Financial Section

TOYOBO CO., LTD.

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015 and 2014

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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Management’s Discussion and Analysis

Overview of Fiscal Year Ended March 31, 2015

During the fiscal year ended March 31, 2015, from April 1, 2014 through March 31, 2015, the business environment for the Toyobo Group was characterized by trends in the world economy such as the continued recovery in the United States against a background of monetary easing through the third quarter. However, the emerging countries of Asia, including China, continued to experience deceleration in growth. In Japan, economic recovery was lacking in robustness because of the prolonged impact of the increase in the consumption tax.

Amid this operating environment, the Toyobo Group continued its activities aimed at becoming “The category leader, continuing to create new value that contributes to society in the environment, life science, and high-function fields.” Accordingly, Toyobo is proceeding with activities targeted at further growth by expanding its businesses in Japan and overseas markets through developing specialty products and expanding sales. Also, during the fiscal year under review, Toyobo continued to implement its Medium-Term Management Plan that covers the four years ending March 2018. This plan sets forth five action plans: 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.” During the fiscal year under review, Toyobo proceeded with business activities to realize these five objectives.

In “accelerating overseas business development,” in the engineering plastics business, to accelerate sales growth in Central America where expansion in the market for plastics used in the manufacturing of automotive parts is expected, Toyobo established a new company in Mexico. Also, in the airbag fabrics business, Toyobo strengthened its marketing activities through the acquisition, jointly with another company, of a manufacturer of yarn for airbags based in Germany. In the business of reverse osmosis (RO) membrane elements for seawater desalination, Toyobo increased production capacity at its joint venture for manufacturing these membranes in Saudi Arabia and took other measures aimed at expansion and strengthening its operating systems.

In the area of “developing new products,” Toyobo worked to expand sales of “COSMOSHINE SRF” polarizer protective films for LCDs and increase sales of “Nerbridge,” Japan’s first conduits for nerve regeneration. At present,” Toyobo is moving forward with preparations to begin sales of “Nerbridge” in the United States.

In the areas of “increasing competitiveness of domestic businesses” and “improving asset efficiency,” Toyobo suspended the production of plastics for the production of PET bottles and withdrew from the manufacturing of polyester raw materials. In addition, in the polyolefin cast films business, to increase production efficiency and expand business overseas, Toyobo established a joint venture through the merger of its production company and another company.

Note that the implementation of these activities in Japan and abroad led to one-time costs for the development of markets for new products and the start-up of new production facilities. In addition, costs were incurred in the withdrawal from the polyester materials business.

As a result, consolidated net sales for the fiscal year decreased ¥0.3 billion (0.1%) from the previous fiscal year to ¥351.3 billion. Operating income declined ¥0.4 billion (2.0%) to ¥20.6 billion; ordinary income decreased ¥2.2 billion (11.8%) to ¥16.3 billion; and net income declined ¥0.0 billion (0.5%) to ¥8.1 billion

Films and Functional Polymers

Within this segment, in the films business, although sales of both packaging and industrial films increased, costs incurred in connection with the development of markets for new products and the start-up of new production facilities caused a decline in income. In the functional polymers business, the performance of engineering plastics, principally in overseas markets, was favorable, and sales increased. As a result, overall sales in the films and functional polymers segment increased, but income decreased from the previous fiscal year.

In the films business, sales increased in unit volume terms as a result of marketing activities, despite the adverse impact of the reactionary decline in consumption following the increase in the consumption tax and the effects of unseasonable summer weather conditions. In the industrial films business, sales were firm because of the expansion of sales to Asian markets outside Japan and initiatives to accelerate sales in the domestic smartphone market by capturing demand for new applications. Sales of “COSMOSHINE SRF” showed a major increase for use in TVs, especially among overseas users.

In the functional polymers business, the market environment for sales of industrial adhesive “VYLON” to the paint industry was difficult, but sales for IT and electronics uses expanded steadily. Sales of engineering plastics to automotive related customers were robust, especially in China and North America.

As a result, sales in this segment increased ¥1.6 billion (1.1%) from the previous fiscal year to ¥149.6 billion, but operating income declined ¥0.2 billion (2.8%) to ¥7.6 billion.

Industrial Materials

Although performance in this segment was influenced by Toyobo’s withdrawal from the tire cord business in the previous year, sales of high-performance fibers, products for consumer and industrial uses and “Spunbond” were favorable. Overall, the segment showed a decrease in sales but an increase in income

In the airbag fabrics business, performance was adversely affected by high raw materials prices and lackluster conditions in the domestic automobile market. Among high-performance fibers, conditions were difficult for sales of “Dyneema,” but sales of “ZYLON” expanded in unit volume terms, principally for uses in heat resistant materials. In the functional filter business, sales to the automobile industry were weak, but demand for volatile organic compound (VOC) emissions treatment equipment was on a recovery trend accompanying improvement in the Asian markets. Among products for consumer and industrial uses, sales of “BREATHAIR®,” a functional cushion material, held firm, and sales of “Spunbond,” principally to the civil engineering and construction industries, expanded.

As a consequence, sales in this segment declined ¥3.8 billion (5.3%) from the previous fiscal year to ¥67.9 billion, but operating income increased ¥0.5 billion (9.3%) to ¥6.0 billion.

Life Science

In this segment, sales in the bioproducts and medical products businesses were firm, but conditions were difficult in the medical membrane business and the contract manufacturing business of pharmaceuticals. As a result, compared with the previous fiscal year, sales increased but operating income decreased. In the bioproducts business, sales of diagnostic enzymes, which are mainstay products in the biochemicals business, expanded in overseas markets, and sales of reagents for life science increased. In the medical devices business, sales of “Nerbridge” nerve regeneration conduits steadily increased as the number of applications of these devices expanded in Japan. In the contract manufacturing business of pharmaceuticals, operating conditions were difficult because of the postponement of some projects. In the functional membrane business, sales of RO membrane elements for seawater desalination plants were firm due to stable replacement demand, but conditions for the sale of medical membranes were challenging.

As a result, sales in this segment rose ¥1.3 billion (4.9%) from the previous fiscal year to ¥28.7 billion, but operating income declined ¥0.1 billion (2.2%) to ¥5.0 billion.

Textiles

In this segment, sales of textiles continued to be strong, but conditions in acrylic fiber were difficult. As a result, segment sales and operating income decreased.

Sales of sports apparel to large apparel manufacturers were steady, and sales of materials for uniforms remained firm overall. Among textile products, sales of materials for traditional Arabic menswear were on a recovery trend. Performance of acrylic fibers was adversely affected by high raw materials prices, and deterioration in the market created a difficult operating environment.

As a consequence, sales in this segment decreased ¥2.2 billion (2.8%) from the previous fiscal year to ¥76.9 billion, and operating income declined ¥0.6 billion (19.1%) to ¥2.4 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 in line with plans. Total sales in these businesses rose ¥2.7 billion (10.8%) from the previous fiscal year to ¥28.2 billion, but operating income declined ¥0.1 billion (2.7%) to ¥2.7 billion.

Operating Income

Gross profit decreased because of higher depreciation charges accompanying the start-up of new film production facilities and selling, general and administrative expenses increased due to costs incurred in connection with the development of markets for new products and the start-up of new production facilities. As a result, operating income for the fiscal year under review decreased 2%, or ¥0.4 billion, to ¥20.6 billion.

Other Income (Expenses)

Non-operating income (expense) for the fiscal year under review increased because of a higher share of losses of entities accounted for using the equity method accompanying the Company's withdrawal from the polyester raw materials business. As a consequence, other expenses (net) amounted to ¥4.3 billion (net), which was a 1.7 billion larger expense than the ¥2.6 billion in non-operating expenses (net) in the previous fiscal year.

For the fiscal year under review, extraordinary income amounted to ¥1.2 billion, and extraordinary losses were ¥5.1 billion. Extraordinary income comprised ¥0.4 billion of gains on the sale of investment securities and reversal of the provision for environmental measures amounting to ¥0.8 billion. The principal extraordinary losses were a ¥1.6 billion loss on disposal of non-current assets, including retirement of non-current assets owned and ¥0.9 billion of losses on liquidation of subsidiaries and associates due to withdrawal from the polyester raw materials business and other factors.

