

## Consolidated Financial Report for the First Half ended September 30, 2014

### Toyobo Co., Ltd.

Listed on the First Section of the TSE

Stock Code: 3101

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

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Quarterly report filing date (Planned): November 14 2014

Start of dividend payments (Planned): -

(Figures are rounded to the nearest million yen)

## 1. Consolidated Business Performance

### (1) Consolidated Operating Results

Six months ended September 30

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 3/2015	172,321	(1.2)	9,033	(19.8)	5,260	(51.2)	2,597	(49.7)
FY 3/2014	174,485	2.0	11,268	47.6	10,785	66.5	5,157	90.8

(Note) Comprehensive income: First half ended September 30, 2014: ¥ 3,666 million (-58.6%),

First half ended September 30, 2013: ¥ 8,858 million (257.5%),

	Net income per share	Net income per share after dilution
	Yen	Yen
FY 3/2015	2.92	—
FY 3/2014	5.80	—

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
September 30, 2014	451,658	146,601	31.8
March 31, 2014	456,256	145,115	31.2

(Reference) Total shareholders' equity: September 30, 2014: ¥143,750 million, March 31, 2014: ¥142,310 million

## 2. Dividends

Record date	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 3/2014	—	0.00	—	3.50	3.50
FY 3/2015	—	0.00			
FY 3/2015 (Forecast)			—	3.50	3.50

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

### 3. Forecasts for Fiscal Year Ending March 31, 2015

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 3/2015	360,000	2.4	22,000	4.7	16,500	(10.5)

	Net income		Net income per share
	Millions of yen	%	Yen
FY 3/2015	8,500	4.2	9.57

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

### 4. Other

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

September 30, 2014: 890,487,922 shares	March 31, 2014: 890,487,922 shares
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  - 2) Number of treasury stock
 

September 30, 2014: 2,640,111 shares	March 31, 2014: 2,623,596 shares
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  - 3) Average number of shares outstanding for each period (cumulative term):
 

Six months ended September 30	2014: 887,858,314 shares	
	2013: 888,569,696 shares	

※ Implementation status of Quarterly review

This Financial Results report for the Second Quarter was exempt from Quarterly review which was based on Financial Instruments and Exchange Law of Japan. As of the Second Quarter disclosing, Quarterly review for the quarterly financial statements are under 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.

# 1. QUALITATIVE INFORMATION AND FINANCIAL STATEMENTS

## (1) Qualitative Information on Consolidated Results

Through the second quarter of the fiscal year ending March 31, 2015, from April 1, 2014 through September 30, 2014, the business environment for the Toyobo Group was characterized by recovery trends in the world economy against a background of continued monetary easing in the United States. However, the emerging countries of Asia, including China, continued to experience sluggish conditions. On the other hand, in Japan, the economy was experiencing moderate recovery following the economic and monetary policies implemented by the government. However, as a result of the reactionary decline in consumer spending following the rise in the domestic consumption tax rate, unseasonable weather conditions during the summer, and other factors, economic conditions have stagnated.

Amid this operating environment, the Toyobo Group continued its activities aimed at becoming “The category leader, continuing to create new value that contributes to society in the environment, life science, and high-function products fields.” Accordingly, Toyobo is proceeding with activities targeted at further growth by expanding its businesses in Japan and overseas markets through developing specialty products and increasing their sales. Through the second quarter of the fiscal year in progress, Toyobo announced a new Medium-Term Management Plan for the four years ending March 2018. This plan sets forth five action plans, 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.” During the quarter, Toyobo implemented business plans to realize these five objectives.

In “accelerating overseas business development,” in the airbag fabrics business, Toyobo worked to increase the size of business operations through expanding local production capacity in the United States and strengthening its global supply chain. In addition, in the engineering plastics business, Toyobo is accelerating its sales activities in Central America in anticipation of future growth in the market for automobile parts and has decided to establish a new company in Mexico.

In the area of “developing new products and creating new businesses,” Toyobo focused on expanding sales of “COSMOSHINE SRF” polarizer protective films for LCDs and, on increasing sales of its “Nerbridge” conduits for nerve regeneration, the first such device in Japan. Regarding “COSMOSHINE SRF,” a growing number of overseas customers are adopting this new film for TV applications, and sales rose substantially over the same period of the previous year. Also, with regard to “Nerbridge,” the number of applications of these conduits and the instances of successful treatment are growing. As a result, sales are expanding steadily.

