

Consolidated Financial Report for Year ended March 31, 2020

Toyobo Co., Ltd.

Listed on the First Section of the TSE

Stock Code: 3101

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

Representative: Seiji Narahara, President & Representative Director

Contact Person: Naoki Fujii, General Manager, Corporate Planning Department TEL: +81-6-6348-3044

Date of the General Meeting of the Shareholders: June 24, 2020

Planned start of dividend payments: June 25, 2020

Planned filing of an annual security report: June 24, 2020

(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 profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2020	339,607	0.9	22,794	4.9	18,035	1.4	13,774	---
2019	336,698	1.7	21,727	(9.2)	17,788	(12.9)	(603)	---

(Note) Comprehensive profit: Year ended March 31, 2020: ¥ 4,437 million --- %

Year ended March 31, 2019: ¥ (467) million ---%

	Net profit per share	Net profit per share after dilution	Return on equity	Ordinary profit-to-total assets ratio	Operating profit-to-net sales ratio
	Yen	Yen	%	%	%
2020	155.12	---	7.8	3.8	6.7
2019	(6.80)	---	(0.3)	3.9	6.5

(Reference) Gain (loss) on investment by equity method: Year ended March 31, 2020: ¥ 469 million,

Year ended March 31, 2019: ¥ 471 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
2020	488,874	182,636	36.4	2,003.01
2019	461,047	181,226	38.3	1,989.29

(Reference) Total shareholders' equity: March 31, 2020: ¥177,890 million, March 31, 2019: ¥176,585 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
2020	44,255	(39,216)	(1,805)	25,084
2019	7,838	(24,286)	12,608	22,167

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			
2019	---	0.00	---	40.0	40.0	3,551	---	2.0
2020	---	0.00	---	40.0	40.0	3,552	25.8	2.0
2021 (Forecast)	---	---	---	---	---		---	

※Regarding the dividend forecast for the fiscal year ending March 31, 2021, the Company will promptly announce when it becomes possible to announce.

3. Forecasts for Fiscal Year ending March 31, 2021

The forecast for the fiscal year ending March 31, 2021 is not announced as it is currently difficult to rationally calculate the consolidated earnings forecast. It will be disclosed promptly when a calculation becomes possible.

4. Other

1. Significant changes in subsidiaries during the subject fiscal year (Transfer of particular subsidiaries following a change in the scope of consolidation): Yes
 - 1) New companies: 2
(TOYOBO FILM SOLUTIONS LIMITED, PT. INDONESIA TOYOBO FILM SOLUTIONS)
 - 2) Excluded company: None
2. 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
3. Number of Shares Outstanding (Common stock)

Number of shares outstanding at fiscal year-end:
2020: 89,048,792 shares 2019: 89,048,792 shares

Number of treasury stocks at fiscal year-end:
2020: 237,610 shares 2019: 281,342 shares

Average number of shares outstanding:
2020: 88,794,609 shares 2019: 88,768,449 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 profit		Ordinary profit		Net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2020	199,086	(0.1)	15,582	3.6	12,728	7.1	10,489	---
2019	199,322	(1.8)	15,036	(8.2)	11,888	(9.2)	(1,625)	---

	Net profit per share	Net profit per share after dilution
	Yen	Yen
2020	118.12	---
2019	(18.31)	---

(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
2020	421,625	162,034	38.4	1,824.48
2019	400,684	156,256	39.0	1,760.29

(Reference) Total shareholders' equity: March 31, 2020: ¥162,034 million, March 31, 2019: ¥156,256 million

※Financial Results Report are exempt from review by certified public accountants or accounting auditor.

※Explanation regarding the appropriate use of forecasts of business results

The forecast for the fiscal year ending March 31, 2021 is not announced as it is currently difficult to rationally calculate the consolidated earnings forecast.

(How to obtain supplementary document on earnings)

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

1. Operating Results

(1) Analysis of Operating Results

As for the global economy surrounding the Toyobo Group (hereinafter the “Group”) in the fiscal year ended March 31, 2020, despite maintaining 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 trade friction between the United States and China. Concerning 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 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 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 solidifying the foundation of the films business, the Group acquired all stocks of two subsidiaries held by TEIJIN LIMITED as of October 1, 2019, and commenced integrated management.