Net Income

For the subject fiscal year, Toyobo posted net income of ¥8.1 billion, down ¥0.0 billion from the previous fiscal year. Net income per share for the subject fiscal year decreased from ¥9.18 in the previous fiscal year to ¥9.14.

Cash Flows

Net cash proceeded by operating activities amounted to ¥20.1 billion at the end of the fiscal year. This consisted mainly of ¥12.3 billion income before income taxes and minority interests; ¥14.9 billion in depreciation and amortization; and ¥6.2 billion increase in notes and accounts receivable - trade.Net cash used in investing activities amounted to ¥20.1 billion. This consisted mainly of ¥17.9 billion in expenditures for the purchases of property, plant and equipment and intangible assets; and ¥3.6 billion in payments for investments in capital. Net cash used in financing activities amounted to ¥0.8 billion. This consisted mainly of ¥31.7 billion in repayments of long-term loans payable and ¥29.6 billion in income of long-term debt.

As a result, the balance of cash and cash equivalents at the end of the subject fiscal year (March 31, 2015) stood at ¥20.4 billion, an increase of ¥1.2 billion from the end of the previous fiscal year (March 31, 2014).

Assets, Liabilities and Net Assets

Total assets at the end of the subject fiscal year (March 31, 2015) increased ¥9.6 billion (2.1%) from the end of the previous fiscal year (March 31, 2014) to ¥465.8 billion. This was due mainly to an increase in notes and accounts receivable - trade. Total liabilities decreased ¥6.4 billion (2.1%) to ¥304.7 billion. This was due mainly to a decrease in liabilities for retirement benefits. Total net assets increased ¥16.0 billion (11.0%) to ¥161.1 billion. This was due mainly to an increase in the valuation difference on available-for-sale securities.

Forecast for Fiscal Year Ending March 31, 2016

The outlook for the business environment during the fiscal year ending March 31, 2016 is for an overall gradual recovery, as the adverse impact of the increase in the consumption tax, which has continued since April 2014, will run its course and the positive impact of higher wages and increases in stock prices are felt. On the other hand, in the domestic economy, there are concerns regarding unstable trends caused by higher raw material and fuel prices. Overseas, in China and the emerging countries of Asia, there are concerns about further deceleration in growth and uncertainty about future trends.

In view of these prospects for the business environment, the Toyobo Group will work to build a strong 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, life science, and high-function 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 an enterprise characterized by both growth potential and stability.

As a result of these activities, for the fiscal year ending March 31, 2016, the Group is forecasting net sales of ¥365.0 billion (an increase of ¥13.7 billion year on year), operating income of ¥24.0 billion (an increase of ¥3.4 billion), ordinary income of ¥22.0 billion (an increase of ¥5.7 billion) and profit attributable to owners of parent of ¥12.0 billion (an increase of ¥3.9 billion).

Risk Factors

The Toyobo 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 Toyobo 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 Toyobo 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 Toyobo 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 Toyobo 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 Toyobo 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 Toyobo 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 Toyobo 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 Toyobo 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 Toyobo 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 Toyobo 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 Toyobo 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 Toyobo 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 Toyobo 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 Toyobo 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 Toyobo 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 Toyobo 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 Toyobo 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) Funding and Debt Ratings

The Toyobo Group's borrowings include syndicated loans, and these loans are subject to financial covenants. If, as a result of deterioration in Group performance or other factors, these covenants are violated, our obligations with respect to relevant loan repayments could be accelerated upon request from the lending financial institutions, and the circumstances could have a material effect on our operating results and financial status. In addition, if credit rating agencies lower our credit rating(s), this could have a major effect on our ability to raise funds as well as have other implications.

(18) Deferred Income Tax Assets

The Toyobo 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 Toyobo 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.

Consolidated Financial Highlights

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net sales	¥351,279	¥351,577	$2,923,184
Cost of sales	274,504	274,603	2,284,297
Income before income taxes	12,316	13,871	102,488
Net income	8,117	8,154	67,546
Total assets	465,809	456,256	3,876,250
Total net assets	¥161,087	¥145,115	$1,340,493

	Yen		U.S. dollars (Note 1)
Net income per share	¥9.14	¥9.18	$0.076

Note 1. The U.S. dollar amounts in this report represent translations of yen for convenience only at the rate of ¥120.17 to U.S.$1.00.

Financial Section

CONSOLIDATED FIVE-YEAR SUMMARY

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Fiscal years ended March 31, 2015, 2014, 2013, 2012 and 2011

	Millions of yen, except per share information				
	2015	2014	2013	2012	2011
For the year:					
Net sales	¥351,279	¥351,577	¥339,009	¥349,505	¥340,573
Cost of sales	274,504	274,603	267,694	274,804	264,980
Selling, general and administrative expenses	56,195	55,968	54,234	56,396	54,703
Operating income	20,580	21,006	17,081	18,306	20,890
Other expenses	8,264	7,135	4,307	7,442	15,899
Income before income taxes and minority interests	12,316	13,871	12,774	10,863	4,991
Provision for income taxes	4,024	4,721	4,398	5,142	(89)
Net income	8,117	8,154	7,639	4,587	4,155
Comprehensive income	¥18,182	¥12,988	¥11,097	¥9,065	¥5,416
Net income per share (yen)	¥9.14	¥9.18	¥8.61	¥5.17	¥5.49
At the end of the year:					
Total current assets	¥196,607	¥184,630	¥184,739	¥177,736	¥172,001
Property, plant and equipment	209,289	209,620	202,273	199,789	203,751
Total assets	465,809	456,256	447,445	437,841	443,516
Total long-term liabilities	158,472	150,558	127,093	127,267	130,299
Total net assets	¥161,087	¥145,115	¥155,522	¥147,724	¥149,773

Consolidated Balance Sheets

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2015	2014	2015
Current assets:			
Cash and cash equivalents (Note 3, 11 and 18)	¥20,550	¥19,330	$171,008
Notes and accounts receivable:			
Trade (Note 3)	83,710	76,826	696,596
Other	2,933	4,648	24,407
Allowance for doubtful receivables	(391)	(367)	(3,254)
	86,252	81,107	717,750
Inventories (Note 6)	82,383	75,388	685,554
Deferred income tax assets (Note 8)	4,925	4,946	40,984
Other current assets (Note 11)	2,497	3,859	20,779
Total current assets	196,607	184,630	1,636,074
Investments and other assets:			
Investment securities (Note 3 and 4)			
Unconsolidated subsidiaries and affiliates	9,265	6,926	77,099
Other	24,215	20,120	201,506
Loans	1,920	1,373	15,977
Deferred income tax assets (Note 8)	14,019	17,991	116,660
Asset for retirement benefits (Note 10)	5,019	10,255	41,766
Other	3,041	3,622	25,306
Allowance for doubtful accounts	(877)	(1,310)	(7,298)
	56,602	58,977	471,016
Property, plant and equipment (Note 7 and 11):			
Land (Note 16)	106,249	106,736	884,156
Buildings and structures	136,823	135,920	1,138,579
Machinery and equipment	344,475	346,489	2,866,564
Tools, furniture and fixtures	23,561	23,266	196,064
Lease assets	2,285	8,867	19,015
Construction in progress	4,271	3,605	35,541
	617,664	624,883	5,139,918
Less accumulated depreciation	408,375	415,263	3,398,311
	209,289	209,620	1,741,608
Other assets:			
Intangible assets	2,216	1,543	18,441
Goodwill	905	1,271	7,531
Lease assets	190	215	1,581
	3,311	3,029	27,553
Total assets (Note 15)	¥465,809	¥456,256	$3,876,250

