate swaps			
Long-term loans payable			
Receive - float / Pay - fixed	18,637	14,200	(Note 2)
Total	$151,757	$147,320	($1,881)

Note: 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, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Finished goods	¥44,416	¥50,576	$394,178
Work-in-process	15,498	15,942	137,540
Raw materials	10,061	9,801	89,288
Supplies	5,362	6,064	47,586
	¥75,337	¥82,383	$668,592

7. IMPAIRMENT LOSS

The Company and its domestic consolidated subsidiaries recorded impairment loss on the following asset groups for the year ended March 31, 2015.

For the year ended March 31, 2015

Location	Usage	Type
Toyobo Co., Ltd. (Iwakuni, Yamaguchi)	Business assets	Buildings and structures Machinery and equipment Tangible assets and other Intangible assets and other
Toyobo Co., Ltd. (Tsuruga, Fukui)	Business assets	Buildings and structures Machinery and equipment Tangible assets and other
Toyobo Co., Ltd. (Fukui, Fukui)	Idle assets	Land
Miyuki sewing Co., Ltd (Saikai, Nagasaki)	Idle assets	Buildings and structures

The Toyobo Group's business assets are classified in administrative accounting and idle assets are grouped together on an individual basis.

Since the business assets shown above were disposed of due to a withdrawal from a business and since the idle assets have a decline in land prices and there is no plan for any future use, the book value of these assets has been marked down to the recoverable value. This write-down was treated as an impairment loss amounting to ¥766 million and included among extraordinary losses. The breakdown of this loss was as follows:

	Millions of yen
Buildings and structures	¥113
Machinery and equipment	598
Land	50
Tangible assets and other	2
Intangible assets and other	¥3

In calculating the recoverable value of these assets, the recoverable value of land was adjusted by methods making use of values assessed for fixed asset taxes. For the other assets, the estimated net sale value was used to make a reasonable estimate of the recoverable value.

8. INCOME TAXES

Significant components of the Companies and consolidated subsidiaries deferred income tax assets and liabilities as of March 31, 2016 and 2015 are set forth below.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deferred income tax assets:			
Accrued employee bonuses	¥1,495	¥1,500	$13,268
Devaluation loss on inventories	567	585	5,032
Defined benefit liability	7,129	5,278	63,268
Allowance for doubtful receivables	358	281	3,177
Provision for environmental measures	288	263	2,556
Impairment loss	740	954	6,567
Write-down of investment securities	672	634	5,964
Depreciation	305	637	2,707
Tax losses carried forward	6,570	7,736	58,307
Unrealized gains	8,088	8,257	71,778
Securities acquired through merger	199	209	1,766
Foreign currency translation adjustments	326	-	2,893
Other	1,325	1,592	11,759
Subtotal deferred income tax assets	28,062	27,926	249,042
Valuation allowance	(4,699)	(4,330)	(41,702)
Net deferred income tax assets	23,363	23,596	207,339
Deferred income tax liabilities:			
Reserve for deferred gains on sale of property	(449)	(471)	(3,985)
Undistributed earnings of overseas subsidiaries and affiliates	(1,111)	(835)	(9,860)
Consolidation adjustment of allowance for doubtful receivables	(1)	(2)	(9)
Valuation difference of subsidiaries	(1,572)	(1,668)	(13,951)
Tax deferred gains on assets transferred to a new company	(1,369)	(1,413)	(12,149)
Tax deferred gains on spin-off	(497)	(513)	(4,411)
Valuation difference on available-for-sale securities	(2,580)	(3,329)	(22,897)
Total deferred income tax liabilities	(7,579)	(8,231)	(67,261)
Net deferred income tax assets	¥15,784	¥15,365	$140,078

	2016	2015	2016
Current assets	¥5,147	¥4,925	$45,678
Investments and other assets	14,053	14,019	124,716
Current liabilities	(0)	-	(0)
Long-term liabilities	(3,416)	(3,579)	(30,316)
Total	¥15,784	¥15,365	$140,078

Deferred income tax liabilities on land revaluation of ¥21,228 million ($188,392 thousand) and ¥21,922 million for the years ended March 31, 2016 and 2015, respectively, were recognized in long-term liabilities.

