

Consolidated Financial Report for Year ended March 31, 2014

Toyobo Co., Ltd.

Listed on the First Section of the TSE

Stock Code: 3101

URL <http://www.toyobo-global.com/ir/>

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Date of the General Meeting of the Shareholders: June 27, 2014

Planned start of dividend payments: June 30, 2014

Planned filing of an annual security report: June 27, 2014

(Figures are rounded to the nearest million yen.)

1. Consolidated Business Performance

(1) Consolidated Operating Results

Years ended March 31

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2014	351,577	3.7	21,006	23.0	18,426	18.7	8,154	6.7
2013	339,009	(3.0)	17,081	(6.7)	15,522	(1.3)	7,639	66.5

(Note) Comprehensive income: Year ended March 31, 2014: ¥ 12,988 million, Year ended March 31, 2013: ¥ 11,097 million

	Net income per share	Net income per share after dilution	Return on equity	Ordinary income-to-total assets ratio	Operating income-to-net sales ratio
	Yen	Yen	%	%	%
2014	9.18	---	5.8	4.1	6.0
2013	8.61	---	5.7	3.5	5.0

(Reference) Gain (loss) on investment by equity method: Year ended March 31, 2014: ¥ 188 million,
Year ended March 31, 2013: ¥ 657 million

(2) Consolidated Financial Position

At March 31

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2014	456,256	145,115	31.2	160.28
2013	447,445	155,522	30.8	155.35

(Reference) Total shareholders' equity: March 31, 2014: ¥142,310 million, March 31, 2013: ¥138,024 million

(3) Consolidated Cash Flows

Years ended March 31

	Cash flow provided by operating activities	Cash flow used in investing activities	Cash flow used in financing activities	Cash and cash equivalent at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
2014	23,927	(22,218)	(10,839)	19,177
2013	30,354	(11,294)	(2,636)	26,467

2. Dividends

Years ended/ending March 31

Record date	Dividends per share					Total amount of dividends (for the entire fiscal year) Millions of yen	Payout ratio %	Dividends-to-net assets ratio %
	June 30	Sept. 30	Dec. 31	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen			
2013	---	0.00	---	3.50	3.50	3,110	40.6	2.3
2014	---	0.00	---	3.50	3.50	3,110	38.1	2.2
2015 (Forecast)	---	0.00	---	3.50	3.50		28.3	

3. Forecasts for Fiscal Year ending March 31, 2015

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim period	175,000	0.3	11,000	(2.4)	10,000	(7.3)
Fiscal year	365,000	3.8	24,000	14.3	21,500	16.7

	Net income		Net income per share
	Millions of yen	%	Yen
Interim period	5,200	0.8	5.86
Fiscal year	11,000	34.9	12.39

4. Other

- Significant changes in subsidiaries during the subject fiscal year (Transfer of particular subsidiaries following a change in the scope of consolidation): None
- Changes in accounting rules, procedures or method of presentation relating to the preparation of the consolidated financial statements (Matters included in changes to significant items that form the basis for preparation of the consolidated financial statements).
 - Changes in accordance with revisions to accounting standards: Yes
 - Other changes: None
- Number of Shares Outstanding (Common stock)

Number of shares outstanding at fiscal year-end:
2014: 890,487,922 shares 2013: 890,487,922 shares

Number of treasury stocks at fiscal year-end:
2014: 2,623,596 shares 2013: 2,039,578 shares

Average number of shares outstanding:
2014: 888,545,627 shares 2013: 886,957,070 shares

(Reference)

1. Non-Consolidated Business Performance

(1) Non-Consolidated Operating Results

Years ended March 31

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2014	223,830	3.2	14,037	7.5	9,604	0.0	1,350	(41.2)
2013	216,832	(4.1)	13,053	(3.1)	9,601	(8.4)	2,296	19.8

	Net income per share	Net income per share after dilution
	Yen	Yen
2014	1.52	---
2013	2.58	---

(2) Non-Consolidated Financial Position

At March 31

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2014	394,508	142,913	36.2	160.96
2013	401,380	144,293	35.9	162.39

(Reference) Total shareholders' equity: March 31, 2014: ¥142,913 million, March 31, 2013: ¥144,293 million

The forward-looking statements made in this document, including the aforementioned forecasts, are based on all information available to the management at the time of this document's release. Actual results may differ from the results anticipated in the statements.

