

## Consolidated Financial Report for the First Half ended September 30, 2019

### 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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(Figures are rounded to the nearest million yen)

## 1. Consolidated Business Performance

### (1) Consolidated Operating Results

Six months ended September 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	164,909	0.1	11,114	4.8	8,961	2.5	2,662	(32.0)
2018	164,728	2.1	10,601	0.9	8,738	(3.7)	3,918	(35.2)

(Note) Comprehensive profit: First half ended September 30, 2019: (¥858) million (--%)

First half ended September 30, 2018: ¥5,573 million (35.8%)

	Net profit per share	Net profit per share after dilution
	Yen	Yen
2019	29.99	—
2018	44.13	—

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2019	474,908	177,373	36.3	1,939.74
March 31, 2019	461,047	181,226	38.3	1,989.29

(Reference) Total shareholders' equity: September 30, 2019: ¥172,273 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	—	0.00			
FY 3/2020 (Forecast)			—	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	14,000	—	157.69

(Note) Revision of earnings forecast for this period: Yes

### 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):
 

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

September 30, 2019: 236,488 shares	March 31, 2019: 281,342 shares
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  - 3) Average number of shares outstanding for each period (cumulative term):
 

Six months ended September 30 2019: 88,780,080 shares	
	2018: 88,769,014 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 six months ended September 30, 2019, the economic slowdown has intensified 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 was at a standstill due to the impact of 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 six months ended September 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 “COSMOPEEL.” The Group also acquired all stocks of two subsidiaries held by TEIJIN LIMITED, and changed their names to TOYOBO FILM SOLUTIONS LIMITED and PT. INDONESIA TOYOBO FILM SOLUTIONS as of October 1, 2019, aiming at strengthening the capacity to develop and manufacture high-performance films, and further solidifying the foundation of the films business.

Manufacturing facilities for airbag yarn and functional cushion material “BREATHAIR,” etc., were lost due to the fire accident in September 2018, but the Group continues to conduct sales with replacement materials. From September 2019, the new plant started up and manufacture of “BREATHAIR” resumed.

As a result, consolidated net sales in the six months ended September 30, 2019 increased ¥0.2 billion (0.1%) over the same period of the previous fiscal year, to ¥164.9 billion. Operating profit increased ¥0.5 billion (4.8%), to ¥11.1 billion, ordinary profit increased ¥0.2 billion (2.5%) to ¥9.0 billion, and profit attributable to owners of parent decreased ¥1.3 billion (32.0%), to ¥2.7 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, the packaging film business was affected by unfavorable weather conditions, while achieved growth in sales of the environmentally conscious polyester film as a result of rising eco-consciousness of the world. The industrial film business achieved steady expansion in sales of polarizer protective films for LCDs “COSMOSHINE SRF,” for major polarizer manufacturers, along with solid sales of mold releasing film for MLCC “COSMOPEEL.”

In the functional polymers business, sales of the adhesion promoter for polyolefin “HARDLEN” grew, but the engineering plastics experienced sluggish sales of polymer for the non-automotive industry to China.

As a result, sales in this segment decreased ¥1.3 billion (1.7%) from the same period of the previous fiscal year to ¥76.4 billion, and operating profit increased ¥1.3 billion (18.6%) to ¥8.2 billion.

#### Industrial Materials

In this segment, sales increased but 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 and a decrease in demand. 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.

As a result, sales in this segment increased ¥0.3 billion (1.0%) from the same period of the previous fiscal year to ¥33.0 billion, and operating profit decreased ¥1.4 billion (74.8%) to ¥0.5 billion.

## **Healthcare**

In this segment, sales and operating profit increased from the same period of the previous fiscal year as both the bio-science & medical business and membranes & environment business were steady.

The bio-science & medical business expanded sales of enzymes for diagnostic reagents to overseas markets. In the membranes & environment business, sales of volatile organic compound (VOC) emissions treatment equipment were solid in Japan and overseas, and sales of replacement element for Reverse Osmosis (RO) membrane for seawater desalination expanded because of shipment ahead of schedule.

