

## Consolidated Financial Report for the First Half ended September 30, 2016

### 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 income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2016	164,658	(8.4)	10,668	1.5	8,742	(9.4)	3,658	(31.7)
2015	179,683	4.3	10,511	16.4	9,652	83.5	5,359	106.4

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

First half ended September 30, 2015: ¥ 4,849 million 31.2%

	Net income per share	Net income per share after dilution
	Yen	Yen
2016	4.12	—
2015	6.04	—

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
September 30, 2016	443,856	158,603	35.0
March 31, 2016	444,587	160,101	35.3

(Reference) Total shareholders' equity: September 30, 2016: ¥155,516 million, March 31, 2016: ¥156,915 million

## 2. Dividends

Record date	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 3/2016	—	0.00	—	3.50	3.50
FY 3/2017	—	0.00			
FY 3/2017 (Forecast)			—	3.50	3.50

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

### 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	%
Fiscal year	340,000	(2.2)	23,000	(0.5)	20,000	(1.9)

	Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Yen
Fiscal year	10,000	(1.5)	11.26

(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 : 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, 2016: 890,487,922 shares	March 31, 2016: 890,487,922 shares
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  - 2) Number of treasury stock
 

September 30, 2016: 2,693,696 shares	March 31, 2016: 2,684,458 shares
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  - 3) Average number of shares outstanding for each period (cumulative term):
 

Six months ended September 30 2016: 887,799,806 shares	
	2015: 887,825,882 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, 2017, from April 1, 2016 through September 30, 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 due to concerns about the impact of the United Kingdom's decision to leave the European Union in Europe, economic slowdown in China and other factors while the economy in the United States continued to expand at a moderate pace backed by the domestic demand. Meanwhile, in Japan, the economy enjoyed a mild recovery supported by steady consumer spending.

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 second quarter of 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 such as the United States and China. 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 "developing new products and creating new businesses," sales of "COSMOSHINE SRF," polarizer protective films for LCDs grew significantly due to the expansion of its adoption mainly by a major polarizer manufacturer. Meanwhile, as for "Nerbridge," a conduit for peripheral nerve regeneration, the number of cases of successful applications increased, and the Group pursued preparations for sales in the United States through achieving FDA 510(k) clearance. In addition, applications of "COCOMI," a stretchable conductive film for wearable devices as materials for sensors have been started.

Furthermore, as part of "improving asset efficiency," the Company has decided to terminate its textile operations in Brazil. In addition, the Company has recognized a reversal of foreign currency translation adjustments accompanying the merging and consolidation of foreign subsidiaries. The expenses accompanying the termination and the loss on the reversal of foreign currency translation adjustments have been recorded as extraordinary losses in the six months ended September 30, 2016.

As a result, consolidated net sales for the second quarter decreased ¥15.0 billion (8.4%) over the same quarter of the previous fiscal year, to ¥164.7 billion. Operating income increased ¥0.2 billion (1.5%), to ¥10.7 billion, ordinary income decreased ¥0.9 billion (9.4%) to ¥8.7 billion, and profit attributable to owners of parent decreased ¥1.7 billion (31.7%), to ¥3.7 billion.

Results by business segment were as follows:

### **Films and Functional Polymers**

Within this segment, sales decreased but operating income increased from the same period of the previous fiscal year despite a sales growth of new products in the films business in addition to the further sales expansion of some functional polymers products because of the fall in raw material prices.

In the films business, sales of packaging film decreased due to the fall in raw material prices. Meanwhile, as for the industrial film, sales grew due to favorable sales of optical film and increased sales of "COSMOSHINE SRF."

In the functional polymers business, the market environment for industrial adhesive "VYLON" for IT and can coatings was difficult. However, sales of the adhesion promoter for polyolefin "HARDLEN" grew for automobile coatings and ink applications. Sales of engineering plastics overseas were steady, despite struggling in Japan due to a shift in automobile production to overseas.

As a result, sales in this segment decreased ¥7.5 billion (9.8%) from the same period of the previous fiscal year to ¥69.1 billion, but operating income rose ¥2.0 billion (50.1%) to ¥6.0 billion.

