Financial Section

TOYOBO CO., LTD.
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2020 and 2019

Disclaimer Regarding Forward-Looking Statements

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

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Management’s Discussion and Analysis

Overview of Fiscal Year Ended March 31, 2020

As for the global economy surrounding the Toyobo Group (hereinafter the “Group”) in the fiscal year ended March 31, 2020, despite gradual economic expansion supported by low interest rates in the first half of the fiscal year, concerns about deflation rose globally in the second half of the fiscal year as a result of factors such as the slowdown of the Chinese economy due to its trade friction with the United States. At the end of the fiscal year, economic activity stagnated, including the movement of people, and confusion was created in financial markets due to factors such as the spread of the novel coronavirus disease (COVID-19).

Amid this operating environment, the Group focused on “Films & Coatings,” “Mobility,” and “Healthcare & Wellness,” which were set as the growth field targets in the 2018 Medium-Term Management Plan. In particular, in “Films & Coatings,” notwithstanding a difficult external environment, sales of polarizer protective films for LCDs “COSMOSHINE SRF” grew steadily. In addition, in order to further solidify the foundation of the films business, the Group acquired all the stock of two subsidiaries held by TEIJIN LIMITED as of October 1, 2019 and commenced to integrate the management.

The stagnation of the global economy caused by the spread of COVID-19 began to affect the Group’s various business activities such as these associated with its automobile-related products. On the other hand, in response to requests from testing institutions, etc., the production of reagents for PCR tests for COVID-19 greatly increased.

As a result, consolidated net sales in the fiscal year ended March 31, 2020 increased ¥2.9 billion (0.9%) over the previous fiscal year, to ¥339.6 billion. Operating profit increased ¥1.1 billion (4.9%) to ¥22.8 billion, ordinary profit increased ¥0.2 billion (1.4%) to ¥18.0 billion, and profit attributable to owners of parent totaled ¥13.8 billion as a result of recording ¥10.6 billion in extraordinary income for insurance received for the fire accident (Compared with loss attributable to owners of parent of ¥0.6 billion for the previous fiscal year).

Results by business segment were as follows:

Films and Functional Polymers

In this segment, sales and operating profit increased from the previous fiscal year due to the growth in both the films business and the functional polymers business.

In the films business, the packaging film business achieved growth in sales of the environmentally conscious products as a result of rising eco-consciousness around the world. The industrial film business achieved steady expansion in sales to major polarizer manufacturers as a result of improved productivity of polarizer protective films for LCDs “COSMOSHINE SRF,” despite mold releasing film for MLCC “COSMOPEEL” being affected by production adjustments of electronic-related components.

In the functional polymers business, amid a decrease in production of automobiles globally, engineering plastics felt the impact of the shutdown by automobile manufacturers due to the spread of COVID-19. Furthermore, sales struggled to increase for polymers for use in machine tools in China. Sales of the adhesion promoter for polyolefin “HARDLEN” grew in overseas markets.

As a result, sales in this segment increased ¥2.6 billion (1.7%) from the previous fiscal year to ¥158.8 billion, and operating profit increased ¥2.8 billion (20.5%) to ¥16.5 billion.

Industrial Materials

In this segment, sales and operating profit decreased from the previous fiscal year owing to the effect of the fire accident and a decrease in demand.

Similar to engineering plastics, the airbag fabrics business faced challenges due to the impact of the fire accident on slowing down production in the automobile industry. In the high-performance fibers business, sales of “IZANAS” grew primarily for use in ropes, and sales of “ZYLON” expanded for use in bicycle tires and other use. In the life and industrial materials business, the new plant started up in September 2019, and manufacture and sales of functional cushion material “BREATHAIR” resumed.

As a result, sales in this segment decreased ¥1.1 billion (1.7%) from the same period of the previous fiscal year to ¥65.4 billion, and operating profit decreased ¥1.6 billion (60.5%) to ¥1.0 billion.

Healthcare

In this segment, sales and operating profit increased from the previous fiscal year as the membranes & environment business was steady overall despite increased expenses in the bio-science & medical business.
The bio-science & medical business maintained strong sales of enzymes for diagnostic reagents to overseas markets, but the contract manufacturing business of pharmaceuticals piled up costs for compliance with Good Manufacturing Practice (GMP; standards for manufacturing and quality control of pharmaceuticals and others.)

In the membranes & environment business, sales of functional filters for applications such as office machinery decreased. However, sales of volatile organic compound (VOC) emissions treatment equipment for recovering solvents increased significantly in association with the strengthening of environmental regulations overseas such as in China.

As a result, sales in this segment increased ¥4.7 billion (13.7%) from the previous fiscal year to ¥39.4 billion, and operating profit increased ¥0.4 billion (7.3%) to ¥5.5 billion.

Textiles and Trading

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

Sales volume of materials for traditional Arabic menswear increased as market conditions recovered, and sales of materials for uniforms grew steadily in those used for business uniforms. On the other hand, sales of materials for inner wear and acrylic fiber were sluggish due to the impact of fluctuations in raw material prices and the impact of the spread of COVID-19, resulting in a decrease in exports to China and disruption of the country’s supply chain.

As a result, sales in this segment decreased ¥3.3 billion (5.0%) from the previous fiscal year to ¥61.3 billion, and operating profit decreased ¥0.4 billion (38.6%) to ¥0.6 billion.

Real Estate and Other Businesses

This segment includes infrastructure-related businesses, such as real estate, engineering, information processing services, and logistics services. Results in these businesses were generally in line with plans. As a result, total sales in these businesses decreased ¥0.0 billion (0.2%) from the previous fiscal year to ¥14.6 billion, and operating profit increased ¥0.4 billion (17.5%) to ¥2.6 billion.

Cash Flows

Net cash proceeded by operating activities amounted to ¥44.3 billion at the end of the subject fiscal year. This was due mainly to a cash increase of depreciation of ¥17.0 billion and a profit before income taxes of ¥19.7 billion.

Net cash used in investing activities amounted to ¥39.2 billion. This was due mainly to purchase of property, plant and equipment and intangible assets of ¥30.9 billion.

Net cash used in financing activities amounted to ¥1.8 billion. This was due mainly to net decrease in short-term loans payable of ¥13.5 billion, redemption of bonds of ¥10.0 billion, cash dividends paid of ¥3.6 billion and proceeds from insurance of bonds of ¥25.0 billion.

As a result, the balance of cash and cash equivalents at the end of the subject fiscal year (March 31, 2020) stood at ¥25.1 billion, an increase of ¥2.9 billion from the end of the previous fiscal year (March 31, 2019).

Assets, Liabilities and Net Assets

Total assets at the end of the subject fiscal year (March 31, 2020) increased ¥27.8 billion (6.0%) from the end of the previous fiscal year (March 31, 2019) to ¥488.9 billion. This was due mainly to an increase of ¥23.0 billion in property, plant and equipment resulting from a rise in capital spending and an increase of ¥4.3 billion in electronically recorded monetary claims.

Total liabilities increased ¥26.4 billion (9.4%) to ¥306.2 billion. This was due mainly to an increase of ¥15.0 billion in bonds payable and an increase of ¥3.4 billion in liabilities for retirement benefit.

Total net assets at the end of the fiscal year ended March 31, 2020 increased ¥1.4 billion (0.8%) compared to the previous fiscal year to ¥182.6 billion. This was due mainly to an increase of ¥10.1 billion in retained earnings despite a decrease of ¥8.8 billion in other comprehensive income such as valuation difference on available for sale securities.

Forecast for Fiscal Year Ending March 31, 2021

Regarding the business environment for the fiscal year ending March 31, 2021, it is expected that the global economy including Japan will significantly stagnate due to the spread of COVID-19, and it will take a considerable time for economic activities to return to normal.

Going forward, there are concerns that the Group's various businesses will be affected by a decrease in global automobile production, a decrease in demand for electronic devices such as smartphones, a decrease in personal consumption and supply chain disruptions. As a countermeasure, the Group will strive to minimize the impact by working on initiatives such as flexible inventory and production adjustments.

On the other hand, the Group will actively contribute to society through the provision of reagents for PCR tests, testing kits for COVID-19 (reagents for research), etc.

As it is difficult to properly and rationally calculate the impact on business in this situation where the end of COVID-19 cannot be predicted, the forecast for the fiscal year ending March 31, 2021 has not been forecasted. While observing future trends, the Group will promptly make an announcement when a proper and rational calculation becomes possible.

Management Policy, Business Environment, Issues to be Addressed

With regard to matters concerning the future in the text, the Group made judgments as at the end of the fiscal year under review, and no assurance is given as to the accuracy.

1. Basic Management Policy

The Group has adopted "Jun-Ri-Soku-Yu (**順理則裕**)" as our corporate philosophy. This motto, which means "Do what must be done, don't do what must not be done. Adhering to "Jun-Ri" leads to a prosperous society while also realizing self-growth." was a personal maxim of our founder, the Meiji Era industrialist Eiichi Shibusawa. The Group has inherited the idea of so-called CSV (Creating Shared Value: contributing to solutions for social challenges and working to improve economic value to increase the corporate value) for approximately 140 years since its foundation.

Toyobo Co., Ltd. started with the cotton spinning business in 1882, entered into the synthetic fibers business in the 1960s, and furthermore, has developed accumulated technologies and know-how into specialty businesses including films. As such, the Group has changed the business portfolio significantly by concentrating managerial resources on business that can contribute to solutions for social challenges in response to changes in the world.

In 2019, the Group returned to its original starting point of the spirit of Eiichi Shibusawa and rearranged its "Jun-Ri-Soku-Yu (**順理則裕**)" corporate philosophy as the corporate philosophy system 〈TOYOBO PVV^{s}〉 so as to become a company that continues to draw a growth path through contributions to society while responding to the changes of the times.

〈TOYOBO PVV^{s}〉

Principle

"Jun-Ri-Soku-Yu (**順理則裕**)" (Adhering to reason leads to prosperity)

Vision

We will continue to create the solutions needed by people and the earth with our materials and science.

Values

We welcome change, enjoy change, and create change.

TOYOBO Spirit: Challenge, Reliability, Collaboration

In order to achieve the corporate philosophy system, the Group reorganized itself into a solution-based organizational structure oriented to end customers and markets in April 2020, and will enhance the formulation of long-term growth scenarios and the marketing function. In addition, the Group will work to instill and entrench this corporate philosophy system through the "KAERU Project (Kaeru means "to change")," the company-wide project to promote the Company's corporate atmosphere and work style reforms, so that this system can be the foothold for judgments and actions of all the members of the Group.

2. Medium- to Long-Term Business Strategies and Issues to Be Addressed, Target Managerial Indicators

(1) 2018 Medium-Term Management Plan

Under the 2018 Medium-Term Management Plan, effective for four years from the fiscal year ended March 31, 2019, based on the "Three Part Harmony," which includes working to resolve short-term issues while focusing on medium- to long-term issues and progressing with business base enhancements such as reforming the corporate culture, the Group has set the following three key initiatives.

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

The Group has numerous businesses subject to varying operating environments. As such, the Group is promoting a varying approach to business operations which involves setting key performance indicators (KPIs) tailored to circumstances facing the respective businesses. The Group will also focus on investing corporate resources into businesses in fields of growth and increase rates of growth.

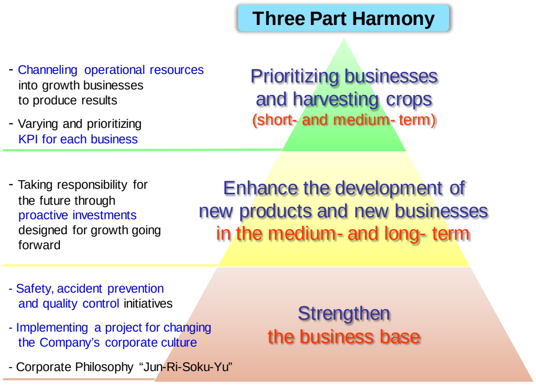
(b) Enhance the development of new products and new businesses in the medium- and long-term

To achieve sustained growth, the Group will strategically devote managerial resources in medium- to long-term growth fields and strengthen new business development including external collaboration.

(c) Strengthen the business base

As "safety," "accident prevention" and "quality" are important foundations supporting business activities, the Group continues to promote control initiatives for them as key issues. In addition, the Group will move ahead with the corporate atmosphere and work style reforms through the company-wide "KAERU Project," aiming to build workplaces where each employee can continue working with peace of mind and vigor.

