

Consolidated Financial Report for Year ended March 31, 2016

Toyobo Co., Ltd.

Stock Code: 3101

Listed on the First Section of the TSE

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

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Date of the General Meeting of the Shareholders: June 28, 2016

Planned start of dividend payments: June 29, 2016

Planned filing of an annual security report: June 28, 2016

(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		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2016	347,763	(1.0)	23,123	12.4	20,393	25.4	10,150	25.0
2015	351,279	(0.1)	20,580	(2.0)	16,257	(11.8)	8,117	(0.5)

(Note) Comprehensive income: Year ended March 31, 2016: ¥ 2,147 million, Year ended March 31, 2015: ¥ 18,182 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	%	%	%
2016	11.43	---	6.4	4.5	6.6
2015	9.14	---	5.4	3.5	5.9

(Reference) Gain (loss) on investment by equity method: Year ended March 31, 2016: ¥ 251 million,
Year ended March 31, 2015: ¥ (1,102) 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
2016	444,587	160,101	35.3	176.75
2015	465,809	161,087	33.9	177.95

(Reference) Total shareholders' equity: March 31, 2016: ¥156,915 million, March 31, 2015: ¥157,988 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
2016	32,337	(10,636)	(21,384)	20,101
2015	20,107	(20,089)	797	20,389

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			
2015	---	0.00	---	3.50	3.50	3,107	38.3	2.1
2016	---	0.00	---	3.50	3.50	3,107	30.6	2.0
2017 (Forecast)	---	0.00	---	3.50	3.50		23.9	

3. Forecasts for Fiscal Year ending March 31, 2017

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim period	170,000	(5.4)	12,000	14.2	11,000	14.0
Fiscal year	360,000	3.5	25,000	8.1	23,000	12.8

	Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Yen
Interim period	6,000	12.0	6.76
Fiscal year	13,000	28.1	14.64

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. 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 : Yes
- 4) Error correction : None

3. Number of Shares Outstanding (Common stock)

Number of shares outstanding at fiscal year-end:

2016: 890,487,922 shares 2015: 890,487,922 shares

Number of treasury stocks at fiscal year-end:

2016: 2,684,458 shares 2015: 2,653,322 shares

Average number of shares outstanding:

2016: 887,817,013 shares 2015: 887,850,475 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	%
2016	208,719	(5.7)	14,354	6.3	11,229	8.3	4,509	1.6
2015	221,237	(1.2)	13,502	(3.8)	10,370	8.0	4,437	228.6

	Net income per share	Net income per share after dilution
	Yen	Yen
2016	5.08	---
2015	5.00	---

(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
2016	380,845	149,261	39.2	168.12
2015	398,855	148,741	37.3	167.53

(Reference) Total shareholders' equity: March 31, 2016: ¥149,261 million, March 31, 2015: ¥148,741 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

During the fiscal year ended March 31, 2016, from April 1, 2015 through March 31, 2016, the business environment for the Toyobo Group (hereinafter referred to as the "Group") was characterized by continued uncertainty about the future of the global economy, which included a strengthening sense of economic slowdown in China and the slump in the crude oil prices while the economy in the United States maintained its recovery trend led by the expansion of domestic demand mainly related to personal consumption. Meanwhile, in Japan, the economy enjoyed a mild recovery backed by inbound demand.

Amid this operating environment, the Group continued its activities aimed at becoming "The category leader, continuing to create new value that contributes to society in the environment, healthcare, and high-function products fields." Accordingly the Group is expanding its businesses in Japan and overseas markets through developing specialty products. Also, during the fiscal year under review, the Group promoted business activities in accordance with the five action plans set forth in the Medium-Term Management Plan for the four years covering the period through the fiscal year ending March 2018, namely "accelerating overseas business development," "developing new products and creating new businesses," "increasing competitiveness of domestic businesses," "improving asset efficiency," and "strengthening global Group management."