The effective rate for the years ended March 31, 2016 and 2015 differ from statutory tax rate as follows:

	2016	2015
Statutory tax rate	33.0%	36.0%
Expenses not deductible for tax purposes	0.4	0.7
Nontaxable dividend income	(0.6)	(0.8)
Tax losses carried forward	(2.2)	(7.2)
Tax credits	(1.0)	(1.6)
Valuation allowance	3.1	(8.0)
Equity in income of unconsolidated subsidiaries and affiliates	(0.6)	0.7
Unrealizad gain	0.3	(0.8)
Effect of the merger	-	7.2
Adjustments of deferred income tax assets by changes in tax rates	1.5	8.7
Retained earnings of entities such as overseas subsidiaries	1.7	1.9
Difference in tax rate	(0.5)	(1.7)
Goodwill	0.5	0.9
Negative goodwill	-	(1.3)
Other	1.1	(2.1)
Effective tax rate	36.7%	32.7%

Adjustments of deferred tax assets and liabilities due to changes in income tax rates

Following the enactment of the “Act on Partial Revision of the Income Tax Act, etc.” (Act No. 15 of 2016) and the “Act on Partial Revision of the Local Tax Act, etc.” (Act No. 13 of 2016) on March 29, 2016, the income tax rates are to be lowered from the fiscal year starting on or after April 1, 2016. Accordingly, the effective statutory tax rate applicable to the calculation of deferred tax assets and deferred tax liabilities for the fiscal year ended March 31, 2016 was changed from the previous rate of 32% to 31%. As a result of this change, the net value of the Group’s deferred tax assets (after the deduction of the amount of deferred tax liabilities) decreased by ¥241 million ($2,139 thousand), and income taxes—deferred increased by ¥239 million ($2,121 thousand) for the fiscal year ended March 31, 2016. In addition, deferred tax liabilities for land revaluation decreased ¥685 million ($6,079 thousand).

9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2016 and 2015 consisted of short-term notes generally due within one year bearing interest at an average rate of 0.71% and 0.76%, respectively.

Long-term debt at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unsecured:			
2.06% bonds due 2015	¥ -	¥5,000	$ -
0.48% bonds due 2015	-	5,000	-
0.69% bonds due 2017	10,000	10,000	88,747
0.28% bonds due 2019	10,000	10,000	88,747
0.45% bonds due 2021	5,000	5,000	44,373
Long-term loans payable, principally maturing through 2074 at the weighted average interest rate of 1.04% as of March 31, 2016			
Secured	211	341	1,873
Unsecured	98,577	99,753	874,840
Lease obligations maturing serially through 2022	984	1,041	8,733
Total	124,772	136,135	1,107,313
Less amount due within one year	20,425	25,034	181,266
	¥104,347	¥111,101	$926,047

The aggregate annual maturities of long-term debt outstanding as of March 31, 2016 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2016	¥20,425	$181,266
2017	33,039	293,211
2018	23,673	210,091
2019	17,749	157,517
2020	6,164	54,704
Thereafter	23,722	210,525
	¥124,772	$1,107,313

The Company has credit commitments from four banks in order to secure financing. The total unused credit available to the Company at March 31, 2016 was ¥21,000 million ($186,368 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 payroll and length of service is provided. 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.

Defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Retirement benefit obligations at beginning of year	¥58,349	¥59,220	$517,829
Effect of changes in accounting policies	-	(1,433)	-
Retirement benefit obligations at beginning of year (restated)	58,349	57,787	517,829
Service cost	2,578	2,447	22,879
Interest cost	756	743	6,709
Actuarial differences incurred	5,329	1,597	47,293
Retirement benefits paid	(3,665)	(4,168)	(32,526)
Other	(35)	(57)	(311)
Retirement benefit obligations at end of year	¥63,312	¥58,349	$561,874

