

Consolidated Financial Report for the First Quarter ended June 30, 2019

TOYOBO Co., Ltd.

Listed on the First Section of the TSE

Stock Code: 3101 URL <http://ir.toyobo.co.jp/en/ir.html>

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(Figures are rounded to the nearest million yen)

1. Consolidated Business Performance

(1) Consolidated Operating Results

First quarter ended June 30

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2019	80,827	0.1	5,231	(2.2)	4,337	(9.5)	1,670	(45.6)
2018	80,762	2.9	5,347	7.3	4,794	10.6	3,073	9.5

(Note) Comprehensive profit: First quarter ended June 30, 2019: ¥ (1,610) million --- %,

First quarter ended June 30, 2018: ¥ 3,453 million (17.2 %)

	Net profit per share	Net profit per share after dilution
	Yen	Yen
2019	18.82	—
2018	34.61	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
June 30, 2019	468,786	176,584	36.6	1,931.14
March 31, 2019	461,047	181,226	38.3	1,989.29

(Reference) Total shareholders' equity: June 30, 2019: ¥171,421 million, March 31, 2019: ¥176,585 million

2. Dividends

Record date	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 3/2019	—	0.00	—	40.00	40.00
FY 3/2020	—				
FY 3/2020 (Forecast)		0.00	—	40.00	40.00

(Note) Revision of dividends forecast for this period: None

3. Forecasts for Fiscal Year ending March 31, 2020

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

	Net sales		Operating profit		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	350,000	4.0	22,000	1.3	18,000	1.2

	Profit attributable to owners of parent		Net profit per share
	Millions of yen	%	Yen
Fiscal year	17,000	---	191.51

(Note) Revision of earnings forecast for this period: None

4. Other

1. Significant changes in subsidiaries during the subject fiscal year (Transfer of particular subsidiaries following a change in the scope of consolidation): None
2. Adoption of simplified and special accounting methods: None
3. Changes from accounting methods, procedures and the presentation of the consolidated financial statements:
 - 1) Changes based on revision of accounting standards : Yes
 - 2) Changes other than 1) above : None
 - 3) Changes due to accounting estimation change : None
 - 4) Error correction : None
4. Number of shares issued and outstanding (common share)
 - 1) Number of shares outstanding (including treasury stock):

June 30, 2019: 89,048,792 shares	March 31, 2019: 89,048,792 shares
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 - 2) Number of treasury stock

June 30, 2019: 281,831 shares	March 31, 2019: 281,342 shares
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 - 3) Average number of shares outstanding for each period (cumulative term):

Three months ended June 30	2019: 88,767,183 shares	
	2018: 88,769,370 shares	

※ Quarterly Financial Results reports are exempt from Quarterly review.

※ Explanation regarding the appropriate use of forecasts of business results

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.

(How to obtain supplementary document on earnings)

The supplementary document on earnings is disclosed on the same day as the Quarterly Financial Results report, and it is made available on the Company's website.

1. Qualitative Information and Financial Statements

(1) Qualitative Information on Consolidated Results

As for the global economy surrounding the TOYOBO Group (hereinafter referred to as the “Group”) in the three months ended June 30, 2019, the economies of the United States, China, and Europe slowed down due to a sense of uncertainty arising from the intensified trade friction between the United States and China, and from the issue of the United Kingdom’s exit from the EU. In Japan, despite steadily growing domestic demand, business confidence deteriorated owing to foreign demand affected by the global economy.

Amid this operating environment, the Group has focused on “Films & Coatings,” “Mobility,” and “Healthcare & Wellness,” which were set as the growth field targets in the 2018 Medium-Term Management Plan. In the three months ended June 30, 2019, for the “Films & Coatings,” the Group expanded the sales of polarizer protective films for LCDs “COSMOSHINE SRF” and mold releasing film for MLCC. The Group also plans to acquire all stocks of Teijin Film Solutions Limited and PT.Indonesia Teijin Film Solutions making them wholly owned subsidiaries as of October 1, 2019, aiming at expanding its films business.

