November 9, 2017

# Consolidated Financial Report for the First Half ended September 30, 2017

**Toyobo Co., Ltd.** Listed on the First Section of the TSE

Stock Code: 3101 URL http://www.toyobo-global.com/ir/

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(Figures are rounded to the nearest million yen)

## 1. Consolidated Business Performance

### (1) Consolidated Operating Results

Six months ended September 30 Percentages indicate year-on-year increase/ (decrease)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| 2017 | 161,400 | (2.0) | 10,506 | (1.5) | 9,078 | 3.8 | 6,047 | 65.3 |
| 2016 | 164,658 | (8.4) | 10,668 | 1.5 | 8,742 | (9.4) | 3,658 | (31.7) |

(Note) Comprehensive profit: First half ended September 30, 2017: ¥8,676 million 438.3%

First half ended September 30, 2016: ¥ 1,612 million (66.8%)

| | Net profit per share | Net profit per share after dilution |
|---|---|---|
| | Yen | Yen |
| 2017 | 68.11 | — |
| 2016 | 41.20 | — |

※The Company consolidated shares on the basis of one new common share for every 10 common shares with an effective date of October 1, 2017. As a result, net profit per share is calculated assuming the consolidation took place at the beginning of the previous fiscal year.

### (2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Millions of yen | Millions of yen | % | % |
| September 30, 2017 | 447,406 | 177,195 | 38.8 | 1,955.31 |
| March 31, 2017 | 450,790 | 170,910 | 37.2 | 1,889.81 |

(Reference) Total shareholders' equity: September 30, 2017: ¥173,586 million, March 31, 2017: ¥167,773 million

※The Company consolidated shares on the basis of one new common share for every 10 common shares with an effective date of October 1, 2017. As a result, net assets per share are calculated assuming the consolidation took place at the beginning of the previous fiscal year.

## 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 | – | 0.00 | | | |
| FY 3/2018 (Forecast) | | | – | 40.00 | 40.00 |

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

Regarding the revision of the dividend forecast, please refer to "Toyobo Announces Revision to Earnings Forecasts and Revision to Dividend Forecast (Dividend Increase)" which was announced today, on November 9, 2017.

※The Company consolidated shares on the basis of one new common share for every 10 common shares with an effective date of October 1, 2017. As a result, the year-end dividend per share (forecast) for the fiscal year ending March 31, 2018 represents the amount taking into account of the share consolidation.

## 3. Forecasts for Fiscal Year ending March 31, 2018

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

| | Net sales | | Operating profit | | Ordinary profit | |
|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Fiscal year | 340,000 | 3.2 | 25,000 | 7.1 | 22,000 | 6.5 |

| | Profit attributable to owners of parent | | Net profit per share |
|---|---|---|---|
| | Millions of yen | % | Yen |
| Fiscal year | 19,000 | 101.2 | 241.02 |

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

Regarding the revision of the consolidated earnings forecast, please refer to "Toyobo Announces Revision to Earnings Forecasts and Revision to Dividend Forecast (Dividend Increase)" which was announced today, on November 9, 2017.

※The Company consolidated shares on the basis of one new common share for every 10 common shares with an effective date of October 1, 2017. As a result, the net profit per share for the fiscal year ending March 31, 2018 represents the amount taking into account of the share consolidation.

## 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 : None
   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, 2017: 89,048,792 shares    March 31, 2017: 89,048,792 shares

2) Number of treasury stock

September 30, 2017: 271,900 shares    March 31, 2017: 270,958 shares

3) Average number of shares outstanding for each period (cumulative term):

Six months ended September 30    2017: 88,777,427 shares

2016: 88,779,980 shares

※The Company consolidated shares on the basis of one new common share for every 10 common shares with an effective date of October 1, 2017. As a result, number of shares outstanding, number of treasury stock, and average number of shares outstanding for each period are calculated assuming the consolidation took place at the beginning of the previous fiscal year.

※ 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.

For matters regarding the earnings forecasts, please refer to “Toyobo Announces Revision to Earnings Forecasts and Revision to Dividend Forecast (Dividend Increase)” which was announced today, on November 9, 2017.

