

Consolidated Financial Report for Year ended March 31, 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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Date of the General Meeting of the Shareholders: June 28, 2017

Planned start of dividend payments: June 29, 2017

Planned filing of an annual security report: June 28, 2017

(Figures are rounded to the nearest million yen.)

1. Consolidated Business Performance

(1) Consolidated Operating Results

Years ended March 31

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2017	329,487	(5.3)	23,332	0.9	20,650	1.3	9,444	(6.9)
2016	347,763	(1.0)	23,123	12.4	20,393	25.4	10,150	25.0

(Note) Comprehensive profit: Year ended March 31, 2017: ¥ 13,519 million, Year ended March 31, 2016: ¥2,147 million

	Net profit per share	Net profit per share after dilution	Return on equity	Ordinary profit-to-total assets ratio	Operating profit-to-net sales ratio
	Yen	Yen	%	%	%
2017	10.64	---	5.8	4.6	7.1
2016	11.43	---	6.4	4.5	6.6

(Reference) Gain (loss) on investment by equity method: Year ended March 31, 2017: ¥ 351 million,
Year ended March 31, 2016: ¥ 251 million

(2) Consolidated Financial Position

At March 31

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2017	450,790	170,910	37.2	188.98
2016	444,587	160,101	35.3	176.75

(Reference) Total shareholders' equity: March 31, 2017: ¥167,773 million, March 31, 2016: ¥156,915 million

(3) Consolidated Cash Flows

Years ended March 31

	Cash flow provided by operating activities	Cash flow used in investing activities	Cash flow used in financing activities	Cash and cash equivalent at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
2017	26,872	(14,132)	(324)	32,179
2016	32,337	(10,636)	(21,384)	20,101

2. Dividends

Years ended/ending March 31

Record date	Dividends per share					Total amount of dividends (for the entire fiscal year) Millions of yen	Payout ratio %	Dividends-to-net assets ratio %
	June 30	Sept. 30	Dec. 31	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen			
2016	---	0.00	---	3.50	3.50	3,107	30.6	2.0
2017	---	0.00	---	3.50	3.50	3,107	32.9	1.9
2018 (Forecast)	---	0.00	---	35.0	35.0		23.0	

(Note) The Company will consolidate shares on the basis of one new common share for every 10 common shares with an effective date of October 1, 2017, and a year-end dividend per share for the fiscal year ending March 31, 2018 (forecast) represents the amount taking into account of this share consolidation. For details, please refer to "Explanation regarding the appropriate use of forecasts of business results."

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	%
Interim period	165,000	0.2	11,000	3.1	10,000	14.4
Fiscal year	340,000	3.2	25,000	7.1	23,000	11.4

	Profit attributable to owners of parent		Net profit per share
	Millions of yen	%	Yen
Interim period	6,000	64.0	6.76
Fiscal year	13,500	42.9	152.06

(Note) Net profit per share in the forecasts of consolidated business results for the fiscal year ending March 31, 2018 (full year) represents the amount taking into account of the share consolidation. For details, please refer to "Explanation regarding the appropriate use of forecasts of business results."

4. Other

- Significant changes in subsidiaries during the subject fiscal year (Transfer of particular subsidiaries following a change in the scope of consolidation): None
- Changes from accounting methods, procedures and the presentation of the consolidated financial statements:
 - Changes based on revision of accounting standards : None
 - Changes other than 1) above : None
 - Changes due to accounting estimation change : None
 - Error correction : None

3. Number of Shares Outstanding (Common stock)
 Number of shares outstanding at fiscal year-end:
 2017: 890,487,922 shares 2016: 890,487,922 shares
 Number of treasury stocks at fiscal year-end:
 2017: 2,709,585 shares 2016: 2,684,458 shares
 Average number of shares outstanding:
 2017: 887,793,375 shares 2016: 887,817,013 shares

(Reference)

1. Non-Consolidated Business Performance

(1) Non-Consolidated Operating Results

Years ended March 31

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

	Net sales		Operating profit		Ordinary profit		Net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2017	196,381	(5.9)	15,304	6.6	13,100	16.7	7,921	75.7
2016	208,719	(5.7)	14,354	6.3	11,229	8.3	4,509	1.6

	Net profit per share	Net profit per share after dilution
	Yen	Yen
2017	8.92	---
2016	5.08	---