### **Industrial Materials**

Sales and operating income fell in this segment from the same period of the previous fiscal year despite favorable sales of some high-performance fibers because sales of the airbag fabrics and products for consumer and industrial uses were weak.

The airbag fabrics business struggled affected by the drop in Japanese automobile production. As for high-performance fibers, although sales of "IZANAS" remained favorable for ropes, nets and fishing line applications, sales of "ZYLON" were sluggish. In products for consumer and industrial uses, sales of the PPS fiber material for filter bags "PROCON" were weak, owing to deteriorating market conditions. In the functional filters business, volatile organic compound (VOC) emissions treatment equipment has been affected by the postponed capital expenditure by Asian users.

As a result, sales in this segment decreased ¥2.9 billion (8.2%) from the same period of the previous fiscal year to ¥32.4 billion, and operating income decreased ¥1.2 billion (37.9%) to ¥2.0 billion.

### **Healthcare**

In this segment, sales increased but operating income decreased from the same period of the previous fiscal year although sales in the medical devices business were steady, bioproducts business has been affected by the fluctuation of exchange rates.

In the bioproducts business, although mainstay enzymes for diagnostic reagents have been affected by the fluctuation of exchange rates, sales of reagents for life sciences and diagnostic systems increased. With regard to the medical products business, the contract manufacturing business of pharmaceuticals remained robust. Meanwhile, in the functional membranes business, Reverse Osmosis (RO) membrane elements for seawater desalination plants have been affected by the fluctuation of exchange rates.

As a result, sales in this segment increased ¥1.0 billion (7.5%) from the same period of the previous fiscal year to ¥14.5 billion, and operating income decreased ¥0.2 billion (10.0%) to ¥1.9 billion.

## **Textiles and Trading**

In this segment, sales and operating income decreased from the same period of the previous fiscal year as textiles have been affected by the fluctuation of exchange rates and conditions for acrylic fiber were difficult.

Sales of sports apparel grew steadily although sales of nylon fabrics for export were rather sluggish. Meanwhile, sales of materials for uniforms remained firm, despite sales of materials for inner wear to volume retailers struggled.

Sales of textile products were affected by the fluctuation of exchange rates on exports of materials for traditional Arabic menswear. Acrylic fiber business struggled as exports for China have been affected by anti-dumping policies.

As a result, sales in this segment decreased ¥4.0 billion (9.2%) from the same period of the previous fiscal year to ¥39.8 billion, and operating income decreased ¥0.7 billion (61.5%) to ¥0.4 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 in line with plans.

As a result, total sales in these businesses decreased ¥1.6 billion (15.4%) over the same period of the previous year, to ¥8.9 billion, and operating income rose ¥0.3 billion (19.2%), to ¥1.7 billion.

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

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

Total assets decreased ¥0.7 billion (0.2%) from the end of the previous fiscal year to ¥443.9 billion. This was mainly because of a decrease in notes and accounts receivable - trade.

Total liabilities increased ¥0.8 billion (0.3%) to ¥285.3 billion. This was mainly because of an increase in bonds payable.

Total net assets decreased ¥1.5 billion (0.9%) to ¥158.6 billion. This was due mainly because of a decrease in foreign currency translation adjustment.

### **Cash Flows**

Net cash provided by operating activities amounted to ¥10.6 billion in the subject first half period. This was due mainly to ¥5.5 billion in income before income taxes, ¥7.3 billion in depreciation and amortization, and ¥2.3 billion decrease in notes and accounts payable - trade.

Net cash used in investing activities amounted to ¥7.4 billion. This was due mainly to ¥7.9 billion in expenditures for the purchase of property, plant and equipment and intangible assets.

Net cash used in financing activities amounted to ¥5.2 billion. This was due mainly to ¥15.0 billion in proceeds from issuance of bonds, and ¥9.2 billion in repayments of long-term loans payable.

As a result, the balance of cash and cash equivalents at the end of the subject first half (September 30, 2016) stood at ¥27.8 billion, an increase of ¥7.7 billion from the end of the previous fiscal year (March 31, 2016).