In "accelerating overseas business development," in the engineering plastics business, Toyobo worked to expand sales in overseas markets, primarily in the United States. Also, in the airbag fabrics business, the Group made efforts to strengthen its production sites in Thailand, China and the United States, taking advantage of the acquisition, jointly done with another company, of an airbag fiber manufacturer based in Germany, and focused on sales expansion targeting new users to promote the building of systems aimed at expansion in the second half of the Medium-Term Management Plan. Furthermore, in the bioproducts business, the Group enhanced production capacity in response to growing demand for enzymes for diagnostic reagents in emerging countries.

In "developing new products and creating new businesses," the Group worked to expand sales of "COSMOSHINE SRF" polarizer protective films for LCDs and "Nerbridge," Japan's first nerve bridging devices and other products. "COSMOSHINE SRF" has been adopted by a major polarizer manufacturer for use in LCD televisions, and sales increased. Meanwhile, as for "Nerbridge," the Group pursued preparations to obtain approval and secure sales routes in the United States aiming at overseas sales amid a steady increase in the number of cases of successful applications and the number of facilities using the product in Japan. The Group also proceeded with clinical trials of bone regeneration inducing materials as a move aimed at future growth and expansion.

As a result, consolidated net sales for the subject fiscal year decreased ¥3.5 billion (1.0%) from the previous fiscal year to ¥347.8 billion. Operating income rose ¥2.5 billion (12.4%) to ¥23.1 billion; ordinary income increased ¥4.1 billion (25.4%) to ¥20.4 billion; and profit attributable to owners of parent increased ¥2.0 billion (25.0%) to ¥10.1 billion.

Results by business segment were as follows:

Films and Functional Polymers

Within this segment, sales decreased but operating income increased from the previous fiscal year despite the impact of adjustments in the LCDs market, the economic slowdown in China and the slump in Japanese automobile production, etc. because there was a decline in costs incurred in connection with sales promotion of new products and the start-up of new production facilities in the films business.

In the films business, sales of packaging film increased due to aggressive sales promotion amid a trend of decline in imported goods as domestic demand was underpinned by inbound demand. Meanwhile, sales of industrial film were affected by adjustments in the LCDs market and stagnation of the smartphone market although "COSMOSHINE SRF" has been adopted by a major polarizer manufacturer for use in LCD televisions, and its sales increased.

In the functional polymers business, the market environment for industrial adhesive "VYLON" in the paint industry and for IT and electronic uses was difficult. Sales of engineering plastics increased overseas, primarily in China, the United States, and Thailand, despite struggling in Japan due to a drop in automobile production.

As a result, sales in this segment declined ¥2.6 billion (1.8%) from the previous fiscal year to ¥143.4 billion, but operating income increased ¥2.9 billion (42.0%) to ¥9.9 billion.

Industrial Materials

Sales and operating income fell in this segment from previous fiscal year despite robust sales of some high-performance fibers and functional filters because sales of the airbag fabrics were weak. The airbag fabrics business was affected by the drop in Japanese automobile production. Sales of high-performance fibers grew despite difficult conditions for sales of "Dyneema" for fishing line applications as sales of "ZYLON" increased primarily for use in heat-resistant materials. In the functional filters business, sales increased because demand for volatile organic compound (VOC) emissions treatment equipment in the Asian market held firm, although sales to the consumer electronics and energy industry were weak. In products for consumer and industrial uses, although polyester staple fibers for use in hygiene products remained favorable, sales of "BREATHAIR" declined.

As a consequence, sales in this segment declined ¥1.0 billion (1.4%) from the previous fiscal year to ¥70.5 billion, and operating income decreased ¥0.3 billion (4.8%) to ¥6.3 billion.

Health care

In this segment, sales and operating income fell from the previous fiscal year because even though sales in the bioproducts business were steady, the medical devices and functional membrane businesses struggled.

In the bioproducts business, sales of reagents for life sciences increased and mainstay enzymes for diagnostic reagents also remained steady, but sales of diagnostic systems struggled. The

medical devices business was affected by the postponement of projects for the contract manufacturing business of pharmaceuticals. In the functional membranes business, replacement demand for Reverse Osmosis (RO) membrane elements for seawater desalination plants in Japan and overseas remained steady, but the business was sluggish overall as there were no shipments for new projects.