Key Initiatives in 2018 Medium-Term Management Plan



(2) Target Managerial Indicators in 2018 Medium-Term Management Plan

The Group is especially focusing on operating profit, return on equity (ROE) and return on invested capital (ROA), which serve as its managerial indicators. Its numerical targets in its 2018 Medium-Term Management Plan (from the fiscal year ended March 31, 2019 to the fiscal year ending March 31, 2022) are operating profit amounting to no less than ¥30.0 billion and ROE of at least 8%. Furthermore, the Group has employed ROA as a performance management indictor in the Group and aims to achieve ROA of at least 7%.

In assessing its financial position, the Group focuses on a "ratio of interest bearing debt and net assets (D/E Ratio)" from the perspective of maintaining and improving the debt rating, and ensuring stability in financing, and has set the target of a D/E ratio of less than 1.0. However, the Group believes that it is vital to make investments toward future growth at an appropriate time, and will continue its efforts to strengthen earnings power without regard for the D/E ratio of 1.0 while keeping in mind the ratio.

The following table shows major managerial indicators and targets in the 2018 Medium-Term Management Plan (announced in May 2018) and actual results to date. Because the impact of the spread of the novel coronavirus disease (COVID-19) is uncertain and assumptions of the external environment have changed largely, the timing of achieving the targets for fiscal 2022 may be delayed.

		fiscal 2019 Results	fiscal 2020 Results	fiscal 2022 Targets
Net sales	(¥bn.)	336.7	339.6	375.0
Overseas sales ratio	(%)	30.5	32.3	35.0
Operating profit	(¥bn.)	21.7	22.8	30.0
Operating profit margin	(%)	6.5	6.7	8.0
Profit (loss) attributable to owners of parent	(¥bn.)	-0.6	13.8	16.0
ROE	(%)	-	7.8	≧8.0
ROA	(%)	4.7	4.7	≧7.0
D/E ratio	(-)	0.93	0.98	<1.0

(3) Identifying Material Topics

In May 2020, the Group identified material topics (key issues). The materiality was sorted out through questionnaires and hearings from the Company's executives and employees after a longlist was made by reference to GRI Standards, SASB Standards, UN Global Compact, ISO26000, various ESG researches and others. Then, the Group identified eight material topics in line with the philosophy system "TOYOBO PVVs."

As premises for materiality, the Group views three items of "Corporate governance", "Respect for human rights" and "Safety, disaster prevention, quality" as the basic points. Material topics comprise eight issues, namely "Ability to provide solutions (contribution through our business)", "Supply chain management", "Product life cycle management", "Reducing greenhouse gas emissions", "Reducing environmental impact", "Human resource management", "Data security, privacy" and "Compliance". Based on these material topics, the Group will enrich communications with each stakeholder.
From now on, the Group will work to set targets(KPIs) and device measures and manage the progress in accordance with these material topics. At the same time, it will also reflect the material topics in medium-to long-term management plans.

(4) The Long-term Direction for the Fiscal year ending March 31, 2026

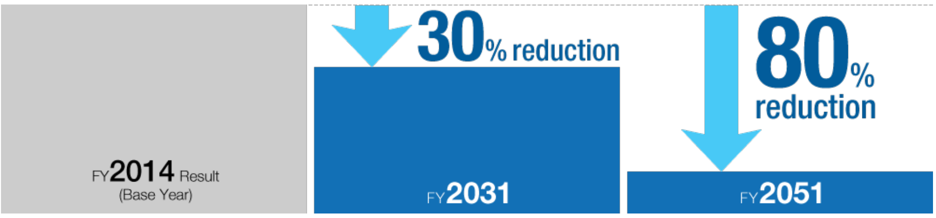
To realize the corporate philosophy system and ability to provide solutions (contribution through our business) in the material topics, the Group reorganized itself into solution-based organizational structure oriented to end customers and markets from the previous product-out-type structure centering on products and technologies in April 2020. Positioning “Films and Functional Materials,” “Mobility,” “Lifestyle and Environmental,” and “Life Science” as growth fields, the Group will actively invest in businesses that enrich the society to achieve a long-term growth.

Specifically, aiming for consolidated net sales of ¥500 billion in fiscal 2026, the Group will explore “ideal ways” for each field shown in the following table and accelerate the pace of offering solutions.

Division	Vision (contribution to solve social challenges)
Films and Functional Materials	Global leader in eco-friendly products and solutions
Mobility	One-of-a-kind company that provides solutions for safe, secure and comfortable mobility spaces
Lifestyle and Environmental	Solution business that contributes to the creation of comfortable and healthy living environments
Life Science	Creation of systems to realize a healthy society and provide a high level of medical care

The Group also recognizes the serious risk posed by global warming and climate change to the continuation of business activities, and we are cutting greenhouse gases in production and logistics. We will switch to natural gas in our factories, enhance production efficiency and introduce renewable energies such as solar power. Through these measures, we aim to reduce our greenhouse gas emissions by 30% and 80% in the fiscal year ending March 31, 2031 and the fiscal year ending March 31, 2051, respectively, compared with the fiscal year ended March 31, 2014.

Greenhouse gas reduction targets



As a part of initiatives to enhance ESG, the Group expressed its support for recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD) and joined the “TCFD Consortium” in January 2020. In addition, the Group has signed the “UN Global Compact” and implements activities with consideration for “respect for human rights,” “labor,” “environment,” and “prevention of corruption including bribery.”

3. Business environment and each business department’s efforts

As for the business environment surrounding the Group, the current global economy has slowed down most significantly since the global financial crisis triggered by the collapse of Lehman Brothers due to the impact of the spread of COVID-19. In addition to a drop in personal consumption, effects of the production cutback in the automobile industry have led to widespread sluggish corporate activities. It is hard to make a forecast for the timing when the spread of COVID-19 will be contained, and even if the spread is contained early, it will take considerable time for economic activities to return to normal.

For the Group, the worldwide decrease in production of automobiles has substantially affected car-related products such as the engineering plastics and airbag fabrics businesses. Furthermore, the decline in personal consumption has affected the apparel fibers business and others. As a countermeasure, the Group will shut down some plants in Japan and overseas and advance flexible inventory and production adjustments.

In the operation of businesses, the Group has committed to operating with the highest priority on employees’ health and safety. Plants continue production and shipment operations, following the formulated infection prevention measures, measures in the case where a person gets infected, and business continuity plan (BCP) response procedures. Teleworking is recommended for employees at the head office and branch offices, etc., and a new work style is promoted with a target of the office attendance rate of 20% or less during the declaration of a state of emergency and 50% or less even after the state of emergency declaration.

Assuming contingency situations, the Group has been working to secure that ample funds in hand and promoting OC 100 (Overcome Corona 100) activities to review a reduction in inventories and non-urgent expenditures.

While responding to the current harsh business environment, the Group will advance the following efforts with the aim of medium- to long-term growth. The description below is provided based on organizational categories after the reorganization from April 2020.

(1) Films and Functional Materials Solutions
Vision: Global leader in eco-friendly products and solutions

- Sales of polarizer protective films for LCDs "COSMOSHINE SRF," which has excellent non-hygroscopicity and durability as well as price competitiveness, have grown steadily for LCD TVs in a difficult external environment. To respond to a further increase in demand, the Group will be prepared to increase production with new manufacturing facilities.
- Sales of extremely smooth mold releasing film for MLCC "COSMOPEEL" have increased for high-end products. The production capacity will double through the introduction of new processing facilities.
- In order to further solidify the foundation of the films business, the Group acquired all the stock of two subsidiaries held by TEIJIN LIMITED as of October 1, 2019 and commenced to integrate the management. The Group will achieve synergy effects by enhancing cooperation on both technology and production aspects.
- With respect to transparent vapor-deposited film "ECOSYAR," PT.TOYOBO TRIAS ECOSYAR in Indonesia commences production and will offer the product as film that can help to reduce food loss in Japan and overseas on a full scale.
- The Group will work to expand sales of environmentally friendly films such as films for beverage labels that uses 80% or more recycled PET bottle resin and has the thickness reduced to half and film that uses plant-derived resin.

Since it is important that the entire supply chain considers plastic waste issues, the Group has participated in the Clean Ocean Material Alliance (CLOMA), which aims to promote sustainable use of plastic products and development and introduction of alternative materials, the Circular Economy for Flexible Packaging (CEFLEX), a consortium that pursues the realization of circular economy in the soft packaging industry in Europe, and Petcore Europe, a consortium that covers the whole value chain of polyester-related companies in Europe, to solve the plastic waste issues in the ocean.

(2) Mobility Solutions
Vision: One-of-a-kind company that provides solutions for safe, secure and comfortable mobility spaces

- As for the airbag fabrics business, because yarn production facilities were burnt down in a fire accident in 2018, the business has continued by procuring yarns from external suppliers. In order to make its way back as a global player engaging in integrated manufacturing from yarns to fabrics, the Group will proceed with the reconstruction of the yarn plant.
- As for engineering plastics, the Group will seek to expand sales to automobile manufacturers not only in Japan but also overseas.
- For the Mobility business in the Group, cross-sectional marketing activities will be strengthened.

(3) Lifestyle and Environmental Solutions
Vision: Solution business entity that contributes to the creation of comfortable and healthy living environments

- In the environmental solutions business, the Group continues to support environment-responsive solutions to challenges of domestic and overseas customers through the offering of volatile organic compound (VOC) emissions treatment equipment and absorption elements. In the water treatment membrane business, the Group will introduce new technologies such as forward osmosis (FO) membranes to further help to solve global water issues.
- In the non-woven fabrics business, the Group will integrate its technologies and bases for design of various non-woven fabrics and filters and proceed with expansion into the automobile, air conditioning, and civil engineering/environment fields as a high-functioning non-woven fabric manufacturer.
- In the functional textiles business, sales of high-performance fibers have been expanding for uses that take advantage of their characteristics such as high strength and light weight, including uses in bicycle tires and marine ropes. As for functional cushion material "BREATHAIR," a plant was reconstructed in September 2019 after the fire accident in 2018, and manufacture and sales of the product resumed.
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(4) Life Science Solutions

Vision: Creation of systems to realize a healthy society and provide a high level of medical care

- In the bio-science business, the Group has evolved yeast cultivation technologies, for which it launched the study in the 1940s, and has been focusing on enzyme for use in blood glucose self-monitoring sensors, PCR enzyme and others. For COVID-19, the Group developed testing kits (reagents for research) for detecting and measuring COVID-19 in a little over 60 minutes at the earliest by shortening the process for extracting genes with specialty enzyme, etc. and also accelerating the amplification rate. The product became subject to the coverage of public medical insurance for pharyngeal swab test in May 2020, and for saliva test in June 2020, and has been shipped to testing institutions.
- In the medical-use membranes business, the Group will respond to an increase in dialysis patients in Japan and overseas and advance the development and commercialization of new products.

With regard to COVID-19, the Company provides not only PCR testing kits but also films used in medical face shields, airbag fabrics utilized in protective clothing in medical settings, materials for masks, and others.

Going forward, the Group will contribute to the achievement of a sustainable society by helping to solve social challenges with the aim of realizing the corporate philosophy.

Risk Factors

The Group is exposed to the following risks that may affect its operating results and financial status. However, risks described below do not cover all the risks associated the Group.
The future matters specified in the following are based on information that was available as of the end of the fiscal year and certain assumptions that serve as the basis for its judgments.

With its corporate philosophy “Jun-Ri-Soku-Yu (**順理則裕**)”, which is the starting point for its CSR activities, as the foundation of its operations, the Group strives to provide products and services that are beneficial for society, and enhance both its corporate and social value. The Group has established the “CSR Committee” chaired by the President, as the risk management structure, which manages the various types of business risk at the Group-wide level. The “CSR Committee” changed its name to the “Sustainability Committee” as of April 1, 2020, and figures out and supervises initiatives for all stakeholders, including those to solve global social and environmental issues, in a centralized manner.

The Group formulated the 2018 Medium-Term Management Plan, aiming to achieve a medium- to long-term growth. As described in “1 Management Policy, Business Environment, Issues to Be Addressed,” the 2018 Medium-Term Management Plan of which the final year is fiscal 2022 set targets of management indicators that the Group places special emphasis on. Although these targets were set based on information available to the Group at the time of the formulation, part of the business environment, including the airbag fabrics business, has changed significantly due to the fire accident occurred at the Company’s Tsuruga Research and Production Center in September 2018. Furthermore, in the case where the external environment changes, including the case where risks in (1) to (15) below or risks other than those described below become apparent and the businesses are affected directly or indirectly, the case where various measures are taken but these measures do not work effectively, the case where any unexpected situation arises, and other cases, targets set in the 2018 Medium-Term Management Plan might not be achieved and the Group’s operating results, financial status, etc. could be seriously affected.