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
Current liabilities:			
Short-term borrowing (Note 3 and 9)	¥40,949	¥45,903	$340,759
Long-term debt due within one year (Note 3, 9 and 11)	24,669	31,180	205,284
Notes and accounts payable:			
Trade (Note 3 and 11)	49,173	50,106	409,195
Other	11,932	13,482	99,293
	61,105	63,588	508,488
Employees' savings deposits	5,208	5,304	43,339
Customers' deposits (Note 11)	5,714	6,973	47,549
Accrued employees' bonuses	4,108	4,285	34,185
Accrued income taxes	1,981	1,712	16,485
Other current liabilities	2,516	1,637	20,937
Total current liabilities	146,250	160,582	1,217,026
Long-term liabilities:			
Long-term debt due after one year (Note 3, 9 and 11)	110,425	90,831	918,907
Deferred income tax liabilities (Note 8)	3,579	3,241	29,783
Deferred income tax liabilities on land revaluation (Note 8 and 16)	21,922	24,691	182,425
Defined benefit liability (Note 10)	17,244	25,227	143,497
Directors' and statutory auditors' retirement benefits	339	344	2,821
Negative goodwill	-	419	-
Provision for environmental measures	831	1,577	6,915
Lease obligations	676	889	5,625
Other long-term liabilities	3,456	3,339	28,759
Total long-term debt	158,472	150,558	1,318,732
Contingent liabilities (Note 13)			
Net assets:			
Common stock			
Authorized - 2,000,000,000 shares			
Issued - 890,487,922 shares in 2015 and 2014	51,730	51,730	430,473
Capital surplus	32,239	32,239	268,278
Retained earnings	32,479	26,424	270,275
Less treasury stock, at cost (2,653 thousand shares in 2015 and 2,623 thousand shares in 2014)	(383)	(378)	(3,187)
Shareholders' equity	116,065	110,015	965,840
Valuation difference on available-for-sale securities	7,126	3,954	59,299
Deferred losses on hedges	(34)	(2)	(283)
Land revaluation (Note 16)	43,920	41,409	365,482
Foreign currency translation adjustments	(7,460)	(8,864)	(62,079)
Accumulated remeasurements of defined benefit plans	(1,628)	(4,202)	(13,547)
Total accumulated other comprehensive income	41,924	32,295	348,872
Minority interests in consolidated subsidiaries	3,098	2,805	25,780
Total net assets	161,087	145,115	1,340,493
Total liabilities and net assets	¥465,809	¥456,255	$3,876,250

	Yen		U.S. dollars (Note 1)
Net assets per share	¥177.95	¥160.28	$1,481

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net sales (Note 15)	¥351,279	¥351,577	$2,923,184
Cost of sales	274,504	274,603	2,284,297
Gross profit	76,775	76,974	638,887
Selling, general and administrative expenses	56,195	55,968	467,629
Operating income (Note 15)	20,580	21,006	171,257
Other income (expenses)			
Interest income	183	169	1,523
Dividends income	623	577	5,184
Interest expense	(1,792)	(1,583)	(14,912)
Gain on sale of securities	362	-	3,012
Loss on sale of securities	(99)	(553)	(824)
Foreign exchange gains	1,215	980	10,111
Loss on disposal of property, plant and equipment	(1,573)	(1,625)	(13,090)
Impairment loss (Note 7 and 15)	(766)	-	(6,374)
Equity in income of unconsolidated subsidiaries and affiliates	(1,102)	188	(9,170)
Loss on liquidation of subsidiaries and associates	(869)	-	(7,231)
Restructuring cost	(707)	(1,138)	(5,883)
Salaries paid to dispatched employees	(882)	(890)	(7,340)
Retirement benefits for employees for prior periods (Note 10)	(1,569)	(1,570)	(13,057)
Losses on lawsuits	(759)	(1,592)	(6,316)
Amortization of negative goodwill	419	838	3,487
Gain on negative goodwill	-	595	-
Reversal of provision for environmental measures	798	-	6,641
Other, net	(1,746)	(1,531)	(14,529)
	(8,264)	(7,135)	(68,769)
Income before income taxes and minority interests	12,316	13,871	102,488
Provision for income taxes (Note 8)			
Current	2,999	2,715	24,956
Deferred	1,025	2,006	8,530
	4,024	4,721	33,486
Income before minority interests	8,292	9,150	69,002
Minority interests in income of consolidated subsidiaries	(175)	(996)	(1,456)
Net income	¥8,117	¥8,154	$67,546
	Yen		U.S. dollars (Note 1)
Net income per share			
Basic (Note 2)	¥9.14	¥9.18	$0.076
Cash dividends applicable to the year	¥3.50	¥3.50	$0.029

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Income before minority interests	¥8,292	¥9,150	$69,002
Other comprehensive income			
Valuation difference on available-for-sale securities	3,175	1,145	26,421
Deferred gains and losses on hedges	(32)	70	(266)
Land revaluation	2,689	(13)	22,377
Foreign currency translation adjustments	1,300	2,529	10,818
Accumulated remeasurements of defined benefit plans	2,565	-	21,345
Share of other comprehensive income of associates accounted for using equity method	193	107	1,606
Total other comprehensive income	9,890	3,838	82,300
Comprehensive income	18,182	12,988	151,302
Comprehensive income attributable to			
Owners of the parent	17,890	11,870	148,872
Minority interests	¥292	¥1,118	$2,430

Consolidated Statements of Changes in Net Assets

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Shareholders' equity			
Capital stock			
Balance at the beginning of current period	¥51,730	¥51,730	$430,473
Changes in items during the period			
Total changes in items during the period	-	-	-
Balance at the end of current period	51,730	51,730	430,473
Capital surplus			
Balance at the beginning of current period	32,239	32,239	268,278
Changes in items during the period			
Disposal of treasury stock	0	-	0
Total changes in items during the period	0	-	0
Balance at the end of current period	32,239	32,239	268,278
Retained earnings			
Balance at the beginning of current period	26,424	21,568	219,888
Cumulative effects of changes in accounting policies	917	-	7,631
Restated balance	27,341	21,568	227,519
Changes in items during the period			
Dividends from surplus	(3,108)	(3,110)	(25,863)
Net income	8,117	8,154	67,546
Reversal of land revaluation	144	-	1,198
Change in scope of consolidation	(15)	(188)	(125)
Total changes in items during the period	5,138	4,856	42,756
Balance at the end of current period	32,479	26,424	270,275
Treasury stock			
Balance at the beginning of current period	(378)	(295)	(3,146)
Changes in items during the period			
Purchase of treasury stock	(5)	(116)	(42)
Disposal of treasury stock	0	5	0
Change in scope of consolidation	-	28	-
Total changes in items during the period	(5)	(83)	(42)
Balance at the end of current period	(383)	(378)	(3,187)
Total shareholders' equity			
Balance at the beginning of current period	110,015	105,242	915,495
Cumulative effects of changes in accounting policies	917	-	7,631
Restated balance	110,932	105,242	923,126
Changes in items during the period			
Dividends from surplus	(3,108)	(3,110)	(25,863)
Net income	8,117	8,154	67,546
Reversal of land revaluation	144	-	1,198
Change in scope of consolidation	(15)	(160)	(125)
Purchase of treasury stock	(5)	(116)	(42)
Disposal of treasury stock	0	5	0
Total changes in items during the period	5,133	4,773	42,714
Balance at the end of current period	¥116,065	¥110,015	$965,840