(How to obtain supplementary document on earnings)

The Company plans to hold a financial results presentation to analysts and institutional investors on November 10, 2017. The presentation materials distributed at this presentation meeting shall be posted on the Company’s website after the meeting has been held.

## 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 six months ended September 30, 2017, in the global economy, while the economy in the United States continued its solid growth since the impact of hurricane strike is limited, the economy in China gradually slowed as capital expenditure by private companies slackened. In the Euro area, the economy made a gradual recovery supported by steady consumer spending. Meanwhile, in Japan, the economy continued its gradual recovery amid a resurgence in corporate activity and improvements in the environment for employment.

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 six 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,” the Group decided to establish a joint venture in Indonesia to produce packaging film for sales expansion of transparent vapor-deposited film “ECOSYAR.” Also, in the airbag fabrics business, the Group proceeded with the increase in production capacity of overseas production sites 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 decided to establish a joint venture for the commercialization of heat-resistant polyimide film “XENOMAX” used in products such as electronic paper displays. In addition, the Group promoted sales expansion of polarizer protective films for LCDs “COSMOSHINE SRF” mainly to major polarizer manufacturers. Furthermore, as for “Nerbridge,” a conduit for peripheral nerve regeneration, the number of cases of successful applications increased steadily in Japan.

As a result, consolidated net sales in the six months ended September 30, 2017 decreased ¥3.3 billion (2.0%) over the same period of the previous fiscal year, to ¥161.4 billion. Operating profit decreased ¥0.2 billion (1.5%), to ¥10.5 billion, ordinary profit increased ¥0.3 billion (3.8%) to ¥9.1 billion, and profit attributable to owners of parent increased ¥2.4 billion (65.3%), to ¥6.0 billion.

Results by business segment were as follows:

The Company changed its reporting segment classification from the three months ended June 30, 2017. Accordingly, in the following segment information, the figures for the six 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 six 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 and the further sales expansion of some functional polymers products, despite the effects of raw material prices.

In the films business, sales of packaging film were struggling due to the effects of raw material prices. Meanwhile, sales of industrial film grew centered on “COSMOSHINE SRF” and specialized films for electronic components.

In the functional polymers business, sales of engineering plastics grew for automobile industry in Japan, and sales of the industrial adhesives “Vylon” increased primarily for use in electronic materials. Also, overseas sales of photo functional materials were strong.

As a result, sales in this segment increased ¥4.1 billion (5.9%) from the same period of the previous fiscal year to ¥73.1 billion, and operating profit increased ¥0.4 billion (6.3%) to ¥6.4 billion.

## Industrial Materials

In this segment, sales and operating profit increased 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 high-performance fibers, although sales of “Tsunooga” and “IZANAS” remained favorable, sales of “ZYLON” remained sluggish. Meanwhile, as for products for consumer and industrial uses, sales of PPS materials for filter bag “PROCON” were recovering.

As a result, sales in this segment increased ¥1.6 billion (5.5%) from the same period of the previous fiscal year to ¥30.5 billion, and operating profit increased ¥0.5 billion (29.4%) to ¥2.2 billion.

## Healthcare

In this segment, sales and operating profit decreased from the same period of the previous fiscal year, despite favorable sales of volatile organic compound (VOC) emissions treatment equipment in Asia, because the condition was difficult in the contract manufacturing business of pharmaceuticals.

In the bio-science & medical business, sales of enzymes for diagnostic reagents and reagents for life sciences increased both in Japan and overseas, but the contract manufacturing business of pharmaceuticals struggled.

In the membranes & environment business, although sales of VOC emissions treatment equipment in Asia were strong, sales of medical membranes remained sluggish.

As a result, sales in this segment decreased ¥1.7 billion (9.3%) from the same period of the previous fiscal year to ¥16.3 billion, and operating profit decreased ¥0.5 billion (21.4%) to ¥1.7 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 some sports apparel and materials for traditional Arabic menswear were sluggish. Furthermore, revenue declined significantly mainly as a result of the termination of the textile business in Brazil, which has affected revenues from the third quarter ended December 31, 2016 onward.