The stagnation of the global economy caused by the spread of COVID-19 has begun to affect the Group’s various business activities such as the 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 of 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 of 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.

Health care

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.

(2) Analysis of Financial Position

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 under review 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.

(3) 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 loan 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).

(Reference) Cash Flow Indicators

Years ended March 31

	2016	2017	2018	2019	2020
Equity ratio (%)	35.3	37.2	40.5	38.3	36.4
Equity ratio, based on market value (%)	33.7	38.0	41.8	27.2	20.8
Return on equity (%)	6.4	5.8	7.5	(0.3)	7.8
Interest-bearing debt to cash flow ratio (Years)	5.1	6.3	6.5	21.0	4.0
Interest coverage ratio (Times)	19.4	19.3	16.9	6.0	32.2
D/E ratio (Times)	1.05	1.01	0.81	0.93	0.98

Notes:

Equity ratio: shareholders' equity/ total assets

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

Return on equity: profit attributable to owners of parent / an average of the balances at the beginning and end of period for the total net assets excluding non-controlling interests.

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

(4) Forecast for Fiscal 2021 (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 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 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 is undecided. While observing future trends, the Group will promptly make an announcement when a proper and rational calculation becomes possible.

(5) Basic Policy Regarding Earnings Distribution, and Dividends for Fiscal 2020 and 2021

Toyobo considers providing returns to shareholders to be one of its highest priorities. Our basic policy is to continually provide a stable dividend, in a comprehensive consideration of such factors as sustainable profits levels, retention of earnings for future investment, and improving the financial position to provide shareholders returns, including the acquisition of treasury shares, with a target total return ratio (*1) of 30%.

Regarding dividends for the next fiscal year, the basic policy of continuous stable dividends has not changed. The Company will promptly announce the dividends forecasts when it becomes possible to announce.

(*1) Total return ratio = (total dividend + total amount of share buybacks) ÷ profit attributable to owners of parent

2. Basic Approach to Selection of Accounting Standards

After considering the possibility of comparisons among financial results for consolidated accounting periods and the possibility of comparisons with other companies, the Toyobo Group has decided to continue to adopt generally accepted accounting principles in Japan for the time being. Please note that, regarding the adoption of International Financial Reporting Standards (IFRS), the policy of the Group is to take appropriate action after the consideration of related issues in Japan and overseas.

3. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

(Millions of yen)

	2019 (As of March 31, 2019)	2020 (As of March 31, 2020)
Assets		
Current assets		
Cash and deposits	22,318	25,247
Notes and accounts receivable - trade	81,909	85,345
Electronically recorded monetary claims - operating	3,881	8,208
Merchandise and finished goods	45,849	49,150
Work in process	13,704	12,750
Raw materials and supplies	17,247	18,728
Other	8,417	7,141
Allowance for doubtful accounts	(199)	(154)
Total current assets	193,125	206,416
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	50,166	52,746
Machinery, equipment and vehicles, net	43,163	43,343
Land	98,199	97,055
Construction in progress	11,335	29,876
Other, net	5,613	8,459
Total property, plant and equipment	208,476	231,478
Intangible assets		
Other	3,654	4,641
Total intangible assets	3,654	4,641
Investments and other assets		
Investment securities	29,745	20,916
Deferred tax assets	17,276	17,977
Other	9,462	8,203
Allowance for doubtful accounts	(691)	(757)
Total investments and other assets	55,792	46,339
Total non-current assets	267,922	282,458
Total assets	461,047	488,874

(Millions of yen)

	2019 (As of March 31, 2019)	2020 (As of March 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	42,736	41,659
Electronically recorded obligations - operating	2,036	8,357
Short-term borrowings	41,882	32,027
Current portion of bonds payable	10,000	—
Current portion of long-term borrowings	12,433	8,510
Provision for bonuses	4,128	4,366
Other	18,553	27,403
Total current liabilities	131,768	122,321
Non-current liabilities		
Bonds payable	30,000	55,000
Long-term borrowings	69,009	75,851
Deferred tax liabilities for land revaluation	21,277	21,277
Provision for retirement benefits for directors (and other officers)	233	247
Provision for environmental measures	419	331
Retirement benefit liability	18,236	21,613
Other	8,879	9,598
Total non-current liabilities	148,053	183,916
Total liabilities	279,821	306,238
Net assets		
Shareholders' equity		
Share capital	51,730	51,730
Capital surplus	32,206	32,200
Retained earnings	51,858	61,929
Treasury shares	(415)	(350)
Total shareholders' equity	135,378	145,509
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,071	4,013
Deferred gains or losses on hedges	(33)	(8)
Revaluation reserve for land	44,483	44,457
Foreign currency translation adjustment	(10,277)	(11,954)
Remeasurements of defined benefit plans	(2,038)	(4,128)
Total accumulated other comprehensive income	41,206	32,381
Non-controlling interests	4,641	4,746
Total net assets	181,226	182,636
Total liabilities and net assets	461,047	488,874