1. Operating Results

(1) Analysis of Operating Results

The business environment for the Toyobo Group through the end of the fiscal 2014, ended March 31, 2014 was relatively lackluster. Overseas, recovery trends emerged in the United States, including improvement in the employment environment, but growth in the emerging countries of Asia, including China, slowed, and the stagnation in the European economies was prolonged. On the other hand, in Japan, the economy showed a moderate recovery. As the high values of the yen underwent a correction and stock prices recovered following the adoption of economic and monetary policies, recovery was evidenced by improvement in corporate profitability, the rise in consumer spending as a consequence of the surge in demand prior to the increase in the consumption tax, and other developments.

Amid this operating environment, the Toyobo Group continued its activities aimed at becoming “The category leader, continuing to create new value that contributes to society in the environment, life science, and high-function products fields.” Accordingly, Toyobo is proceeding with activities targeted at further growth by expanding its businesses in Japan and overseas markets through developing specialty products and increasing their sales. During the fiscal year under review, Toyobo continued to implement strategic actions aimed at further expanding its businesses according to plan. These were “investing to expand capacity,” “accelerating overseas business development,” “developing new products,” and “improving asset efficiency.”

Specific activities in the field of “investing to expand capacity” included proceeding with the start-up of new facilities to respond to demand in the packaging and industrial film businesses and the structuring of production systems to respond flexibly to changes in demand. In the area of “accelerating overseas business development,” Toyobo began the production of copolyester “VYLON” in the facilities in Thailand. In addition, in Brazil, Toyobo proceeded with construction work on a new engineering plastic production facility. In the rest of Asia and South America, Toyobo worked to strengthen its business base. In addition, Toyobo decided to acquire a German manufacturer of yarn for airbags together with a partner company to strengthen its supply chain with an eye to developing and expanding sales of airbag fabric to overseas automotive manufacturers. Moreover, Toyobo acquired a Spanish producer of diagnostic reagents and systems, while in the emerging markets of Africa, Latin America, and other regions Toyobo moved forward with initiatives to expand its bio-related businesses.

In the field of “developing new products,” Toyobo focused on expanding sales of its super retarder film (“SRF”) for liquid crystal displays (LCDs), which has special optical properties, and “Nerbridge,” its tube conduit for nerve regeneration. In the case of “SRF”, Toyobo reported progress in expanding its use in TV sets. In the area of “improving asset efficiency,” Toyobo exited the polyester tire cord business as planned and completely suspended sales in the fiscal year under review.

As a result, consolidated net sales for the subject fiscal year increased ¥12.6 billion (3.7%) from the previous fiscal year to ¥351.6 billion, with operating income up ¥3.9 billion (23.0%) to ¥21.0 billion, and net income of ¥8.2 billion.

Results by business segment were as follows:

Films and Functional Polymers

Within this segment, in the films business, sales of the packaging films business experienced tough conditions, but sales of industrial films held firm, despite a sense of deceleration in demand for LCD-related uses. In the functional plastics business, sales of materials for automotive parts and materials, including engineering plastics, were favorable, but conditions for sales of “VYLON” were tough. As a result, this business reported an overall increase in sales and higher operating income compared with the previous year.

In the films business, although sales of packaging films showed growth in volume terms, conditions were severe, because of the rise in raw materials prices. In the industrial films business, performance was influenced by the weakening of the LCD market, but sales held firm, in part because of replacement demand for PCs. In the functional plastics business, although there was a trend toward recovery in sales of the industrial adhesive “VYLON,” conditions were difficult for electronic component applications. Sales of engineering plastics, which are used principally in automotive parts and materials, held firm, mainly to North America and China.

As a result, sales in this segment increased ¥10.6 billion (7.7%) from the previous fiscal year to ¥148.0 billion, while operating income up ¥0.2 billion (2.1%) to ¥7.8 billion.

Industrial Materials

Within this segment, the environment-related businesses were adversely affected by weakness in the Asian market, but sales of products for consumer and industrial uses showed favorable performances. In addition, Toyobo completed its withdrawal from the tire cord business, and this segment reported an overall decrease in sales and higher operating income compared with the previous fiscal year.