As a result, sales in this segment decreased ¥6.1 billion (15.2%) from the same period of the previous fiscal year to ¥33.8 billion, with an operating loss of ¥0.2 billion. (Compared with operating profit of ¥0.4 billion for the same period of the previous fiscal year.)

### Real Estate and Other Business

This segment includes infrastructure-related businesses, such as real estate, engineering, information processing services, and logistics services. Results in these businesses were generally in line with plans.

As a result, total sales in these businesses decreased ¥1.2 billion (13.5%) over the same period of the previous fiscal year to ¥7.7 billion, and operating profit decreased ¥0.2 billion (13.7%) to ¥1.5 billion.

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

### Assets, Liabilities and Net Assets

Total assets decreased ¥3.4 billion (0.8%) from the end of the previous fiscal year to ¥447.4 billion. This was mainly because of a decrease in cash and deposits.

Total liabilities decreased ¥9.7 billion (3.5%) to ¥270.2 billion. This was mainly because of a decrease in short-term loans payable.

Total net assets increased ¥6.3 billion (3.7%) to ¥177.2 billion. This was due mainly because of an increase in retained earnings.

### Cash Flows

Net cash provided by operating activities amounted to ¥12.8 billion in the subject first half period. This was due mainly to ¥7.8 billion in depreciation, ¥7.7 billion in profit before income taxes and ¥2.5 billion in income taxes (paid) refund.

Net cash used in investing activities amounted to ¥10.6 billion. This was due mainly to ¥11.1 billion in purchase of property, plant and equipment and intangible assets.

Net cash used in financing activities for the six months under review amounted to ¥9.5 billion. Proceeds consisted mainly of ¥15.5 billion from long-term loans payable, whereas cash payments consisted mainly of ¥14.6 billion in repayments of long-term loans payable, ¥6.9 billion in net decrease in short-term loans payable and ¥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, 2017) stood at ¥25.4 billion, a decrease of ¥6.8 billion from the end of the previous fiscal year (March 31, 2017).

## (3) Qualitative Information on Consolidated Forecasts

The Company has revised its consolidated earnings forecast for the fiscal year ending March 31, 2018 from the forecast for the full fiscal year announced on August 7, 2017 in light of the trend of recent earnings. For details, please refer to “Toyobo Announces Revision to Financial Earnings and Revision to Dividend Forecast (Dividend Increase)” which was announced today, on November 9, 2017.

## 3. Consolidated Financial Statements

(1) Consolidated Balance Sheets (Millions of yen)

| | Previous Fiscal Year (As of March 31,2017) (Condensed) | Current First Half (As of September 30, 2017) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 32,329 | 25,575 |
| Notes and accounts receivable - trade | 81,407 | 78,485 |
| Merchandise and finished goods | 43,516 | 43,021 |
| Work in process | 13,916 | 13,545 |
| Raw materials and supplies | 15,336 | 15,214 |
| Other | 10,097 | 13,549 |
| Allowance for doubtful accounts | (309) | (356) |
| Total current assets | 196,293 | 189,033 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 48,445 | 49,647 |
| Machinery, equipment and vehicles, net | 44,208 | 44,641 |
| Land | 105,578 | 105,452 |
| Other, net | 9,675 | 9,960 |
| Total property, plant and equipment | 207,906 | 209,700 |
| Intangible assets | 4,186 | 4,193 |
| Investments and other assets | | |
| Other | 43,227 | 45,012 |
| Allowance for doubtful accounts | (821) | (531) |
| Total investments and other assets | 42,406 | 44,480 |
| Total non-current assets | 254,497 | 258,373 |
| Total assets | 450,790 | 447,406 |