(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
	2016	2015	2016
Plan assets at beginning of year	¥46,123	¥44,248	$409,327
Expected return on plan assets	901	866	7,996
Actuarial differences incurred	(1,866)	2,985	(16,560)
Employer's contribution	226	226	2,006
Retirement benefits paid	(2,264)	(2,202)	(20,092)
Plan assets at end of year	¥43,120	¥46,123	$382,677

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
	2016	2015	2016
Funded retirement benefit obligations	¥59,743	¥54,970	$530,201
Plan assets	(43,120)	(46,123)	(382,677)
	16,623	8,847	147,524
Unfunded retirement benefit obligations	3,569	3,378	31,674
Difference between liability and asset recorded on the consolidated balance sheet	20,192	12,225	179,198
Defined benefit liability	20,192	17,244	179,198
Defined benefit asset	-	(5,019)	-
Difference between liability and asset recorded on the consolidated balance sheet	¥20,192	¥12,225	$179,198

Profits or losses related to retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service cost – benefits earned during the year	¥2,578	¥2,447	$22,879
Interest cost on projected benefit obligation	756	742	6,709
Expected return on plan assets	(901)	(866)	(7,996)
Amortization of net transition obligation	-	1,569	-
Amortization of prior service cost	109	76	967
Amortization of actuarial differences	1,177	1,150	10,446
Additional retirement benefits	397	293	3,523
Retirement benefit expenses for defined benefit plans	¥4,116	¥5,411	$36,528

(Note) Profits or losses related to retirement benefit expenses of the consolidated subsidiaries applying the simplified method are included in service costs and amortization of net transition obligation.

Remeasurements of defined benefit plans, before tax effect

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Net transition obligation	¥ -	¥1,575	$ -
Prior service cost	109	(16)	967
Actuarial differences	(6,018)	2,538	(53,408)
Total	(¥5,909)	¥4,097	($52,441)

Accumulated remeasurements of defined benefit plans, before tax effect

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unrecognized prior service cost	¥438	¥549	$3,887
Unrecognized actuarial differences	7,855	1,836	69,711
Total	¥8,293	¥2,384	$73,598

Plan assets

Components of plan assets by main categories are as follows:

	2016	2015
Debt securities	34%	30%
Equity securities	21	32
General accounts	28	23
Cash and deposits	5	6
Other	12	9
Total	100%	100%

(Note) The ratio of the plan assets used to fund a retirement benefit trust established for corporate pension plans was 10% and 15% for the years ended March 31, 2016 and 2015, respectively.

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

Expected long-term rate of return on pension 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 actuarial calculation at the end of the years ended March 31, 2016 and 2015 were as follows:

	2016	2015
Discount rates	0.6%	1.4%
Expected rates of return on plan assets	2.0%	2.0%

Defined contribution plans

The total amount contributed to defined contribution plans was ¥239 million ($2,121 thousand) and ¥227 million for the years ended March 31, 2016 and 2015, respectively.

Multi-employer type employee pension fund plans

The total amount contributed to multi-employer type employee pension fund plans, which are calculated in a same way as defined contribution plans, was ¥35 million ($311 thousand) and ¥115 million for the years ended March 31, 2016 and 2015, respectively.

11. ASSETS PLEDGED AS COLLATERAL

At March 31, 2016 and 2015, assets pledged as collateral for secured long-term debt of ¥211 million ($1,873 thousand) and ¥341 million, respectively, customers' deposits of ¥213 million ($1,890 thousand) and ¥256 million, respectively, and accounts payable of ¥24 million ($213 thousand) and ¥24 million, respectively, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash and cash equivalents	¥26	¥26	$231
Property, plant and equipment – net of accumulated depreciation	1,023	1,092	9,079
	¥1,049	¥1,118	$9,310

12. NET ASSETS

The consolidated financial statements have been reported in accordance with the provisions set forth in the Japanese Companies Act (the "Companies Act"). The significant provisions of the Companies Act that affect financial and accounting matters are summarized below:

(i) 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 (non-cash 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.

(ii) 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 common stock. Under the Companies Act, all additional paid-in capital and all legal earnings 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.