In the airbag fabrics business, although sales expanded in volume terms, performance was influenced by the rise in raw materials prices. Sales in the tire cord business dropped sharply because of Toyobo’s withdrawal from this business. Sales of high-performance fibers “Dyneema,” which is a product used mainly for ropes used on ships, expanded in volume terms, but sales of “ZYLON,” for use in heat-resistant materials and other applications, experienced weakness. In the functional filters business, operating conditions in volatile organic compound (VOC) emission treatment equipment continued to be difficult as users in the rest of Asia postponed their investments. Among materials for consumer and industrial uses, sales of “BREATHAIR,” a functional cushion material, showed major expansion following an increase in production capacity.

As a result, sales in this segment decreased ¥0.2 billion (0.3%) from the previous fiscal year to ¥71.7 billion, with operating income rose ¥0.0 billion (0.9%) to ¥5.5 billion.

Life Science

In this segment, conditions for sales of membranes for medical applications were difficult, but sales in the bioproducts business and the contract manufacturing of pharmaceuticals were favorable. New product "Nerbridge" was launched as planned. As a result, this segment reported an overall increase in sales and higher operating income compared with the previous fiscal year.

In the bioproducts business, sales of diagnostic enzymes, which are mainstay products in this business, continued to be favorable in Japan and overseas. In the medical products business, sales increased steadily along with the full-scale start-up of new production facilities for contract manufacturing of pharmaceutical, and new projects were secured. In the medical devices business, the marketing of "Nerbridge," a conduit tube for nerve regeneration, proceeded according to plans, and the range of treatment applications was expanded. In the functional membrane business, conditions were challenging in the medical membrane field overseas. However, shipments of reverse osmosis membrane elements for seawater desalination were favorable, supported by major new projects for desalination facilities in Saudi Arabia and demand for the replacement of membranes at existing plants.

As a result, sales in this segment increased ¥2.5 billion (10.1%) from the previous fiscal year to ¥27.3 billion, while operating income up ¥1.0 billion (23.3%) to ¥5.1 billion.

Textiles

Sales in this segment were influenced by the delay in recovery in the domestic apparel market, but, as a result of the decline in the value of the yen, overall segment sales showed an increase and operating income increased compared with the previous fiscal year.

Profitability of sports apparel deteriorated because of the decline in the value of the yen, which increased the cost of products manufactured overseas. However, among other textile products, income from textile materials for traditional Arabic menswear increased along with the rise in export margins. Sales of acrylic fiber to China held firm.

As a result, sales in this segment decreased ¥0.1 billion (0.2%) from the previous fiscal year to ¥79.1 billion, with operating income up ¥2.7 billion to ¥3.0 billion.

Real Estate and Other Businesses

This segment includes infrastructure-related businesses such as real estate, engineering, information processing services, and logistics services. Results in these businesses were in line with plans.

As a result, sales in these segments decreased ¥0.2 billion (0.9%) from the previous fiscal year to ¥25.4 billion, with operating income down ¥0.0 billion (0.3%) to ¥2.7 billion.

Forecast for Fiscal 2015 (ending March 31, 2015)

In fiscal 2015, ending March 31, 2015, the business environment overall is viewed as likely to remain on a moderate recovery trend as a result of the continuation of monetary easing policies. However, considerable uncertainty in conditions is forecast to prevail. In Japan, this will be because of such factors as the rise in raw materials prices and the slump in consumer spending following the increase in the consumption tax, and, overseas, as a result of the slowing of

economic growth in the emerging countries.

In view of this outlook for the operating environment, the Toyobo Group will continue to strengthen its earnings base to cope successfully with changes in the external environment. The Group aims to become “the category leader that continues to create new value that contributes to society in the environment, life science, and high-function products fields.” The Group works for further enhancing its profitability by focusing its management resources on businesses that are profitable and have high growth potential, as it aggressively expands its business activities in Japan and overseas and improving its business portfolio, such as increasing the efficiency of its capital, strengthening its financial position, and other factors.

Considering such factors, for fiscal 2015 the Toyobo Group is forecasting consolidated net sales of ¥365.0 billion (up ¥13.4 billion year on year), with operating income of ¥24.0 billion (up ¥3.0 billion), and net income of ¥11.0 billion (up ¥2.8 billion).

(2) Analysis of Financial Position

Assets, Liabilities and Net Assets

Total assets at the end of the subject fiscal year (March 31, 2014) increased ¥8.8 billion (2.0%) from the end of the previous fiscal year (March 31, 2013) to ¥456.3 billion. This was due mainly to increase in machinery, equipment and vehicles, net.

Total liabilities increased ¥19.2 billion (6.6%) to ¥311.1 billion. This was due mainly to increase in liabilities for retirement benefits.