In the area of “increasing competitiveness of domestic businesses,” Toyobo suspended the resin production for PET bottles and decided to withdraw from the polyester raw material business with the aim of strengthening the foundations of its polyester-related business activities. Also, in the polyolefin cast films business, Toyobo made a decision to merge its production company with another company to attain the objectives of increasing production efficiency and expanding business activities overseas.

Please note that, as Toyobo implements these action plans aimed at future growth, expenses were incurred temporarily as the markets for new products undergo development, its production systems are realigned as new production capacity goes into operation, and as it withdraws from the polyester raw material business.

As a consequence of these various activities, consolidated net sales through the second quarter decreased ¥2.2 billion (1.2%) compared with the same quarter of the previous fiscal year, to ¥172.3 billion. Operating income declined ¥2.2 billion (19.8%), to ¥9.0 billion, ordinary income contracted ¥5.5 billion (51.2%), to ¥5.3 billion, and net income decreased ¥2.6 billion (49.7%), to ¥2.6 billion.

Results by business segment were as follows.

### **Films and Functional Polymers**

Within this segment, in the functional polymers business, although sales of automobile and electronics related items held strong, as a result of the impact of expenses related to the start-up of new production capacity and the expansion of new products as well as unseasonable weather conditions during the summer, overall sales decreased, and income declined from the same period of the previous year.

In the films business, operating conditions became more difficult as demand for packaging films began to stagnate in August and thereafter because of the effects of unseasonable weather conditions. In the industrial films business, it was not possible to fully absorb the rise in expenses related to the production transfer to new capacity and the increase in testing costs accompanying full-scale expansion in new products, and, as a result, income rose (declined) year on year.

In the functional polymers business, sales of engineering plastics for automobile use were robust, especially overseas. Sales of industrial adhesive “VYLON” for electronics and IT-related applications expanded steadily.

As a result, sales in this segment decreased ¥0.8 billion (1.1%), to ¥74.1 billion, and operating income declined ¥1.4 billion (28.9%), to ¥3.4 billion.

### **Industrial Materials**

Within this segment, conditions were difficult in the airbag fabrics business, but products for consumer and industrial uses and Spunbond showed favorable performances. Also, in part because of Toyobo’s withdrawal from the tire cord business in the previous fiscal year, sales of this segment decreased year on year, and operating income increased.

In the airbag fabrics business, conditions were lackluster because of the impact of the increase in the consumption tax rate and high raw materials prices. Among high-performance fibers, sales of “Dyneema” were adversely affected by the weakness in the rope and net markets, but sales of “Zylon” for use in heat-resistant materials held firm. In the functional filter business, the market in Asia for volatile organic compound (VOC) emissions treatment equipment recovered. Among products for consumer and industrial

use, sales of "BREATHAIR," a functional cushion material, expanded, and sales in this business increased. Sales of Spunbond long-filament non-woven fabrics to the automobile as well as civil engineering and construction materials industries were favorable.

As a consequence, sales in this segment declined ¥2.5 billion (7.1%) over the same period of the previous year, to ¥32.2 billion, and operating income increased ¥0.3 billion (12.2%), to ¥2.6 billion.

## **Life Science**

In this segment, sales in the bioproducts business were favorable but conditions were difficult in the contract manufacturing business of pharmaceuticals and the medical membrane business. As a result, segment sales increased year on year and operating income decreased.

In the bioproducts business, sales of diagnostic enzymes, which are mainstay products in the biochemical business, were favorable in Japan and overseas. Sales in the contract manufacturing business of pharmaceuticals were adversely affected by the postponement of market development. In the medical devices business, sales of "Nerbridge" expanded steadily. In the functional membrane business, conditions in the medical membrane business were difficult, but sales of reverse osmosis membrane elements for seawater desalination were favorable, as demand for the replacement of elements in Japan and overseas was favorable.

As a result, sales in this segment rose ¥1.0 billion (7.9%), to ¥14.1 billion, and operating income decreased ¥0.3 billion (12.9%), to ¥2.3 billion.

## **Textiles**

Within this segment, sales of sports apparel held firm, but conditions in the textiles and acrylic fiber businesses were difficult. Thus, total sales of this segment decreased, and operating income decreased.

Sales of sports apparel remained firm as market conditions recovered and sales of materials for uniforms continued to be firm. On the other hand, among textiles, sales of materials for traditional Arabic menswear continued to be lackluster, and the volume of overseas sales decreased in part because of the effects of higher prices of raw materials for acrylic fibers.

As a consequence, sales in this segment decreased ¥1.3 billion (3.4%), to ¥38.4 billion, and operating income declined ¥0.8 billion (46.9%), to ¥0.9 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 in line with plans.