As a result, sales in this segment declined ¥1.1 billion (3.7%) from the previous fiscal year to ¥27.7 billion, and operating income decreased ¥0.3 billion (6.3%) to ¥4.7 billion.

Textiles and Trading

In this segment, sales and operating income increased from the previous fiscal year as sales of textiles continued to be strong even though conditions for acrylic fiber were difficult.

Sales of sports apparel to large apparel manufacturers were steady, but sales of nylon fabrics for export struggled, affected by the warm winter. Meanwhile, sales of materials for uniforms, particularly for work wear and school uniform, remained firm.

Sales of textile products increased as exports of materials for traditional Arabic menswear remained firm. Sales of acrylic fibers struggled, reflecting the deterioration in market conditions of materials for winter clothing in China.

As a consequence, sales in this segment rose ¥0.4 billion (0.5%) from the previous fiscal year to ¥85.5 billion, and operating income increased ¥0.2 billion (7.1%) to ¥2.5 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.

Therefore, total sales in these businesses rose ¥0.8 billion (3.9%) from the previous fiscal year to ¥20.6 billion, but operating income increased ¥0.2 billion (8.0%) to ¥2.8 billion.

Forecast for Fiscal 2017 (ending March 31, 2017)

The outlook for the business environment during the fiscal year ending March 31, 2017 overseas is that while the economy in the United States will remain firm, there are concerns about stagnation of the slowing economies in emerging countries in Asia, particularly China, Europe, and the Middle East. On the other hand, in Japan, while the domestic economy is expected to achieve a moderate recovery after a period of stagnation backed by falling crude oil prices and wage increases, the outlook for the Group's business environment, including overseas, is expected to remain uncertain. In view of these prospects for the business environment, the Group will work to build an earnings generating capacity that will be strong in the face of changes in the environment. In addition, the Group will aim to become "The category leader, continuing to create new value that contributes to society in the environment, healthcare, and high-function products fields" as it focuses its corporate resources in highly profitable growth businesses. In addition, through activities, including

increasing asset efficiency and strengthening financial position, the Group will endeavor to become a “strong company,” with growth potential and stable profitability.

As a result of these activities, for the fiscal year ending March 31, 2017, the Group is forecasting net sales of ¥360.0 billion (an increase of ¥12.2 billion year on year), operating income of ¥25.0 billion (an increase of ¥1.9 billion), ordinary income of ¥23.0 billion (an increase of ¥2.6 billion), and profit attributable to owners of parent of ¥13.0 billion (an increase of ¥2.9 billion).

(2) Analysis of Financial Position

Assets, Liabilities and Net Assets

Total assets at the end of the subject fiscal year (March 31, 2016) decreased ¥21.2 billion (4.6%) from the end of the previous fiscal year (March 31, 2015) to ¥444.6 billion. This was due mainly to decrease in merchandise and finished goods.

Total liabilities decreased ¥20.2 billion (6.6%) to ¥284.5 billion. This was due mainly to decrease in current portion of bonds.

Total net assets decreased ¥1.0billion (0.6%) to ¥160.1 billion. This was due mainly to decrease in remeasurements of defined benefit plans and foreign currency translation adjustment.

Cash Flows

Net cash proceeded by operating activities amounted to ¥32.3billion at the end of the subject fiscal year. This consisted mainly of ¥16.2 billion in profit before income taxes and minority interests; ¥14.4 billion in depreciation and amortization; and ¥5.8 billion decrease in inventories.

Net cash used in investing activities amounted to ¥10.6 billion. This consisted mainly of ¥17.0 billion in expenditures for Purchase of property, plant and equipment and intangible assets; and ¥3.3 billion in proceeds from sales of investment securities.

Net cash used in financing activities amounted to ¥21.4 billion. This consisted mainly of ¥15.2 billion in Repayments of long-term loans payable and ¥10.0 billion in redemption of bonds.