(2) Consolidated Statements of Income

(Millions of yen)

	2019 (From April 1, 2018 To March 31, 2019)	2020 (From April 1, 2019 To March 31, 2020)
Net sales	336,698	339,607
Cost of sales	255,634	255,140
Gross profit	81,064	84,467
Selling, general and administrative expenses	59,337	61,673
Operating profit	21,727	22,794
Non-operating income		
Dividend income	742	650
Share of profit of entities accounted for using equity method	471	469
Other	1,779	2,211
Total non-operating income	2,992	3,329
Non-operating expenses		
Interest expenses	1,305	1,369
Salaries paid to dispatched employees	1,014	859
Loss on suspension of production	1,079	947
Other	3,533	4,914
Total non-operating expenses	6,931	8,089
Ordinary profit	17,788	18,035
Extraordinary income		
Gain on sales of investment securities	198	448
Gain on bargain purchase	175	65
Insurance claim income	306	10,647
National subsidies	607	—
Other	233	46
Total extraordinary income	1,519	11,206
Extraordinary losses		
Impairment loss	32	2,397
Loss on fire	13,822	3,112
Loss on disposal of non-current assets	1,905	3,979
Loss on tax purpose reduction entry of non-current assets	607	—
Loss on sales of shares of subsidiaries and associates	1,873	—
Other	965	37
Total extraordinary losses	19,204	9,525
Profit before income taxes	102	19,716
Income taxes - current	2,907	5,587
Income taxes - deferred	(1,994)	819
Total income taxes	913	6,406
Profit (loss)	(810)	13,310
Loss attributable to non-controlling interests	(207)	(464)
Profit (loss) attributable to owners of parent	(603)	13,774

	2019 (From April 1, 2018 To March 31, 2019)	2020 (From April 1, 2019 To March 31, 2020)
Profit (loss)	(810)	13,310
Other comprehensive income		
Valuation difference on available-for-sale securities	1,035	(5,052)
Deferred gains or losses on hedges	16	25
Revaluation reserve for land	—	—
Foreign currency translation adjustment	(123)	(1,705)
Remeasurements of defined benefit plans, net of tax	(413)	(2,089)
Share of other comprehensive income of entities accounted for using equity method	(171)	(52)
Total other comprehensive income	343	(8,873)
Comprehensive income	(467)	4,437
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(298)	4,974
Comprehensive income attributable to non-controlling interests	(169)	(538)

(3) Consolidated Statements of Changes in Net Assets

2019 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	51,730	32,240	56,117	(411)	139,676
Changes during period					
Dividends of surplus			(3,551)		(3,551)
Profit (loss) attributable to owners of parent			(603)		(603)
Reversal of revaluation reserve for land			(16)		(16)
Change in scope of consolidation			(89)		(89)
Capital increase of consolidated subsidiaries		(34)			(34)
Purchase of treasury shares				(4)	(4)
Disposal of treasury shares		0		0	0
Net changes in items other than shareholders' equity					
Total changes during period	—	(34)	(4,259)	(4)	(4,297)
Balance at end of period	51,730	32,206	51,858	(415)	135,378

	Accumulated other comprehensive income						Non-controlling 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 period	8,040	(49)	44,467	(9,947)	(1,625)	40,885	3,954	184,515
Changes during period								
Dividends of surplus								(3,551)
Profit (loss) attributable to owners of parent								(603)
Reversal of revaluation reserve for land								(16)
Change in scope of consolidation								(89)
Capital increase of consolidated subsidiaries								(34)
Purchase of treasury shares								(4)
Disposal of treasury shares								0
Net changes in items other than shareholders' equity	1,032	16	16	(330)	(413)	321	687	1,008
Total changes during period	1,032	16	16	(330)	(413)	321	687	(3,289)
Balance at end of period	9,071	(33)	44,483	(10,277)	(2,038)	41,206	4,641	181,226