Therefore, total sales in these businesses rose ¥1.4 billion (11.9%), to ¥13.6 billion, and operating income decreased ¥0.2 billion (13.7%), to ¥1.2 billion.

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

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

Total assets at the end of the subject first half (September 30, 2014) decreased ¥4.6 billion (1.0%) from the end of the previous fiscal year (March 31, 2014) to ¥451.7 billion. This was due mainly to declines in cash and deposits.

Total liabilities decreased ¥6.1 billion (2.0%) to ¥305.1 billion. This was due mainly to declines in current portion of long-term loans payable.

Total net assets increased ¥1.5 billion (1.0%) to ¥146.6 billion. This was due mainly to an increase in retained earnings, valuation difference on available-for-sale securities and remeasurements of defined benefit plans.

### **Cash Flows**

Net cash provided by operating activities amounted to ¥8.5 billion in the subject first half period. This was due mainly to ¥4.0 billion in income before income taxes; ¥7.5 billion in depreciation and amortization; and a ¥3.0 billion increase in inventories.

Net cash used in investing activities amounted to ¥10.9 billion. This was due mainly to ¥9.1 billion in expenditures for the purchase of property, plant and equipment and intangible assets.

Net cash used in financing activities amounted to ¥2.9 billion. This was due mainly to ¥33.6 billion in proceeds from long-term loans payable; ¥25.5 billion in repayments of long-term loans payable; ¥5.3 billion decrease in short-term loans payable; and a ¥3.1 billion in cash dividends paid.

As a result, the balance of cash and cash equivalents at the end of the subject first half (September 30, 2014) stood at ¥13.8 billion, a decrease of ¥5.4 billion from the end of the previous fiscal year (March 31, 2014).

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

Toyobo's performance through the second quarter was below forecasts released previously. Factors accounting for this included higher-than-anticipated expenses accompanying the start-up of new production facilities and the introduction of new products in the films business, stagnation in demand for packaging films owing to unseasonable weather during the summer, and expenses incurred in connection with the withdrawal from the polyester raw material business.

From the third quarter onward, recovery and expansion in sales of new products in the films business are expected, but this will not be sufficient to offset the shortfall below targets through the second quarter.

As a result, performance for the full fiscal year ending March 31, 2015, is now forecast to be below the forecasts issued previously. Accordingly, performance for the full fiscal year has been revised as noted below.

Year ending March 31, 2015

	Millions of Yen			
	Net Sales	Operating Income	Ordinary Income	Net Income
Previous Forecast (A) (Announced on August 4, 2014)	365,000	24,000	21,500	11,000
Revised Forecast (B)	360,000	22,000	16,500	8,500
Change (B-A)	(5,000)	(2,000)	(5,000)	(2,500)
Percent Change (%)	(1.4)	(8.3)	(23.3)	(22.7)

## **2. Matters Concerning Summary Information (Notes to Financial Statements)**

### Changes in Accounting Principles, Changes in Accounting Estimates, and Retroactive Restatements

Provisions stated in the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, issued May 17, 2012, and hereinafter referred to as the “Retirement Benefits Accounting Standard”), and the “Guidance on the Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, issued May 17, 2012, and hereinafter “Guidance on Retirement Benefits”), which are contained in Section 35 of the Retirement Benefits Accounting Standard and Section 67 of the Guidance on Retirement Benefits, have been applied from the first quarter of fiscal 2014. With this application, the Company has reviewed its method for calculating retirement benefit obligations and retirement benefit expenses. Following this review, the calculation method for the annual allocation of expenses for projected benefit obligations has been changed from the straight-line attribution standard, pro-rated on employees’ years of service, to a benefit formula standard, pro-rated on employees’ benefits. In addition, the Company has changed the method for determining the discount rate from the method based on the average remaining years of service for employees to a method that uses a single weighted average discount rate that reflects the expected periods for payment of retirement obligations and the amount for each payment period.

Regarding the application of standards for retirement benefit accounting: Following the transitional accounting treatment specified in Article 37 of the Accounting Standards for Retirement Benefits, differences arising from changes in accounting methods for retirement benefit obligations and service costs have been added (subtracted) from retained earnings at the beginning of the period through the end of the second quarter.

As a result, obligations for retirement benefits at the beginning of the first quarter under review declined ¥ 2,885 million, other investments reported in other assets decreased ¥ 1,452 million, and retained earnings increased ¥ 917 million. The impact of this change on consolidated operating income, ordinary income, and income before income tax and minority interests for the second quarter of fiscal 2014 was immaterial.