On the other hand, the Group proceeded with procurement of replacement materials because the manufacturing facilities for airbag yarn and functional cushion material “BREATHAIR,” etc., were lost due to the fire accident in September 2018.

As a result, consolidated net sales in the three months ended June 30, 2019, increased ¥0.1 billion (0.1 %) over the same period of the previous fiscal year, to ¥80.8 billion. Operating profit decreased ¥0.1 billion (2.2 %) to ¥5.2 billion, ordinary profit decreased ¥0.5 billion (9.5 %) to ¥4.3 billion, and profit attributable to owners of parent decreased ¥1.4 billion (45.6 %) to ¥1.7 billion.

Results by business segment were as follows:

Films and Functional Polymers

In this segment, sales decreased but operating profit increased from the same period of the previous fiscal year due to the growth in the films business.

In the films business, sales of packaging film for summer seasonal products remained sluggish. Meanwhile, the industrial film business achieved steady growth in sales of polarizer protective films for LCDs “COSMOSHINE SRF,” for major polarizer manufacturers, along with higher sales of mold releasing film for MLCC for automotive application.

In the functional polymers business, although sales of engineering plastics were steady for the automotive industry, polymer sales for the non-automotive industry to China remained sluggish.

As a result, sales in this segment decreased ¥0.7 billion (1.9 %) from the same period of the previous fiscal year to ¥38.1 billion, and operating profit increased ¥0.2 billion (4.8 %) to ¥3.8 billion.

Industrial Materials

In this segment, sales and operating profit decreased from the same period of the previous fiscal year owing to the effect of the fire accident.

The airbag fabrics business faced challenges due to the fire accident. 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, sales of functional cushion material “BREATHAIR” decreased in the aftermath of the fire accident. In addition, the sales of polyester staple fibers for use in hygiene products remained sluggish as the demand decreased in the Chinese market.

As a result, sales in this segment decreased ¥0.1 billion (0.5 %) from the same period of the previous fiscal year to ¥16.0 billion, and operating profit decreased ¥0.4 billion (43.9 %) to ¥0.5 billion.

Healthcare

In this segment, sales and operating profit increased from the same period of the previous fiscal year as the membranes & environment business was steady.

The bio-science & medical business expanded sales of enzymes for diagnostic reagents to overseas markets, but the pharmaceuticals business faced challenges in winning new contracts. The membranes & environment business substantially expanded sales, mainly to China, of volatile organic compound (VOC) emissions treatment equipment for recovering solvents and also expanded the sales of replacement element for Reverse Osmosis (RO) membrane for seawater desalination.

As a result, sales in this segment increased ¥1.7 billion (21.7 %) from the same period of the previous fiscal year to ¥9.3 billion, and operating profit increased ¥0.2 billion (22.5 %) to ¥1.2 billion.

Textiles and Trading

In this segment, sales and operating profit decreased from the same period of the previous fiscal year. Sales of sports apparel and materials for traditional Arabic menswear were steady, but sales of acrylic fiber remained sluggish.

As a result, sales in this segment decreased ¥0.3 billion (2.2 %) from the same period of the previous fiscal year to ¥14.5 billion, and operating loss of ¥0.2 billion. (Compared with operating profit of ¥0.2 billion for the same period of the previous fiscal year.)

Real Estate and Other Business

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 ¥0.5 billion (13.5 %) over the same period of the previous fiscal year to ¥2.9 billion, and operating profit increased ¥0.2 billion (44.5 %) to ¥0.6 billion.

(2) Qualitative Information on the Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets increased ¥7.7 billion (1.7 %) over the end of the previous fiscal year, to ¥468.8 billion. This was due mainly because of an increase in construction in progress accompanying capital spending such as manufacturing facilities for industrial films.