As a result, the balance of cash and cash equivalents at the end of the subject fiscal year (March 31, 2016) stood at ¥20.1 billion, an decrease of ¥0.3 billion from the end of the previous fiscal year (March 31, 2015).

(Reference) Cash Flow Indicators

Years ended March 31

	2012	2013	2014	2015	2016
Equity ratio (%)	29.8	30.8	31.2	33.9	35.3
Equity ratio, based on market value (%)	23.9	31.8	31.5	30.9	33.7
Interest-bearing debt to cash flow ratio (Years)	10.9	5.3	7.1	8.8	5.1
Interest coverage ratio (Times)	6.6	16.0	13.3	11.3	19.4
D/E ratio (Times)	1.19	1.16	1.20	1.12	1.05

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 2016 and 2017

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 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* of 30%.

Toyobo plans to pay a year-end dividend for the subject fiscal year of ¥3.50 per share. For fiscal 2017, we currently expect to pay a dividend of ¥3.50 per share. However, this will be reviewed in the future based on the policy above.

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

2. MANAGEMENT POLICY

(1) Basic Management Policy

The basic philosophy of the Toyobo Group in Japanese is Jun-Ri-Soku-Yu. This means “adhering to reason leads to prosperity.” Following this philosophy, to continue to be a company that is trusted by all its stakeholders, the Group will contribute to the creation of a sound and sustainable society by offering socially beneficial products and services. Toyobo’s management policy is “continuous reform of business portfolio.” Under this policy, Toyobo works to increase its corporate value by concentrating its corporate resources in businesses that are profitable and have growth potential, aggressively expanding its business activities in the domestic and overseas markets, while also increasing its capital efficiency and strengthening its financial position.

(2) Target Managerial Indicators

The indicator that Toyobo management emphasizes is return on total invested capital, or ROA. Taking account of the cost of capital, Toyobo aims to generate ROA of 8% or more. Each of the Company’s business departments and Group companies are evaluated by uniform criteria that include profitability, ROA, and cash flow. Portfolio reforms are based on these evaluations.

To assess its financial position, Toyobo emphasizes its debt to equity ratio, which is defined as the ratio of interest-bearing debt to net assets (excluding minority interests). Toyobo aims for a strong financial position and has set the objective of reducing its debt to equity ratio to 1.0 in the medium term.

(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,” “increasing competitiveness of domestic businesses,” “improving asset efficiency,” and “strengthening global Group management.” Based on these action plans, the Group endeavored to strengthen the business base during the first half of the Medium-Term Management Plan, including the establishment of overseas production sites for airbag fabrics, the operation of new production facilities for film and sales promotion for new products in addition to innovation in the polyester chain. During the second half of the Medium-Term Management Plan, the Group will take maximum advantage of this business base as it strives for “further expanding its businesses.”

(a) Accelerating Overseas Business Development

At present, overseas sales of the Toyobo Group account for only slightly less than 30% of total sales, and this is an issue to be addressed. Looking ahead, drawing on the infrastructure of its overseas offices, Toyobo will work to expand its overseas sales, concentrating on specialty products that meet the needs of regional markets and focusing on growth markets, including the emerging countries. Furthermore, Toyobo will accelerate its overseas sales growth through a combination of exports, local production, business alliances, M&A, and other means, and will aim for raising the percentage of overseas sales to total sales to 40% by the fiscal year ending March

2018.

Another important issue will be securing and training personnel who can support the development of Toyobo's overseas business activities. Accordingly, the Company will step up its activities to recruit and train overseas staff members in the local markets and actively pursue personnel strategies that will enable it to recruit and draw on the capabilities of a diversity of human resources.

(b) Developing New Products and Creating New Businesses

In the area of developing new products, the Toyobo Group will continue to develop promising new products in line with plans and nurture them into true growth drivers, such as "COSMOSHINE SRF," which has been adopted by major polarizer manufacturers for use in LCD televisions, and "Nerbridge," for which preparations are proceeding aimed at expansion into the United States.