1. Incurred or highly probable risks

(1) Occurrence of disasters, accidents and infections

The Group conducts production activities and other corporate activities in various locations in Japan and overseas, and strives to prevent an accident as much as possible by replacing aging facilities and enhancing equipment management at each plant and each business site, promoting training and education for operators assuming accidents, and other means. However, in the case where a natural disaster such as large earthquake, windstorm and flood, and snow, accident such as fire, or infection of COVID-19, new type of influenza, etc. occurs, or the case where any similar damage from a disaster occurs in a business partner, this could seriously affect the Group’s businesses and others, through considerable difficulty caused in its production and other activities among others.

Following the fire at the Tsuruga Research and Production Center in September 2018, security and disaster prevention activities were reviewed, and the whole Group is making concerted efforts to regain the trust of society. The Group overhauls its major production sites using the “Checking Procedures for Fire Risks,” which was established based on advice of a third-party expert, and promotes improvement in functions of fire extinguishing and protection equipment at those sites in a planned manner. In addition, for natural disasters, disaster mitigation measures are implemented continuously through the improvement of infrastructure at business sites and plants, including aseismic reinforcement of buildings, and emergency response exercises, among others.

Since COVID-19 was reported in Wuhan City, Hubei province, the People’s Republic of China in and after December 2019, the infections have been spread throughout the world. As such, it is expected that the global economy including Japan will significantly stagnate due to the spread of COVID-19, and it will take a considerable amount of time for economic activities to normalize. Going forward, there are concerns that the Group’s various businesses will be affected by a decrease in global automobile production, a decrease in demand for electronic devices such as smartphones, a decrease in personal consumption and supply chain disruptions. As for the impact on businesses, particularly a decrease in automobile production has considerable impact on the engineering plastics business, the airbag fabrics business, etc. and stagnant personal consumption has impact on the apparel fibers business, etc. However, because the timing when the spread of COVID-19 is contained cannot be predicted, it is difficult to determine the impact appropriately and reasonably. As future countermeasures, the Group will work on flexible inventory and production adjustments and other measures in airbag fabric manufacturing facilities among others to minimize the impact. With regard to procurement of raw materials, a situation has not arisen where procurement is disrupted and production is interrupted, as of the end of the fiscal year. In addition, with the highest priority on employees’ health and safety, the head office and branch offices carry out telework thoroughly, and plants operate following the formulated infection prevention measures, measures in the case where a person gets infected, and business continuity plan (BCP) response procedures.

On the financial side, as OC100 (Overcome Corona 100) activities, the Group works to review the timing for non-urgent cashing out and lower inventories and temporarily reduce a ¥10 billion cash-out to prepare for any contingency.

(2) Further Worsening of Political & Economic Situations

The Group produces and sells in Japan and overseas a wide range of products in the films and functional polymers, industrial materials, healthcare and apparel fibers fields. Political turmoil or a serious economic recession in the countries in which our production bases are located or in major markets could reduce our production and sales, and if the impact of these events is expected to continue for a long period, the Group's businesses could be seriously affected through recording of impairment losses on fixed assets and reversal of deferred tax assets.

In the sales, the Group conducts credit transactions. Accordingly, the Group assumes credit risks in which a loss occurs due to customers' credit deterioration and business failure. The Group has made provisions for bad debt losses based on past default ratios. However, in the event of the bankruptcy of major customers due to economic recession or other reasons, our businesses could be seriously affected by bad debt loss that substantially exceeds the amount of provisions made. Therefore, the Group strives to minimize its credit risk under its credit management regulations by setting credit limits for each customer, assessing credit status of major customers in each fiscal period, and other means.

While the U.S.-led protectionist policy has been spreading, the Group is particularly concerned about the impact of trade friction between the U.S. and China and slowdown of the Chinese economy. In the Group, exports to China and sales in China account for nearly 10% of consolidated net sales. Accordingly, there are concerns about impact of worsening economic conditions and postponed capital investments in China on sales in the acrylic fibers business and the engineering plastics business among others. In addition, impact of curtailment of automobile production is also a concern. Because these impacts might be prolonged, the Group will consider measures including review of the supply chain and diversion for other uses.

2. Medium- to long-term risk

(3) Purchase of Raw Materials

The Group purchases raw materials from various suppliers in order to produce its wide range of products in the fields of films and functional polymers, industrial materials, healthcare, apparel fibers. Major raw materials mainly include polyester, nylon and polyolefin resin, all of which are petrochemical products. Although these materials are provided by a number of suppliers due in part to risk management considerations, there remains a risk that we may not be able to purchase a sufficient volume of raw materials in the case of natural disasters, plague, strikes, problems in transportation, suppliers' failure or withdraw from the business, shrinkage, accidents, etc. In addition, if the impact of the spread of COVID-19 is prolonged, turmoil of the supply chain or difficulty in securing raw materials could affect the Group's production and sales. Moreover, in the event of a city-wide lockdown or restriction on outings, turmoil might also be caused in logistics networks, leading to difficulty with procurement of necessary raw materials. Furthermore, even if raw materials are secured, the purchase prices could soar due largely to a rise in crude oil price and balance of supply and demand of the raw materials. In such cases, contraction of production or an increase in costs could occur in the Group.

The Group has established an appropriate trading policy and conducts procurement/logistics responsibly, so as to support the development of a sustainable society. In order to achieve the SDGs within the supply chain, including legal compliance, fair trading, respect for human rights, and consideration for the environment, the Group aims to realize procurement and logistics based on its "CSR Procurement Guidelines."

(4) Product Defects

To prevent product defects, the Group produces its products in the films and functional polymers, industrial materials, healthcare and apparel fibers in accordance with specific quality control standards under the control of the Global Environment and Safety Committee and Product Liability Prevention/Quality Assurance Committee and is covered by product liability insurance. However, we cannot guarantee that all of our current products are free from all defects or that there will be no defective products in the future. Especially, if concerns arise about safety or quality of products for some reason in association with products related to safety of automobiles, such as airbag fabrics, and the contract manufacturing business of pharmaceuticals among others, it might threaten customers' lives, and lead to compensation to customers and concerned parties due partly to recall of the products. Although the Group is covered by product liability insurance, we cannot guarantee that ultimate compensatory payment will be fully covered by insurance. Therefore, in the occurrence of material product defects, our group businesses, etc. could be seriously affected by large liability payments or loss of credit.

The Group conducts PL/QA assessments to verify and improve Product Safety (PS) activities in each department and group company. Moreover, the Group establishes criteria for assessing PS and PL risk, and based on these criteria, it carries out inspections at each stage, from product development through to sale. By addressing risk in advance, the Group works to mitigate risks pertaining to customers and others.

(5) Securing of human resources
The Group considers human resources to be our most important asset. We support the growth of each and every one of our employees, who have a diversity of characteristics and opinions. We believe that the continuation and development of the Group as a whole can be achieved by building an environment in which they can flourish within the company and realize their career development. On the other hand, if the Group cannot secure and develop personnel who have a high level of expertise or who have a leadership quality to be a future executive due to a decrease in the labor force resulting from the falling birthrate and the aging population, changes in employment conditions, and other reasons, the competitiveness of the organization could decline, which might cause stagnation in business activities.
The Group is putting its effort into nurturing the next generation of managers, who will help to realize its growth strategy. At the same time, the Group is actively engaged in initiatives to train mid-career hires and promote the participation of women in the workforce, focused on encouraging diversity. “Japan-based training” for local employees is held for selected personnel from overseas business sites, with the aim of improving the organizational power for its employees with their differing work styles, careers, gender, nationality, race and beliefs to mutually respect each other and realize the creation of value.

(6) Climate Change
The impact of climate change associated global warming has become apparent with an increase of natural disasters such as typhoons and localized torrential rainfall, as well as changes in the ecosystem due to the “subtropicalization” of the climate, and is also affecting the society profoundly. The Group recognizes the serious risk posed by climate change to the continuation of business activities, and we are cutting greenhouse gases in production and logistics.
In the fiscal year ended March 31, 2020, the Group formulated a long-term vision toward further reduction in greenhouse gas emissions. In this vision, “80% reduction (compared with fiscal 2014)” in emissions by fiscal 2051 has been set as a new target. The Group has also expressed its support for recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD) and joined the TCFD Consortium in January 2020. Regarding this expression of support and participation in the consortium as an opportunity, the Group will proceed with scenario analysis on climate change and develop a medium- to long-term strategy after clarifying risks and opportunities for businesses.

(7) Environmental Burden
In recent years, marine pollution issues stemming from plastic waste in the ocean have been global common challenges. The Group, which has been broadly developing businesses with polymer as its core material, considers that the plastic waste issues are key challenges. In the future, tighter regulations on waste plastics at a global level could seriously affect the Group’s businesses, etc. through a decline in demand for plastic products and a decrease in its sales. The Group is advancing the development of products and technologies that help mitigate environmental impact and also working on the effective use of resources. For example, the Group is engaged in initiatives such as melting down film scrap at the site of production for re-use as raw material depending on the brand of film.
In addition, since it is important that the entire supply chain considers plastic waste issues, the Group has participated in the Clean Ocean Material Alliance (CLOMA), which aims to promote sustainable use of plastic products and development and introduction of alternative materials, the Circular Economy for Flexible Packaging (CEFLEX), a consortium that pursues the realization of circular economy in the soft packaging industry in Europe, and Petcore Europe, a consortium that covers the whole value chain of polyester-related companies in Europe, to solve the plastic waste issues in the ocean.

(8) Information Security
The Group manages a lot of important information such as customer information and confidential information related to the execution of business. To handle this information, the Group has put in place security measures. However, in the event of communication failure due to natural disasters and others, unauthorized access to systems, and being targeted in a cyberattack, among others, the Group’s businesses, etc. could be seriously affected through suspension of its business activities resulting from system failure, leak of customer information and confidential information, damage from fraud, etc.
The Group drew up the “Information Security Policy” and strives to appropriately manage and utilize all information assets. In addition, the Group set up the “Cyber Security Committee” and is proceeding with not only technical and expert measures but also the improvement of employees’ level of awareness and the development of in-house experts, among others. Going forward, the Group will promote strengthening of the ability to respond to incidents.

(9) Laws, Regulations and Compliance

The Group is subject to various statutory regulations on product manufacturing, quality, safety, environment, competitiveness, import/export, information, labor, accounting, and others in each country in which it operates. 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, substantial restrictions could be imposed on our production activities or other corporate activities, or the Group could be forced to make large capital investments, tax payments or other expenditures in order to comply with the regulations. Tariff hikes or import regulations on quantity limits might be imposed under antidumping laws in major overseas markets and could seriously affect the Group's businesses, etc.

Furthermore, if any non-compliance or illegal act occurs at the Group or business partners in association with these regulations, a considerable amount of damages could be caused including loss of credit of the Group and administrative penalty.

Under the Group's corporate philosophy "Jun-Ri-Soku-Yu (**順理則裕**)", the Company is advancing its efforts, regarding the idea of "Thinking rationally and logically, as well as respecting ethics and morals, the fundamental nature of being human" as the basis of compliance. The Group has distributed the "TOYOBO Group Compliance Manual" to Group employees and had staff read through the texts together to ensure thorough familiarization with the rules and enhance awareness of compliance. In the fiscal year ended March 31, 2020, the Group put in place regulations on bribery/gifts/hospitality and worked on familiarization and education of them to strengthen initiatives for corruption prevention. As the structure to promote compliance, a Compliance Committee has been established, comprising members of the Board of Corporate Executive Officers and Controlling Supervisors, to promote Group-wide compliance from a management perspective, and a Compliance Promotion Committee has been established as a sub-body to this committee, which considers and promotes specific initiatives, in order to work to clarify policy and standards, and enhance the effectiveness of education, training and preventive measures.

(10) Overseas Business Activities

The Group is expanding its business activities globally to the U.S., Europe, China, Southeast Asia, Latin America and other regions. Accordingly, in addition to trends in the whole global economy, if any country in which we operate experiences unforeseen events, including unexpected changes in laws, regulations or policies or social unrest as a result of terrorism, war, political upheaval or any other cause, this could have a material effect on the Group's businesses, etc.

In response to these risks, the Group has developed a "Risk Management Manual" for each country and strives to improve the overseas risk management structure to identify the risks through each Group company's information collection, information from external consultants and others and deal with them specifically and appropriately before they become apparent.

In addition, the Group has paid taxes appropriately in compliance with each country's tax law and also gives close attention to international tax risks such as applicable transfer price taxation of each country. However, difference of views with tax authorities could result in additional tax levies.