Total liabilities increased ¥12.4 billion (4.4 %), to ¥292.2 billion. This was mainly because of issuance of bonds payable.

Total net assets decreased ¥4.6 billion (2.6 %) to ¥176.6 billion. This was due mainly because of a decrease in valuation difference on available-for-sale securities and retained earnings.

(3) Qualitative Information on Consolidated Forecasts

The performance of the TOYOBO Group in the three months ended June 30, 2019 was generally as forecast. Regarding the forecast for the full fiscal year, no changes have been made in the outlook announced on May 9, 2019.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2019)	Current First Quarter (As of June 30, 2019)
Assets		
Current assets		
Cash and deposits	22,318	26,382
Notes and accounts receivable-trade	81,909	80,477
Electronically recorded monetary claims-operating	3,881	6,063
Merchandise and finished goods	45,849	47,415
Work in process	13,704	13,355
Raw materials and supplies	17,247	18,630
Other	8,417	8,020
Allowance for doubtful accounts	(199)	(184)
Total current assets	193,125	200,159
Non-current assets		
Total property, plant and equipment		
Buildings and structures, net	50,166	50,171
Machinery, equipment and vehicles, net	43,163	42,370
Land	98,199	98,191
Other, net	16,948	23,310
Total property, plant and equipment	208,476	214,042
Intangible assets	3,654	3,602
Investments and other assets		
Other	56,483	51,675
Allowance for doubtful accounts	(691)	(691)
Total investments and other assets	55,792	50,983
Total non-current assets	267,922	268,627
Total assets	461,047	468,786

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2019)	Current First Quarter (As of June 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	42,736	41,128
Electronically recorded obligations-operating	2,036	2,702
Short-term loans payable	41,882	39,413
Current portion of bonds	10,000	10,000
Current portion of long-term loans payable	12,433	10,253
Provision	4,424	2,154
Other	18,257	20,650
Total current liabilities	131,768	126,300
Non-current liabilities		
Bonds payable	30,000	45,000
Long-term loans payable	69,009	72,502
Provision for retirement benefits for directors	233	198
Provision for environmental measures	419	381
Net defined benefit liability	18,236	18,095
Other	30,156	29,727
Total non-current liabilities	148,053	165,902
Total liabilities	279,821	292,202
Net assets		
Shareholders' equity		
Capital stock	51,730	51,730
Capital surplus	32,206	32,206
Retained earnings	51,858	49,855
Treasury shares	(415)	(415)
Total shareholders' equity	135,378	133,375
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,071	6,533
Deferred gains or losses on hedges	(33)	(64)
Revaluation reserve for land	44,483	44,457
Foreign currency translation adjustment	(10,277)	(10,921)
Remeasurements of defined benefit plans	(2,038)	(1,960)
Total accumulated other comprehensive income	41,206	38,046
Non-controlling interests	4,641	5,163
Total net assets	181,226	176,584
Total liabilities and net assets	461,047	468,786

(2) Consolidated Statements of Income

(Millions of yen)

	Previous First Quarter (Three months ended June 30, 2018)	Current First Quarter (Three months ended June 30, 2019)
Net sales	80,762	80,827
Cost of sales	60,785	60,651
Gross profit	19,977	20,176
Selling, general and administrative expenses	14,630	14,946
Operating profit	5,347	5,231
Non-operating income		
Dividend income	350	327
Share of profit of entities accounted for using equity method	112	301
Other	402	386
Total non-operating income	863	1,014
Non-operating expenses		
Interest expenses	295	316
Other	1,121	1,591
Total non-operating expenses	1,416	1,907
Ordinary profit	4,794	4,337
Extraordinary income		
Gain on sales of non-current assets	104	—
Gain on liquidation of subsidiaries and associates	106	—
Total extraordinary income	210	—
Extraordinary losses		
Loss on disposal of non-current assets	195	744
Loss on valuation of investment securities	90	—
Loss due to fire	—	1,006
Other	111	—
Total extraordinary losses	396	1,750
Profit before income taxes	4,608	2,587
Income taxes	1,527	1,016
Profit	3,082	1,571
Profit (loss) attributable to non-controlling interests	9	(99)
Profit attributable to owners of parent	3,073	1,670