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	51,730	32,206	51,858	(415)	135,378
Changes during period					
Dividends of surplus			(3,551)		(3,551)
Profit (loss) attributable to owners of parent			13,774		13,774
Reversal of revaluation reserve for land			26		26
Change in scope of consolidation			(167)		(167)
Change in scope of equity method			(9)		(9)
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares		(6)		68	62
Net changes in items other than shareholders' equity					
Total changes during period	-	(6)	10,071	65	10,130
Balance at end of period	51,730	32,200	61,929	(350)	145,509

	Accumulated other comprehensive income						Non-controlling 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 period	9,071	(33)	44,483	(10,277)	(2,038)	41,206	4,641	181,226
Changes during period								
Dividends of surplus								(3,551)
Profit (loss) attributable to owners of parent								13,774
Reversal of revaluation reserve for land								26
Change in scope of consolidation								(167)
Change in scope of equity method								(9)
Purchase of treasury shares								(3)
Disposal of treasury shares								62
Net changes in items other than shareholders' equity	(5,058)	25	(26)	(1,677)	(2,089)	(8,825)	105	(8,720)
Total changes during period	(5,058)	25	(26)	(1,677)	(2,089)	(8,825)	105	1,410
Balance at end of period	4,013	(8)	44,457	(11,954)	(4,128)	32,381	4,746	182,636

(Millions of yen)

	2019 (From April 1, 2018 To March 31, 2019)	2020 (From April 1, 2019 To March 31, 2020)
Cash flows from operating activities		
Profit before income taxes	102	19,716
Depreciation	15,823	17,005
Increase (decrease) in allowance for doubtful accounts	101	48
Increase (decrease) in retirement benefit liability	(671)	230
Interest and dividend income	(863)	(791)
Interest expenses	1,305	1,369
Share of loss (profit) of entities accounted for using equity method	(471)	(469)
Impairment loss	32	2,397
Loss (gain) on sales and disposal of property, plant and equipment, net	1,902	3,963
Loss (gain) on sales and valuation of investment securities	(87)	(448)
Loss (gain) on sales of shares of subsidiaries and associates	1,873	—
Insurance claim income	(306)	(10,647)
Loss due to fire	13,822	3,112
Decrease (increase) in trade receivables	(4,562)	(2,005)
Decrease (increase) in inventories	(7,098)	1,678
Increase (decrease) in trade payables	603	3,367
Decrease (increase) in retirement benefit asset	1,452	142
Other, net	(1,116)	552
Subtotal	21,843	39,219
Payments for Loss due to fire	(8,029)	(4,147)
Payments for loss on litigation	(255)	—
Income taxes (paid) refund	(6,027)	(1,464)
Proceeds from insurance income	306	10,647
Net cash provided by (used in) operating activities	7,838	44,255
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(24,235)	(30,858)
Proceeds from sales of property, plant and equipment and intangible assets	529	1,344
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(8,797)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	425	—
Proceeds from sales of shares of subsidiaries and associates	475	—
Collection of long-term loans receivable	33	903
Long-term loan advances	(1,940)	(117)
Interest and dividends received	944	810
Other, net	(517)	(2,500)
Net cash provided by (used in) investing activities	(24,286)	(39,216)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	8,719	(13,498)
Proceeds from long-term borrowings	23,316	14,595
Repayments of long-term borrowings	(24,105)	(12,460)
Proceeds from issuance of bonds	10,000	25,000
Redemption of bonds	—	(10,000)
Purchase of treasury shares	(5)	(3)
Interest paid	(1,307)	(1,376)
Dividends paid	(3,550)	(3,551)
Dividends paid to non-controlling interests	(7)	(25)
Other, net	(453)	(487)
Net cash provided by (used in) financing activities	12,608	(1,805)

Effect of exchange rate change on cash and cash equivalents	(106)	(621)
Net increase (decrease) in cash and cash equivalents	(3,945)	2,613
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	22,167	25,084

※ Additional Information

(1) From the fiscal year ended March 31, 2020, Teijin Film Solutions Limited and PT.Indonesia Teijin Film Solution (head office: Republic of Indonesia) are included in the scope of consolidation. Also the Group changed their names to TOYOBO FILMS SOLUTIONS LIMITED and PT. INDONESIA TOYOBO FILM SOLUTIONS. These two subsidiaries are particular subsidiaries of the Company.