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the beginning of current period	¥3,954	¥2,815	$32,903
Changes in items during the period			
Net changes in items other than shareholders' equity	3,172	1,139	26,396
Total changes in items during the period	3,172	1,139	26,396
Balance at the end of current period	7,126	3,954	59,299
Deferred gains and losses on hedges			
Balance at the beginning of current period	(2)	(72)	(17)
Changes in items during the period			
Net changes in items other than shareholders' equity	(32)	70	(266)
Total changes in items during the period	(32)	70	(266)
Balance at the end of current period	(34)	(2)	(283)
Land revaluation			
Balance at the beginning of current period	41,409	41,422	344,587
Changes in items during the period			
Net changes in items other than shareholders' equity	2,511	(13)	20,895
Total changes in items during the period	2,511	(13)	20,895
Balance at the end of current period	43,920	41,409	365,482
Foreign currency translation adjustments			
Balance at the beginning of current period	(8,864)	(11,384)	(73,762)
Changes in items during the period			
Net changes in items other than shareholders' equity	1,404	2,520	11,683
Total changes in items during the period	1,404	2,520	11,683
Balance at the end of current period	(7,460)	(8,864)	(62,079)
Remeasurements of defined benefit plans			
Balance at the beginning of current period	(4,202)	-	(34,967)
Changes in items during the period			
Net changes in items other than shareholders' equity	2,574	(4,202)	21,420
Total changes in items during the period	2,574	(4,202)	21,420
Balance at the end of current period	(1,628)	(4,202)	(13,547)
Total accumulated other comprehensive income			
Balance at the beginning of current period	32,295	32,782	268,744
Changes in items during the period			
Net changes in items other than shareholders' equity	9,629	(487)	80,128
Total changes in items during the period	9,629	(487)	80,128
Balance at the end of current period	41,924	32,295	348,872
Minority interests			
Balance at the beginning of current period	2,805	17,498	23,342
Changes in items during the period			
Net changes in items other than shareholders' equity	293	(14,693)	2,438
Total changes in items during the period	293	(14,693)	2,438
Balance at the end of current period	3,098	2,805	25,780
Total net assets			
Balance at the beginning of current period	145,115	155,522	1,207,581
Cumulative effects of changes in accounting policies	917	-	7,631
Restated balance	146,032	155,522	1,215,212
Changes in items during the period			
Dividends from surplus	(3,108)	(3,110)	(25,863)
Net income	8,117	8,154	67,546
Reversal of land revaluation	144	-	1,198
Change in scope of consolidation	(15)	(160)	(125)
Purchase of treasury stock	(5)	(116)	(42)
Disposal of treasury stock	0	5	0
Net changes in items other than shareholders' equity	9,922	(15,180)	82,566
Total changes in items during the period	15,055	(10,407)	125,281
Balance at the end of current period	¥161,087	¥145,115	$1,340,493

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Cash flows provided by operating activities:			
Income before income taxes and minority interests	¥12,316	¥13,871	$102,488
Depreciation and amortization	14,916	14,039	124,124
Amortization of negative goodwill	(419)	(1,433)	(3,487)
Allowance for doubtful receivables, net	(425)	48	(3,537)
Increase in net defined benefit liability	710	908	5,908
Interest and dividends income	(818)	(747)	(6,807)
Interest expense	1,792	1,583	14,912
Equity in losses (gains) of unconsolidated subsidiaries and affiliates	1,102	(188)	9,170
Loss on impairment of fixed assets	766	-	6,374
Loss on sale and disposal of property, plant and equipment, net	1,683	1,626	14,005
Loss on liquidation of subsidiaries and affiliates	869	-	7,231
Write-down and gain on sale of securities	(263)	528	(2,189)
Restructuring cost	707	1,138	5,883
Losses related to lawsuits	759	1,592	6,316
Decrease in trade notes and accounts receivable	(6,215)	(100)	(51,718)
Decrease in inventories	(5,942)	(2,133)	(49,447)
Increase (decrease) in trade notes and accounts payable	(1,064)	171	(8,854)
Increase (decrease) in net defined benefit asset	2,212	(543)	18,407
Other, net	956	(1,925)	7,955
Total	23,642	28,435	196,738
Payments related to lawsuits	(820)	(1,632)	(6,824)
Income taxes paid	(2,715)	(2,876)	(22,593)
Net cash flows provided by operating activities	20,107	23,927	167,321
Cash flows used in investing activities:			
Purchase of property, plant and equipment and intangibles	(17,949)	(20,346)	(149,363)
Proceeds from disposal of property, plant and equipment and intangibles	1,725	177	14,355
Proceeds from sale of investment securities	255	1,417	2,122
Payments for investments in capital	(3,565)	(1,016)	(29,666)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(3,243)	-
Payments of long-term loans receivable	(2,187)	(47)	(18,199)
Interest and dividends received	818	758	6,807
Other, net	814	82	6,774
Net cash flows used in investing activities	(20,089)	(22,218)	(167,172)
Cash flows provided by (used in) financing activities:			
Cash dividends	(3,115)	(3,110)	(25,922)
Cash dividends to minority interests	(5)	(666)	(42)
Decrease in short-term bank loans	(5,310)	(5,820)	(44,187)
Proceeds from long-term debt	29,623	50,460	246,509
Repayment of long-term debt	(31,689)	(22,969)	(263,701)
Payment for retirement by preferred securities	-	(15,330)	-
Proceeds from issuance of bonds	15,000	-	124,823
Payment of bonds	-	(10,000)	-
Payment of interest	(1,775)	(1,801)	(14,771)
Payment for purchase of treasury stock	(6)	(8)	(50)
Proceeds from sale of treasury stock	-	5	-
Repayment of finance lease obligations	(1,926)	(1,600)	(16,027)
Net cash flows provided by (used in) financing activities:	797	(10,839)	6,632
Adjustments for foreign currency translation	372	697	3,096
Net increase (decrease) in cash and cash equivalents	1,187	(8,433)	9,878
Cash and cash equivalents at beginning of year	19,177	26,467	159,582
Increase resulting from changes in consolidated subsidiaries	19	1,103	158
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	6	40	50
Cash and cash equivalents at end of year (Note 18)	¥20,389	¥19,177	$169,668

See accompanying Notes to Consolidated Financial Statements.

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.

Prior to the year ended March 31, 2009, the accounts of consolidated overseas subsidiaries were based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accounts of major consolidated overseas subsidiaries for the years ended March 31, 2014 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 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, 2015, which was ¥120.17 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 53 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 minority stockholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary.

For the year ended March 31, 2015, the accounts of 19 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.

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 ¥10,819 million ($90,031 thousand) and ¥10,474 million for the years ended March 31, 2015 and 2014, 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 amount of retirement benefits

The benefit formula basis is used for attributing 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 15 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 minority 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, 2015 and 2014 was as follows.

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted average number of shares	Net income per share	
For the year ended March 31, 2015:				
Basic				
Net income available to common stockholders	¥8,117	887,850	¥9.14	$0.076

	Millions of yen	Thousands of shares	Yen
	Net income	Weighted average number of shares	Net income per share
For the year ended March 31, 2014:			
Basic			
Net income available to common stockholders	¥8,154	888,545	¥9.18

Changes in accounting policy

Provisions stated in the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, issued May 17, 2012, and hereinafter referred to as the “Retirement Benefits Accounting Standard”) and the “Guidance on the Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, issued March 26, 2015, and hereinafter “Guidance on Retirement Benefits”), which are contained in Article 35 of the Retirement Benefit Accounting Standard and Article 67 of the Guidance on Retirement Benefits, have been applied from the consolidated fiscal year under review. With the application of these standards, the Company has reviewed its method for calculating retirement benefit obligations and service cost. Following this review, the method used to calculate the annual allocation of expenses for projected benefit obligation has been changed from the straight-line basis to a benefit formula basis. In addition, the Company has changed the method used to determine the discount rate from the method based on the average remaining years of service for employees to a method that uses a single weighted average discount rate that reflects the expected period for the payment of retirement obligations and the amount for each payment period.

Regarding the application of standards for retirement benefit accounting, following the transitional accounting treatment specified in Article 37 of the Retirement Benefits Accounting Standard, the effect arising from changes in accounting methods for retirement benefit obligation and service cost have been added to (subtracted from) retained earnings at the beginning of the consolidated fiscal year ended March 31, 2015.
As a result, for retirement benefits obligations at the beginning of the fiscal year ended March 31, 2015 decreased by ¥2,885 million ($24,008 thousand), assets related to retirement benefits decreased by ¥1,452 million ($12,083 thousand), and retained earnings increased by ¥917 million ($7,631 thousand). The impact of this change on consolidated operating income and income before income tax and minority interests in the fiscal year ended March 31, 2015 was immaterial. The effect on net income per share was also immaterial.