(11) Litigation

No major lawsuit that could have a material effect was filed against the Group in the fiscal year ended March 31, 2020. The Group conducts production and other corporate activities in various domestic and overseas locations. In this process, there is a possibility that lawsuits may be brought against us in connection with product liability, the environment, labor, intellectual property or other areas. If a major lawsuit is filed against the Group, our operating results and financial status could be seriously affected.

3. Financial Risk

(12) Foreign Exchange Rate Fluctuation

The Company imports certain raw materials from overseas and exports certain products manufactured in Japan to overseas. Because difference between the export volume of products and the import volume of raw materials is not large, the effect of exchange fluctuations on operating results is not significant in the medium term. In the short term, however, if the appreciation of the Japanese yen against foreign currencies develops, products for which the manufacturing lead time is relatively long will negatively affect operating results. While the Group strives to minimize such risks using forward foreign exchange contracts, etc., the risks cannot be completely avoided.

Furthermore, since operating results of overseas consolidated subsidiaries and associates accounted for using the equity method are converted into the yen in the preparation of consolidated financial statements, exchange rates at the time of conversion affect the consolidated financial statements. In addition, if the appreciation of the yen develops, this could seriously affect the Group's operating results, etc., including a decrease in own capital through currency translation differences of foreign subsidiaries and others.

(13) Major Interest Rate Rise

The Group raises funds by borrowing from financial institutions and issuing bonds, among other means. Of these interest bearing debts, for loans payable exposed to the risk of interest rate fluctuation, derivatives (mainly interest rate swaps) are used as hedging instruments to avoid the risk of changes in interest payments. In addition, the Group focuses on a “ratio of interest bearing debt and net assets (excluding non-controlling interests) (D/E Ratio)” and has accordingly set the objective of its D/E ratio of less than 1.0. The Group achieved a D/E ratio of 0.98 as of the end of the fiscal year (March 31, 2020) and held the ratio to less than 1.0.

(14) Substantial Decline in Stock Prices

The Group holds a significant volume of stocks that are traded on exchange markets and bears the risk of fluctuations in stock prices. 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. For the Company’s corporate pension, since certain pension assets are managed with stocks that are traded on exchange markets, there is a risk of a decrease in pension assets due to a decline in stock prices. With respect to investment stocks held for purposes other than net investment purposes, the Company individually verifies whether the stock contributes to its sustained growth and medium- to long-term improvement in the corporate value, in light of future business strategy, business relations, and other factors at the Board of Directors each year to judge whether or not to continue to hold the stock.

(15) Impairment Loss of Fixed Assets

The Group holds fixed assets for business use such as land for plants, buildings and manufacturing facilities and conducts production and sales activities. As products manufactured with these manufacturing facilities are affected by changes in the relevant operating environment including markets and technological development, earnings could decrease significantly. In addition, there is also the risk of a significant decrease in appraisal value of held assets due to a drop in market value of land, among others. A decline in profitability or a significant decrease in value of held assets could seriously affect the Group’s operating results, etc., including the required recording of impairment losses on the asset.

Consolidated Financial Highlights

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net sales	¥339,607	¥336,698	$3,120,527
Cost of sales	255,140	255,634	2,344,390
Profit before income taxes and non-controlling interests	19,716	102	181,163
Profit attributable to owners of parent	13,774	(603)	126,564
Total assets	488,874	461,047	4,492,089
Total net assets	¥182,636	¥181,226	$1,678,177

	Yen		U.S. dollars (Note 1)
Net profit per share	¥155.12	(¥6.80)	$1.425

See accompanying Notes to Consolidated Financial Statements.

Financial Section

CONSOLIDATED FIVE-YEAR SUMMARY

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2020, 2019, 2018, 2017 and 2016

	Millions of yen, except per share information				
	2020	2019	2018	2017	2016
For the year:					
Net sales	¥339,607	¥336,698	¥331,148	¥329,487	¥347,763
Cost of sales	255,140	255,634	250,042	249,940	268,069
Selling, general and administrative expenses	61,673	59,337	57,183	56,215	56,571
Operating profit	22,794	21,727	23,923	23,332	23,123
Other expenses	3,078	21,625	5,698	9,392	6,898
Profit before income taxes and non-controlling interests	19,716	102	18,225	13,940	16,225
Provision for income taxes	6,406	913	5,243	4,913	5,959
Profit attributable to owners of parent	13,774	(603)	13,044	9,444	10,150
Comprehensive income	¥4,437	(¥467)	¥15,611	¥13,519	¥2,147
Net profit per share (yen) *1	¥155.12	(¥6.80)	¥146.93	¥106.38	¥11.43
At the end of the year:					
Total current assets *2	¥206,416	¥193,125	¥186,571	¥196,292	¥186,633
Property, plant and equipment	231,478	208,476	203,451	207,906	208,937
Total assets *2	488,874	461,047	445,495	450,790	444,587
Total long-term liabilities	183,916	148,053	135,870	143,015	153,796
Total net assets	¥182,636	¥181,226	¥184,515	¥170,910	¥160,101

*1 The Company consolidated shares on the basis of one new common share for every 10 common shares with an effective date of October 1, 2017. As a result, net profit per share (yen) is calculated assuming the consolidation took place April 1, 2017.

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

Consolidated Balance Sheets

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2020	2019	2020
Current assets:			
Cash and time deposits (Note 3, 11 and 18)	¥25,247	¥22,318	$231,986
Notes and accounts receivable:			
Trade (Note 3)	93,553	85,790	859,625
Other	2,904	3,405	26,684
Allowance for doubtful receivables	(154)	(199)	(1,415)
	96,303	88,996	884,894
Inventories (Note 6)	80,629	76,799	740,871
Other current assets	4,237	5,012	38,932
Total current assets	206,416	193,125	1,896,683
Investments and other assets:			
Investment securities (Note 3 and 4)			
Unconsolidated subsidiaries and affiliates	8,433	9,110	77,488
Other	15,071	23,839	138,482
Deferred income tax assets (Note 8)	17,977	17,276	165,184
Other	5,615	6,258	51,594
Allowance for doubtful accounts	(757)	(691)	(6,956)
	46,339	55,792	425,793
Property, plant and equipment (Note 11):			
Land (Note 16)	97,055	98,199	891,804
Buildings and structures	143,221	140,973	1,316,007
Machinery and equipment	330,131	331,290	3,033,456
Tools, furniture and fixtures	21,575	21,363	198,245
Lease assets	5,762	3,503	52,945
Construction in progress	29,876	11,335	274,520
	627,620	606,663	5,766,976
Less accumulated depreciation	396,142	398,187	3,640,007
	231,478	208,476	2,126,969
Intangible assets:			
Other	4,641	3,654	42,644
	4,641	3,654	42,644
Total assets (Note 15)	¥488,874	¥461,047	$4,492,089

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
LIABILITIES AND NET ASSETS	2020	2019	2020
Current liabilities:			
Short-term borrowing (Note 3 and 9)	¥32,027	¥41,882	$294,285
Long-term debt due within one year (Note 3, 9 and 11)	8,510	22,433	78,195
Notes and accounts payable:			
Trade (Note 3 and 11)	50,016	44,772	459,579
Other (Note 9)	18,367	13,418	168,768
	68,383	58,190	628,347
Accrued employees' bonuses	4,366	4,128	40,118
Other current liabilities (Note 11)	9,036	5,135	83,029
Total current liabilities	122,322	131,768	1,123,973
Long-term liabilities:			
Long-term debt due after one year (Note 3, 9 and 11)	130,851	99,009	1,202,343
Deferred income tax liabilities on land revaluation (Note 8 and 16)	21,277	21,277	195,507
Defined benefit liability (Note 10)	21,613	18,236	198,594
Directors' and statutory auditors' retirement benefits	247	233	2,270
Provision for environmental measures	331	419	3,041
Other long-term liabilities (Note 8 and 9)	9,597	8,879	88,183
Total long-term liabilities	183,916	148,053	1,689,938
Total liabilities	306,238	279,821	2,813,912
Contingent liabilities (Note 13)			
Net assets (Note 12):			
Capital stock *1	51,730	51,730	475,328
Capital surplus	32,200	32,206	295,874
Retained earnings	61,929	51,858	569,043
Less treasury stock, at cost (238 thousand shares in 2020 and 281 thousand shares in 2019)	(350)	(416)	(3,216)
Total shareholders' equity	145,509	135,378	1,337,030
Valuation difference on available-for-sale securities	4,013	9,071	36,874
Deffered gains and losses on hedges	(8)	(33)	(74)
Land revaluation (Note 16)	44,457	44,483	408,499
Foreign currency translation adjustments	(11,953)	(10,277)	(109,832)
Accumulated remeasurements of defined benefit plans	(4,128)	(2,038)	(37,931)
Total accumulated other comprehensive income	32,381	41,206	297,537
Non-controlling interests	4,746	4,642	43,609
Total net assets	182,636	181,226	1,678,177
Total liabilities and net assets	¥488,874	¥461,047	$4,492,089

	Yen		U.S. dollars (Note 1)
Net assets per share	¥2,003.01	¥1,989.29	$18.405

See accompanying Notes to Consolidated Financial Statements.

*1 Common stock: Authorized 200,000 thousand shares in 2020 and 2019. Issued 89,048 thousand shares in 2020 and 2019.

Consolidated Statements of Operations
TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net sales (Note 15)	¥339,607	¥336,698	$3,120,527
Cost of sales	255,140	255,634	2,344,390
Gross profit	84,467	81,064	776,137
Selling, general and administrative expenses	61,673	59,337	566,691
Operating profit (Note 15)	22,794	21,727	209,446
Other income (expenses)			
Dividend income	650	742	5,973
Interest expense	(1,369)	(1,305)	(12,579)
Gain on sale of securities	448	198	4,117
Loss on sales of shares of subsidiaries and associates	-	(1,873)	-
Foreign exchange gains (losses)	(435)	114	(3,997)
Loss on disposal of property, plant and equipment	(3,979)	(1,905)	(36,562)
Loss due to fire (Note 20)	(3,112)	(13,822)	(28,595)
Insurance income	10,647	306	97,831
Gain on bargain purchase (Note 15)	65	175	597
State subsidy	-	607	-
Impairment loss (Note 7 and 15)	(2,397)	(32)	(22,025)
Equity in income of unconsolidated subsidiaries and affiliates	469	471	4,309
Loss on reduction of non-current assets	-	(607)	-
Loss on suspension of production	(947)	(1,079)	(8,702)
Salaries paid to dispatched employees	(859)	(1,014)	(7,893)
Other, net	(2,259)	(2,601)	(20,757)
	(3,078)	(21,625)	(28,283)
Profit before income taxes and non-controlling interests	19,716	102	181,163
Provision for income taxes (Note 8)			
Current	5,587	2,907	51,337
Deferred	819	(1,995)	7,525
	6,406	912	58,862
Profit (loss)	13,310	(810)	122,301
Profit (loss) attributable to non-controlling interests	(464)	(207)	(4,264)
Profit (loss) attributable to owners of parent	¥13,774	(¥603)	$126,564
	Yen		U.S. dollars (Note 1)
Net profit (loss) per share			
Basic (Note 2)	¥155.12	(¥6.80)	$1.425
Cash dividends applicable to the year	¥40.00	¥40.00	$0.368

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net profit (loss)	¥13,310	(¥810)	$122,301
Other comprehensive income (Note 19)			
Valuation difference on available-for-sale securities	(5,052)	1,035	(46,421)
Deferred gains and losses on hedges	25	16	230
Foreign currency translation adjustments	(1,705)	(123)	(15,667)
Accumulated remeasurements of defined benefit plans	(2,089)	(413)	(19,195)
Share of other comprehensive income of associates accounted for using equity method	(52)	(172)	(478)
Total other comprehensive income	(8,873)	343	(81,531)
Comprehensive income	4,437	(467)	40,770
Comprehensive income attributable to			
Owners of the parent	4,974	(298)	45,704
Non-controlling interests	(¥538)	(¥169)	($4,943)