### 3. Consolidated Financial Statements

(1) Consolidated Balance Sheets	(Millions of yen)	
	Previous Fiscal Year (As of March 31, 2014) (Condensed)	Current First Half (As of September 30, 2014)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	19,330	13,939
Notes and accounts receivable - trade	76,826	78,978
Merchandise and finished goods	45,680	47,047
Work in process	14,816	15,779
Raw materials and supplies	14,891	15,409
Other	13,454	10,511
Allowance for doubtful accounts	(367)	(357)
<b>Total current assets</b>	<b>184,630</b>	<b>181,307</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	47,612	47,554
Machinery, equipment and vehicles, net	45,480	46,451
Land	106,736	106,587
Other, net	9,792	8,929
<b>Total property, plant and equipment</b>	<b>209,619</b>	<b>209,522</b>
Intangible assets	3,029	2,692
<b>Investments and other assets</b>		
Other	60,287	59,349
Allowance for doubtful accounts	(1,310)	(1,212)
<b>Total investments and other assets</b>	<b>58,977</b>	<b>58,137</b>
<b>Total non-current assets</b>	<b>271,625</b>	<b>270,351</b>
<b>Total assets</b>	<b>456,256</b>	<b>451,658</b>

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2014) (Condensed)	Current First Half (As of September 30, 2014)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	50,106	48,404
Short-term loans payable	45,903	40,509
Current portion of long-term loans payable	31,180	24,310
Provision	4,502	4,212
Other	28,891	30,844
Total current liabilities	160,582	148,278
Non-current liabilities		
Bonds payable	20,000	15,000
Long-term loans payable	70,831	85,884
Provision for directors' retirement benefits	344	289
Provision for environmental measures	1,577	1,436
Net defined benefit liability	25,227	21,034
Other	32,579	33,136
Total non-current liabilities	150,558	156,779
Total liabilities	311,141	305,057
<b>Net assets</b>		
Shareholders' equity		
Capital stock	51,730	51,730
Capital surplus	32,239	32,239
Retained earnings	26,425	26,846
Treasury shares	(378)	(381)
Total shareholders' equity	110,015	110,433
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,954	4,563
Deferred gains or losses on hedges	(2)	(26)
Revaluation reserve for land	41,409	41,378
Foreign currency translation adjustment	(8,864)	(9,330)
Remeasurements of defined benefit plans	(4,203)	(3,269)
Total accumulated other comprehensive income	32,295	33,317
Minority interests	2,805	2,851
Total net assets	145,115	146,601
Total liabilities and net assets	456,256	451,658

## (2) Consolidated Statements of Income

(Millions of yen)

	Previous First Half (From April 1, 2013 To September 30, 2013)	Current First Half (From April 1, 2014 To September 30, 2014)
Net sales	174,485	172,321
Cost of sales	136,032	135,267
Gross profit	38,454	37,053
Selling, general and administrative expenses	27,186	28,021
Operating income	11,268	9,033
Non-operating income		
Dividend income	334	348
Amortization of negative goodwill	419	419
Other	1,691	940
Total non-operating income	2,445	1,708
Non-operating expenses		
Share of loss of entities accounted for using equity method	—	2,246
Other	2,927	3,234
Total non-operating expenses	2,927	5,480
Ordinary income	10,785	5,260
Extraordinary income		
Gain on sales of investment securities	17	303
Gain on bargain purchase	595	—
Other	—	21
Total extraordinary income	612	324
Extraordinary losses		
Impairment loss	—	596
Loss on disposal of non-current assets	764	493
Loss on litigation	577	373
loss on restructuring of business	1,138	—
Other	678	76
Total extraordinary losses	3,157	1,538
Income before income taxes and minority interests	8,240	4,046
Income taxes	2,552	1,374
Income before minority interests	5,688	2,672
Minority interests in income	531	75
Net income	5,157	2,597

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous First Half (From April 1, 2013 To September 30, 2013)	Current First Half (From April 1, 2014 To September 30, 2014)
Income before minority interests	5,688	2,672
Other comprehensive income		
Valuation difference on available-for-sale securities	1,297	606
Deferred gains or losses on hedges	16	(24)
Revaluation reserve for land	—	(31)
Foreign currency translation adjustment	1,805	(376)
Remeasurements of defined benefit plans, net of tax	—	919
Share of other comprehensive income of entities accounted for using equity method	51	(99)
Total other comprehensive income	3,170	995
Comprehensive income	8,858	3,666
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,278	3,619
Comprehensive income attributable to minority interests	579	48