(iii) 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, 2016 and 2015, the Company and certain consolidated subsidiaries were contingently liable for the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
As endorser of notes discounted	¥36	¥30	$319
As guarantor of indebtedness			
Unconsolidated subsidiaries and affiliates	2,329	3,005	20,669
Employees (housing loans)	30	59	266
	¥2,359	¥3,064	$20,935

14. LEASES

Lease payments for finance leases which do not transfer ownership of the lease assets and do not have bargain purchase provisions were ¥56 million ($497 thousand) and ¥56 million for the years ended March 31, 2016 and 2015, respectively. Future minimum lease payments for the remaining lease periods as of March 31, 2016 and 2015, including interest, were ¥56 million ($497 thousand) and ¥56 million, respectively, for payments due within one year and ¥128 million ($1,136 thousand) and ¥184 million, respectively, for payments due beyond one year.

Original lease obligations, accumulated payments and remaining payments on leased properties as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U. S. dollars
	2016	2015	2016
Machinery and equipment:			
Original lease obligations	¥589	¥589	$5,227
Payments made	405	349	3,594
Remaining payments	¥184	¥240	$1,633

Future minimum lease receipts as lessor under operating leases for the remaining lease periods as of March 31, 2016 and 2015 were ¥6,444 million ($57,188 thousand) and ¥6,733 million, respectively, of which ¥586 million ($5,201 thousand) and ¥595 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 scope of the segments is reviewed on a regular basis in order to allow the highest decision making body to determine the allocation of management resources and evaluate earnings performance. Toyobo's basic organization comprises business headquarters and business divisions within the head office separated by the type, nature and market for products and services. Each business headquarters and business division formulates comprehensive strategies for its domestic and overseas operations and conducts business activities.

Accordingly, Toyobo organizes business segments by product and service. Its five reportable segments are "Films and Functional Polymers," "Industrial Materials," "Helthcare," "Textiles and Trading" and "Real Estate." The "Films and Functional Polymers" segment manufactures and sells packaging films, industrial films, industrial adhesives, engineering plastics, optical function materials, photo-sensitive printing plates and other products. The "Industrial Materials" segment manufactures and sells fiber materials for automotive applications, high-performance fibers, functional filters, non-woven fabrics and other products. The "Helthcare" segment manufactures and sells bio-products such as enzymes for diagnostics, contract manufacturing of pharmaceuticals, medical-use membranes, medical equipment and equipment devices, water treatment membranes 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.

Matters Concerning Changes to Reportable Segments

From the fiscal year ended March 31, 2016, the Company has renamed the former "Life Science" segment and "Textiles" segment as the "Healthcare" segment and the "Textiles and Trading" segment, respectively, in conjunction with organizational restructuring. Furthermore, the Company has implemented organizational changes in order to reinforce business synergies and has moved the AP business, which was previously included in the "Films and Functional Polymers" business, into the "Industrial Materials" business segment. The Company also reviewed its management structure in line with business expansion and moved some business segments of the consolidated subsidiaries previously included in the "Other Businesses" segment into "Textiles and Trading" and some business segments of the consolidated subsidiaries previously included in "Textiles" into "Films and Functional Polymers," "Healthcare," "Textiles and Trading" and "Real Estate". Segment information for the previous fiscal year has been prepared in accordance with the method of classification following the changes.

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

Application of Accounting Standard for Business Combinations, etc.

Effective from the fiscal year ended March 31, 2016, the Company has applied the "Accounting Standard for Business Combinations" and the method of recording the amount of difference caused by changes in the Company's ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the fiscal year ended March 31, 2016, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the consolidated financial statements for the fiscal year to which the date of business combination belongs. These changes had no effect on segment income in the fiscal year ended March 31, 2016.