Accounting standards issued but not yet effective

Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21, issued September 13, 2013), Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, issued September 13, 2013), Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7, issued September 13, 2013), Revised Accounting Standard for Earnings Per Share (ASBJ Statement No. 2, issued September 13, 2013), Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, issued September 13, 2013) and Revised Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, issued September 13, 2013) have been issued, but the Company has not yet applied such standards and related guidance as of March 31, 2015.

Summaries of the standards are as follows:

1. Overview

Regarding the treatment of additional acquisitions of shares of subsidiaries, the following items have been revised: Treatment of changes in the parent company's equity ownership in subsidiaries in which it keeps control; the treatment of expenses related to acquisitions; the presentation of net income; changes from minority interest to non-controlling interests; and treatment to finalize the provisional accounting.

2. Effective date

These standards will be applied at the beginning of the fiscal year ending March 2016. The treatment to finalize the provisional accounting will be applied to business combinations implemented after the beginning of the fiscal year ending March 2016.

3. Impact of applying accounting standard

The impact of the application of these standards, including the Revised Accounting Standard for Business Combinations, on the consolidated financial statements has not been evaluated.

Changes in presentation method

Consolidated Statements of Cash Flows

In the previous fiscal year, “Payments of long-term loans receivable” was included in “Other, net” under “cash flows used in investing activities.” However, from the fiscal year ended March 31, 2015, this item has increased in importance and is now to be presented as an independent item. In the previous fiscal year, “Purchase of investment securities,” “Proceeds from demerger,” “Purchase of securities of consolidated subsidiaries” and “Proceeds from sale of securities of consolidated subsidiaries” under “cash flows used in investing activities” were presented as independent items. However, from the fiscal year ended March 31, 2015, these items have decreased in importance and are now to be presented as “Other, net” under “cash flows used in investing activities.” To reflect these changes in presentation, the previous fiscal year's financial statements have been restated.

As a result, the amount of ¥-35 million recorded for “Purchase of investment securities,” ¥739 million recorded for “Proceeds from demerger,” ¥-107 million recorded for “Purchase of securities of consolidated subsidiaries,” ¥12 million recorded for “Proceeds from sale of securities of consolidated subsidiaries” and ¥-575 million recorded for “Other, net” under “cash flows used in investing activities” in the consolidated statements of cash flows in the previous fiscal year have now been restated as “Payments of long-term loans receivable” of ¥-47 million and “Other, net” of ¥82 million.

In the previous fiscal year, “Dividend income from equity method affiliates” under “cash flows used in investing activities” was presented as independent items. However, from the fiscal year ended March 31, 2015, the item has decreased in importance and is now to be presented as “Interest and dividends received” under “cash flows used in investing activities.” To reflect the change in presentation, the previous fiscal year's financial statements have been restated.

As a result, the amount of ¥12 million recorded for “Dividend income from equity method affiliates” under “cash flows used in investing activities” in the consolidated statements of cash flows in the previous fiscal year has now been restated as “Interest and dividends received” of ¥758 million.

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 debt and corporate bonds are used mainly to finance capital improvements, other investments and lending. For debt 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, 2015 and 2014. 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, 2015:				
(1) Cash and cash equivalents	¥20,550	¥20,550	$171,008	$171,008
(2) Notes and accounts receivable - trade	83,710	83,710	696,596	696,596
(3) Investment securities				
Held-to-maturity investments	19	20	158	166
Available-for-sale-securities	21,898	21,898	182,225	182,225
Total assets	¥126,177	¥126,178	$1,049,988	$1,049,996
(1) Notes and accounts payable - trade	¥49,173	¥49,173	$409,195	$409,195
(2) Short-term borrowing	40,949	40,949	340,759	340,759
Long-term debt				
(3) Corporate bonds	35,000	35,105	291,254	292,128
(4) Long-term loans	100,094	100,730	832,937	838,229
Total liabilities	¥225,216	¥225,957	$1,874,145	$1,880,311
Derivatives (*)	(¥89)	(¥89)	($741)	($741)

(*) 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, 2014:		
(1) Cash and cash equivalents	¥19,330	¥19,330
(2) Notes and accounts receivable - trade	76,826	76,826
(3) Investment securities		
Held-to-maturity investments	25	26
Available-for-sale-securities	17,834	17,834
Total assets	¥114,016	¥114,017
(1) Notes and accounts payable - trade	¥50,106	¥50,106
(2) Short-term borrowing	45,903	45,903
Long-term debt		
(3) Corporate bonds	20,000	20,191
(4) Long-term loans	102,011	102,185
Total liabilities	¥218,020	¥218,385
Derivatives (*)	(¥38)	(¥38)

(*) 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," section for notes on securities categorized by the purpose for which they are held.

Liabilities

(1) Notes and accounts receivable - 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

The fair value of long-term loans 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, the carrying amount is reported as fair value as it is considered to be a reasonable approximation of fair value because such loans 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 that qualify for the special treatment of interest rate swaps is determined by discounting the sum of the principal and interest payments net of any cash flows from the interest rate swap at an interest rate that is reasonably estimated to be applicable to similar fixed rate debt.

Derivative transactions

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

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Non-listed equity securities	¥1,210	¥1,116	$10,069

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 ¥2,299 million ($19,131 thousand) and ¥2,268 million for the years ended March 31, 2015 and 2014, respectively, and the fair value was ¥771 million ($6,416 thousand) and ¥710 million for the years ended March 31, 2015 and 2014, respectively, with the difference being a negative ¥1,528 million ($12,715 thousand) and ¥1,558 million for the years ended March 31, 2015 and 2014, respectively. The carrying amount of stocks of unlisted subsidiaries and affiliates was stated at ¥2,640 million ($21,969 thousand) and ¥4,072 million for the years ended March 31, 2015 and 2014, 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, 2015 and 2014:

Held-to-maturity investments

	Millions of yen					
	2015			2014		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Held-to-maturity investments with fair value exceeding book value:						
Coporate bonds	¥19	¥20	¥1	¥25	¥26	¥1
Other	-	-	-	-	-	-
Total	¥19	¥20	¥1	¥25	¥26	¥1
Held-to-maturity investments with fair value not exceeding book value:						
Coporate bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	-	-	-	-	-	-

	Thousands of U.S. dollars		
	2015		
	Book value	Fair value	Difference
Held-to-maturity investments with fair value exceeding book value:			
Coporate bonds	$158	$166	$8
Other	-	-	-
Total	$158	$166	$8
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, 2015 and 2014:

Available-for-sale securities

	Millions of yen					
	2015			2014		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:						
Equity securities	¥9,900	¥20,595	¥10,695	¥9,754	¥16,453	¥6,699
Other	6	11	5	6	9	3
	¥9,906	¥20,606	¥10,700	¥9,760	¥16,462	¥6,702
Securities with book values not exceeding acquisition costs:						
Equity securities	¥1,528	¥1,274	(¥254)	¥1,805	¥1,353	(¥452)
Other	18	18	-	19	19	-
Total	¥1,546	¥1,292	(¥254)	¥1,824	¥1,372	(¥452)

	Thousands of U.S. dollars		
	2015		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	$82,383	$171,382	$88,999
Other	50	92	42
	$82,433	$171,474	$89,041
Securities with book values not exceeding acquisition costs:			
Equity securities	$12,715	$10,602	($2,114)
Other	150	150	-
Total	$12,865	$10,751	($2,114)

The following table summarizes sales of available-for-sale securities and the related gains and losses for the years ended March 31, 2015 and 2014:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Total sales of available-for-sale securities	¥268	¥31	$2,230
Related gains	98	20	816
Related losses	¥ -	¥ -	$ -

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, 2015 and 2014 consisted of the following:

	Millions of yen					
	2015			2014		
	Contract amount	Fair value	Revaluation gain (loss)	Contract amount	Fair value	Revaluation gain (loss)
Over the counter						
Forward						
Sold	¥3,490	(¥43)	(¥43)	¥2,730	(¥35)	(¥35)
Bought	413	4	4	238	-	-
Total	¥3,903	(¥39)	(¥39)	¥2,968	(¥35)	(¥35)