Consolidated Statements of Changes in Net Assets

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Shareholders' equity			
Capital stock			
Balance at the beginning of current period	¥51,730	¥51,730	$475,328
Changes in items during the period			
Total changes in items during the period	-	-	-
Balance at the end of current period	51,730	51,730	475,328
Capital surplus			
Balance at the beginning of current period	32,206	32,240	295,929
Changes in items during the period			
Capital increase of consolidated subsidiaries	-	(34)	-
Disposal of treasury stock	(6)	-	(55)
Total changes in items during the period	(6)	(34)	(55)
Balance at the end of current period	32,200	32,206	295,874
Retained earnings			
Balance at the beginning of current period	51,858	56,117	476,505
Changes in items during the period			
Dividends from surplus	(3,551)	(3,551)	(32,629)
Profit (loss) attributable to owners of parent	13,774	(603)	126,564
Reversal of land revaluation	26	(16)	239
Change in scope of consolidation	(169)	(89)	(1,553)
Change in scope of equity method	(9)	-	(83)
Total changes in items during the period	10,071	(4,259)	92,539
Balance at the end of current period	61,929	51,858	569,043
Treasury stock			
Balance at the beginning of current period	(416)	(411)	(3,822)
Changes in items during the period			
Purchase of treasury stock	(3)	(5)	(28)
Disposal of treasury stock	69	0	634
Total changes in items during the period	66	(5)	606
Balance at the end of current period	(350)	(416)	(3,216)
Total shareholders' equity			
Balance at the beginning of current period	135,378	139,676	1,243,940
Changes in items during the period			
Dividends from surplus	(3,551)	(3,551)	(32,629)
Profit (loss) attributable to owners of parent	13,774	(603)	126,564
Reversal of land revaluation	26	(16)	239
Change in scope of consolidation	(169)	(89)	(1,553)
Change in scope of equity method	(9)	-	(83)
Capital increase of consolidated subsidiaries	-	(34)	-
Purchase of treasury stock	(3)	(5)	(28)
Disposal of treasury stock	63	0	579
Total changes in items during the period	10,131	(4,298)	93,090
Balance at the end of current period	¥145,509	¥135,378	$1,337,030

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the beginning of current period	¥9,071	¥8,040	$83,350
Changes in items during the period			
Net changes in items other than shareholders' equity	(5,058)	1,031	(46,476)
Total changes in items during the period	(5,058)	1,031	(46,476)
Balance at the end of current period	4,013	9,071	36,874
Deferred gains and losses on hedges			
Balance at the beginning of current period	(33)	(49)	(303)
Changes in items during the period			
Net changes in items other than shareholders' equity	25	16	230
Total changes in items during the period	25	16	230
Balance at the end of current period	(8)	(33)	(74)
Land revaluation			
Balance at the beginning of current period	44,483	44,467	408,738
Changes in items during the period			
Net changes in items other than shareholders' equity	(26)	16	(239)
Total changes in items during the period	(26)	16	(239)
Balance at the end of current period	44,457	44,483	408,499
Foreign currency translation adjustments			
Balance at the beginning of current period	(10,277)	(9,948)	(94,432)
Changes in items during the period			
Net changes in items other than shareholders' equity	(1,676)	(329)	(15,400)
Total changes in items during the period	(1,676)	(329)	(15,400)
Balance at the end of current period	(11,953)	(10,277)	(109,832)
Remeasurements of defined benefit plans			
Balance at the beginning of current period	(2,038)	(1,625)	(18,726)
Changes in items during the period			
Net changes in items other than shareholders' equity	(2,090)	(413)	(19,204)
Total changes in items during the period	(2,090)	(413)	(19,204)
Balance at the end of current period	(4,128)	(2,038)	(37,931)
Total accumulated other comprehensive income			
Balance at the beginning of current period	41,206	40,885	378,627
Changes in items during the period			
Net changes in items other than shareholders' equity	(8,825)	321	(81,090)
Total changes in items during the period	(8,825)	321	(81,090)
Balance at the end of current period	32,381	41,206	297,537
Non-controlling interests			
Balance at the beginning of current period	4,642	3,954	42,654
Changes in items during the period			
Net changes in items other than shareholders' equity	104	688	956
Total changes in items during the period	104	688	956
Balance at the end of current period	4,746	4,642	43,609
Total net assets			
Balance at the beginning of current period	181,226	184,515	1,665,221
Changes in items during the period			
Dividends from surplus	(3,551)	(3,551)	(32,629)
Profit (loss) attributable to owners of parent	13,774	(603)	126,564
Reversal of land revaluation	26	(16)	239
Change in scope of consolidation	(169)	(89)	(1,553)
Change in scope of equity method	(9)	-	(83)
Capital increase of consolidated subsidiaries	-	(34)	-
Purchase of treasury stock	(3)	(5)	(28)
Disposal of treasury stock	63	0	579
Net changes in items other than shareholders' equity	(8,721)	1,009	(80,134)
Total changes in items during the period	1,410	(3,289)	12,956
Balance at the end of current period	¥182,636	¥181,226	$1,678,177

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Cash flows provided by operating activities:			
Profit before income taxes and non-controlling interests	¥19,716	¥102	$181,163
Depreciation and amortization	17,005	15,823	156,253
Allowance for doubtful receivables, net	48	101	441
Increase (decrease) in net defined benefit liability	230	(671)	2,113
Interest and dividend income	(791)	(863)	(7,268)
Interest expense	1,369	1,305	12,579
Equity in gains of unconsolidated subsidiaries and affiliates	(469)	(471)	(4,309)
Impairment loss	2,397	32	22,025
Loss on sale and disposal of property, plant and equipment, net	3,963	1,902	36,415
Gain on sales and valuation of investment securities	(448)	(87)	(4,117)
Loss on sales of shares of subsidiaries and associates	-	1,873	-
Loss due to fire	3,112	13,822	28,595
Insurance income	(10,647)	(306)	(97,831)
Increase in trade notes and accounts receivable	(2,005)	(4,562)	(18,423)
Decrease (increase) in inventories	1,678	(7,098)	15,419
Increase in trade notes and accounts payable	3,367	603	30,938
Decrease in net defined benefit asset	142	1,452	1,305
Other, net	552	(1,114)	5,072
Total	39,219	21,843	360,369
Payments for loss due to fire	(4,147)	(8,029)	(38,105)
Payments related to lawsuits	-	(255)	-
Income taxes paid	(1,464)	(6,027)	(13,452)
Insurance income received	10,647	306	97,831
Net cash flows provided by operating activities	44,255	7,838	406,643
Cash flows used in investing activities:			
Purchase of property, plant and equipment and intangibles	(30,858)	(24,235)	(283,543)
Proceeds from sale of property, plant and equipment and intangibles	1,344	529	12,350
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 18)	(8,797)	-	(80,832)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	-	425	-
Proceeds from sales of shares of subsidiaries and associates	-	475	-
Collections of long-term loans receivable	903	33	8,297
Payments of long-term loans receivable	(117)	(1,940)	(1,075)
Interest and dividends received	810	944	7,443
Other, net	(2,501)	(517)	(22,981)
Net cash flows used in investing activities	(39,216)	(24,286)	(360,342)
Cash flows provided by (used in) financing activities:			
Cash dividends	(3,551)	(3,550)	(32,629)
Cash dividends to non-controlling interests	(25)	(7)	(230)
Increase (decrease) in short-term bank loans	(13,498)	8,719	(124,028)
Proceeds from long-term loans payable	14,595	23,316	134,108
Repayments of long-term loans payable	(12,460)	(24,105)	(114,490)
Proceeds from issuance of bonds	25,000	10,000	229,716
Payments of bonds	(10,000)	-	(91,886)
Payments of interest	(1,376)	(1,307)	(12,644)
Payments for purchase of treasury stock	(3)	(5)	(28)
Other, net	(487)	(453)	(4,475)
Net cash flows provided by (used in) financing activities	(1,805)	12,608	(16,586)
Adjustments for foreign currency translation	(621)	(106)	(5,706)
Net increase (decrease) in cash and cash equivalents	2,613	(3,946)	24,010
Cash and cash equivalents at beginning of year	22,167	25,857	203,685
Increase resulting from changes in consolidated subsidiaries	304	256	2,793
Cash and cash equivalents at end of year (Note 18)	¥25,084	¥22,167	$230,488

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements
TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

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

The accounts of major consolidated foreign subsidiaries for the years ended March 31, 2020 and 2019 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 (Accounting Standards Board of Japan) Practical Solution No. 18, “Tentative Treatment of Accounting for Foreign Subsidiaries in Preparing Consolidated Financial Statements.” If other GAAP are used in preparing other foreign subsidiaries financial statements for consolidation purposes, appropriate modifications in compliance with ASBJ Practical Solution No. 18 are also made.

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

Translations of the Japanese yen amounts into U.S. dollar amounts were included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2020, which was ¥108.83 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 6 affiliates over which the Company has significant influence are accounted for using the equity method. Intercompany transactions and accounts have been eliminated upon consolidation. Any significant difference between the cost of an investment in a consolidated subsidiary and the equity in the net assets at the date of acquisition is amortized over five years. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling stockholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary.

For the year ended March 31, 2020, the accounts of 4 consolidated subsidiaries were included in the scope of consolidation based on a fiscal year that ended on December 31. These subsidiaries did not prepare for consolidation purposes financial statements that corresponded with the fiscal year of the Company. For the consolidated subsidiaries with a fiscal year-end different from that of the Company, if significant transactions occurred between their fiscal year-end and that of the Company, necessary adjustments were made to reflect the transactions in the consolidated financial statements.

From the fiscal year ended March 31, 2020, PT. TOYOBO TRIAS ECOSYAR has been included in the scope of consolidation because of its materiality. TOYOBO FILM SOLUTIONS LIMITED and PT. INDONESIA TOYOBO FILM SOLUTIONS have been included in the scope of consolidation due to acquisition of their shares. In addition, KINGO SHOJI CO., LTD. has been excluded from the scope of consolidation due to the completion of its liquidation.

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

Inventories
Inventories are stated principally 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 principally the straight-line method for the depreciation of property, plant and equipment.

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

Lease assets under finance lease transactions that do not transfer ownership of the lease assets are amortized using the straight-line method over the lease term, assuming that the useful life coincides with the lease term and the residual value is zero.

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

Bond issuance expenses
Bond issuance expenses are expensed as incurred.

Research and development expenses
Expenses related to research and development are charged to income as incurred. Research and development expenses were ¥11,690 million ($107,415 thousand) and ¥11,022 million for the years ended March 31, 2020 and 2019, respectively.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Income taxes
Income taxes comprise corporation tax, enterprise tax and prefectural and municipal inhabitants' taxes.
The Company and its consolidated subsidiaries provide for income taxes at the amounts currently payable and for deferred income taxes pertaining to loss carryforwards, temporary differences between financial and tax reporting and temporary differences in respect to the elimination of unrealized intercompany profits and

other adjustments for consolidation purposes. The asset-liability method is used to recognize deferred income tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

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

Net profit(loss) per share for the years ended March 31, 2020 and 2019 is calculated based on the following factors.

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Profit attributable to owners of parent	Weighted average number of shares	Net profit per share	
For the year ended March 31, 2020:				
Basic	¥13,774	88,794	¥155.12	$1.425

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

Changes in accounting policy
Subsidiaries adopting International Financial Reporting Standards (IFRS) adopted International Financial Reporting Standard 16 “Lease” (hereinafter “IFRS 16”) from the first quarter of the fiscal year ended March 31, 2020. Consequently, the lessee of the lease, in principle, records all leases as assets and liabilities in the balance sheets. In applying the accounting standard, the Company adopts transitional measure allowing the use of a method that recognizes a cumulative effect of the application of the accounting standard at the beginning of the application. The effect on the consolidated financial statements was immaterial in this fiscal year.

Accounting standards issued but not yet effective
1. Accounting Standard for Revenue Recognition
“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020)
“Implementation Guidance on Accounting Standard for Revenue Recognition”
(ASBJ Guidance No. 30, March 31, 2020)

(1) Summary
This is a comprehensive accounting standard on revenue recognition. Revenue is recognized using the following five steps.
1: Identify the contract(s) with a customer
2: Identify the performance obligations in the contract
3: Determine the transaction price
4: Allocate the transaction price to the performance obligations in the contract
5: Recognize revenue when, or as, the entity satisfies a performance obligation

(2) Effective date
Effective from the beginning of the fiscal year ending March 31, 2022

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

2. Accounting Standard for Fair Value Measurement, etc.
“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)
“Implementation Guidance on Accounting Standard for Fair Value Measurement”
(ASBJ Statement No. 31, July 4, 2019)
“Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019)
“Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019)
“Implementation Guidance on Disclosures about Fair Value of Financial Instruments”
(ASBJ Statement No. 19, March 31, 2020)

(1) Summary
"Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter referred to as the "Accounting Standards for Fair Value Measurement") were formulated in order to enhance the comparability with the provisions of international accounting standards, and accordingly, guidance, on the method of fair value measurement was prescribed. The Accounting Standards for Fair Value Measurement shall apply to the fair value of the following items.

- Financial instruments under "Accounting Standard for Financial Instruments"
- Inventories held for trading purposes under "Accounting Standard for Measurement of Inventories"

In addition, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" was revised to prescribe the notes on the breakdown of financial instruments by the level of the fair value hierarchy.