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

Based on the outlook for the market environment surrounding a certain product for consumer and industrial uses business as well as the anticipated lingering effect of anti-dumping policies in China on the acrylic fiber

business, and other factors, forecasts of performance for the full fiscal year ending March 31, 2017, published on August 5, 2016, have been revised as noted below.

Year ending March 31, 2017

	Millions of Yen			
	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent
Previous Forecast (A) (Announced on August 5, 2016)	360,000	25,000	23,000	13,000
Revised Forecast (B)	340,000	23,000	20,000	10,000
Change (B-A)	(20,000)	(2,000)	(3,000)	(3,000)
Percent Change (%)	(5.6)	(8.0)	(13.0)	(23.1)

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

Additional Information

(Change in Fiscal Year-end, Etc. of Consolidated Subsidiaries)

In preparing its financial statements, the Company had used the financial statements prepared as of December 31 with respect to those consolidated subsidiaries whose fiscal year ends on December 31, and accordingly had made the necessary adjustments to consolidated accounts thereof with respect to any material transactions that occurred between December 31 and the date of the consolidated financial statements. However, in order to ensure more appropriate disclosure in the consolidated financial statements, beginning in the first quarter of fiscal 2016, TOYOBO U.S.A., INC. and four other companies changed their respective fiscal year-end dates to March 31, and TOYOBO (SHANGHAI) CO., LTD. and six other companies changed to a method of using financial statements prepared on the basis of a provisional accounts settlement conforming to the accounts settlement performed as of the date of the consolidated financial statements. In line with the changes, the consolidated financial statements reflect the business results of the aforementioned consolidated subsidiaries for the nine months from January 1, 2016, to September 30, 2016.

(Implementation Guidance on Recoverability of Deferred Tax Assets)

The "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) has been applied from the first quarter of fiscal 2016.

### 3. Consolidated Financial Statements

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	20,258	27,982
Notes and accounts receivable - trade	81,176	78,145
Merchandise and finished goods	44,416	43,607
Work in process	15,498	14,324
Raw materials and supplies	15,424	14,990
Other	10,253	10,451
Allowance for doubtful accounts	(390)	(284)
Total current assets	186,633	189,216
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	48,966	48,848
Machinery, equipment and vehicles, net	44,105	44,753
Land	106,025	105,879
Other, net	9,842	8,178
Total property, plant and equipment	208,937	207,658
Intangible assets	3,860	3,945
Investments and other assets		
Other	46,020	43,860
Allowance for doubtful accounts	(863)	(822)
Total investments and other assets	45,157	43,038
Total non-current assets	257,954	254,641
Total assets	444,587	443,856

	As of March 31, 2016	As of September 30, 2016
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	43,441	39,789
Short-term loans payable	40,586	39,552
Current portion of long-term loans payable	20,091	25,596
Provision	4,305	4,721
Other	22,268	18,378
Total current liabilities	130,690	128,036
Non-current liabilities		
Bonds payable	25,000	40,000
Long-term loans payable	78,697	67,355
Provision for directors' retirement benefits	317	289
Provision for environmental measures	945	894
Net defined benefit liability	20,192	20,560
Other	28,644	28,119
Total non-current liabilities	153,795	157,218
Total liabilities	284,486	285,254
<b>Net assets</b>		
Shareholders' equity		
Capital stock	51,730	51,730
Capital surplus	32,239	32,239
Retained earnings	39,540	40,127
Treasury shares	(389)	(391)
Total shareholders' equity	123,119	123,705
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,847	4,688
Deferred gains or losses on hedges	(162)	(132)
Revaluation reserve for land	44,578	44,542
Foreign currency translation adjustment	(10,748)	(12,355)
Remeasurements of defined benefit plans	(5,719)	(4,932)
Total accumulated other comprehensive income	33,796	31,811
Non-controlling interests	3,186	3,086
Total net assets	160,101	158,603
Total liabilities and net assets	444,587	443,856



