

## Consolidated Financial Report for the First Quarter ended June 30, 2017

### 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 &amp; Representative Director

Contact Person: Fuyuhiko Kubota, General Manager, Corporate Communication Department TEL: +81-6-6348-3044

Quarterly report filing date (Planned): August 10, 2017

(Figures are rounded to the nearest million yen)

## 1. Consolidated Business Performance

### (1) Consolidated Operating Results

First quarter ended June 30

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2017	78,474	(5.1)	4,983	8.3	4,337	27.2	2,805	15.4
2016	82,734	(7.5)	4,602	3.1	3,411	(21.4)	2,430	5.7

(Note) Comprehensive profit: First quarter ended June 30, 2017: ¥ 4,170 million (- %),

First quarter ended June 30, 2016: ¥ (445) million (- %),

	Net profit per share	Net profit per share after dilution
	Yen	Yen
2017	3.16	—
2016	2.74	—

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	%
June 30, 2017	444,700	172,691	38.0	190.42
March 31, 2017	450,790	170,910	37.2	188.98

(Reference) Total shareholders' equity: June 30, 2017: ¥169,050 million, March 31, 2017: ¥167,773 million

## 2. Dividends

Record date	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 3/2017	—	0.00	—	3.50	3.50
FY 3/2018	—				
FY 3/2018 (Forecast)		0.00	—	35.00	35.00

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



※ 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.

(Regarding the earnings forecasts and dividends after consolidation of shares)

At the 159th General Meeting of Shareholders (the "Meeting") held on June 28, 2017, the Company obtained approval to conduct a consolidation of shares, and it plans to implement a 10:1 share consolidation of common stock with an effective date of October 1, 2017.

Without factoring in the consolidation of shares

- Net profit per share in the consolidated earnings forecast (full year) for the fiscal year ending March 31, 2018: ¥15.21
- Year-end dividend per share (forecast) for the fiscal year ending March 31, 2018: ¥3.50

## 1. Qualitative Information and Financial Statements

### (1) Qualitative Information on Consolidated Results

As for the business environment for the Toyobo Group (hereinafter referred to as the “Group”) in the three months ended June 30, 2017, in the global economy, the economy in the United States continued to expand at a moderate pace backed by the domestic demand and economic slowdown was alleviated in China due to the authorities’ economic prop-up measures. In Europe, the economy made a gradual recovery in the Euro area, despite concerns about the impact of the weak British pound. Meanwhile, in Japan, the economy enjoyed a mild recovery based on background of strong foreign demand and an improvement in capital expenditure.

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 three months 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, the Group established a new sales base in India, while continuously working to expand sales in overseas markets. Also, in the airbag fabrics business, as a global manufacturer engaged in integrated production from yarn to fabrics, the Group proceeded with the acquisition of certifications for overseas customers and prepared for the business expansion starting from the second half of the fiscal year under review.

In “developing new products and creating new businesses,” the Group promoted sales expansion of polarizer protective films for LCDs “COSMOSHINE SRF” mainly to major polarizer manufacturers. Meanwhile, as for “Nerbridge,” a conduit for peripheral nerve regeneration, the number of cases of successful applications increased in Japan while the Group pursued preparations for sales in the United States.

As a result, consolidated net sales in the three months ended June 30, 2017 decreased ¥4.3 billion (5.1%) over the same period of the previous fiscal year, to ¥78.5 billion. Operating profit increased ¥0.4 billion (8.3%), to ¥5.0 billion, ordinary profit increased ¥0.9 billion (27.2%) to ¥4.3 billion, and profit attributable to owners of parent increased ¥0.4 billion (15.4%), to ¥2.8 billion.

Results by business segment were as follows:

The Company changed its reporting segment classification from the three months under review. Accordingly, in the following segment information, the figures for the three months of the previous fiscal year have been restated in accordance with the method of classification existing after the aforesaid change for the purpose of comparing them with those of the three months of this fiscal year.

## **Films and Functional Polymers**

Within this segment, sales and operating profit increased from the same period of the previous fiscal year because of a sales growth of industrial film products and the further sales expansion of some functional polymers products, despite the effects of raw material prices.

In the films business, packaging film was affected by the rise in raw material prices. Meanwhile, sales of industrial film grew centered on specialized film products for electronic components.

In the functional polymers business, sales of engineering plastics increased due to brisk sales to the automobile industry both in Japan and overseas. As for photo functional materials, sales of overseas products for Asia and other regions were strong.

As a result, sales in this segment increased ¥1.4 billion (4.1%) from the same period of the previous fiscal year to ¥36.9 billion, and operating profit increased ¥0.2 billion (8.3%) to ¥3.0 billion..