	Millions of yen							
Year ended March 31, 2016	Net sales to external customers	Intersegment net sales and transfer amounts	Net sales	Segment income	Identifiable assets	Depreciation and amortization	Loss on impairment	Capital expenditure
Films and Functional Polymers	¥143,398	¥0	¥143,398	¥9,920	¥139,922	¥6,420	¥ -	¥6,793
Industrial Materials	70,522	237	70,759	6,288	73,488	2,097	-	3,678
Helthcare	27,723	77	27,800	4,726	34,830	2,330	-	2,376
Textiles and Trading	85,486	117	85,603	2,500	74,751	1,656	-	2,010
Real Estate	4,203	1,143	5,346	2,270	50,954	745	-	618
	331,332	1,574	332,906	25,704	373,945	13,248	-	15,475
Other businesses	16,431	12,050	28,481	571	18,528	392	-	443
Total	347,763	13,624	361,387	26,275	392,473	13,640	-	15,918
Elimination or Corporate	-	(13,624)	(13,624)	(3,152)	52,114	794	-	1,418
Consolidated	¥347,763	¥ -	¥347,763	¥23,123	¥444,587	¥14,434	¥ -	¥17,336

	Thousands of U.S. dollars							
Year ended March 31, 2016	Net sales to external customers	Intersegment net sales and transfer amounts	Net sales	Segment income	Identifiable assets	Depreciation and amortization	Loss on impairment	Capital expenditure
Films and Functional Polymers	$1,272,613	$0	$1,272,613	$88,037	$1,241,764	$56,976	$ -	$60,286
Industrial Materials	625,861	2,103	627,964	55,804	652,183	18,610	-	32,641
Helthcare	246,033	683	246,716	41,942	309,105	20,678	-	21,086
Textiles and Trading	758,662	1,038	759,700	22,187	663,392	14,696	-	17,838
Real Estate	37,300	10,144	47,444	20,146	452,201	6,612	-	5,485
	2,940,469	13,969	2,954,437	228,115	3,318,646	117,572	-	137,336
Other businesses	145,820	106,939	252,760	5,067	164,430	3,479	-	3,931
Total	3,086,289	120,908	3,207,197	233,182	3,483,076	121,051	-	141,267
Elimination or Corporate	-	(120,908)	(120,908)	(27,973)	462,496	7,047	-	12,584
Consolidated	$3,086,289	$ -	$3,086,289	$205,209	$3,945,572	$128,097	$ -	$153,852

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

2. (a) Elimination or Corporate includes segment income adjustment of ¥-3,152 million ($-27,973 thousand), eliminations of intersegment transactions of ¥-305 million ($-2,707 thousand) and companywide expenses that are not allocated across reportable segments of ¥-2,847 million ($-25,266 thousand). The principal components of companywide expenses are those related to basic research and development.

(b) The intersegment adjustment of ¥52,114 million ($462,496 thousand) is included in companywide assets that are not allocated across reportable segments and amount to ¥75,209 million ($667,457 thousand).

(c) The increase in the adjustment of tangible and intangible fixed assets of ¥1,418 million ($12,584 thousand) is the amount of capital investment related to research and development.

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

Year ended March 31, 2015	Millions of yen							
	Net sales to external customers	Intersegment net sales and transfer amounts	Net sales	Segment income	Identifiable assets	Depreciation and amortization	Loss on impairment	Capital expenditure
Films and Functional Polymers	¥146,029	¥0	¥146,029	¥6,988	¥146,533	¥7,268	¥701	¥4,909
Industrial Materials	71,520	307	71,827	6,601	76,147	2,036	-	2,946
Helthcare	28,777	80	28,857	5,042	33,570	2,101	-	4,080
Textiles and Trading	85,093	66	85,159	2,334	77,577	1,662	15	1,799
Real Estate	4,001	1,148	5,149	2,236	49,541	717	-	1,884
	335,420	1,601	337,021	23,201	383,368	13,784	716	15,618
Other businesses	15,859	10,837	26,696	394	18,534	383	-	338
Total	351,279	12,438	363,717	23,595	401,902	14,167	716	15,956
Elimination or Corporate	-	(12,438)	(12,438)	(3,015)	63,907	749	50	1,535
Consolidated	¥351,279	¥ -	¥351,279	¥20,580	¥465,809	¥14,916	¥766	¥17,491

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

2. (a) Elimination or Corporate includes segment income adjustment of ¥-3,015 million, eliminations of intersegment transactions of ¥-222 million and companywide expenses that are not allocated across reportable segments of ¥-2,793 million. The principal components of companywide expenses are those related to basic research and development.