Also, Toyobo has positioned "regeneration inducing materials," "overseas films business development," and "membranes" as the three priority fields for expansion in the future and will actively strive for business development. Furthermore, amid shortening product lifecycles, open innovation utilizing external collaboration will become increasingly important in order to speed up the development of new products. Consideration of commercialization of bone regeneration inducing materials in collaboration with universities is an example of this. The Toyobo Group has established "MIRAI", New Business Planning Group in Corporate Planning Department as an organization to promote the development of new products and will continue to speed up the development of new products while actively incorporating open innovation going forward.

(c) Strengthening Competitiveness in Domestic Businesses

Cost-competitiveness is the source of corporate competitiveness, and Toyobo is continuing to address the need to constantly reduce costs as the management's attitude. Along with reforms in the materials procurement chain, the Company is proceeding with structural reforms in its domestic business network, including the realignment of its production capacity and attracting businesses to make use of its idle land resources. Also, in both the Company's line and staff departments, it has set goals and policies for cost reduction and is conducting the thoroughgoing monitoring of progress in those policies. Through these and other activities, Toyobo is endeavoring to strengthen competitiveness in its domestic businesses.

(d) Improving Asset Efficiency

In the textile fields, the Company has not hesitated to reform its business structure with reducing the size and closing 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. Looking ahead also, the Company will review its businesses from a portfolio reform perspective and, at all business levels, proceed with thoroughgoing reforms, emphasizing increasing asset efficiency together with Group companies.

(e) Strengthening Global Management Functions

To accelerate overseas business development and expand the Company's business operations, the strengthening of global Group management functions will be an important issue. Specifically, the Company will work to strengthen its systems for global performance management, review the operation of its organization, and upgrade its IT systems to support global management. In addition, the Company will review its human resource management systems to secure and train personnel needed for global operations.

The Toyobo Group will implement these action plans steadily and aim to create a "strong company," with growth potential and stable profitability that can contribute to societies around the world and continue to create new technologies and products in addition to achieving future growth and expansion.

3. 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.

4. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

(Millions of yen)

	2015 (As of March 31, 2015)	2016 (As of March 31, 2016)
Assets		
Current assets		
Cash and deposits	20,550	20,258
Notes and accounts receivable - trade	83,710	81,176
Merchandise and finished goods	50,576	44,416
Work in process	15,942	15,498
Raw materials and supplies	15,865	15,424
Deferred tax assets	4,925	5,147
Other	5,431	5,105
Allowance for doubtful accounts	(391)	(390)
Total current assets	196,607	186,633
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	48,371	48,966
Machinery, equipment and vehicles, net	45,618	44,105
Land	106,248	106,025
Construction in progress	4,271	5,357
Other, net	4,780	4,485
Total property, plant and equipment	209,289	208,937
Intangible assets		
Other	3,311	3,860
Total intangible assets	3,311	3,860
Investments and other assets		
Investment securities	28,060	23,459
Deferred tax assets	14,019	14,053
Net defined benefit asset	5,019	—
Other	10,381	8,509
Allowance for doubtful accounts	(877)	(863)
Total investments and other assets	56,602	45,157
Total non-current assets	269,202	257,954
Total assets	465,809	444,587

(Millions of yen)

	2015 (As of March 31, 2015)	2016 (As of March 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	49,173	43,441
Short-term loans payable	40,949	40,586
Current portion of bonds	10,000	—
Current portion of long-term loans payable	14,669	20,091
Deposits received	10,922	5,484
Provision for bonuses	4,108	4,289
Other	16,428	16,799
Total current liabilities	146,250	130,690
Non-current liabilities		
Bonds payable	25,000	25,000
Long-term loans payable	85,425	78,697
Deferred tax liabilities for land revaluation	21,922	21,228
Provision for directors' retirement benefits	339	317
Provision for environmental measures	831	945
Net defined benefit liability	17,244	20,192
Other	7,712	7,416
Total non-current liabilities	158,472	153,795
Total liabilities	304,722	284,486
Net assets		
Shareholders' equity		
Capital stock	51,730	51,730
Capital surplus	32,239	32,239
Retained earnings	32,479	39,540
Treasury shares	(383)	(389)
Total shareholders' equity	116,065	123,119
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,126	5,847
Deferred gains or losses on hedges	(34)	(162)
Revaluation reserve for land	43,920	44,578
Foreign currency translation adjustment	(7,460)	(10,748)
Remeasurements of defined benefit plans	(1,628)	(5,719)
Total accumulated other comprehensive income	41,923	33,796
Non-controlling interests	3,098	3,186
Total net assets	161,087	160,101
Total liabilities and net assets	465,809	444,587