Total net assets decreased ¥10.4 billion (6.7%) to ¥145.1 billion. This was due mainly to a remeasurements for retirement benefits and decline of minority interests in payment for retirement by preferred securities.

Cash Flows

Net cash proceeded by operating activities amounted to ¥23.9 billion at the end of the subject fiscal year. This consisted mainly of ¥13.9 billion before income taxes; ¥14.0 billion in depreciation and amortization; and ¥2.9 billion decrease in inventories.

Net cash used in investing activities amounted to ¥22.2 billion. This consisted mainly of ¥20.3 billion in expenditures for Purchase of property, plant and equipment and intangible assets; and ¥3.2 billion in purchase of shares of subsidiaries resulting in change in scope of consolidation.

Net cash used in financing activities amounted to ¥10.8 billion. This consisted mainly of ¥50.5 billion in income of long-term debt, including ¥15.0 billion financed by subordinated loan on March 2014, ¥23.0 billion in Repayments of long-term loans payable and ¥15.3 billion in payment for retirement by preferred securities.

As a result, the balance of cash and cash equivalents at the end of the subject fiscal year (March 31, 2014) stood at ¥19.2 billion, a decrease of ¥7.3 billion from the end of the previous fiscal year (March 31, 2013).

(Reference) Cash Flow Indicators

Years ended March 31

	2010	2011	2012	2013	2014
Equity ratio (%)	24.4	28.4	29.8	30.8	31.2
Equity ratio, based on market value (%)	25.4	24.0	23.9	31.8	31.5
Interest-bearing debt to cash flow ratio (Years)	5.9	4.5	10.9	5.3	7.1
Interest coverage ratio (Times)	10.7	13.3	6.6	16.0	13.3
D/E ratio (Times)	1.60	1.21	1.19	1.16	1.20

Notes:

Equity ratio: shareholders' equity/ total assets

Market-based rate of equity ratio: total market capitalization/ total assets

Interest-bearing debt to cash flow ratio: interest-bearing debt/ operating cash flows

Interest coverage ratio: operating cash flows/ interest expense

D/E ratio: interest-bearing debt/ net assets excluding minority interests

(3) Basic Policy Regarding Earnings Distribution, and Dividends for Fiscal 2014 and 2015

Toyobo considers providing returns to shareholders to be one of its highest priorities. Our basic policy is to continually provide a stable dividend, determined in a comprehensive consideration of such factors as improving the financial position, profit levels, and retention of earnings for future investment.

In accordance with this policy, Toyobo plans to pay a year-end dividend for the subject fiscal year of ¥3.50 per share. For fiscal 2015, we expect to pay a dividend of ¥3.50 per share, based on the forecast net income of ¥11.0 billion.

2. MANAGEMENT POLICY

(1) Basic Management Policy

The Toyobo Group has adopted as its fundamental principle the ancient proverb “Jun-ri-Soku-yu,” meaning “Adhering to Reason Leads to Prosperity.” In accordance with this principle, the Toyobo Group, in order to remain a company trusted by the public, will help create a sound and sustainable society by providing the world with useful products.”

The management policy of the Toyobo Group is a “continual reform of the portfolio.” Toyobo works continually to raise its corporate value by concentrating its management resources in businesses that are highly profitable and have growth potential, by expanding its activities aggressively in Japan and overseas, and by increasing the efficiency of its capital and strengthening its financial position.

(2) Target Managerial Indicators

The key management benchmark for the Toyobo Group is return on assets (ROA), and, with due consideration for the cost of capital, the Group aims to achieve ROA of 8% or higher. The performance of all business divisions and Group companies is assessed according to the common standards of profit and loss, ROA, and cash flow, and the Group reviews and reforms its business portfolio based on these standards.

To evaluate its financial position, the Toyobo Group places emphasis on its debt-equity (D/E) ratio, which reflects the ratio of interest-bearing debt to net assets (excluding minority interests). To achieve an even stronger financial position, Toyobo has set a medium-term goal of lowering the D/E ratio to 1.0.

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

The Toyobo Group is continuing to implement strategic actions aimed at further expanding its businesses by setting five objectives, namely, “accelerating overseas business development,” “developing new products and creating new businesses,” “strengthening competitiveness in domestic businesses,” “improving asset efficiency,” and “strengthening global management functions.” All of these objectives are included in the overall management action plans and in the action plans of each business segment. All the member companies of the Toyobo Group are working together to realize growth.