(Millions of yen)

| | Previous Fiscal Year (As of March 31, 2017) (Condensed) | Current First Half (As of September 30,2017) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 42,721 | 42,126 |
| Short-term loans payable | 39,989 | 33,251 |
| Current portion of long-term loans payable | 22,916 | 14,623 |
| Provision | 4,841 | 4,372 |
| Other | 26,397 | 23,945 |
| Total current liabilities | 136,865 | 118,317 |
| Non-current liabilities | | |
| Bonds payable | 30,000 | 30,000 |
| Long-term loans payable | 65,440 | 74,724 |
| Provision for directors' retirement benefits | 322 | 268 |
| Provision for environmental measures | 791 | 773 |
| Net defined benefit liability | 18,331 | 17,929 |
| Other | 28,132 | 28,199 |
| Total non-current liabilities | 143,016 | 151,894 |
| Total liabilities | 279,880 | 270,211 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 51,730 | 51,730 |
| Capital surplus | 32,239 | 32,239 |
| Retained earnings | 45,919 | 49,120 |
| Treasury shares | (393) | (395) |
| Total shareholders' equity | 129,495 | 132,694 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 6,388 | 7,569 |
| Deferred gains or losses on hedges | (58) | (28) |
| Revaluation reserve for land | 44,467 | 44,467 |
| Foreign currency translation adjustment | (10,268) | (9,441) |
| Remeasurements of defined benefit plans | (2,251) | (1,674) |
| Total accumulated other comprehensive income | 38,278 | 40,892 |
| Non-controlling interests | 3,137 | 3,609 |
| Total net assets | 170,910 | 177,195 |
| Total liabilities and net assets | 450,790 | 447,406 |

(Millions of yen)

| | Previous First Half (From April 1, 2016 To September 30, 2016) | Current First Half (From April 1, 2017 To September 30, 2017) |
|---|---|---|
| Net sales | 164,658 | 161,400 |
| Cost of sales | 125,315 | 122,537 |
| Gross profit | 39,343 | 38,863 |
| Selling, general and administrative expenses | 28,675 | 28,358 |
| Operating profit | 10,668 | 10,506 |
| Non-operating income | | |
| Dividend income | 350 | 394 |
| Other | 1,224 | 746 |
| Total non-operating income | 1,574 | 1,140 |
| Non-operating expenses | | |
| Interest expenses | 740 | 652 |
| Salaries paid to dispatched employees | 446 | 606 |
| Other | 2,315 | 1,310 |
| Total non-operating expenses | 3,501 | 2,568 |
| Ordinary profit | 8,742 | 9,078 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 6 | 505 |
| Other | 26 | 99 |
| Total extraordinary income | 32 | 604 |
| Extraordinary losses | | |
| Loss on disposal of non-current assets | 456 | 1,447 |
| Loss on realized foreign currency translation adjustments due to liquidation of foreign subsidiary | 1,057 | — |
| Other | 1,768 | 488 |
| Total extraordinary losses | 3,281 | 1,935 |
| Profit before income taxes | 5,493 | 7,747 |
| Income taxes | 1,840 | 1,726 |
| Profit | 3,652 | 6,020 |
| Loss attributable to non-controlling interests | (5) | (27) |
| Profit attributable to owners of parent | 3,658 | 6,047 |

(Millions of yen)

| | Previous First Half (From April 1, 2016 To September 30, 2016) | Current First Half (From April 1, 2017 To September 30, 2017) |
|---|---|---|
| Profit | 3,652 | 6,020 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (1,118) | 1,328 |
| Deferred gains or losses on hedges | 30 | 30 |
| Foreign currency translation adjustment | (1,145) | 692 |
| Remeasurements of defined benefit plans, net of tax | 789 | 577 |
| Share of other comprehensive income of entities accounted for using equity method | (596) | 28 |
| Total other comprehensive income | (2,041) | 2,656 |
| Comprehensive income | 1,612 | 8,676 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 1,709 | 8,661 |
| Comprehensive income attributable to non-controlling interests | (98) | 15 |