## (3) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous First Half (From April 1, 2013 To September 30, 2013)	Current First Half (From April 1, 2014 To September 30, 2014)
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	8,240	4,046
Depreciation	6,767	7,493
Interest expenses	852	922
Share of (profit) loss of entities accounted for using equity method	(284)	2,246
Decrease (increase) in notes and accounts receivable - trade	3,541	(2,441)
Decrease (increase) in inventories	182	(3,032)
Increase (decrease) in notes and accounts payable - trade	812	(1,497)
Other, net	(1,391)	2,147
Subtotal	18,719	9,883
Income taxes (paid) refund	(1,764)	(1,400)
Net cash provided by (used in) operating activities	16,955	8,483
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(12,200)	(9,104)
Payments for investments in capital	(1,016)	(3,562)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,093)	—
Proceeds from demerger	739	—
Other, net	1,585	1,744
Net cash provided by (used in) investing activities	(13,985)	(10,922)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(1,048)	(5,328)
Proceeds from long-term loans payable	13,735	33,629
Repayments of long-term loans payable	(9,718)	(25,464)
Redemption of bonds	(10,000)	—
Cash dividends paid	(3,102)	(3,108)
Interest expenses paid	(900)	(886)
Other, net	(839)	(1,730)
Net cash provided by (used in) financing activities	(11,872)	(2,886)
Effect of exchange rate change on cash and cash equivalents	356	(104)
Net increase (decrease) in cash and cash equivalents	(8,545)	(5,429)
Cash and cash equivalents at beginning of period	26,467	19,177
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	1,103	41
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	40	—
Cash and cash equivalents at end of period	19,064	13,789

#### (4) Note to Going Concern

Not applicable

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

Not applicable

#### (6) Segment Information

##### Segment sales and operating income

1) Six months ended September 30, 2013 (from April 1, 2013 to September 30, 2013)

(Millions of yen)

	Segment to be reported						Other Businesses	Total	Adjustment	Consolidated Statements of Income
	Films and Functional Polymers	Industrial Materials	Life Science	Textiles	Real Estate	Total				
Net Sales										
(1) Outside customers	74,902	34,674	13,056	39,729	1,947	164,308	10,177	174,485	—	174,485
(2) Inter-segment sales and transfers	28	95	50	89	611	873	8,027	8,900	(8,900)	—
Total	74,930	34,769	13,106	39,817	2,558	165,181	18,204	183,385	(8,900)	174,485
Operating Income (loss)	4,834	2,348	2,621	1,767	906	12,476	449	12,925	(1,658)	11,268

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

2. Includes segment income adjustment of (¥1,658) million, eliminations of inter segment transactions of (¥ 285) million, and companywide expenses that are not allocated across reporting segments of (¥1,372) 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.

2) Six months ended September 30, 2014 (from April 1, 2014 to September 30, 2014)

(Millions of yen)

	Segment to be reported						Other Businesses	Total	Adjustment	Consolidated Statements of Income
	Films and Functional Polymers	Industrial Materials	Life Science	Textiles	Real Estate	Total				
Net Sales										
(1) Outside customers	74,059	32,216	14,085	38,394	1,793	160,546	11,775	172,321	—	172,321
(2) Inter-segment sales and transfers	-	276	52	45	559	931	5,191	6,122	(6,122)	—
Total	74,059	32,492	14,136	38,438	2,352	161,478	16,966	178,443	(6,122)	172,321
Operating Income (loss)	3,436	2,635	2,284	938	839	10,132	330	10,463	(1,430)	9,033

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

2. Includes segment income adjustment of (¥1,430) million, eliminations of inter segment transactions of (¥ 73) million, and companywide expenses that are not allocated across reporting segments of (¥1,357) 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.

## **(7) Impairment Losses on Fixed Assets and Changes in Goodwill by Reporting Segment**

### Material Impairment Losses on Fixed Assets

In the Films and Functional Polymers segment, impairment losses amounted to ¥546 million.

Impairment losses that have not been allocated by segment were ¥50 million

## **(8) Subsequent Developments**

At the meeting of the Board of Directors held on October 23, 2014, 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 October 23, 2014 to March 31, 2015. However, if the bonds are offered during this period, payments after this period will be accepted.
- (5) Maximum maturity: Three years or more, to 10 years
- (6) Method of redemption: Full amount on maturity. However, a retirement by purchase clause may be included.
- (7) Uses of funds: For redemption of bonds, repayment of borrowings, and purchases of plant and equipment
- (8) Special provisions: These bonds will include a negative pledge clause.
- (9) Other: Decisions regarding matters covered in Article 676 of the Companies Law 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.