(2) 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 third quarter of this fiscal year.

Segment Information

i) 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," "Health care," "Textiles and Trading" 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, non-woven fabrics and other products. The "Health care" 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, functional filters 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 properties.

ii) Segment sales and Operating profit

[Fiscal Year ended March 31, 2019]

(Millions of yen)

	Segment to be reported						Other Business- ses	Total	Adjustment	Consolidated Statements of Income
	Films and Functional Polymers	Industrial Materials	Health care	Textiles and Trading	Real Estate	Total				
Net Sales										
(1) Outside customers	156,241	66,540	34,675	64,585	4,197	326,238	10,460	336,698	—	336,698
(2) Inter-segment sales and transfers	60	317	2,454	482	456	3,769	14,137	17,906	(17,906)	—
Total	156,301	66,857	37,129	65,068	4,653	330,007	24,597	354,604	(17,906)	336,698
Operating Profit	13,727	2,620	5,170	914	1,572	24,002	661	24,663	(2,936)	21,727
Assets	150,834	84,779	44,590	69,122	49,112	398,438	15,080	413,517	47,530	461,047
Others										
Depreciation and Amortization	6,846	2,480	2,826	1,410	588	14,150	301	14,451	1,372	15,823
Capital Expenditure	13,401	4,094	3,066	2,730	468	23,760	431	24,191	1,321	25,512

Note:

- Other includes design and construction of buildings, equipment, etc., information services, logistics services and other items.
- (1) Segment profit or loss adjustment of (¥2,936) million includes eliminations of intersegment transactions of (¥154) million and companywide expenses that are not allocated across reporting segments of (¥2,782) million. The principal components of companywide expenses are those related to basic research and development.
(2) The adjustment of segment assets of ¥47,530 million includes corporate assets of ¥85,531 million that are not allocated to the reportable segments.
(3) The adjustment of increases in property, plant and equipment and intangible assets of ¥1,321 million represents that amount of capital investment related to research and development expenses.
- Segment profit has been adjusted with operating income on the consolidated financial statements.

[Fiscal Year ended March 31, 2020]

(Millions of yen)

	Segment to be reported						Other Businesses	Total	Adjustment	Consolidated Statements of Income
	Films and Functional Polymers	Industrial Materials	Health care	Textiles and Trading	Real Estate	Total				
Net Sales										
(1) Outside customers	158,833	65,405	39,412	61,328	4,405	329,383	10,224	339,607	—	339,607
(2) Inter-segment sales and transfers	87	270	2,086	525	393	3,360	22,473	25,833	(25,833)	—
Total	158,920	65,675	41,498	61,854	4,797	332,744	32,697	365,440	(25,833)	339,607
Operating Profit	16,541	1,035	5,547	561	1,482	25,165	1,141	26,306	(3,512)	22,794
Assets	179,391	81,278	49,750	68,382	48,709	427,511	21,972	449,483	39,390	488,874
Others										
Depreciation and Amortization	7,121	2,723	3,002	1,680	657	15,182	336	15,518	1,487	17,005
Capital Expenditure	21,801	6,848	3,825	1,808	377	34,658	341	34,999	1,446	36,445

Note:

1. Other includes design and construction of buildings, equipment, etc., information services, logistics services and other items.
2. (1) Segment profit or loss adjustment of (¥3,512) million includes eliminations of intersegment transactions of (¥389) million and companywide expenses that are not allocated across reporting segments of (¥3,123) million. The principal components of companywide expenses are those related to basic research and development.
(2) The adjustment of segment assets of ¥39,390 million includes corporate assets of ¥79,704 million that are not allocated to the reportable segments.
(3) The adjustment of increases in property, plant and equipment and intangible assets of ¥1,446 million represents that amount of capital investment related to research and development expenses.
3. Segment profit has been adjusted with operating income on the consolidated financial statements.

(Significant subsequent events)

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 of this resolution are as follows:

(1) Issue amount: ¥20,000 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 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 bonds will be made within the scope stated above at the discretion of the director in charge of the Finance Department.

Disclosure of notes other than those above is omitted because the necessity of their disclosure in the quarterly report is considered immaterial.