(Millions of yen)

| | Previous First Half (From April 1, 2016 To September 30, 2016) | Current First Half (From April 1, 2017 To September 30, 2017) |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 5,493 | 7,747 |
| Depreciation | 7,310 | 7,801 |
| Interest expenses | 740 | 652 |
| Decrease (increase) in notes and accounts receivable - trade | 868 | 2,695 |
| Decrease (increase) in inventories | 660 | 1,688 |
| Increase (decrease) in notes and accounts payable - trade | (2,291) | (1,422) |
| Other, net | (1) | (3,824) |
| Subtotal | 12,780 | 15,338 |
| Income taxes (paid) refund | (2,149) | (2,548) |
| Net cash provided by (used in) operating activities | 10,631 | 12,789 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment and intangible assets | (7,949) | (11,132) |
| Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation | 293 | ― |
| Other, net | 284 | 545 |
| Net cash provided by (used in) investing activities | (7,372) | (10,587) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | 90 | (6,852) |
| Proceeds from long-term loans payable | 3,386 | 15,523 |
| Repayments of long-term loans payable | (9,192) | (14,627) |
| Proceeds from issuance of bonds | 15,000 | ― |
| Cash dividends paid | (3,106) | (3,103) |
| Interest expenses paid | (745) | (677) |
| Other, net | (197) | 241 |
| Net cash provided by (used in) financing activities | 5,236 | (9,494) |
| Effect of exchange rate change on cash and cash equivalents | (763) | 312 |
| Net increase (decrease) in cash and cash equivalents | 7,733 | (6,979) |
| Cash and cash equivalents at beginning of period | 20,101 | 32,179 |
| Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation | 13 | 211 |
| Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries | ― | 9 |
| Cash and cash equivalents at end of period | 27,847 | 25,420 |

## (4) Note to Going Concern:

Not applicable

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

Not applicable

## (6) Segment Information

### a. Segment information by business type

( Ⅰ ) Six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016) (Millions of yen)

| | Segment to be reported | | | | | | Other Busines-ses (Note 1) | Total | Adjust ment (Note 2) | Consolidated Statements of Income (Note 3) |
|---|---|---|---|---|---|---|---|---|---|---|
| | Films and Functional Polymers | Industrial Materials | Health care | Textiles and Trading | Real Estate | Total | | | | |
| Net Sales | | | | | | | | | — | |
| (1) Outside customers | 69,059 | 28,905 | 17,959 | 39,819 | 2,237 | 157,979 | 6,678 | 164,658 | — | 164,658 |
| (2) Inter-segment sales and transfers | — | 27 | 314 | 92 | 546 | 979 | 5,691 | 6,670 | (6,670) | — |
| Total | 69,059 | 28,932 | 18,273 | 39,911 | 2,783 | 158,958 | 12,369 | 171,327 | (6,670) | 164,658 |
| Operating Profit (loss) | 6,011 | 1,728 | 2,211 | 443 | 1,229 | 11,621 | 505 | 12,126 | (1,458) | 10,668 |

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

2. Includes segment profit adjustment of (¥1,458) million, eliminations of intersegment transactions of (¥124) million, and companywide expenses that are not allocated across reporting segments of (¥1,333) 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.

Information Regarding Impairment Losses on Non-current Assets and Goodwill, etc. by Reporting Segment

(Material Impairment Losses on Non-current Assets)

In the Textiles and Trading segment, impairment loss, which is included in loss on restructuring of business, amounted to ¥420 million.

(Ⅱ) Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017) (Millions of yen)

| | Segment to be reported | | | | | | Other Busines-ses (Note 4) | Total | Adjust ment (Note 5) | Consolidated Statements of Income (Note 6) |
|---|---|---|---|---|---|---|---|---|---|---|
| | Films and Functional Polymers | Industrial Materials | Health care | Textiles and Trading | Real Estate | Total | | | | |
| Net Sales | | | | | | | | | | |
| (1) Outside customers | 73,130 | 30,506 | 16,297 | 33,757 | 2,241 | 155,932 | 5,468 | 161,400 | — | 161,.400 |
| (2) Inter-segment sales and transfers | — | 125 | 1,035 | 147 | 548 | 1,856 | 4,523 | 6,379 | (6,379) | — |
| Total | 73,130 | 30,632 | 17,333 | 33,904 | 2,789 | 157,788 | 9,991 | 167,780 | (6,379) | 161,400 |
| Operating Profit (loss) | 6,392 | 2,236 | 1,738 | (176) | 1,183 | 11,373 | 313 | 11,686 | (1,181) | 10,506 |

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

5. Includes segment income adjustment of (¥1,181) million, eliminations of intersegment transactions of ¥62 million, and companywide expenses that are not allocated across reporting segments of (¥1,243) million. The principal components of company wide expenses are those related to basic research and development.