(2) Effective date
Effective from the beginning of the fiscal year ending March 31, 2022

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

3. Accounting Standard for Disclosure of Accounting Estimates
"Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020)

(1) Summary
Concerning the disclosure of "sources of estimation uncertainty" required under Paragraph 125 of the International Accounting Standards (IAS) 1, "Presentation of Financial Statements," (hereinafter referred to as "IAS 1") issued in 2003 by the International Accounting Standards Board (IASB), requests to consider the disclosure requirement of such information in notes under Japanese GAAP were filed as the information is highly valuable for the readers of financial statements. Accordingly, the Accounting Standards Board of Japan formulated and issued Accounting Standard for Disclosure of Accounting Estimates (hereinafter referred to as the "Accounting Standard").

The basic policy of the Accounting Standards Board of Japan in formulating the Accounting Standard was not to broaden the scope of individual notes but to set forth principles (the objectives of the disclosure) in light of which an entity shall determine the specific details to be disclosed. The Accounting Standard was formulated in reference to the provisions of IAS 1, Paragraph 125.

(2) Effective date
Effective from the ending of the fiscal year ending March 31, 2021

4. Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections
"Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020)

(1) Summary
Receiving offered opinions to consider the substantiality of the information provided in notes on "Principles and procedures of accounting treatment adopted when the provision of the related Accounting Standard is indefinite," the Accounting Standards Board of Japan made required revisions to and issued Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections.

Further, in improving the substantiality of the information provided in notes on "Principles and procedures of accounting treatment adopted when the provision of the related Accounting Standard is indefinite," the provisions under Annotations on the Corporate Accounting Principles (Note 1-2) shall be continued so that the existing business practice is not affected provided that the provision of the related Accounting Standard is definite.

(2) Effective date
Effective from the ending of the fiscal year ending March 31, 2021

Additional Information
Novel coronavirus disease (COVID-19) has spread across the globe since it was first reported in December 2019. As a result, the normalization in economic activities is expected to take some time with substantial stagnation seen in the global and Japanese economies, and it is difficult to predict how COVID-19 will continue to spread and when it will be contained.

As such, the Group makes a judgement on whether to recognize impairment loss on fixed assets and its measurement and also on the recoverability of deferred tax assets under a presumption that COVID-19 will linger and impact sales for about a year, considering the current uncertain prospects for the future.

3. FINANCIAL INSTRUMENTS

1. Overall status of financial instruments

(1) Policy for the use of financial instruments

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

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

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

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

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

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

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

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

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

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

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

The following table summarizes the carrying amounts and the estimated fair values of financial instruments as of March 31, 2020 and 2019. Note that the following table does not include unlisted equity securities and certain other securities whose fair value is extremely difficult to estimate.

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
For the year ended March 31, 2020:						
(1) Cash and time deposits	¥25,247	¥25,247	¥ -	$231,986	$231,986	$ -
(2) Notes and accounts receivable - trade	93,553	93,553	-	859,625	859,625	-
(3) Investment securities						
Available-for-sale securities	13,807	13,807	-	126,868	126,868	-
Total assets	¥132,607	¥132,607	¥ -	$1,218,478	$1,218,478	$ -
(1) Notes and accounts payable - trade	¥50,016	¥50,016	¥ -	$459,579	$459,579	$ -
(2) Short-term borrowing	32,027	32,027	-	294,285	294,285	-
(3) Long-term debt						
Corporate bonds	55,000	54,770	230	505,375	503,262	2,113
Long-term loans payable	84,360	85,566	(1,206)	775,154	786,235	(11,082)
Total liabilities	¥221,403	¥222,379	(¥976)	$2,034,393	$2,043,361	($8,968)
Derivatives (*)	(¥6)	(¥6)	¥ -	($55)	($55)	$ -

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

	Millions of yen		
	Book value	Fair value	Difference
For the year ended March 31, 2019:			
(1) Cash and time deposits	¥22,318	¥22,318	¥ -
(2) Notes and accounts receivable - trade	85,790	85,790	-
(3) Investment securities			
Available-for-sale securities	21,729	21,729	-
Total assets	¥129,837	¥129,837	¥ -
(1) Notes and accounts payable - trade	¥44,772	¥44,772	¥ -
(2) Short-term borrowing	41,882	41,882	-
(3) Long-term debt			
Corporate bonds	40,000	40,199	(199)
Long-term loans payable	81,442	82,078	(636)
Total liabilities	¥208,096	¥208,931	(¥835)
Derivatives (*)	(¥58)	(¥58)	¥ -

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

(Notes)

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

Assets

(1) Cash and time deposits and (2) Notes and accounts receivable－trade

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

(3) Investment securities

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

Liabilities

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

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

(3) Long-term debt

- Corporate bonds

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

- Long-term loans payable

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

Derivative transactions

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

2. Financial instruments whose fair value is extremely difficult to estimate

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Non-listed equity securities	¥1,221	¥1,084	$11,219

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

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 ¥2,804 million ($25,765 thousand) and ¥2,869 million for the years ended March 31, 2020 and 2019, respectively, the fair value was ¥2,523 million ($23,183 thousand) and ¥1,188 million, respectively, and the difference was a negative ¥281 million ($2,582 thousand) and ¥1,681 million, respectively. The carrying amount of stocks of unlisted subsidiaries and affiliates was stated at ¥3,084 million ($28,338 thousand) and ¥4,063 million for the years ended March 31, 2020 and 2019, respectively.

4. SECURITIES

The following tables summarize acquisition cost and book value (fair value) of securities with available fair values as of March 31, 2020 and 2019.

Available-for-sale securities

	Millions of yen					
	2020			2019		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:						
Equity securities	¥3,604	¥10,347	¥6,743	¥6,443	¥19,993	¥13,550
Other	7	12	5	6	13	7
	¥3,611	¥10,359	¥6,748	¥6,449	¥20,006	¥13,557
Securities with book values not exceeding acquisition costs:						
Equity securities	¥3,975	¥3,344	(¥631)	¥1,763	¥1,616	(¥147)
Other	104	104	-	107	107	-
Total	¥4,079	¥3,448	(¥631)	¥1,870	¥1,723	(¥147)

	Thousands of U.S. dollars		
	2020		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	$33,116	$95,075	$61,959
Other	64	110	46
	$33,180	$95,185	$62,005
Securities with book values not exceeding acquisition costs:			
Equity securities	$36,525	$30,727	($5,798)
Other	956	956	-
Total	$37,480	$31,682	($5,798)

Unlisted equity securities (Carrying amount: ¥1,221 million, $11,219 thousand) are not included in “Other”, because they have no market price and their fair values are therefore deemed as being infeasible to accurately determine.

The following table summarizes sales of available-for-sale securities and the related gains and losses for the years ended March 31, 2020 and 2019.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Total sales of available-for-sale securities	¥1,014	¥682	$9,317
Related gains	448	198	4,117
Related losses	-	3	-

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, 2020 and 2019 consisted of the following:

	Millions of yen					
	2020			2019		
	Contract amount	Fair value	Revaluation gain (loss)	Contract amount	Fair value	Revaluation gain (loss)
Over the counter						
Forward						
Sold	¥2,485	¥5	¥5	¥2,475	(¥11)	(¥11)
Bought	120	1	1	201	1	1
Total	¥2,605	¥6	¥6	¥2,676	(¥10)	(¥10)

	Thousands of U.S. dollars		
	2020		
	Contract amount	Fair value	Revaluation gain (loss)
Over the counter			
Forward			
Sold	$22,834	$46	$46
Bought	1,103	9	9
Total	$23,936	$55	$55

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

Currency related transactions designated as hedging transactions at March 31, 2020 and 2019 consisted of the following:

		Millions of yen					
		2020			2019		
		Contract amount			Contract amount		
	Major hedged items	Total	Maturity over 1 year	Fair value	Total	Maturity over 1 year	Fair value
Deferral hedge accounting *1							
Forward							
Sold	Accounts receivable - trade	¥ -	¥ -	¥ -	¥30	¥ -	¥1
Bought	Accounts payable - trade	1,031	-	2	1,568	-	(33)
Alternative method *2							
Forward							
Sold	Accounts receivable - trade	-	-	-	56	-	*3
Bought	Accounts payable - trade	297	-	*3	348	-	*3
Total		¥1,328	¥ -	¥2	¥2,002	¥ -	(¥32)

		Thousands of U.S. dollars		
		2020		
		Contract amount		
	Major hedged items	Total	Maturity over 1 year	Fair value
Deferral hedge accounting *1				
Forward				
Sold	Accounts receivable - trade	$ -	$ -	$ -
Bought	Accounts payable - trade	9,473	-	18
Alternative method *2				
Forward				
Sold	Accounts receivable - trade	-	-	-
Bought	Accounts payable - trade	2,729	-	*3
Total		$12,203	$ -	$18

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

Interest rate related transactions designated as hedging transactions at March 31, 2020 and 2019 consisted of the following:

	Millions of yen					
	2020			2019		
	Contract amount			Contract amount		
Major hedged items	Total	Maturity over 1 year	Fair value	Total	Maturity over 1 year	Fair value
Deferral hedge accounting of interest rate swaps (Note)						
Long-term loans payable						
Receive - float / Pay - fixed	¥15,000	¥15,000	(¥14)	¥15,000	¥15,000	(¥17)
Total	¥15,000	¥15,000	(¥14)	¥15,000	¥15,000	(¥17)

	Thousands of U.S. dollars		
	2020		
	Contract amount		
Major hedged items	Total	Maturity over 1 year	Fair value
Deferral hedge accounting of interest rate swaps (Note)			
Long-term loans payable			
Receive - float / Pay - fixed	$137,830	$137,830	($129)
Total	$137,830	$137,830	($129)

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

6. INVENTORIES

Inventories at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Finished goods	¥49,150	¥45,849	$451,622
Work-in-process	12,750	13,704	117,155
Raw materials	11,378	11,218	104,548
Supplies	7,351	6,028	67,546
	¥80,629	¥76,799	$740,871

7. IMPAIRMENT LOSS

Major assets and asset groups recognizing impairment loss during the fiscal year ended March 31, 2020 consisted of the following:

Location	Usage	Type
TOYOBO CO., LTD. (Tsuruga, Fukui)	Business assets (Manufacturing facilities for airbag yarns)	Buildings and structures Machinery and equipment Others
TOYOBO CHEMICALS(Thailand) Co., Ltd. (Chonburi, Thailand)	Business assets (Manunfacturing facilities for copolyester)	Buildings and structures Machinery and equipment Others

The Toyobo Group's business assets are classified in administrative accounting and, idle assets are grouped together on an individual basis. The recoverable value of the business assets fell below their book value due to the idle or the changes in the business environment. Therefore, the book value of these assets has been marked down to the recoverable value, and the write-down was treated as an impairment loss, amounting to ¥2,397 million ($22,025 thousand).

	Millions of yen	Thousands of U.S. dollars
Buildings and structures	¥430	$3,951
Machinery and equipment	1,865	17,137
Land	2	18
Tangible assets and other	100	919
	¥2,397	$22,025

In calculating the recoverable value of the assets and asset groups, the recoverable value of land adopted net sales value stated in the sales agreement for land. Other fixed assets adopted the value in use, which discounted 2.9% and 4.3% for the future cash flows calculated by reasonable estimates.

8. INCOME TAXES

Significant components of the Company's and its consolidated subsidiaries' deferred income tax assets and liabilities as of March 31, 2020 and 2019 are set forth below.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred income tax assets:			
Accrued employees' bonuses	¥1,572	¥1,485	$14,445
Devaluation loss on inventories	697	498	6,404
Defined benefit liability	7,359	6,084	67,619
Allowance for doubtful receivables	195	181	1,792
Provision for environmental measures	11	128	101
Impairment loss	1,448	850	13,305
Write-down of investment securities	395	466	3,630
Depreciation	286	270	2,628
Tax losses carried forward	6,246	4,652	57,392
Unrealized gains	9,389	9,248	86,272
Securities acquired through merger	105	195	965
Tax losses carried forward of subsidiaries	700	1,031	6,432
Loss due to fire	1,114	2,805	10,236
Other	2,482	1,566	22,806
Subtotal deferred income tax assets	31,999	29,459	294,027
Valuation allowance for tax losses carried forward	(6,144)	(4,246)	(56,455)
Valuation allowance for temporary differences	(2,422)	(2,553)	(22,255)
Total valuation allowance	(8,566)	(6,799)	(78,710)
Net deferred income tax assets	23,433	22,660	215,317
Deferred income tax liabilities:			
Reserve for deferred gains on sale of property	(431)	(439)	(3,960)
Undistributed earnings of overseas subsidiaries and affiliates	(1,841)	(1,589)	(16,916)
Consolidation adjustment of allowance for doubtful receivables	(0)	(2)	(0)
Valuation difference of subsidiaries	(1,963)	(1,522)	(18,037)
Tax deferred gains on assets transferred to a new company	(1,335)	(1,335)	(12,267)
Tax deferred gains on spin-off	(497)	(497)	(4,567)
Valuation difference on available-for-sale securities	(1,944)	(4,209)	(17,863)
Foreign currency translation adjustments	(9)	(11)	(83)
Total deferred income tax liabilities	(8,020)	(9,604)	(73,693)
Net deferred income tax assets	¥15,413	¥13,056	$141,625

	2020	2019	2020
Investments and other assets	17,977	17,276	165,184
Long-term liabilities	(2,564)	(4,220)	(23,560)
Total	¥15,413	¥13,056	$141,625

Deferred income tax liabilities on land revaluation of ¥21,277 million ($195,507 thousand) and ¥21,277 million as of March 31, 2020 and 2019, respectively, were recognized in long-term liabilities.