(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	179,683	164,658
Cost of sales	140,436	125,315
Gross profit	39,247	39,343
Selling, general and administrative expenses	28,736	28,675
Operating income	10,511	10,668
Non-operating income		
Dividend income	402	350
Other	1,196	1,224
Total non-operating income	1,598	1,574
Non-operating expenses		
Interest expenses	849	740
Foreign exchange losses	—	898
Other	1,607	1,863
Total non-operating expenses	2,457	3,501
Ordinary income	9,652	8,742
Extraordinary income		
Gain on sales of investment securities	30	26
Other	23	6
Total extraordinary income	53	32
Extraordinary losses		
Loss on restructuring of Business	—	1,400
Loss on realized foreign currency translation adjustments due to liquidation of foreign subsidiary	—	1,057
Other	1,104	824
Total extraordinary losses	1,104	3,281
Profit before income taxes	8,602	5,493
Income taxes	3,144	1,840
Profit	5,457	3,652
Profit (loss) attributable to non-controlling interests	98	(5)
Profit attributable to owners of parent	5,359	3,658

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Profit	5,457	3,652
Other comprehensive income		
Valuation difference on available-for-sale securities	452	(1,118)
Deferred gains or losses on hedges	(50)	30
Foreign currency translation adjustment	(1,252)	(1,145)
Remeasurements of defined benefit plans, net of tax	420	789
Share of other comprehensive income of entities accounted for using equity method	(178)	(596)
Total other comprehensive income	<u>(608)</u>	<u>(2,041)</u>
Comprehensive income	<u>4,849</u>	<u>1,612</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,758	1,709
Comprehensive income attributable to non-controlling interests	91	(98)

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
<b>Cash flows from operating activities</b>		
Profit before income taxes	8,602	5,493
Depreciation	7,105	7,310
Interest expenses	849	740
Decrease (increase) in notes and accounts receivable - trade	3,831	868
Decrease (increase) in inventories	220	660
Increase (decrease) in notes and accounts payable - trade	(4,653)	(2,291)
Other, net	(1,130)	(1)
Subtotal	14,825	12,780
Income taxes (paid) refund	(1,877)	(2,149)
Net cash provided by (used in) operating activities	12,948	10,631
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(7,553)	(7,949)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	293
Collection of long-term loans receivable	1,136	25
Other, net	1,166	259
Net cash provided by (used in) investing activities	(5,251)	(7,372)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(421)	90
Proceeds from long-term loans payable	11,100	3,386
Repayments of long-term loans payable	(9,782)	(9,192)
Redemption of bonds	(5,000)	—
Proceeds from issuance of bonds	—	15,000
Cash dividends paid	(3,105)	(3,106)
Interest expenses paid	(863)	(745)
Other, net	(229)	(197)
Net cash provided by (used in) financing activities	(8,300)	5,236
Effect of exchange rate change on cash and cash equivalents	(289)	(763)
Net increase (decrease) in cash and cash equivalents	(892)	7,733
Cash and cash equivalents at beginning of period	20,389	20,101
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	13
Cash and cash equivalents at end of period	19,497	27,847

**(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, 2015 (from April 1, 2015 to September 30, 2015)

(Millions of yen)

	Segment to be reported						Other Business- 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	76,540	35,304	13,455	43,845	2,100	171,243	8,440	179,683	—	179,683
(2) Inter-segment sales and transfers	—	170	50	58	561	839	5,053	5,892	(5,892)	—
Total	76,540	35,474	13,505	43,904	2,661	172,082	13,493	185,575	(5,892)	179,683
Operating Income (loss)	4,006	3,241	2,138	1,151	1,168	11,703	287	11,990	(1,479)	10,511

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

2. Includes segment income adjustment of (¥1,479) million, eliminations of intersegment transactions of (¥72) million, and companywide expenses that are not allocated across reporting segments of (¥1,406) 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.

( II ) Six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)

(Millions of yen)

	Segment to be reported						Other Business- 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	69,059	32,403	14,461	39,819	2,237	157,979	6,678	164,658	—	164,658
(2) Inter-segment sales and transfers	—	70	55	92	546	763	5,691	6,454	(6,454)	—
Total	69,059	35,473	14,516	39,911	2,783	158,742	12,369	171,111	(6,454)	164,658
Operating Income (loss)	6,011	2,014	1,925	443	1,229	11,621	505	12,126	(1,457)	10,668

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

5. Includes segment income adjustment of (¥1,457) 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 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.

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.