(b) The intersegment adjustment of ¥63,907 million is included in companywide assets that are not allocated across reportable segments and amount to ¥87,080 million.

(c) The increase in the adjustment of tangible and intangible fixed assets of ¥1,535 million is the amount of capital investment related to research and development.

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

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Japan	¥245,152	¥251,328	$2,175,648
Southeast Asia	63,471	60,826	563,285
Other areas	39,140	39,125	347,355
Total	¥347,763	¥351,279	$3,086,289

Principal countries and areas in each segment are:

Southeast Asia: China, Korea, Taiwan, Malaysia, Indonesia, Thailand, etc.

Other areas: America, Germany, Spain, Brazil, Saudi Arabia, etc.

Impairment loss for each segment

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Films and Functional Polymers	¥ -	¥701	$ -
Industrial Materials	-	-	-
Helthcare	-	-	-
Textiles and Trading	-	15	-
Real Estate	-	-	-
Other businesses	-	-	-
Total	-	716	-
Elimination or Corporate	-	50	-
Consolidated	¥ -	¥766	$ -

Amortization and balance of goodwill

	Millions of yen				Thousands of U.S. dollars	
	2016		2015		2016	
	Amortization of goodwill	Balance of goodwill	Amortization of goodwill	Balance of goodwill	Amortization of goodwill	Balance of goodwill
Films and Functional Polymers	¥ -	¥ -	¥120	¥ -	$ -	$ -
Industrial Materials	-	-	-	-	-	-
Helthcare	236	581	247	905	2,094	5,156
Textiles and Trading	-	-	7	-	-	-
Real Estate	-	-	-	-	-	-
Other businesses	-	-	-	-	-	-
Total	236	581	374	905	2,094	5,156
Elimination or Corporate	-	-	-	-	-	-
Consolidated	¥236	¥581	¥374	¥905	$2,094	$5,156

Amortization and balance of negative goodwill due to business combinations before April 1, 2010

	Millions of yen				Thousands of U.S. dollars	
	2016		2015		2016	
	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	-	-	-	-	-	-
Textiles and Trading	-	-	-	-	-	-
Real Estate	-	-	419	-	-	-
Other businesses	-	-	-	-	-	-
Total	-	-	419	-	-	-
Elimination or Corporate	-	-	-	-	-	-
Consolidated	¥ -	¥ -	¥419	¥ -	$ -	$ -

Gain on Negative Goodwill by Reportable Segment

Fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

Not applicable

Fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

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, 2016 and 2015, respectively, the fair value of land was ¥33,742 million ($299,450 thousand) and ¥32,354 million lower than book value. 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, 2016 and 2015, respectively, the fair value of land was ¥3,113 million ($27,627 thousand) and ¥3,144 million lower than book value.

17. INVESTMENT AND RENTAL PROPERTY

The Company and some of its consolidated subsidiaries hold investment and rental office buildings (including land) located in Osaka and other areas. For the fiscal years ended March 31, 2016 and 2015, the rental income on these real estate properties was ¥2,395 million ($21,255 thousand) and ¥2,305 million (principal rental income is recorded in sales and principal rental expenses are recorded in cost of sales), respectively. The loss on the sale of fixed assets was ¥4 million ($35 thousand) (recorded in other income (expenses)) for the year ended March 31, 2016.

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at the beginning of April 1, 2015 and 2014	¥35,141	¥31,381	$311,865
Increase in the fiscal term	1,003	3,760	8,901
Balance at the end of March 31, 2016 and 2015	¥36,144	¥35,141	$320,767
Fair value on March 31, 2016 and 2015	¥39,479	¥39,819	$350,364

Note: 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, 2016 was attributable mainly to increases in rental properties of ¥1,075 million ($9,540 thousand) and to decreases in the sale of assets of ¥94 million ($834 thousand).