As a result, sales in this segment increased ¥3.1 billion (19.3%) from the same period of the previous fiscal year to ¥19.0 billion, and operating profit increased ¥0.9 billion (45.0%) to ¥2.8 billion.

## **Textiles and Trading**

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

Sales of materials for traditional Arabic menswear grew as market conditions recovered, and sales of materials for uniforms grew steadily in those used for business uniforms. On the other hand, sales of acrylic fiber remained sluggish due to the impact of raw material prices though is being shifted to industrial material applications.

As a result, sales in this segment decreased ¥1.7 billion (5.3%) from the same period of the previous fiscal year to ¥30.1 billion and operating loss of ¥0.1 billion (Compared with operating profit of ¥0.1 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 ¥0.2 billion (3.4%) over the same period of the previous fiscal year to ¥6.5 billion, and operating profit increased ¥0.2 billion (14.9%) to ¥1.3 billion.

## **(2) Qualitative Information on the Consolidated Financial Position**

### **Assets, Liabilities and Net Assets**

Total assets increased ¥13.9 billion (3.0%) from the end of the previous fiscal year, to ¥474.9 billion. This was due mainly to an increase in cash and deposits resulting from a rise in interest-bearing debt.

Total liabilities increased ¥17.7 billion (6.3%) to ¥297.5 billion. This was mainly because of insurance of bonds payable.

Total net assets decreased ¥3.9 billion (2.1%) to ¥177.4 billion. This was due mainly because of a decrease in valuation difference on available-for-sale securities.

## **Cash Flows**

Net cash provided by operating activities amounted to ¥14.5 billion in the subject first half period. This was due mainly to a cash increase from depreciation of ¥8.1 billion and profit income taxes of ¥4.2 billion and a decrease in trade receivables of ¥2.5 billion.

Net cash used in investing activities amounted to ¥15.2 billion. This was due mainly to purchase of property, plant and equipment of ¥13.7 billion.

Net cash provided by financing activities amounted to ¥11.9 billion. This was due mainly to ¥15.0 billion in proceeds from insurance of bonds.

As a result, the balance of cash and cash equivalents at the end of the subject first half (September 30, 2019) stood at ¥33.4 billion, an increase of ¥11.2 billion from the end of the previous fiscal year (March 31, 2019).

## **(3) Qualitative Information on Consolidated Forecasts**

Regarding the forecast for the fiscal year ending March 31, 2020, there have been no changes to net sales, operating profit and ordinary profit from the original forecast as they are generally performing in line with forecasts because the performance of the industrial film business is expected to remain favorable.

However, loss due to fire (extraordinary losses) of ¥2.6 billion was recorded in the six months ended September 30, 2019 as a result of an increase in expenses related to the procurement of replacement materials accompanying the fire accident in September 2018. Additionally, increased expenses accompanying loss on disposal of non-current assets (extraordinary losses) are expected in or after the third quarter ending December 31, 2019, resulting in profit attributable to owners of parent has been revised.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2019) (Condensed)	Current First Half (As of September 30, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	22,318	33,528
Notes and accounts receivable - trade	81,909	76,892
Electronically recorded monetary claims - operating	3,881	6,101
Merchandise and finished goods	45,849	49,032
Work in process	13,704	13,129
Raw materials and supplies	17,247	17,054
Other	8,417	6,840
Allowance for doubtful accounts	(199)	(172)
Total current assets	193,125	202,405
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	50,166	49,978
Machinery, equipment and vehicles, net	43,163	41,650
Land	98,199	98,185
Other, net	16,948	27,942
Total property, plant and equipment	208,476	217,755
Intangible assets	3,654	3,568
Investments and other assets		
Other	56,483	51,892
Allowance for doubtful accounts	(691)	(712)
Total investments and other assets	55,792	51,179
Total non-current assets	267,922	272,503
Total assets	461,047	474,908