	Thousands of U.S. dollars		
	2015		
	Contract amount	Fair value	Revaluation gain (loss)
Over the counter			
Forward			
Sold	$29,042	($358)	($358)
Bought	3,437	33	33
Total	$32,479	($325)	($325)

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

Currency related transactions designated as hedging transactions at March 31, 2015 and 2014 consisted of the following:

		Millions of yen					
		2015			2014		
		Contract amount			Contract amount		
	Major hedged items	Total	Maturity over 1 year	Fair value	Total	Maturity over 1 year	Fair value
Deferral hedge accounting (Note1)							
Forward							
Sold	Accounts receivable - trade	¥35	-	(¥0)	¥96	-	(¥0)
Bought	Accounts payable - trade	755	-	22	768	-	10
Alternative method (Note2)							
Forward							
Sold	Accounts receivable - trade	375	-	(Note 2)	168	-	(Note 2)
Bought	Accounts payable - trade	96	-	(Note 2)	160	-	(Note 2)
Total		¥1,261	-	¥22	¥1,192	-	¥9

		Thousands of U.S. dollars		
		2015		
		Contract amount		
	Major hedged items	Total	Maturity over 1 year	Fair value
Deferral hedge accounting (Note1)				
Forward				
Sold	Accounts receivable - trade	$291	-	($0)
Bought	Accounts payable - trade	6,283	-	183
Alternative method (Note2)				
Forward				
Sold	Accounts receivable - trade	3,121	-	(Note 2)
Bought	Accounts payable - trade	799	-	(Note 2)
Total		$10,493	-	$183

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, 2015 and 2014 consisted of the following:

	Millions of yen					
	2015			2014		
	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 (Note1)						
Long-term debt						
Receive - float / Pay - fixed	¥15,000	¥15,000	(¥73)	¥15,000	¥15,000	(¥13)
Special treatment of interest rate swaps						
Long-term debt						
Receive - float / Pay - fixed	2,100	2,100	(Note 2)	7,560	2,100	(Note 2)
Total	¥17,100	¥17,100	(¥73)	¥22,560	¥17,100	(¥13)

	Thousands of U.S. dollars		
	2015		
	Contract amount		
Major hedged items	Total	Maturity over 1 year	Fair value
Deferral hedge accounting of interest rate swaps (Note1)			
Long-term debt			
Receive - float / Pay - fixed	$124,823	$124,823	($607)
Special treatment of interest rate swaps			
Long-term debt			
Receive - float / Pay - fixed	17,475	17,475	(Note 2)
Total	$142,298	$142,298	($607)

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 debt, which are the hedged items, their fair value is included in the long-term debt.

6. INVENTORIES

Inventories at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Finished goods	¥50,576	¥45,681	$420,870
Work-in-process	15,942	14,816	132,662
Raw materials	9,801	9,035	81,559
Supplies	6,064	5,856	50,462
	¥82,383	¥75,388	$685,554

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	Thousands of U.S. dollars
Buildings and structure	¥113	$940
Machinery and equipment	598	4,976
Land	50	416
Tangible assets and other	2	17
Intangible assets and other	¥3	$25

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, 2015 and 2014 are set forth below.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred income tax assets:			
Accrued employee bonuses	¥1,500	¥1,707	$12,482
Devaluation loss on inventories	585	741	4,868
Defined benefit liability	5,278	7,867	43,921
Allowance for doubtful receivables	281	439	2,338
Provision for environmental measures	263	310	2,189
Impairment loss	954	1,231	7,939
Write-down of investment securities	634	660	5,276
Depreciation	637	807	5,301
Tax losses carried forward	7,736	13,174	64,375
Unrealized gains	8,257	8,526	68,711
Securities acquired through merger	209	235	1,739
Other	1,592	1,256	13,248
Subtotal deferred income tax assets	27,926	36,954	232,387
Valuation allowance	(4,330)	(7,146)	(36,032)
Net deferred income tax assets	23,596	29,808	196,355
Deferred income tax liabilities:			
Reserve for deferred gain on sale of property	(471)	(3,329)	(3,919)
Undistributed earnings of overseas subsidiaries and affiliates	(835)	(598)	(6,948)
Consolidation adjustment of allowance for doubtful receivables	(2)	(3)	(17)
Valuation difference of subsidiaries	(1,668)	(1,874)	(13,880)
Tax deferred gains on assets transferred to a new company	(1,413)	(1,589)	(11,758)
Tax deferred gains on spin-off	(513)	(577)	(4,269)
Valuation difference on available-for-sale securities	(3,329)	(2,141)	(27,702)
Total deferred income tax liabilities	(8,231)	(10,112)	(68,495)
Net deferred income tax assets	¥15,365	¥19,696	$127,861

	2015	2014	2015
Current assets	¥4,925	¥4,946	$40,984
Investments and noncurrent assets	14,019	17,991	116,660
Current liabilities	-	-	-
Long-term liabilities	(3,579)	(3,241)	(29,783)
Total	¥15,365	(¥19,696)	$127,861

Deferred income tax liabilities on land revaluation of ¥21,922 million ($182,425 thousands) and ¥24,691 million for the years ended March 31, 2015 and 2014, respectively, were recognized in long-term liabilities.

The effective rate for the years ended March 31, 2015 and 2014 differ from statutory tax rate as follows:

	2015	2014
Statutory tax rate	36.0%	38.0%
Expenses not deductible for tax purposes	0.7	0.9
Nontaxable dividend income	(0.8)	(1.2)
Tax losses carried forward	(7.2)	(3.6)
Tax credits	(1.6)	(1.1)
Valuation allowance	(8.0)	6.3
Equity in income of unconsolidated subsidiaries and affiliates	0.7	(2.4)
Unrealizad gain	(0.8)	(0.1)
Effect of the merger	7.2	-
Ajustment of deferred income tax assets by change in tax rate	8.7	2.1
Retained earnings of entities such as overseas subsidiaries	1.9	1.7
Difference in tax rate	(1.7)	(3.6)
Goodwill	0.9	0.6
Negative goodwill	(1.3)	(4.0)
Other	(2.1)	0.3
Effective tax rate	32.7%	34.0%

Adjustments of deferred tax assets and liabilities due to change in income tax rate

Accompanying the official announcement on March 31, 2015 of the Law Revising a Portion of Income Taxation, Etc. (Law No. 9, 2015) and the Law Revising a Portion of Local Taxation, Etc. (Law No. 2, 2015), the statutory tax rate applicable to the calculation of consolidated deferred tax assets and deferred tax liabilities was changed from 36% in the previous fiscal year to 33% for such assets and liabilities that are expected to be recovered or paid from April 1, 2015 through March 31, 2016 and then to 32% for such assets and liabilities after April 1, 2016. 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 ¥755 million ($6,283 thousand), and income taxes—deferred rose ¥1,074 million ($8,937 thousand) reported for the fiscal year ended March 31, 2015. In addition, deferred tax liabilities for land revaluation decreased ¥2,689 million ($22,377).

9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2015 and 2014 consisted of short-term notes generally due within one year bearing interest at an average rate of 0.76% and 0.77%, respectively.