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous First Quarter (Three months ended June 30, 2018)	Current First Quarter (Three months ended June 30, 2019)
Profit	3,082	1,571
Other comprehensive income		
Valuation difference on available-for-sale securities	574	(2,536)
Deferred gains or losses on hedges	16	(31)
Foreign currency translation adjustment	(338)	(646)
Remeasurements of defined benefit plans, net of tax	234	79
Share of other comprehensive income of entities accounted for using equity method	(114)	(48)
Total other comprehensive income (loss)	371	(3,182)
Comprehensive income (loss)	3,453	(1,610)
Comprehensive income attributable to		
Comprehensive income (loss) attributable to owners of parent	3,447	(1,465)
Comprehensive income (loss) attributable to non-controlling interests	6	(146)

(3) Note to Going Concern:

Not applicable

(4) Notes on Significant Changes in Shareholders' Equity

Not applicable

(5) Additional Information

Subsidiaries adopting International Financial Reporting Standards (IFRS) adopted International Financial Reporting Standard 16 "Lease" (hereinafter "IFRS 16") from the first quarter of this fiscal year. Consequently the lessee of the lease, in principle records all leases as assets and liabilities in the balance sheets.

The effect on consolidated financial statements is immaterial in the first quarter of this fiscal year.

(6) Segment Information

a. Segment information by business type

(i) Previous first quarter (from April 1, 2018 to June 30, 2018)

(Millions of yen)

	Segment to be reported						Other Business- ses (Note 1)	Total	Adjust ment (Note 2)	Consolidated Statements of Profit (Note 3)
	Films and Functional Polymers	Industrial Materials	Health care	Textiles and Trading	Real Estate	Total				
Net Sales										
(1) Outside customers	38,822	16,114	7,611	14,849	1,098	78,494	2,268	80,762	—	80,762
(2) Inter-segment sales and transfers	—	47	506	102	106	761	2,183	2,944	(2,944)	—
Total	38,822	16,161	8,117	14,951	1,204	79,254	4,451	83,706	(2,944)	80,762
Operating Profit	3,595	950	1,006	195	390	6,137	42	6,179	(832)	5,347

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

2. Includes segment profit adjustment of (¥832) million, eliminations of intersegment transactions of (¥153) million, and companywide expenses that are not allocated across reporting segments of (¥679) million. The principal components of companywide expenses are those related to basic research and development.

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

(ii) Current first quarter (from April 1, 2019 to June 30, 2019)

(Millions of yen)

	Segment to be reported						Other Business- ses (Note 4)	Total	Adjust ment (Note 5)	Consolidated Statements of Profit (Note 6)
	Films and Functional Polymers	Industrial Materials	Health care	Textiles and Trading	Real Estate	Total				
Net Sales										
(1) Outside customers	38,095	16,034	9,264	14,522	1,099	79,014	1,813	80,827	—	80,827
(2) Inter-segment sales and transfers	19	113	803	153	97	1,185	3,962	5,147	(5,147)	—
Total	38,114	16,148	10,067	14,675	1,196	80,199	5,775	85,975	(5,147)	80,827
Operating Profit (Loss)	3,768	533	1,233	(177)	431	5,788	194	5,982	(751)	5,231

Note: 4. Other includes design and construction of buildings, equipment, etc., information services, logistics services and other items.

5. Includes segment profit (loss) adjustment of (¥751) million, eliminations of intersegment transactions of (¥11) million, and companywide expenses that are not allocated across reporting segments of (¥741) million. The principal components of companywide expenses are those related to basic research and development.

6. Segment profit (loss) has been adjusted with operating profit on the consolidated financial statements.