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2019) (Condensed)	Current First Half (As of September 30, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	42,736	42,069
Electronically recorded obligations - operating	2,036	2,461
Short-term borrowings	41,882	42,958
Current portion of bonds	10,000	10,000
Current portion of long-term borrowings	12,433	9,216
Provisions for bonus	4,424	4,393
Other	18,257	19,181
<b>Total current liabilities</b>	<b>131,768</b>	<b>130,279</b>
<b>Non-current liabilities</b>		
Bonds payable	30,000	45,000
Long-term borrowings	69,009	73,601
Provision for retirement benefits for directors (and other officers)	233	216
Provision for environmental measures	419	374
Retirement benefit liability	18,236	18,086
Other	30,156	29,978
<b>Total non-current liabilities</b>	<b>148,053</b>	<b>167,256</b>
<b>Total liabilities</b>	<b>279,821</b>	<b>297,535</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	51,730	51,730
Capital surplus	32,206	32,200
Retained earnings	51,858	50,847
Treasury shares	(415)	(348)
<b>Total shareholders' equity</b>	<b>135,378</b>	<b>134,429</b>
<b>Accumulated other comprehensive   income</b>		
Valuation difference on available-for-sale securities	9,071	6,718
Deferred gains or losses on hedges	(33)	(47)
Revaluation reserve for land	44,483	44,457
Foreign currency translation adjustment	(10,277)	(11,403)
Remeasurements of defined benefit plans	(2,038)	(1,882)
<b>Total accumulated other   comprehensive income</b>	<b>41,206</b>	<b>37,844</b>
<b>Non-controlling interests</b>	<b>4,641</b>	<b>5,100</b>
<b>Total net assets</b>	<b>181,226</b>	<b>177,373</b>
<b>Total liabilities and net assets</b>	<b>461,047</b>	<b>474,908</b>

(Millions of yen)

	Previous First Half (From April 1, 2018 To September 30, 2018)	Current First Half (From April 1, 2019 To September 30, 2019)
Net sales	164,728	164,909
Cost of sales	124,676	124,262
Gross profit	40,052	40,647
Selling, general and administrative expenses	29,451	29,534
Operating profit	10,601	11,114
Non-operating income		
Dividend income	452	404
Share of profit of entities accounted for using equity method	161	359
Other	828	679
Total non-operating income	1,441	1,441
Non-operating expenses		
Interest expenses	628	675
Other	2,676	2,919
Total non-operating expenses	3,303	3,594
Ordinary profit	8,738	8,961
Extraordinary income		
Gain on sales of investment securities	184	19
Gain on sales of non-current assets	105	13
Other	281	—
Total extraordinary income	571	32
Extraordinary losses		
Loss on disposal of non-current assets	978	2,110
Loss due to fire	2,146	2,636
Other	560	37
Total extraordinary losses	3,683	4,783
Profit before income taxes	5,626	4,210
Income taxes	1,759	1,682
Profit	3,867	2,528
Loss attributable to non-controlling interests	(50)	(135)
Profit attributable to owners of parent	3,918	2,662



## (2) Consolidated Statements of Income

(Millions of yen)

	Previous First Half (From April 1, 2018 To September 30, 2018)	Current First Half (From April 1, 2019 To September 30, 2019)
Profit	3,867	2,528
Other comprehensive income		
Valuation difference on available-for-sale securities	1,060	(2,350)
Deferred gains or losses on hedges	47	(14)
Foreign currency translation adjustment	325	(1,071)
Remeasurements of defined benefit plans, net of tax	469	157
Share of other comprehensive income of entities accounted for using equity method	(195)	(108)
Total other comprehensive income	1,706	(3,386)
Comprehensive income	5,573	(858)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,569	(674)
Comprehensive income attributable to non-controlling interests	4	(184)

(Millions of yen)