## **Industrial Materials**

Sales decreased but operating profit increased in this segment from the same period of the previous fiscal year, despite flagging sales of high-performance fibers because sales of products for consumer and industrial uses were recovering.

In products for consumer and industrial uses, market conditions improved for the PPS fiber material for filter bags "PROCON". Meanwhile, as for high-performance fibers, although sales of "IZANAS" remained favorable, sales of "ZYLON" remained sluggish.

As a result, sales in this segment decreased ¥0.2 billion (1.4%) from the same period of the previous fiscal year to ¥14.5 billion, but operating profit increased ¥0.3 billion (54.5%) to ¥0.8 billion.

## **Healthcare**

In this segment, sales and operating profit decreased from the same period of the previous fiscal year, despite favorable overseas sales in the bio-science & medical business and the membranes & environment business, because sales of some domestic products were weak.

In the bio-science & medical business, sales of reagents for life sciences were steady, but domestic sales of diagnostic systems were slow.

In the membranes & environment business, although sales of Reverse Osmosis (RO) membrane elements for seawater desalination plants were strong, sales of functional filters remained sluggish.

As a result, sales in this segment decreased ¥1.0 billion (11.5%) from the same period of the previous fiscal year to ¥7.6 billion, and operating profit decreased ¥0.2 billion (15.4%) to ¥0.9 billion.

## **Textiles and Trading**

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

Although sales of materials for uniforms remained firm, sales of materials for bedding applications and sports apparel were sluggish.

As a result, sales in this segment decreased ¥4.0 billion (19.7%) from the same period of the previous fiscal year to ¥16.1 billion, and operating profit decreased ¥0 billion (21.9%) to ¥0.2 billion.

## **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 ¥0.6 billion (14.3%) over the same period of the previous fiscal year to ¥3.3 billion, but operating profit increased ¥0 billion (0.5%) to ¥0.7 billion.

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

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

Total assets decreased ¥6.1 billion (1.4%) over the end of the previous fiscal year, to ¥444.7 billion. This was due mainly to decrease in notes and accounts receivable - trade.

Total liabilities decreased ¥7.9 billion (2.8%), to ¥272.0 billion. This was due mainly because of a decrease in short-term loans payable.

Total net assets increased ¥1.8 billion (1.0%) to ¥172.7 billion. This was due mainly because of an increase in valuation difference on available-for-sale securities.

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

The performance of the Toyobo Group in the three months ended June 30, 2017 was generally as forecast. Regarding the outlook for performance through the end of the second quarter (interim period) and the forecast for the full fiscal year, no changes have been made in the outlook announced on May 11, 2017.

### 3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2017) (Condensed)	Current First Quarter (As of June 30, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	32,329	25,163
Notes and accounts receivable - trade	81,407	76,616
Merchandise and finished goods	43,516	45,339
Work in process	13,916	14,062
Raw materials and supplies	15,336	15,517
Other	10,097	11,489
Allowance for doubtful accounts	(309)	(335)
Total current assets	196,293	187,851
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	48,445	48,696
Machinery, equipment and vehicles, net	44,208	44,708
Land	105,578	105,448
Other, net	9,675	9,828
Total property, plant and equipment	207,906	208,680
Intangible assets	4,186	4,221
Investments and other assets		
Other	43,227	44,756
Allowance for doubtful accounts	(821)	(807)
Total investments and other assets	42,406	43,949
Total non-current assets	254,497	256,849
Total assets	450,790	444,700

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2017) (Condensed)	Current First Quarter (As of June 30, 2017)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	42,721	43,740
Short-term loans payable	39,989	32,816
Current portion of long-term loans payable	22,916	22,719
Provision	4,841	2,376
Other	26,397	26,457
Total current liabilities	136,865	128,107
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term loans payable	65,440	66,334
Provision for directors' retirement benefits	322	287
Provision for environmental measures	791	786
Net defined benefit liability	18,331	18,190
Other	28,132	28,305
Total non-current liabilities	143,016	143,902
Total liabilities	279,880	272,010
<b>Net assets</b>		
Shareholders' equity		
Capital stock	51,730	51,730
Capital surplus	32,239	32,239
Retained earnings	45,919	45,878
Treasury shares	(393)	(394)
Total shareholders' equity	129,495	129,453
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,388	7,321
Deferred gains or losses on hedges	(58)	(52)
Revaluation reserve for land	44,467	44,467
Foreign currency translation adjustment	(10,268)	(10,179)
Remeasurements of defined benefit plans	(2,251)	(1,960)
Total accumulated other comprehensive income	38,278	39,597
Non-controlling interests	3,137	3,641
Total net assets	170,910	172,691
Total liabilities and net assets	450,790	444,700