(a) Accelerating Overseas Business Development

The Company is endeavoring to expand sales in overseas markets, focusing on Asia, Central and South America, North America, the Middle East, and Africa. At present, overseas sales of the Toyobo Group account for slightly less than 30% of total sales, and the Group is working to accelerate the development of overseas business with the aim of increasing this ratio. Specifically, in addition to the markets for packaging films, films for LCDs, electronic components related products, automotive products, and bioproducts, the Company will work to expand its presence in the environment-related areas, including volatile organic compound (VOC) emission treatment equipment and reverse osmosis (RO) membranes for desalination plants.

Also, the Company will proceed with the establishment of additional manufacturing and sales locations overseas and enhance its capabilities for the development of products suited to local needs. Moreover, the Company will step up its initiatives to form alliances with partners in local markets and other overseas companies, similar to its joint venture in Saudi Arabia for RO membranes used in seawater desalination plants.

(b) Developing New Products and Creating New Businesses

Drawing on its experience in implementing business reforms in its textile business, the Company will continue to be aware that “all products become commoditized over time.” To survive and grow as the business environment changes, the Company must be constantly reviewing and updating its product lineups to stay in tune with the times. New product development holds the key to being able to do this. The Company must anticipate market trends; have its product development, manufacturing, and sales functions operate as a team; and offer new products to customers. In addition, the Company will make investments for growth and engage actively in M&A and in forging business alliances.

Among recent new products, the Company has launched its super retarder film (“SRF”) for liquid crystal displays (LCDs), which has special optical properties, and “Nerbridge,” its tube conduit for promoting the regeneration of damaged nerves. All these products have been highly appraised in the market, and sales in Japan and overseas are expected to grow. Looking forward also, the Company will strengthen its open innovation initiatives aimed at encouraging innovation through joint work with interests outside the Company, with the objective of creating new products and businesses that will drive the growth of the Toyobo Group.

(c) Strengthening Competitiveness in Domestic Businesses

Cost-competitiveness is the source of corporate competitiveness, and Toyobo is continuing to work constantly to reduce costs. Along with reforms in the materials chain, the Company is proceeding with structural reforms in its domestic business network, including the realignment of its machinery and equipment and attracting businesses to use its idle land resources. Also, in both the Company’s line and staff departments, it has set goals for cost reduction and is conducting the thoroughgoing monitoring of progress. Through these and other activities, Toyobo is endeavoring to strengthen competitiveness in its domestic businesses.

(d) Improving Asset Efficiency

In the textile and apparel business, the Company has not hesitated to reduce the size and close certain of its facilities, aiming to improve the efficiency of its assets. In addition, even in its specialties businesses, the Company is reviewing those fields where profitability has declined along with changes in the business environment. During the fiscal year under review, the Company withdrew from the polyester tire cord business. Looking ahead, the Company will view its businesses from a portfolio reform perspective and, at all business levels, proceed with thoroughgoing reforms needed to increase the asset efficiency of Group companies.

(e) Strengthening Global Management Functions

To accelerate overseas business development and expand the Company's business operations, the strengthening of global management functions will be an important issue. Specifically, the Company will proceed with a review of its organizational operations, for example, strengthening its global system of performance management, and upgrade its IT platforms. In addition, the Company will implement reforms in its human resource development systems for acquiring personnel who can perform effectively in global assignments and further training them.

3. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

(Millions of yen)

	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Assets		
Current assets		
Cash and deposits	26,600	19,330
Notes and accounts receivable-trade	74,598	76,826
Merchandise and finished goods	43,073	45,680
Work in process	14,179	14,816
Raw materials and supplies	13,757	14,891
Deferred tax assets	6,291	4,946
Other	6,438	8,507
Allowance for doubtful accounts	(198)	(367)
Total current assets	184,739	184,630
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	46,239	47,612
Machinery, equipment and vehicles, net	33,876	45,480
Land	106,202	106,736
Other, net	15,956	9,792
Total property, plant and equipment	202,273	209,619
Intangible assets		
Other	1,242	3,029
Total intangible assets	1,242	3,029
Investments and other assets		
Investment securities	26,937	25,309
Deferred tax assets	16,636	17,991
Net defined benefit asset	-	10,255
Other	16,844	6,732
Allowance for doubtful accounts	(1,226)	(1,310)
Total investments and other assets	59,191	58,977
Total noncurrent assets	262,707	271,625
Total assets	447,445	456,256