Balance by tax loss carryforward deadline and deferred income tax assets. A breakdown of tax losses carried forward and valuation allowance by expiry date as of March 31, 2020 is as follows:

	Tax losses carried forward *	Valuation allowance	Deferred income tax assets
Within 1st year	¥275	(¥261)	¥14
2nd year	229	(227)	2
3rd year	27	(27)	-
4th year	123	(123)	-
5th year	98	(98)	-
thereafter	5,494	(5,408)	86
Total	¥6,246	(¥6,144)	¥102

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

	Thousands of U.S. dollars		
	Tax losses carried forward *	Valuation allowance	Deferred income tax assets
Within 1st year	$2,527	($2,398)	$129
2nd year	2,104	(2,086)	18
3rd year	248	(248)	-
4th year	1,130	(1,130)	-
5th year	900	(900)	-
thereafter	50,482	(49,692)	790
Total	$57,392	($56,455)	$937

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

A breakdown of tax losses carried forward and valuation allowance by expiry date as of March 31, 2019 is as follows:

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

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

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate a statutory tax rate in Japan of approximately 31.0% for both the years ended March 31, 2020 and 2019. The effective tax rate for the years ended March 31, 2020 and 2019 differ from statutory tax rate as follows:

	2020	2019
Statutory tax rate		31.0%
Expenses not deductible for tax purposes		79.1
Nontaxable dividend income		(112.8)
Tax losses carried forward		(51.8)
Tax credits		(34.2)
Valuation allowance		189.9
Equity in income of unconsolidated subsidiaries and affiliates	*1	(132.6)
Unrealized gains and losses		14.2
Undistributed earnings of overseas subsidiaries and affiliates		210.8
Difference in tax rate		0.3
Goodwill		34.2
Effect of exclusion of subsidiaries from consolidation		703.0
Other		(40.0)
Effective tax rate		891.1%

*1 Notes are omitted as the differences between the statutory tax rate and the effective tax rate of income taxes after tax effect accounting are 5% or less of the statutory tax rate.

9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2020 and 2019 consisted of short-term loans due within one year bearing interest at an average rate of 0.65% and 0.75%, respectively.

Long-term debt at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unsecured:			
0.28% bonds due 2019	¥ -	¥10,000	$ -
0.45% bonds due 2021	5,000	5,000	45,943
0.16% bonds due 2021	5,000	5,000	45,943
0.31% bonds due 2023	10,000	10,000	91,886
0.29% bonds due 2025	10,000	10,000	91,886
0.18% bonds due 2024	15,000	-	137,830
0.23% bonds due 2026	10,000	-	91,886
Long-term loans payable, principally maturing through 2078 at the weighted average interest rate of 0.94% as of March 31, 2020			
Secured	-	7	-
Unsecured	84,361	81,435	775,163
Lease obligations maturing serially through 2040	3,751	1,446	34,467
Total	143,112	122,888	1,315,005
Less amount due within one year	9,285	22,712	85,317
	¥133,827	¥100,176	$1,229,689

The aggregate annual maturities of long-term debt outstanding as of March 31, 2020 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2021	¥9,285	$85,317
2022	19,297	177,313
2023	19,908	182,928
2024	33,458	307,434
2025	22,567	207,360
Thereafter	38,597	354,654
	¥143,112	$1,315,005

The Company has credit facility commitments with three banks in order to secure financing. The total unused credit available to the Company through these facilities at March 31, 2020 was ¥17,500 million ($160,801 thousand).

10. EMPLOYEES SEVERANCE AND RETIREMENT BENEFITS

Overview of defined benefit plans
The Company and certain consolidated subsidiaries have established funded and unfunded defined benefit plans and defined contribution plans. Under the defined benefit corporate pension plan and lump-sum severance payment plan, a lump-sum payment or pension payment based on the employee’s salary at the time of retirement or termination and length of service is provided.

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

Defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Retirement benefit obligations at beginning of year	¥62,215	¥63,216	$571,671
Service cost	2,372	2,584	21,795
Interest cost	373	374	3,427
Actuarial differences incurred	2,007	926	18,442
Retirement benefits paid	(3,234)	(3,480)	(29,716)
Other	(68)	(1,405)	(625)
Retirement benefit obligations at end of year	¥63,665	¥62,215	$584,995

(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
	2020	2019	2020
Plan assets at beginning of year	¥43,979	¥44,995	$404,107
Expected return on plan assets	848	870	7,792
Actuarial differences incurred	(1,462)	(943)	(13,434)
Employer’s contribution	1,085	1,269	9,970
Retirement benefits paid	(2,398)	(2,212)	(22,034)
Plan assets at end of year	¥42,052	¥43,979	$386,401

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
	2020	2019	2020
Funded retirement benefit obligations	¥61,020	¥59,657	$560,691
Plan assets	(42,052)	(43,979)	(386,401)
	18,968	15,678	174,290
Unfunded retirement benefit obligations	2,645	2,558	24,304
Net liability and asset recorded on the consolidated balance sheet	21,613	18,236	198,594
Defined benefit liability	21,613	18,236	198,594
Net liability and asset recorded on the consolidated balance sheet	¥21,613	¥18,236	$198,594

Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service cost – benefits earned during the year	¥2,372	¥2,584	$21,795
Interest cost on projected benefit obligation	373	374	3,427
Expected return on plan assets	(848)	(870)	(7,792)
Amortization of prior service cost	(64)	(64)	(588)
Amortization of actuarial differences	505	1,333	4,640
Additional retirement benefits	138	154	1,268
Retirement benefit expenses for defined benefit plans	¥2,476	¥3,511	$22,751

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

Remeasurements of defined benefit plans, before tax effect

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Prior service cost	(¥64)	(¥64)	($588)
Actuarial differences	(2,964)	(536)	(27,235)
Total	(¥3,028)	(¥600)	($27,823)

Accumulated remeasurements of defined benefit plans, before tax effect

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrecognized prior service cost	(¥878)	(¥942)	($8,068)
Unrecognized actuarial differences	6,860	3,896	63,034
Total	¥5,982	¥2,954	$54,966

Plan assets

Components of plan assets by main categories were as follows:

	2020	2019
Debt securities	23%	25%
Equity securities	13	24
General accounts	41	39
Cash and deposits	11	1
Other	12	11
Total	100%	100%

(Note) The ratio of plan assets used to fund a retirement benefit trust established for corporate pension plans was 6% for each of the years ended March 31, 2020 and 2019.

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

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

Assumptions used for actuarial calculation

The assumptions used for the actuarial calculation at the end of the years ended March 31, 2020 and 2019 were as follows:

	2020	2019
Discount rates	0.6%	0.6%
Expected rates of return on plan assets	2.0%	2.0%

Defined contribution plans

The amount contributed to defined contribution plans by the Company and certain consolidated subsidiaries was ¥456 million ($4,190 thousand) and ¥385 million for the fiscal years ended March 31, 2020 and 2019, respectively.

Multi-employer type employee pension fund plans

The total amount contributed to multi-employer type employee pension fund plans, which are calculated in the same way as defined contribution plans, was ¥6 million ($55 thousand) and ¥10 million for the years ended March 31, 2020 and 2019, respectively.

11. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral for customers' deposits of ¥106 million ($974 thousand) and ¥106 million at March 31, 2020 and 2019 respectively, secured long-term debt of ¥7 million at March 31, 2019 and accounts payable of ¥20 million at March 31, 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and time deposits	¥2	¥22	$18
Property, plant and equipment – net of accumulated depreciation	259	901	2,380
	¥261	¥923	$2,398

12. NET ASSETS

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

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

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

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

13. CONTINGENT LIABILITIES

At March 31, 2020 and 2019, the Company and certain consolidated subsidiaries were contingently liable for the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
As guarantor of indebtedness			
Unconsolidated subsidiaries and affiliates	3,099	3,342	28,476
Employees (housing loans)	3	7	28
	¥3,102	¥3,349	$28,503

14. OFF-BALANCE SHEET LEASE TRANSACTIONS

Future minimum lease receipts as lessor under non-cancelable operating leases for the remaining lease periods as of March 31, 2020 and 2019 were ¥6,635 million ($60,967 thousand) and ¥6,925 million, respectively, of which ¥673 million ($6,184 thousand) and ¥700 million, respectively, were due within one year.

15. SEGMENT INFORMATION

1. Overview of reportable segments
   Toyobo's reportable segments allow it to acquire financial data that can be separated into various components of the corporate group. The segment results are reviewed on a regular basis in order to allow the highest decision making body to determine the allocation of management resources and evaluate earnings performance. Toyobo's basic organization comprises business headquarters and business divisions within the head office separated by the type, nature and market for products and services. Each business headquarters and business division formulates comprehensive strategies for its domestic and overseas operations and conducts business activities.

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

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

Year ended March 31, 2020	Net sales to external customers	Intersegment net sales and transfer amounts	Net sales	Segment profit	Segment assets	Depreciation and amortization	Capital expenditure
	Millions of yen						
Films and Functional Polymers	¥158,833	¥87	¥158,920	¥16,541	¥179,391	¥7,121	¥21,801
Industrial Materials	65,405	270	65,675	1,035	81,278	2,723	6,848
Healthcare	39,412	2,086	41,498	5,547	49,750	3,002	3,825
Textiles and Trading	61,328	525	61,853	561	68,382	1,680	1,808
Real Estate	4,405	393	4,798	1,481	48,710	656	376
	329,383	3,361	332,744	25,165	427,511	15,182	34,658
Other businesses	10,224	22,472	32,696	1,141	21,972	336	341
Total	339,607	25,833	365,440	26,306	449,483	15,518	34,999
Elimination or Corporate	-	(25,833)	(25,833)	(3,512)	39,391	1,487	1,446
Consolidated	¥339,607	¥ -	¥339,607	¥22,794	¥488,874	¥17,005	¥36,445

Year ended March 31, 2020	Net sales to external customers	Intersegment net sales and transfer amounts	Net sales	Segment profit	Segment assets	Depreciation and amortization	Capital expenditure
	Thousands of U.S. dollars						
Films and Functional Polymers	$1,459,460	$799	$1,460,259	$151,989	$1,648,360	$65,432	$200,322
Industrial Materials	600,983	2,481	603,464	9,510	746,835	25,021	62,924
Healthcare	362,143	19,168	381,310	50,969	457,135	27,584	35,147
Textiles and Trading	563,521	4,824	568,345	5,155	628,338	15,437	16,613
Real Estate	40,476	3,611	44,087	13,608	447,579	6,028	3,455
	3,026,583	30,883	3,057,466	231,232	3,928,246	139,502	318,460
Other businesses	93,945	206,487	300,432	10,484	201,893	3,087	3,133
Total	3,120,527	237,370	3,357,898	241,716	4,130,139	142,589	321,593
Elimination or Corporate	-	(237,370)	(237,370)	(32,270)	361,950	13,664	13,287
Consolidated	$3,120,527	$ -	$3,120,528	$209,446	$4,492,089	$156,253	$334,880

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

2. (a) Elimination or Corporate for segment profit adjustment of ¥-3,512 million ($-32,271 thousand) includes eliminations of intersegment transactions of ¥-389 million ($-3,574 thousand) and companywide expenses that are not allocated across reportable segments of ¥-3,123 million ($-28,696 thousand). The principal components of companywide expenses are those related to basic research and development.

(b) Elimination or Corporate for segment assets adjustment of ¥39,391 million ($361,950 thousand) includes companywide assets that are not allocated across reportable segments and amount to ¥79,704 million ($732,372 thousand).

(c) Elimination or Corporate for capital expenditure of ¥1,446 million ($13,287 thousand) is the amount of capital investment related to research and development.