6. Segment income has been adjusted with operating income 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 six months ended September 30, 2016 has been prepared in accordance with the method of classification following the changes.

(Significant subsequent events)

1. Consolidation of shares and change in the number of shares per share unit

At the meeting of Board of Directors held on April 25, 2017, the Company passed a resolution on partial amendment of the Articles of Incorporation regarding the change in the number of shares per share unit as well as a resolution to submit a proposal on consolidation of shares at the 159th Annual General Meeting of Shareholders held on June 28, 2017. The resolutions were approved and resolved at said Annual General Meeting of Shareholders and became effective on October 1, 2017.

(1) Purpose of the consolidation of shares and change in the number of shares per share unit

Japanese stock exchanges have promoted the “Action Plan for Consolidating Trading Units,” which calls for consolidating trading units (number of shares per share unit) to basic lots of 100 shares for common stock of domestic listed companies in order to enhance the convenience for market users including investors. In accordance with this purport, the Company decided to change its number of shares per share unit from 1,000 shares to 100 shares.

In changing the number of shares per share unit, the Company decided to consolidate its shares on the basis of one share for every 10 shares so that the price level per trading unit of its shares will be maintained and there will be no change in the number of voting rights of each shareholder after the change in the number of shares per share unit.

(2) Details of the consolidation of shares

(a) Class of shares to be consolidated

Common stock

(b) Method and ratio of the consolidation of shares

Effective October 1, 2017, shares held by shareholders who are recorded in the final shareholders’ register as of September 30, 2017 were consolidated on the basis of one share for every 10 shares.

(c) Number of shares to be decreased due to the share consolidation

| | |
|---|---|
| Total number of shares outstanding before the share consolidation (as of September 30, 2017) | 890,487,922 shares |
| Number of shares to be decreased due to the share consolidation | 801,439,130 shares |
| Total number of shares outstanding after the share consolidation | 89,048,792 shares |

(3) Details of the change in the number of shares per share unit

Effective October 1, 2017, the number of shares of common stock per share unit was changed from 1,000 shares to 100 shares.

(4) Schedule of the share consolidation and the change in the number of shares per share unit

| | |
|---|---|
| Date of resolution by the meeting of the Board of Directors | April 25, 2017 |
| Date of resolution by the General Meeting of Shareholders | June 28, 2017 |
| Share consolidation and change in the number of shares per share unit | October 1, 2017 |

2. Transfer of non-current assets (trust beneficiary right)

The Company entered into a transfer contract for a non-current asset (trust beneficiary right) held by the Company, and completed the delivery of the property on October 20, 2017.

(1) Reason for the transfer

The Company transfers the real estate (trust beneficiary right) held by the Company in order to improve the efficiency of assets and the financial standing by making effective use of managerial resources.

(2) Details of the transferred asset

| | |
|---|---|
| Name of the asset | Toyobo Building |
| Location | 2-8, Dojima Hama 2-chome, Kita-ku, Osaka |
| Land area | 5,643.92 $m^2$ |
| Gain from the transfer | ¥10,402 million |
| Current state | Registered office and rental real state |

(Note) The transfer price and book value are not disclosed due to the confidentiality agreement with the transferee.

The gain from the transfer represents the amount net of the book value, expenses associated with the transfer and others.

(3) Overview of the transferee

The transferee is not disclosed due to the confidentiality agreement with the transferee. While the transferee is one Japanese corporation, it does not have any capital ties and personal and business relationships to be stated with the Company, and is not considered as a related party of the Company in view of the situation.

(4) Schedule of the transfer

| | |
|---|---|
| Date of resolution by the meeting of the Board of Directors | September 22, 2017 |
| Date of contract | September 26, 2017 |
| Date of delivery of the property | October 20, 2017 |

(5) Effect on consolidated profit and loss

The gain from the transfer accompanying the transfer of the non-current asset (trust beneficiary right) of ¥10,402 million will be recorded as “gain on sales of non-current assets” in extraordinary income in the third quarter of the fiscal year ending March 31, 2018.