	2015 (From April 1, 2014 To March 31, 2015)	2016 (From April 1, 2015 To March 31, 2016)
Net sales	351,279	347,763
Cost of sales	274,503	268,069
Gross profit	76,775	79,694
Selling, general and administrative expenses	56,195	56,571
Operating income	20,580	23,123
Non-operating income		
Dividend income	623	705
Amortization of negative goodwill	419	—
Foreign exchange gains	1,215	—
Other	1,574	2,293
Total non-operating income	3,832	2,998
Non-operating expenses		
Interest expenses	1,792	1,619
Salaries paid to dispatched employees	882	888
Share of loss of entities accounted for using equity method	1,102	—
Amortization of net retirement benefit obligation at transition	1,569	—
Other	2,809	3,221
Total non-operating expenses	8,155	5,728
Ordinary income	16,257	20,393
Extraordinary income		
Gain on sales of investment securities	362	702
Reversal of provision for environmental measures	798	—
Total extraordinary income	1,160	702
Extraordinary losses		
Loss on disposal of non-current assets	1,573	2,764
Loss on restructuring of business	707	765
Loss on litigation	759	803
Impairment loss	766	—
Loss on liquidation of subsidiaries and associates	869	—
Other	427	538
Total extraordinary losses	5,101	4,871
Profit before income taxes	12,316	16,224
Income taxes - current	2,999	3,728
Income taxes - deferred	1,026	2,230
Total income taxes	4,024	5,958
Profit	8,292	10,266
Profit attributable to non-controlling interests	175	117
Profit attributable to owners of parent	8,117	10,150

	2015 (From April 1, 2014 To March 31, 2015)	2016 (From April 1, 2015 To March 31, 2016)
Profit	8,292	10,266
Other comprehensive income		
Valuation difference on available-for-sale securities	3,175	(1,432)
Deferred gains or losses on hedges	(32)	(128)
Revaluation reserve for land	2,689	685
Foreign currency translation adjustment	1,300	(2,911)
Remeasurements of defined benefit plans, net of tax	2,566	(4,086)
Share of other comprehensive income of entities accounted for using equity method	193	(248)
Total other comprehensive income	9,891	(8,120)
Comprehensive income	18,182	2,147
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,891	2,040
Comprehensive income attributable to non-controlling interests	292	107

(3) Consolidated Statements of Changes in Net Assets

2015 (From April 1, 2014 to March 31, 2015)

(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	26,425	(378)	110,015
Cumulative effects of changes in accounting policies			917		917
Restated balance	51,730	32,239	27,342	(378)	110,932
Changes of items during period					
Dividends of surplus			(3,108)		(3,108)
Profit attributable to owners of parent			8,117		8,117
Reversal of revaluation reserve for land			144		144
Change of scope of consolidation			(15)		(15)
Purchase of treasury shares				(5)	(5)
Disposal of treasury shares		0		0	1
Net changes of items other than shareholders' equity					
Total changes of items during period	—	0	5,138	(5)	5,133
Balance at end of current period	51,730	32,239	32,479	(383)	116,065