(Millions of yen)

	Previous First Quarter (Three months ended June 30, 2016)	Current First Quarter (Three months ended June 30, 2017)
Net sales	82,734	78,474
Cost of sales	63,188	59,471
Gross profit	19,546	19,003
Selling, general and administrative expenses	14,944	14,019
Operating profit	4,602	4,983
Non-operating income		
Dividend income	307	346
Other	486	353
Total non-operating income	793	698
Non-operating expenses		
Interest expenses	386	356
Salaries paid to dispatched employees	211	314
Other	1,387	675
Total non-operating expenses	1,984	1,345
Ordinary profit	3,411	4,337
Extraordinary income		
Gain on sales of non-current assets	—	36
Gain on extinguishment of tie-in shares	—	28
Total extraordinary income	—	64
Extraordinary losses		
Loss on disposal of non-current assets	65	188
Loss on litigation	179	113
Other	24	1
Total extraordinary losses	268	302
Profit before income taxes	3,143	4,098
Income taxes	706	1,257
Profit	2,437	2,841
Profit attributable to non-controlling interests	7	36
Profit attributable to owners of parent	2,430	2,805

(Millions of yen)

	Previous First Quarter (Three months ended June 30, 2016)	Current First Quarter (Three months ended June 30, 2017)
Profit	2,437	2,841
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,664)	945
Deferred gains or losses on hedges	(36)	6
Foreign currency translation adjustment	(1,383)	174
Remeasurements of defined benefit plans, net of tax	399	291
Share of other comprehensive income of entities accounted for using equity method	(197)	(87)
Total other comprehensive income	(2,881)	1,329
Comprehensive income	(445)	4,170
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(366)	4,124
Comprehensive income attributable to non-controlling interests	(78)	47

**(3) Note to Going Concern:**

Not applicable

**(4) Notes on Significant Changes in Shareholders' Equity**

Not applicable

**(5) Segment Information****a. Segment information by business type**

( i ) Previous first quarter (from April 1, 2016 to June 30, 2016)

(Millions of yen)

	Segment to be reported						Other Business- ses (Note 1)	Total	Adjust ment (Note 2)	Consolidated Statements of Profit (Note 3)
	Films and Functional Polymers	Industrial Materials	Health care	Textiles and Trading	Real Estate	Total				
Net Sales										
(1) Outside customers	35,482	14,666	8,599	20,089	1,189	80,024	2,709	82,734	—	82,734
(2) Inter-segment sales and transfers	—	6	131	29	254	420	2,275	2,695	(2,695)	—
Total	35,482	14,671	8,730	20,118	1,443	80,444	4,984	85,429	(2,695)	82,734
Operating Profit	2,812	511	1,078	225	677	5,303	24	5,328	(726)	4,602

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

2. Includes segment profit adjustment of (¥726) million, eliminations of intersegment transactions of (¥19) million, and companywide expenses that are not allocated across reporting segments of (¥707) million. The principal components of companywide expenses are those related to basic research and development.

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

( ii ) Current first quarter (from April 1, 2017 to June 30, 2017)

(Millions of yen)

	Segment to be reported						Other Business- ses (Note 4)	Total	Adjust ment (Note 5)	Consolidated Statements of Profit (Note 6)
	Films and Functional Polymers	Industrial Materials	Health care	Textiles and Trading	Real Estate	Total				
Net Sales										
(1) Outside customers	36,928	14,459	7,606	16,138	1,127	76,258	2,215	78,474	—	78,474
(2) Inter-segment sales and transfers	—	7	212	74	256	548	2,030	2,578	(2,578)	—
Total	36,928	14,466	7,818	16,212	1,383	76,807	4,245	81,052	(2,578)	78,474
Operating Profit	3,045	790	912	176	564	5,487	141	5,628	(644)	4,983

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

5. Includes segment profit adjustment of (¥644) million, eliminations of intersegment transactions of (¥16) million, and companywide expenses that are not allocated across reporting segments of (¥629) million. The principal components of companywide expenses are those related to basic research and development.

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

※ Matters Concerning Changes to Reporting Segments

Effective from the first quarter of the fiscal year under review, in order to reinforce business synergies, the Company has implemented organizational changes to consolidate its business relating to membranes and release materials, and it has moved the AC business, which was previously included in the “Industrial Materials” business segment, into the “Healthcare” business segment. In accordance with these organizational changes, some business segments of the consolidated subsidiaries were each moved from the “Industrial Materials” business segment to the “Healthcare” business segment. Segment information for the three months ended June 30, 2016 has been prepared in accordance with the method of classification following the changes.