Long-term debt at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unsecured:			
2.06% bonds due 2015	¥5,000	¥5,000	$41,608
0.48% bonds due 2015	5,000	5,000	41,608
0.69% bonds due 2017	10,000	10,000	83,215
0.28% bonds due 2019	10,000	-	83,215
0.45% bonds due 2021	5,000	-	41,608
Long-term loans, principally maturing through 2074 at the weighted average interest rate of 1.05% as of March 31, 2015			
Secured	341	334	2,838
Unsecured	99,753	101,677	830,099
Lease obligations maturing serially through 2020	1,041	2,807	8,663
Total	136,135	124,817	1,132,853
Less amount due within one year	25,034	33,098	208,322
	¥111,101	¥91,719	$924,532

The aggregate annual maturities of long-term debt outstanding as of March 31, 2015 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2015	¥25,034	$208,322
2016	19,409	161,513
2017	32,025	266,497
2018	22,640	188,400
2019	15,914	132,429
Thereafter	21,113	175,693
	¥136,135	$1,132,853

The Company has credit commitments from four banks in order to secure financing. The total unused credit available to the Company at March 31, 2015 was ¥21,000 million ($174,752 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
	2015	2014	2015
Retirement benefit obligations at beginning of year	¥59,220	¥60,064	$492,802
Effect of changes in accounting policies	(1,433)	-	(11,925)
Retirement benefit obligations at beginning of year(restated)	57,787	60,064	480,877
Service cost	2,447	1,912	20,363
Interest cost	743	1,105	6,183
Actuarial differences incurred	1,597	(290)	13,290
Retirement benefits paid	(4,168)	(3,966)	(34,684)
Changes due to effect of business combination	-	217	-
Other	(57)	178	(474)
Retirement benefit obligations at end of year	¥58,349	¥59,220	$485,554

(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
	2015	2014	2015
Plan assets at beginning of year	¥44,248	¥39,937	$368,212
Expected return on plan assets	866	1,369	7,206
Actuarial differences incurred	2,985	2,938	24,840
Employer’s contribution	226	2,277	1,881
Retirement benefits paid	(2,202)	(2,273)	(18,324)
Plan assets at end of year	¥46,123	¥44,248	$383,815

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
	2015	2014	2015
Funded retirement benefit obligations	¥54,970	¥55,860	$457,435
Plan assets	(46,123)	(44,248)	(383,815)
	8,847	11,612	73,621
Unfunded retirement benefit obligations	3,378	3,360	28,110
Difference between liability and asset recorded on the consolidated balance sheet	12,225	14,972	101,731
Defined benefit liability	17,244	25,227	143,497
Defined benefit asset	(5,019)	(10,255)	(41,766)
Difference between liability and asset recorded on the consolidated balance sheet	¥12,225	¥14,972	$101,731

Profits or losses related to retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost – benefits earned during the year	¥2,447	¥1,912	$20,363
Interest cost on projected benefit obligation	742	1,105	6,175
Expected return on plan assets	(866)	(1,369)	(7,206)
Amortization of net transition obligation	1,569	1,570	13,057
Amortization of prior service cost	76	76	632
Amortization of actuarial differences	1,150	1,071	9,570
Additional retirement benefits	293	320	2,438
Retirement benefit expenses for defined benefit plans	¥5,411	¥4,684	$45,028

(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
	2015	2014	2015
Net transition obligation	¥1,569	¥ -	$13,057
Prior service cost	(11)	-	(92)
Actuarial differences	2,539	-	21,128
Total	¥4,097	¥ -	$34,093

Accumulated remeasurements of defined benefit plans, before tax effect

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized net transition obligation	¥ -	¥1,575	$0
Unrecognized prior service cost	549	533	4,569
Unrecognized actuarial differences	1,836	4,373	15,278
Total	¥2,384	¥6,481	$19,839

Plan assets

Components of plan assets by main categories are as follows:

	2015	2014
Debt securities	30%	29%
Equity securities	32	27
General accounts	23	19
Cash and deposits	6	18
Other	9	7
Total	100%	100%

(Note) The ratio of the plan assets used to fund a retirement benefit trust established for corporate pension plans was 20% and 15% for the years ended March 31, 2015 and 2014, 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, 2015 and 2014 were as follows:

	2015	2014
Discount rates	1.4%	2.0%
Expected rates of return on plan assets	2.0%	3.5%

Defined contribution plans

The total amount contributed to defined contribution plans was ¥227 million ($1,889thousand) and ¥222 million for the years ended March 31, 2015 and 2014, 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 ¥115 million ($957 thousand) and ¥115 million for the years ended March 31, 2015 and 2014, respectively.

11. ASSETS PLEDGED AS COLLATERAL

At March 31, 2015 and 2014, assets pledged as collateral for secured long-term debt of ¥341 million ($2,838 thousand) and ¥334 million, respectively, customers' deposits of ¥256 million ($2,130 thousand) and ¥298 million, respectively, and accounts payable of ¥24 million ($200 thousand) and ¥34 million, respectively, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash and cash equivalents	¥26	¥36	$216
Property, plant and equipment – net of accumulated depreciation	1,092	1,123	9,087
	¥1,118	¥1,159	$9,303

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, 2015 and 2014, the Company and certain consolidated subsidiaries were contingently liable for the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
As endorser of notes discounted	¥30	¥32	$250
As guarantor of indebtedness			
Unconsolidated subsidiaries and affiliates	3,005	2,939	25,006
Employees (housing loans)	59	87	491
	¥3,064	¥3,026	$25,497

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 ($466 thousand) and ¥78 million for the years ended March 31, 2015 and 2014, respectively. Future minimum lease payments for the remaining lease periods as of March 31, 2015 and 2014, including interest, were ¥56 million ($466 thousand) and ¥59 million, respectively, for payments due within one year and ¥184 million ($1,531 thousand) and ¥247 million, respectively, for payments due beyond one year.

Original lease obligations, accumulated payments and remaining payments on leased properties as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U. S. dollars
	2015	2014	2015
Machinery and equipment:			
Original lease obligations	¥589	¥589	$4,901
Payments made	349	293	2,904
Remaining payments	¥240	¥296	$1,997
Tools, furniture and fixtures			
Original lease obligations	¥ -	¥21	$ -
Payments made	-	11	-
Remaining payments	¥ -	¥10	$ -
Intangible assets			
Original lease obligations	¥ -	¥ -	$ -
Payments made	-	-	-
Remaining payments	¥ -	¥ -	$ -

Future minimum lease receipts as lessor under operating leases for the remaining lease periods as of March 31, 2015 and 2014 were ¥6,733 million ($56,029 thousand) and ¥2,913 million, respectively, of which ¥595 million ($4,951 thousand) and ¥304 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," "Life Science," "Textiles" 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 "Life Science" 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" segment manufactures and sells functional textiles, apparel products, apparel textiles, apparel fibers and other products. The "Real Estate" segment leases and manages real estate.

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

As indicated in the section "Changes in Accounting Policy," beginning with the fiscal year under review, the Company has changed its consolidated methods of accounting for retirement benefit obligation and service cost. Accompanying these changes, the methods of accounting for retirement benefit obligation and service cost by business segment have also been changed. Please note that the impact of these changes on segment income was not material.

Year ended March 31, 2015	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
	Millions of yen							
Films and Functional Polymers	¥149,641	¥0	¥149,641	¥7,577	¥151,184	¥7,385	¥701	¥4,586
Industrial Materials	67,914	317	68,231	6,012	70,856	1,919	-	2,851
Life Science	28,674	85	28,759	5,029	33,221	2,089	-	4,043
Textiles	76,873	128	77,001	2,389	77,368	1,666	15	2,402
Real estate	3,642	1,148	4,790	1,732	47,851	710	-	1,709
	326,744	1,678	328,422	22,739	380,480	13,769	716	15,591
Other businesses	24,535	10,981	35,516	926	21,496	399	-	365
Total	351,279	12,659	363,938	23,665	401,976	14,168	716	15,956
Elimination or Corporate	-	(12,659)	(12,659)	(3,085)	63,833	748	50	1,535
Consolidated	¥351,279	¥ -	¥351,279	¥20,580	¥465,809	¥14,916	¥766	¥17,491

Year ended March 31, 2015	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
	Thousands of U.S. dollars							
Films and Functional Polymers	$1,245,244	$0	$1,245,244	$63,052	$1,258,084	$61,455	$5,833	$38,163
Industrial Materials	565,149	2,638	567,787	50,029	589,631	15,969	-	23,725
Life Science	238,612	707	239,319	41,849	276,450	17,384	-	33,644
Textiles	639,702	1,065	640,767	19,880	643,821	13,864	125	19,988
Real estate	30,307	9,553	39,860	14,413	398,194	5,908	-	14,222
	2,719,015	13,964	2,732,978	189,224	3,166,181	114,579	5,958	129,741
Other businesses	204,169	91,379	295,548	7,706	178,880	3,320	-	3,037
Total	2,923,184	105,342	3,028,526	196,929	3,345,061	117,900	5,958	132,779
Elimination or Corporate	-	(105,342)	(105,342)	(25,672)	531,189	6,225	416	12,774
Consolidated	$2,923,184	$ -	$2,923,184	$171,257	$3,876,250	$124,124	$6,374	$145,552

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 ¥-3,085 million ($-25,672 thousand), eliminations of intersegment transactions of ¥-291 million ($-2,422 thousand) and companywide expenses that are not allocated across reporting segments of ¥-2,794 million ($-23,250 thousand). The principal components of companywide expenses are those related to basic research and development.