	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 current period	3,954	(2)	41,409	(8,864)	(4,203)	32,295	2,805	145,115
Cumulative effects of changes in accounting policies								917
Restated balance	3,954	(2)	41,409	(8,864)	(4,203)	32,295	2,805	146,032
Changes of items during period								
Dividends of surplus								(3,108)
Profit attributable to owners of parent								8,117
Reversal of revaluation reserve for land								144
Change of scope of consolidation								(15)
Purchase of treasury shares								(5)
Disposal of treasury shares								1
Net changes of items other than shareholders' equity	3,172	(32)	2,510	1,404	2,574	9,629	293	9,922
Total changes of items during period	3,172	(32)	2,510	1,404	2,574	9,629	293	15,054
Balance at end of current period	7,126	(34)	43,920	(7,460)	(1,628)	41,923	3,098	161,087

2016 (From April 1, 2015 to March 31, 2016)

(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	32,479	(383)	116,065
Cumulative effects of changes in accounting policies					—
Restated balance	51,730	32,239	32,479	(383)	116,065
Changes of items during period					
Dividends of surplus			(3,107)		(3,107)
Profit attributable to owners of parent			10,150		10,150
Reversal of revaluation reserve for land			18		18
Change of scope of consolidation					—
Purchase of treasury shares				(6)	(6)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	—	0	7,061	(6)	7,055
Balance at end of current period	51,730	32,239	39,540	(389)	123,119

	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 current period	7,126	(34)	43,920	(7,460)	(1,628)	41,923	3,098	161,087
Cumulative effects of changes in accounting policies								—
Restated balance	7,126	(34)	43,920	(7,460)	(1,628)	41,923	3,098	161,087
Changes of items during period								
Dividends of surplus								(3,107)
Profit attributable to owners of parent								10,150
Reversal of revaluation reserve for land								18
Change of scope of consolidation								—
Purchase of treasury shares								(6)
Disposal of treasury shares								0
Net changes of items other than shareholders' equity	(1,279)	(128)	658	(3,288)	(4,091)	(8,128)	88	(8,040)
Total changes of items during period	(1,279)	(128)	658	(3,288)	(4,091)	(8,128)	88	(985)
Balance at end of current period	5,847	(162)	44,578	(10,748)	(5,719)	33,796	3,186	160,101

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	2015 (From April 1, 2014 To March 31, 2015)	2016 (From April 1, 2015 To March 31, 2016)
Cash flows from operating activities		
Profit before income taxes	12,316	16,224
Depreciation	14,916	14,434
Amortization of negative goodwill	(419)	—
Increase (decrease) in allowance for doubtful accounts	(425)	54
Increase (decrease) in net defined benefit liability	710	478
Interest and dividend income	(818)	(854)
Interest expenses	1,792	1,619
Share of (profit) loss of entities accounted for using equity method	1,102	(251)
Impairment loss	766	—
Loss (gain) on sales and disposal of property, plant and equipment, net	1,683	2,764
Loss on liquidation of subsidiaries and associates	869	—
Loss (gain) on sales and valuation of investment securities	(263)	(432)
Special loss on restructuring of businesses	707	765
Loss on litigation	759	803
Decrease (increase) in notes and accounts receivable - trade	(6,215)	1,571
Decrease (increase) in inventories	(5,942)	5,804
Increase (decrease) in notes and accounts payable - trade	(1,064)	(5,377)
Increase (decrease) in net defined benefit asset	2,212	1,606
Other, net	954	(2,726)
Subtotal	<u>23,642</u>	<u>36,483</u>
Payments for loss on litigation	(820)	(773)
Income taxes (paid) refund	(2,715)	(3,373)
Net cash provided by (used in) operating activities	<u>20,107</u>	<u>32,337</u>
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(17,949)	(16,958)
Proceeds from sales of property, plant and equipment and intangible assets	1,725	382
Proceeds from sales of investment securities	255	3,328
Proceeds from sales of shares of subsidiaries and associates	390	631
Payments for investments in capital	(3,565)	(80)
Collection of long-term loans receivable	217	1,163
Payments of long-term loans receivable	(2,187)	(2)
Interest and dividend income received	818	873
Other, net	207	27
Net cash provided by (used in) investing activities	<u>(20,089)</u>	<u>(10,636)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(5,310)	182
Proceeds from long-term loans payable	29,623	13,924
Repayments of long-term loans payable	(31,689)	(15,162)
Proceeds from issuance of bonds	15,000	—
Redemption of bonds	—	(10,000)
Purchase of treasury shares	(6)	(8)
Repayments of finance lease obligations	(1,926)	(407)
Interest expenses paid	(1,775)	(1,669)
Cash dividends paid	(3,115)	(3,111)
Dividends paid to non-controlling interests	(5)	(19)
Repayments of deposits received from employees	—	(5,114)