3. The fair value on March 31, 2016 and 2015 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 cash equivalents in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2016 and 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash and cash equivalents in the consolidated balance sheets	¥20,258	¥20,550	$179,783
Time deposits maturing after three months	(157)	(161)	(1,393)
Cash and cash equivalents in the consolidated statements of cash flows	¥20,101	¥20,389	$178,390

19. COMPREHENSIVE INCOME

Amounts reclassified to net income 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
	2016	2015	2016
Valuation difference on available-for-sale securities			
Increase (decrease) during the year	(¥1,499)	¥4,394	($13,303)
Reclassification adjustments	(697)	(23)	(6,186)
Subtotal, before tax	(2,196)	4,371	(19,489)
Tax (expense) of benefit	764	(1,196)	6,780
Subtotal, net of tax	(1,432)	3,175	(12,709)
Deferred gains and losses on hedges			
Increase (decrease) during the year	(128)	(72)	(1,136)
Reclassification adjustments	(55)	25	(488)
Subtotal, before tax	(183)	(47)	(1,624)
Tax of benefit	55	15	488
Subtotal, net of tax	(128)	(32)	(1,136)
Land revaluation excess			
Tax of benefit	685	2,689	6,079
Subtotal, net of tax	685	2,689	6,079
Foreign currency translation adjustments			
Increase (decrease) during the year	(2,910)	1,300	(25,825)
Accumulated remeasurements of defined benefit plans			
Increase (decrease) during the year	(7,195)	1,302	(63,853)
Reclassification adjustments	1,286	2,795	11,413
Subtotal, before tax	(5,909)	4,097	(52,441)
Tax (expense) of benefit	1,823	(1,532)	16,179
Subtotal, net of tax	(4,086)	2,565	(36,262)
Share of other comprehensive income of associates accounted for using the equity method			
Increase (decrease) during the year	(248)	193	(2,201)
Total other comprehensive income	(¥8,119)	¥9,890	($72,054)

20. LAWSUITS

Lawsuit for damages brought against the Company by the U.S. Department of Justice.

The U.S. Department of Justice has filed a lawsuit in the United States against Toyobo and Toyobo's U.S. subsidiary, TOYOBO U.S.A., INC. for violating U.S. False Claims Act, for fraud and for unjust enrichment in relation to bulletproof vests which a U.S. company named Second Chance Body Armor, Inc. manufactured and distributed using Toyobo's "Zylon" fibers and which were purchased by the U.S. government.

In addition, regarding bulletproof vests which a number of U.S. companies other than Second Chance (including Armor Holding, Inc.) manufactured and distributed using Toyobo's "Zylon" fibers and which were purchased by the U.S. government, the Department of Justice has filed a lawsuit against Toyobo and TOYOBO U.S.A., INC. for violating U.S. False Claims Act, for fraud and for unjust enrichment.

These lawsuits are pending in court, but Toyobo maintains that it was not at fault and is taking appropriate actions to defend its case.

21. RELATED PARTY TRANSACTIONS

Related party transactions for the years ended March 31, 2016 and 2015 were as follows:

1. For the year ended March 31, 2016

There were no material related party transactions to report.

2. For the year ended March 31, 2015

There were no material related party transactions to report.

22. SUBSEQUENT EVENTS

1. At the Company's ordinary meeting of stockholders held on June 28, 2016, appropriations of retained earnings for the year ended March 31, 2016 were duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends - ¥3.50 ($0.031) per share	¥3,107	$27,574

2. At the meeting of the Board of Directors held on August 25, 2016, a comprehensive resolution regarding the issuance of unsecured straight bonds in the Japanese market was passed. The details of this resolution are as follows:

(1) Issue amount: ¥20,000 million or less. However, multiple issues within the scope of this amount are not ruled out.

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

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

(4) Payment dates: From August 26, 2016 to March 31, 2017. However, if the bonds are offered during this period, payments after this period will be accepted.

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

(6) Method of redemption: Full amount on maturity. However, a retirement by purchase clause may be included.

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

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

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

KPMG

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, 2016 and 2015, and the consolidated statements of income, 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 misstatements, 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 judgement, 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, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 22 to the consolidated financial statements, a comprehensive resolution regarding the issuance of unsecured straight bonds in the Japanese market was passed at the meeting of the Board of Directors held on August 25, 2016.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 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 6, 2016
Osaka, Japan