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

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

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

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

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

(c) Elimination or Corporate for capital expenditure of ¥1,321 million is the amount of capital investment related to research and development.

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

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Japan	¥229,834	¥233,959	$2,111,863
Southeast Asia	73,029	70,237	671,037
Other areas	36,744	32,502	337,627
Total	¥339,607	¥336,698	$3,120,527

Principal countries and areas in each segment are:
Southeast Asia: China, Korea, Taiwan, Malaysia, Indonesia, Thailand, etc.
Other areas: USA, Germany, Spain, Brazil, Saudi Arabia, etc.

Impairment loss of fixed assets:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Films and Functional Polymers	¥825		$7,581
Industrial Materials	1,486		13,654
Healthcare	84		772
Textiles and Trading	-	*1	-
Real Estate	2		18
Other businesses	-		-
Total	2,397		22,025
Elimination or Corporate	-		-
Consolidated	¥2,397		$22,025

*1 Impairment loss of fixed assets of the fiscal year ended March 31, 2019 is omitted because the necessity of its disclosure is considered immaterial.

Amortization and balance of goodwill:

	Millions of yen				Thousands of U.S. dollars	
	2020		2019		2020	
	Amortization of goodwill	Balance of goodwill	Amortization of goodwill	Balance of goodwill	Amortization of goodwill	Balance of goodwill
Films and Functional Polymers	¥ -	¥ -	¥ -	¥ -	$ -	$ -
Industrial Materials	-	-	-	-	-	-
Helthcare	-	-	115	-	-	-
Textiles and Trading	-	-	-	-	-	-
Real Estate	-	-	-	-	-	-
Other businesses	-	-	-	-	-	-
Total	-	-	115	-	-	-
Elimination or Corporate	-	-	-	-	-	-
Consolidated	¥ -	¥ -	¥115	¥ -	$ -	$ -

Gain on Bargain Purchase by Reportable Segment:
Fiscal year ended March 31, 2020
In the "Films and Functional Polymers" business segment, the Company acquired shares of TOYOBO FILM SOLUTIONS LIMITED and PT. INDONESIA TOYOBO FILM SOLUTIONS and made these companies consolidated subsidiaries. In conjunction with this, gain on negative goodwill of ¥65 million ($597 thousand) was recorded.

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

16. LAND REVALUATION

Applying the law on revaluation of land, the Company, a consolidated subsidiary and an affiliate accounted for using the equity method revaluated land for business use on March 31, 2002 and included the increase, net of income taxes and non-controlling interests, in net assets. As of March 31, 2020 and 2019, the fair value of this land was lower than book value by ¥33,945 million ($311,908 thousand) and ¥34,437 million, respectively. Another consolidated subsidiary revaluated its land for business use on March 31, 2000 and included the increase, net of income taxes and non-controlling interests, in net assets. As of March 31, 2020 and 2019, the fair value of this land was lower than book value by ¥3,184 million ($29,257 thousand) and ¥3,179 million, respectively.

17. INVESTMENT AND RENTAL PROPERTY

The Company and some of its consolidated subsidiaries hold investment and rental office buildings (including land) located in Osaka, Japan and other areas. For the fiscal years ended March 31, 2020 and 2019, the rental income (principal rental income is recorded in net sales, and principal rental expenses are recorded in cost of sales) on these real estate properties was ¥2,105 million ($19,342 thousand) and ¥1,918 million, respectively. The gain on the sale of fixed assets, recorded in other income (expenses,) was ¥46 million for the year ended March 31, 2019. The loss on the sale of fixed assets, recorded in order income (expenses,) was ¥33 million ($303 thousand) and ¥182 million for the years ended March 31, 2020 and 2019, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Carrying amount at beginning of year	¥33,398	¥33,715	$306,882
Change during the year	(1,968)	(317)	(18,083)
Carrying amount at end of year	31,430	33,398	288,799
Fair value on March 31, 2020 and 2019	¥37,789	¥38,148	$347,230

(Notes) 1. The carrying amount represents the net amount calculated as the acquisition cost less accumulated depreciation and impairment loss.

2. The change during the fiscal year ended March 31, 2020 and 2019 was attributable mainly to a decrease in the sale of assets of ¥1,235 million ($11,348 thousand) and ¥289 million respectively.

3. The fair value at March 31, 2020 and 2019 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.

1. The reconciliation of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2020 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and time deposits in the consolidated balance sheets	¥25,247	¥22,318	$231,986
Time deposits maturing after three months	(163)	(151)	(1,498)
Cash and time deposits in the consolidated statements of cash flows	¥25,084	¥22,167	$230,488

2. Major breakdown of assets and liabilities of newly consolidated subsidiaries through stock acquisition during the fiscal year ended March 31, 2020

Followings are the composition of assets and liabilities as of the beginning of the consolidation of TOYOBO FILM SOLUTIONS LIMITED and PT. INDONESIA TOYOBO FILM SOLUTIONS, which were newly acquired through stock acquisition, the relationship between the acquisition price of the said companies' shares, and the acquisition cost (net) incurred for the acquisition of the companies thereof.

	Millions of yen	Thousands of U.S. dollars
	2020	2020
Current assets	¥13,196	$121,253
Noncurrent assets	5,577	51,245
Current liabilities	(8,614)	(79,151)
Long-term liabilities	(1,111)	(10,209)
Negative goodwill	(65)	(597)
Acquisition price of the stock	8,983	82,542
Cash and time deposits	(186)	(1,709)
Net cash paid for the acquisition	¥8,797	$80,832

19. COMPREHENSIVE INCOME

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Valuation difference on available-for-sale securities			
Increase (decrease) during the year	(¥6,887)	¥1,580	($63,282)
Reclassification adjustments	(438)	66	(4,025)
Subtotal, before tax	(7,325)	1,646	(67,307)
Tax (expense) benefit	2,273	(611)	20,886
Subtotal, net of tax	(5,052)	1,035	(46,421)
Deferred gains and losses on hedges			
Increase during the year	19	73	175
Reclassification adjustments	16	(49)	147
Subtotal, before tax	35	24	322
Tax (expense) benefit	(10)	(8)	(92)
Subtotal, net of tax	25	16	230
Foreign currency translation adjustments			
Decrease during the year	(1,707)	(124)	(15,685)
Reclassification adjustments	-	-	-
Subtotal, before tax	(1,707)	(124)	(15,685)
Tax (expense) benefit	2	1	18
Subtotal, net of tax	(1,705)	(123)	(15,667)
Remeasurements of defined benefit plans			
Decrease during the year	(3,469)	(1,869)	(31,875)
Reclassification adjustments	441	1,269	4,052
Subtotal, before tax	(3,028)	(600)	(27,823)
Tax (expense) benefit	939	187	8,628
Subtotal, net of tax	(2,089)	(413)	(19,195)
Share of other comprehensive income of associates accounted for using equity method			
Increase during the year	(52)	(172)	(478)
Reclassification adjustments	-	-	-
Subtotal, net of tax	(52)	(172)	(478)
Total other comprehensive income	(¥8,873)	¥343	($81,531)

20. LOSS DUE TO FIRE

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cost related to procurement of replacement materials	¥1,997	¥7,856	18,350
Loss on extinguishment of non-current assets and inventories	-	2,093	-
Cost of removing assets and restoration	180	1,747	1,654
Fixed costs during a closing period	-	1,397	-
Other related costs	935	729	8,591
	¥3,112	¥13,822	$28,595

Consequently, the Company recorded an insurance income of ¥10.6 billion for insurance received.

21. BUSINESS COMBINATIONS

The Company passed a resolution at its Board of Directors meeting held on May 22, 2019 to make Teijin Film Solutions Limited (TFS) and PT. Indonesia Teijin Film Solutions (ITFS) its subsidiaries through stock acquisition, and entered into a stock transfer agreement with the firms' shareholder, TEIJIN Limited, on the same day. The Company completed the stock acquisition on October 1, 2019. Accordingly, the Group also changed the names of the two subsidiaries to TOYOBO FILM SOLUTIONS LIMITED and PT. INDONESIA TOYOBO FILM SOLUTIONS, respectively.

1. Overview of acquisition

(1) Name and nature of the business of the acquired companies

Name:

- Teijin Film Solutions Limited
- PT. Indonesia Teijin Film Solutions

Nature of the businesses:

- Teijin Film Solutions Limited : Production and sales of polyester film
- PT. Indonesia Teijin Film Solutions : Production and sales of polyester film

(2) The purpose of the acquisition

With TFS as its subsidiary, the Company can take advantage of its advanced development and production technologies and broad product lineup. This will strengthen the Company's ability to develop and produce high-performance film products and further solidify its film businesses. Placing ITFS under the Company's umbrella will bolster its overseas production capabilities, helping to develop its film business into a global operation.

(3) Date of acquisition

October 1, 2019

(4) Legal form of acquisition

Acquisition of stock for consideration in cash

(5) Name of the companies after acquisition

- TOYOBO FILM SOLUTIONS LIMITED
- PT. INDONESIA TOYOBO FILM SOLUTIONS

(6) Ratio on voting right acquired

- TOYOBO FILM SOLUTIONS LIMITED: 100%
- PT. INDONESIA TOYOBO FILM SOLUTIONS: 100%

(7) Grounds for determining acquiring company

The Company is the acquiring company because the Company acquired stock for consideration in cash.

2. Period for the result of operations of acquired companies included in the consolidated financial statements

As the account closing date of the acquired companies is December 31, which is less than three months from that of the company, the consolidated financial statements are prepared based on the acquired companies' financial statements covering the period of the consolidated fiscal year. Also, with October 1, 2019, deemed to be the acquisition date, the earnings performance of the acquired companies for the period from October 1, 2019 to December 31, 2019, is reflected in the consolidated statements of operations.

3. Acquisition cost and consideration paid

	Millions of yen 2020	Thousands of U.S. dollars 2020
Type of consideration		
Cash	¥8,983	$82,542
Acquisition cost	¥8,983	$82,542

4. Major acquisition related costs

	Millions of yen 2020	Thousands of U.S. dollars 2020
Advisory fee	¥63	$579

5. Amount of gain on bargain purchase and its cause

(1) Amount of gain on bargain purchase incurred

	Millions of yen 2020	Thousands of U.S. dollars 2020
Gain on negative goodwill	¥65	$597

(2) Cause
Since the net amount of acquired assets and liabilities exceeded the acquisition price of the stock, the difference is accounted for as gain on bargain purchase.

6. Details of assets and liabilities acquired at the acquisition date

	Millions of yen 2020	Thousands of U.S. dollars 2020
Current assets	¥13,196	$121,253
Noncurrent assets	5,577	51,245
Total assets	18,773	172,498
Current liabilities	8,614	79,151
Long-term liabilities	1,111	10,209
Total liabilities	¥9,725	$89,360

7. Amount allocated to intangible assets and its major component other than goodwill, and its weighted average amortization period
   - Customer related assets: ¥900 million ($8,270 thousand)
     Weighted average amortization period: 18 years

22. SUBSEQUENT EVENTS

Resolution regarding the issuance of unsecured straight bonds in the Japanese market

At the meeting of the Board of Directors held on April 24, 2020, a comprehensive resolution regarding the issuance of unsecured straight bonds in the Japanese market was passed.

The details are as follows:
(1) Issue amount: ¥20.0 billion or less.
However, multiple issues within the scope of this amount are not ruled out.
(2) Issue price: ¥100 for each bond with par value of ¥100
(3) Interest rate: Market yield of Japanese government bonds with the same maturities plus 1.0% or less
(4) Payment date: From April 25, 2020 to March 31, 2021
However, if the bonds are offered during this period, payments after this period will be accepted.
(5) Maximum maturity: 5 years or more, to 10 years
(6) Method of redemption: Full amount on maturity
However, a retirement by purchase clause may be included.
(7) Uses of funds: For redemption of bonds, repayment of borrowings, purchases of plant and equipment (includes acquisition of stock through mergers and acquisitions), working capital and capital investments.
(8) Special provisions: These bonds will include a negative pledge clause.
(9) Other: Decisions regarding matters covered in Article 676 of the Companies Act and all other items related to the issuance of the bonds will be made within the scope stated above at the discretion of the director in charge of the Finance Department.

Independent auditor's report

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

Opinion

We have audited the accompanying consolidated financial statements of TOYOBO Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2020 and 2019, the consolidated statements of operations, comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies, other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and its consolidated financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 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.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

小野友之

Tomoyuki Ono

Designated Engagement Partner

Certified Public Accountant

山田徹雄

Tetsuo Yamada

Designated Engagement Partner

Certified Public Accountant

大橋盛子

Seiko Ohashi

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

September 7, 2020