	Previous First Half (From April 1, 2018 To September 30, 2018)	Current First Half (From April 1, 2019 To September 30, 2019)
<b>Cash flows from operating activities</b>		
Profit before income taxes	5,626	4,210
Depreciation	7,824	8,080
Interest expenses	628	675
Loss due to fire	2,146	2,636
Decrease (increase) in trade receivables	(537)	2,525
Decrease (increase) in inventories	(4,883)	(2,774)
Increase (decrease) in trade payables	(6)	(46)
Other, net	(1,921)	2,300
Subtotal	8,877	17,607
Payments for Loss due to fire	(409)	(2,530)
Income taxes (paid) refund	(3,240)	(567)
Net cash provided by (used in) operating activities	5,228	14,510
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(13,048)	(13,681)
Other, net	2,052	(1,477)
Net cash provided by (used in) investing activities	(10,996)	(15,158)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	974	1,183
Proceeds from long-term borrowings	3,516	9,932
Repayments of long-term borrowings	(6,178)	(9,517)
Proceeds from issuance of bonds	10,000	15,000
Dividends paid	(3,545)	(3,546)
Interest paid	(624)	(662)
Other, net	(224)	(443)
Net cash provided by (used in) financing activities	3,919	11,947
Effect of exchange rate change on cash and cash equivalents	43	(388)
Net increase (decrease) in cash and cash equivalents	(1,806)	10,911
Cash and cash equivalents at beginning of period	25,857	22,167
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	256	303
Cash and cash equivalents at end of period	24,306	33,382

#### (4) Note to Going Concern:

Not applicable

#### (5) Notes on Significant Changes in Shareholders' Equity

Not applicable

#### (6) Additional Information

Subsidiaries adopting International Financial 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 subject first half period of this fiscal year.

#### (7) Segment Information

##### a. Segment information by business type

( I ) Six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)

(Millions of yen)

	Segment to be reported						Other Businesses (Note 1)	Total	Adjustment (Note 2)	Consolidated Statements of Income (Note 3)
	Films and Functional Polymers	Industrial Materials	Health care	Textiles and Trading	Real Estate	Total				
Net Sales										
(1) Outside customers	77,680	32,679	15,908	31,748	2,110	160,126	4,603	164,728	—	164,728
(2) Inter-segment sales and transfers	—	148	1,124	196	214	1,682	6,594	8,276	(8,276)	—
Total	77,680	32,827	17,032	31,944	2,325	161,808	11,197	173,005	(8,276)	164,728
Operating Profit (loss)	6,916	1,908	1,948	61	845	11,677	260	11,937	(1,336)	10,601

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

2. Segment profit adjustment of (¥1,336) million includes eliminations of intersegment transactions of (¥34) million and companywide expenses that are not allocated across reporting segments of (¥1,301) 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 ) Six months ended September 30, 2019 (from April 1, 2019 to September 30, 2019)

(Millions of yen)

	Segment to be reported						Other Business- ses (Note 4)	Total	Adjust ment (Note 5)	Consolidated Statements of Income (Note 6)
	Films and Functional Polymers	Industrial Materials	Health care	Textiles and Trading	Real Estate	Total				
Net Sales										
(1) Outside customers	76,362	33,013	18,973	30,077	2,137	160,562	4,347	164,909	—	164,909
(2) Inter-segment sales and transfers	51	184	1,305	310	187	2,036	9,956	11,992	(11,992)	—
Total	76,413	33,197	20,278	30,387	2,324	162,599	14,303	176,902	(11,992)	164,909
Operating Profit (loss)	8,201	480	2,825	(131)	752	12,126	517	12,643	(1,529)	11,114

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

5. Segment profit or loss adjustment of (¥1,529) million includes eliminations of intersegment transactions of (¥58) million and companywide expenses that are not allocated across reporting segments of (¥1,472) million.

The principal components of company wide expenses are those related to basic research and development.

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

### (Significant subsequent events)

At the meeting of the Board of Directors held on October 23, 2019, a comprehensive resolution regarding the issuance of unsecured straight bonds in the Japanese market was passed. The details of this resolution are as follows:

(1) Issue amount: ¥15,000 million or less.

However, multiple issues within the scope of this amount are not ruled out.

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

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

(4) Payment dates: From October 23, 2019 to March 31, 2020.

(5) Maximum maturity: Five years or more, to 10 years.

(6) Method of redemption: Full amount on maturity.

However, a retirement by purchase clause may be included.

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

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

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