(Millions of yen)

	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	48,452	50,106
Short-term loans payable	51,211	45,903
Current portion of long-term loans payable	21,815	31,180
Current portion of bonds	10,000	-
Deposits received	12,488	12,277
Provision for bonuses	4,028	4,285
Other provision	-	182
Other	16,837	16,649
Total current liabilities	164,831	160,582
Noncurrent liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	52,278	70,831
Deferred tax liabilities for land revaluation	24,678	24,691
Provision for retirement benefits	17,576	-
Provision for directors' retirement benefits	379	344
Provision for environmental measures	1,771	1,577
Net defined benefit liability	-	25,227
Other	10,410	7,888
Total noncurrent liabilities	127,093	150,558
Total liabilities	291,923	311,141
Net assets		
Shareholders' equity		
Capital stock	51,730	51,730
Capital surplus	32,239	32,239
Retained earnings	21,568	26,425
Treasury stock	(295)	(378)
Total shareholders' equity	105,242	110,015
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,815	3,954
Deferred gains or losses on hedges	(72)	(2)
Revaluation reserve for land	41,422	41,409
Foreign currency translation adjustment	(11,384)	(8,864)
Remeasurements of defined benefit plans	-	(4,203)
Total accumulated other comprehensive income	32,782	32,295
Minority interests	17,498	2,805
Total net assets	155,522	145,115
Total liabilities and net assets	447,445	456,256

(2) Consolidated Statements of Income

(Millions of yen)

	2013 (From April 1, 2012 To March 31, 2013)	2014 (From April 1, 2013 To March 31, 2014)
Net sales	339,009	351,577
Cost of sales	267,694	274,602
Gross profit	71,315	76,974
Selling, general and administrative expenses	54,234	55,968
Operating income	17,081	21,006
Non-operating income		
Dividends income	859	577
Amortization of negative goodwill	946	838
Foreign exchange gains	952	980
Other	2,064	2,123
Total non-operating income	4,821	4,519
Non-operating expenses		
Interest expenses	1,894	1,583
Amortization of net retirement benefit obligation at transition	1,570	1,570
Salaries paid to dispatched employees	700	890
Other	2,218	3,055
Total non-operating expenses	6,381	7,099
Ordinary income	15,522	18,426
Extraordinary income		
Gain on bargain purchase	-	595
Gain on sales of investment securities	2,426	-
Other	247	-
Total extraordinary income	2,673	595
Extraordinary loss		
Impairment loss	1,668	-
Loss on disposal of noncurrent assets	1,583	1,626
Loss on sales of investment securities	-	553
Loss on restructuring of business	-	1,138
Loss on litigation	1,335	1,592
Other	834	242
Total extraordinary losses	5,420	5,151
Income before income taxes and minority interests	12,774	13,871
Income taxes - current	2,387	2,714
Income taxes - deferred	2,011	2,006
Total income taxes	4,398	4,720
Income before minority interests	8,377	9,150
Minority interests in income	737	996
Net income	7,639	8,154

Consolidated Statements of Comprehensive Income

(Millions of yen)

	2013 (From April 1, 2012 To March 31, 2013)	2014 (From April 1, 2013 To March 31, 2014)
Income (loss) before minority interests	8,377	9,150
Other comprehensive income		
Valuation difference on available-for-sale securities	1,719	1,145
Deferred gains or losses on hedges	45	70
Revaluation reserve for land	-	(13)
Foreign currency translation adjustment	852	2,529
Share of other comprehensive income of associates accounted for using equity method	105	107
Total other comprehensive income	2,721	3,838
Comprehensive income	11,097	12,988
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	10,279	11,870
Comprehensive income attributable to minority interests	818	1,118

(3) Consolidated Statements of Changes in Net Assets

2013 (From April 1, 2012 to March 31, 2013)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	51,730	32,227	17,042	(559)	100,440
Changes of items during period					
Dividends of surplus			(3,110)		(3,110)
Net income			7,639		7,639
Reversal of revaluation reserve for land			(10)		(10)
Change of scope of consolidation			7		7
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares		12		267	280
Net changes of items other than shareholders' equity					
Total changes of items during period	-	12	4,526	264	4,802
Balance at end of current period	51,730	32,239	21,568	(295)	105,242