(b) The intersegment adjustment of ¥63,833 million ($531,189 thousand) is included in companywide assets that are not allocated across reporting segments and amount to ¥87,080 million ($724,640 thousand).

(c) The increase in the adjustment of tangible and intangible fixed assets of ¥1,535 million ($12,774 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, 2014	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
	Millions of yen							
Films and Functional Polymers	¥148,000	¥29	¥148,029	¥7,794	¥153,197	¥6,744	¥0	¥9,242
Industrial Materials	71,704	283	71,987	5,501	67,420	2,041	-	3,618
Life Science	27,344	83	27,427	5,140	30,619	1,774	-	3,044
Textiles	79,089	180	79,269	2,952	73,225	1,938	-	2,096
Real estate	3,670	1,224	4,894	1,722	47,210	439	-	322
	329,806	1,799	331,606	23,109	371,671	12,935	-	18,322
Other businesses	21,770	14,499	36,269	1,010	19,374	349	-	445
Total	351,577	16,298	367,875	24,119	391,046	13,284	-	18,766
Elimination or Corporate	-	(16,298)	(16,298)	(3,113)	65,210	754	-	1,308
Consolidated	¥351,577	¥0	¥351,577	¥21,006	¥456,256	¥14,038	¥0	¥20,074

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 ¥-3,113 million, eliminations of intersegment transactions of ¥-393 million and companywide expenses that are not allocated across reporting segments of ¥-2,720 million. The principal components of companywide expenses are those related to basic research and development.

(b) The intersegment adjustment of ¥65,210 million is included in companywide assets that are not allocated across reporting segments and amount to ¥88,020 million.

(c) The increase in the adjustment of tangible and intangible fixed assets of ¥1,308 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
	2015	2014	2015
Japan	¥251,328	¥257,996	$2,091,437
Southeast Asia	60,826	57,128	506,166
Other areas	39,125	36,453	325,580
Total	¥351,279	¥351,577	$2,923,184

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
	2015	2014	2015
Films and Functional Polymers	¥701	¥ -	$5,833
Industrial Materials	-	-	-
Life Science	-	-	-
Textiles	15	-	125
Real estate	-	-	-
Other businesses	-	-	-
Total	716	-	5,958
Elimination or Corporate	50	-	416
Consolidated	¥766	¥ -	$6,374

Amortization and balance of goodwill

	Millions of yen				Thousands of U.S. dollars	
	2015		2014		2015	
	Amortization of goodwill	Balance of goodwill	Amortization of goodwill	Balance of goodwill	Amortization of goodwill	Balance of goodwill
Films and Functional Polymers	¥120	¥ -	¥164	¥120	$999	$ -
Industrial Materials	-	-	-	-	-	-
Life Science	248	905	115	1,152	2,064	7,531
Textiles	7	-	-	-	-	-
Real estate	-	-	-	-	-	-
Other businesses	-	-	-	-	-	-
Total	374	905	279	1,272	3,112	7,531
Elimination or Corporate	-	-	-	-	-	-
Consolidated	¥374	¥905	¥279	¥1,272	$3,112	$7,531

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

	Millions of yen				Thousands of U.S. dollars	
	2015		2014		2015	
	Amortization of goodwill	Balance of goodwill	Amortization of goodwill	Balance of goodwill	Amortization of goodwill	Balance of goodwill
Films and Functional Polymers	¥ -	¥ -	¥ -	¥ -	$ -	$ -
Industrial Materials	-	-	-	-	-	-
Life Science	-	-	-	-	-	-
Textiles	-	-	-	-	-	-
Real estate	419	-	838	419	3,487	-
Other businesses		-	-	-	-	-
Total	419	-	838	419	3,487	-
Elimination or Corporate	-	-	-	-	-	-
Consolidated	¥419	¥ -	¥838	¥419	$3,487	$ -

Gain on Negative Goodwill by Reporting Segment

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

In the Films and Functional Polymers segment, the Company reported negative goodwill of ¥304 million due to the purchase of shares of a consolidated subsidiary. Also, in the Textiles segment, the Company showed negative goodwill of ¥290 million owing to the purchase of a portion of the shares of a consolidated subsidiary.

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

None 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 minority interests, in net assets. As of March 31, 2015 and 2014, respectively, the fair value of land was ¥32,354 million ($269,235 thousand) and ¥32,421 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 minority interests, in net assets. As of March 31, 2015 and 2014, respectively, the fair value of land was ¥3,144 million ($26,163 thousand) and ¥3,087 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, 2015 and 2014, the rental income on these real estate properties was ¥2,305 million ($19,181 thousand) and ¥2,122 million (principal rental income is recorded in sales and principal rental expenses are recorded in cost of sales), respectively. The profit from the sale of fixed assets was ¥1 million (recorded in other income (expenses)) for the year ended March 31, 2015, and the loss on the sale of fixed assets was ¥1 million (recorded in other income (expenses)) for the year ended March 31, 2015.

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
	2015	2014	2015
Balance at the beginning of April 1, 2014 and 2013	¥31,381	¥31,641	$261,138
Increase (decrease) in the fiscal term	3,760	(260)	31,289
Balance at the end of March 31, 2015 and 2014	¥35,141	¥31,381	$292,427
Fair value on March 31, 2015 and 2014	¥39,819	¥36,446	$331,356

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, 2015 was attributable mainly to increases in rental properties of ¥4,189 million ($34,859 thousand) and to decreases in the sale of assets of ¥271 million ($2,255 thousand).

3. The fair value on March 31, 2015 and 2014 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, 2015 and 2014 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash and cash equivalents in the consolidated balance sheets	¥20,550	¥19,330	$171,008
Time deposits maturing after three months	(161)	(153)	(1,340)
Cash and cash equivalents in the consolidated statements of cash flows	¥20,389	¥19,177	$169,668

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
	2015	2014	2015
Valuation difference on available-for-sale securities			
Increase during the year	¥4,394	¥1,683	$36,565
Reclassification adjustments	(23)	-	(191)
Subtotal, before tax	4,371	1,683	36,373
Tax of benefit	(1,196)	(538)	(9,953)
Subtotal, net of tax	3,175	1,145	26,421
Deferred gains and losses on hedges			
Increase (decrease) during the year	(72)	27	(599)
Reclassification adjustments	25	85	208
Subtotal, before tax	(47)	112	(391)
Tax of benefit	15	(42)	125
Subtotal, net of tax	(32)	70	(266)
Land revaluation excess			
Tax of benefit	2,689	(13)	22,377
Subtotal, net of tax	2,689	(13)	22,377
Foreign currency translation adjustments			
Increase during the year	1,300	2,529	10,818
Accumulated remeasurements of defined benefit plans			
Increase during the year	1,302	-	10,835
Reclassification adjustments	2,795	-	23,259
Subtotal, before tax	4,097	-	34,093
Tax of benefit	(1,532)	-	(12,749)
Subtotal, net of tax	2,565	-	21,345
Share of other comprehensive income of associates accounted for using the equity method			
Increase during the year	193	107	1,606
Total other comprehensive income	¥9,890	¥3,838	$82,300

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, 2015 and 2014 were as follows:

1. For the year ended March 31, 2015

There were no material related party transactions to report.

2. For the year ended March 31, 2014

There were no material related party transactions to report.

22. SUBSEQUENT EVENTS

At the Company's ordinary meeting of stockholders held on June 26, 2015, appropriations of retained earnings for the year ended March 31, 2015 were duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends - ¥3.50 ($0.029) per share	¥3,107	$25,855

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, 2015 and 2014, 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, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 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

October 8 , 2015
Osaka, Japan