Net cash provided by (used in) financing activities	797	(21,384)
Effect of exchange rate change on cash and cash equivalents	373	(606)
Net increase (decrease) in cash and cash equivalents	1,187	(288)
Cash and cash equivalents at beginning of period	19,177	20,389
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	19	—
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	6	—
Cash and cash equivalents at end of period	20,389	20,101

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, functional filters, VOC emissions treatment equipment and systems, 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, 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.

Matters Concerning Changes to Reporting Segments

From the first quarter of fiscal 2015, the Company has renamed the former "Life Science" segment and "Textiles" segment as the "Healthcare" segment and the "Textiles & Trading" segment respectively in conjunction with organizational restructuring. Furthermore, the Company has implemented organizational changes in order to reinforce business synergies and has moved the AP business, which was previously included in the "Films & Functional Polymers" business, into the "Industrial Materials" business segment. The Company also reviewed its management structure in line with business expansion and moved some business segments of the consolidated subsidiaries, which were previously included in the "Other Businesses" segment into "Textiles & Trading" and some business segments of the consolidated subsidiaries, which were previously included in "Textiles" into "Films & Functional Polymers," "Healthcare," "Textiles & Trading" and "Real Estate" respectively. Segment information for the third quarter of the previous fiscal year has been prepared in accordance with the method of classification following the changes.

ii) Segment sales and operating income

[Fiscal Year ended March 31, 2015]

(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	146,029	71,520	28,777	85,093	4,001	335,419	15,859	351,279	—	351,279
(2) Inter-segment sales and transfers	0	307	80	66	1,148	1,601	10,837	12,438	(12,438)	—
Total	146,029	71,827	28,857	85,159	5,148	337,021	26,696	363,717	(12,438)	351,279
Operating Income	6,988	6,601	5,042	2,334	2,236	23,201	394	23,596	(3,016)	20,580
Assets	146,533	76,147	33,570	77,577	49,541	383,368	18,534	401,902	63,906	465,809

Others Depreciation and Amortization	7,268	2,036	2,101	1,662	717	13,785	383	14,168	749	14,916
Capital Expenditure	4,909	2,946	4,080	1,799	1,884	15,617	339	15,956	1,535	17,491

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

2. Includes segment income adjustment of (¥3,016) million, eliminations of inter segment transactions of (¥ 222) million, and companywide expenses that are not allocated across reporting segments of (¥2,794) 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, 2016]

(Millions of yen)

	Segment to be reported						Other Busines- 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	143,398	70,522	27,723	85,486	4,203	331,331	16,432	347,763	—	347,763
(2) Inter-segment sales and transfers	0	237	77	117	1,143	1,574	12,050	13,624	(13,624)	—
Total	143,398	70,759	27,800	85,603	5,346	332,906	28,482	361,387	(13,624)	347,763
Operating Income	9,920	6,288	4,726	2,500	2,270	25,704	571	26,275	(3,152)	23,123
Assets	139,922	73,488	34,830	74,751	50,954	373,945	18,528	392,473	52,114	444,587
Others Depreciation and Amortization	6,420	2,097	2,330	1,656	745	13,249	392	13,641	793	14,434
Capital Expenditure	6,793	3,678	2,376	2,010	618	15,475	443	15,918	1,418	17,336

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

2. Includes segment income adjustment of (¥3,152) million, eliminations of inter segment transactions of (¥ 305) million, and companywide expenses that are not allocated across reporting segments of (¥2,847) 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.