	Accumulated other comprehensive income						Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,038	(117)	41,412	(12,201)	-	30,132	17,153	147,724
Changes of items during period								
Dividends of surplus								(3,110)
Net income								7,639
Reversal of revaluation reserve for land								(10)
Change of scope of consolidation								7
Purchase of treasury shares								(3)
Disposal of treasury shares								280
Net changes of items other than shareholders' equity	1,777	45	10	818	-	2,650	346	2,995
Total changes of items during period	1,777	45	10	818	-	2,650	346	7,798
Balance at end of current period	2,815	(72)	41,422	(11,384)	-	32,782	17,498	155,522

2014 (From April 1, 2013 to March 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	51,730	32,239	21,568	(295)	105,242
Changes of items during period					
Dividends of surplus			(3,110)		(3,110)
Net income			8,154		8,154
Change of scope of consolidation			(188)	28	(160)
Purchase of treasury shares				(116)	(116)
Disposal of treasury shares				5	5
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	4,856	(83)	4,773
Balance at end of current period	51,730	32,239	26,425	(378)	110,015

	Accumulated other comprehensive income						Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,815	(72)	41,422	(11,384)	-	32,782	17,498	155,522
Changes of items during period								
Dividends of surplus								(3,110)
Net income								8,154
Change of scope of consolidation								(160)
Purchase of treasury shares								(116)
Disposal of treasury shares								5
Net changes of items other than shareholders' equity	1,139	70	(13)	2,520	(4,203)	(487)	(14,693)	(15,180)
Total changes of items during period	1,139	70	(13)	2,520	(4,203)	(487)	(14,693)	(10,407)
Balance at end of current period	3,954	(2)	41,409	(8,864)	(4,203)	32,295	2,805	145,115

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	2013 (From April 1, 2012 To March 31, 2013)	2014 (From April 1, 2013 To March 31, 2014)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	12,774	13,871
Depreciation and amortization	13,246	14,038
Amortization of negative goodwill	(946)	(1,433)
Increase (decrease) in allowance for doubtful accounts	(187)	48
Increase (decrease) in provision for retirement benefits	819	—
Increase (decrease) in net defined benefit liability	—	908
Interest and dividends income	(999)	(747)
Interest expenses	1,894	1,583
Equity in (earnings) losses of affiliates	(657)	(188)
Impairment loss	1,668	—
Loss (gain) on sales and disposal of property, plant and equipment, net	1,432	1,626
Loss (gain) on sales and valuation of investment securities	(2,200)	528
Special loss on restructuring of businesses	—	1,138
Loss on litigation	1,335	1,592
Decrease (increase) in notes and accounts receivable-trade	1,710	(100)
Decrease (Increase) in inventories	6,203	(2,133)
Increase (decrease) in notes and accounts payable-trade	(272)	171
Decrease (increase) in prepaid pension costs	(311)	—
Increase (decrease) in net defined benefit asset	—	(543)
Other, net	(2,561)	(1,925)
Subtotal	32,948	28,435
Payments for loss on litigation	(1,430)	(1,632)
Income taxes (paid) refund	(1,163)	(2,876)
Net cash provided by operating activities	30,354	23,927
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment and intangible assets	(16,475)	(20,346)
Proceeds from sales of property, plant and equipment and intangible assets	622	177
Purchase of investment securities	(33)	(35)
Proceeds from sales of investment securities	3,903	1,417
Payments for investments in capital	(403)	(1,016)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(3,243)
Proceeds From Demerger	—	739
Purchase of investments in subsidiaries	(1,730)	(107)
Proceeds from sales of investments in subsidiaries	1,630	12
Interest and dividends income received	963	747
Proceeds from dividends income from equity method affiliate	60	12
Other, net	170	(575)
Net cash used in investing activities	(11,294)	(22,218)

(Millions of yen)

	2013 (From April 1, 2012 To March 31, 2013)	2014 (From April 1, 2013 To March 31, 2014)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(637)	(5,820)
Proceeds from long-term loans payable	20,285	50,460
Repayment of long-term loans payable	(29,280)	(22,969)
Payment for retirement by preferred securities	—	(15,330)
Proceeds from issuance of bonds	15,000	—
Redemption of bonds	—	(10,000)
Purchase of treasury stock	(3)	(8)
Proceeds from sales of treasury stock	287	5
Repayments of finance lease obligations	(2,694)	(1,600)
Interest expenses paid	(1,897)	(1,801)
Cash dividends paid	(3,096)	(3,110)
Cash dividends paid to minority shareholders	(600)	(666)
Net cash used in financing activities	(2,636)	(10,839)
Effect of exchange rate change on cash and cash equivalents	227	698
Net increase (decrease) in cash and cash equivalents	16,652	(8,433)
Cash and cash equivalents at beginning of period	9,481	26,467
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	334	1,103
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	40
Cash and cash equivalents at end of period	26,467	19,177

Segment Information

a) Segment Information

Toyobo's reportable segments allow it to acquire financial data separated into the various components of the corporate group. The scope of the segments is reviewed on a regular basis in order to allow the highest decision-making body to determine the allocation of management resources, and evaluate earnings performance.

Toyobo's basic organization comprises business headquarters and business divisions within the head office, separated by the type, nature and market for products and services. Each business headquarters and business division formulates comprehensive strategies for its domestic and overseas operations, and conducts business activities.

Accordingly, Toyobo comprises business segments by product and service. Its five reportable segments are "Films and Functional Polymers," "Industrial Materials," "Life Science," "Textiles" and "Real Estate." The "Films and Functional Polymers" segment manufactures and sells packaging films, industrial films, industrial adhesives, engineering plastics, photo functional materials. The "Industrial Materials" segment manufactures and sells fiber materials for automotive applications, high-performance fibers, functional filters, VOC emissions treatment equipment and systems, non-woven fabrics and other products. The "Life Science" segment manufactures and sells bio-products such as enzymes for diagnostics, contract manufacturing of pharmaceuticals, medical-use membranes, medical equipment and equipment devices, water treatment membranes, and other products. The "Textiles" segment manufactures and sells functional textiles, apparel products, apparel textiles, apparel fibers, and other products. The "Real Estate" segment leases and manages real estate properties.

ii) Segment sales and operating income

[Fiscal Year ended March 31, 2013]

(Millions of yen)

	Segment to be reported						Other Business- ses	Total	Adjustment	Consolidated Statements of Income
	Films and Functional Polymers	Industrial Materials	Life Science	Textiles	Real Estate	Total				
Net Sales										
(1) Outside customers	137,394	71,891	24,839	79,211	3,741	317,077	21,932	339,009	—	339,009
(2) Inter-segment sales and transfers	1	197	90	221	1,312	1,820	12,073	13,893	(13,893)	—
Total	137,395	72,088	24,930	79,432	5,053	318,897	34,005	352,902	(13,893)	339,009
Operating Income	7,634	5,453	4,170	213	1,680	19,149	1,060	20,209	(3,128)	17,081
Assets	141,534	70,293	27,307	71,980	44,925	356,039	21,499	377,538	69,908	447,445
Others										
Depreciation and Amortization	5,834	2,471	1,414	1,708	671	12,099	507	12,606	641	13,246
Capital Expenditure	7,764	3,311	3,636	1,733	295	16,739	548	17,286	755	18,041

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

2. Includes segment income adjustment of (¥3,128) million, eliminations of inter segment transactions of (¥ 323) million, and companywide expenses that are not allocated across reporting segments of (¥2,805) million. The principal components of companywide expenses are those related to basic research and development.

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

[Fiscal Year ended March 31, 2014]

(Millions of yen)

	Segment to be reported						Other Busines- ses	Total	Adjustment	Consolidated Statements of Income
	Films and Functional Polymers	Industrial Materials	Life Science	Textiles	Real Estate	Total				
Net Sales										
(1) Outside customers	148,000	71,704	27,344	79,089	3,670	329,806	21,770	351,577	—	351,577
(2) Inter-segment sales and transfers	29	283	83	180	1,224	1,799	14,499	16,298	(16,298)	—
Total	148,029	71,987	27,427	79,269	4,894	331,606	36,269	367,875	(16,298)	351,577
Operating Income	7,794	5,501	5,140	2,952	1,722	23,109	1,010	24,119	(3,113)	21,006
Assets	153,197	67,420	30,619	73,225	47,210	371,671	19,374	391,046	65,210	456,256
Others										
Depreciation and Amortization	6,744	2,041	1,774	1,938	439	12,935	349	13,284	754	14,038
Capital Expenditure	9,242	3,618	3,044	2,096	322	18,322	445	18,766	1,308	20,074

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

2. Includes segment income adjustment of (¥3,113) million, eliminations of inter segment transactions of (¥ 393) million, and companywide expenses that are not allocated across reporting segments of (¥2,720) million. The principal components of companywide expenses are those related to basic research and development.

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