(2) Non-Consolidated Financial Position

At March 31

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2017	384,291	155,009	40.3	174.60
2016	380,845	149,261	39.2	168.12

(Reference) Total shareholders' equity: March 31, 2017: ¥155,009 million, March 31, 2016: ¥149,261 million

※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)

The Company decided at a Board of Directors meeting on April 25, 2017 to submit a proposal for consolidation of shares to the 159th General Meeting of Shareholders (the "Meeting") scheduled to be held on June 28, 2017. Subject to this proposal's approval at the Meeting, the Company 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. Operating Results

(1) Analysis of Operating Results

During the fiscal year ended March 31, 2017, from April 1, 2016 through March 31, 2017, 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 based on background of improvements in the environment for employment and income.

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

In "accelerating overseas business development," in the engineering plastics business, the Group decided to establish a new sales base in India, while continuously working to expand sales in overseas markets. Also, in the airbag fabrics business, the Group made efforts to strengthen its production sites in Thailand, China and the United States, and to focus on sales expansion aimed at new users.

In "developing new products and creating new businesses," the Group proceeded with reinforcement of its production capacity for polarizer protective films for LCDs "COSMOSHINE SRF," with a view to the future business expansion, while developing its sales significantly. Meanwhile, as for "Nerbridge," a conduit for peripheral nerve regeneration, the number of cases of successful applications increased in Japan, and the Group pursued preparations for sales in the United States through achieving FDA 510(k) clearance.

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.

As a result, consolidated net sales for the subject fiscal year under review decreased ¥18.3 billion (5.3%) over the previous fiscal year, to ¥329.5 billion. Operating profit increased ¥0.2 billion (0.9%), to ¥23.3 billion, ordinary profit increased ¥0.3 billion (1.3%) to ¥20.7 billion, and profit attributable to owners of parent decreased ¥0.7 billion (6.9%), to ¥9.4 billion.

Results by business segment were as follows:

Films and Functional Polymers

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

In the films business, sales of packaging film decreased due to the fall in raw material prices. Meanwhile, as for the industrial film business, sales of “COSMOSHINE SRF” grew centered on the shipments for major polarizer manufacturers.

In the functional polymers business, sales of the adhesion promoter for polyolefin “HARDLEN” were robust for automobile coatings. Sales volume of engineering plastics overseas increased as a result of sales expansion efforts, despite struggling in Japan due to a shift in automobile production to overseas.

As a result, sales in this segment decreased ¥4.8 billion (3.4%) from the previous fiscal year to ¥138.6 billion, but operating profit increased ¥2.8 billion (28.5%) to ¥12.7 billion.

Industrial Materials

Sales and operating profit decreased in this segment from the previous fiscal year despite favorable sales of some high-performance fibers because sales of products for consumer and industrial uses were weak.

In the airbag fabrics business, sales grew accompanying improving demand in the Japanese market. As for high-performance fibers, although sales of “IZANAS” remained favorable for ropes and nets applications, sales of “ZYLON” remained 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, sales of volatile organic compound (VOC) emissions treatment equipment grew in the Asian market.

As a result, sales in this segment decreased ¥1.3 billion (1.9%) from the previous fiscal year to ¥69.2 billion, and operating profit decreased ¥1.5 billion (23.1%) to ¥4.8 billion..

Health care

In this segment, sales and operating profit decreased from the previous fiscal year, due to the impact of exchange rates fluctuation on the bioproducts business and functional membranes business.

In the bioproducts business, although continuously steady sales of mainstay enzymes for diagnostic reagents have been affected by the fluctuation of exchange rates, sales of diagnostic systems and reagents for life sciences increased. With regard to the medical products business, the contract manufacturing business of pharmaceuticals struggled with getting its projects. Meanwhile, the functional membranes business has been affected by the fluctuation of exchange rates.

As a result, sales in this segment decreased ¥0.6 billion (2.1%) from the previous fiscal year to ¥27.1 billion, and operating profit decreased ¥0.4 billion (9.4%) to ¥4.3 billion.

Textiles and Trading

In this segment, sales and operating profit decreased from the previous fiscal year as textiles have been affected by the fluctuation of exchange rates and conditions for acrylic fiber business 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 underwear to volume retailers struggled were weak.

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

Due to a further deterioration in the Brazilian textile market, the Group decided to terminate its textile business in Brazil having no prospects of recovery.

As a result, sales in this segment decreased ¥7.9 billion (9.3%) from the previous fiscal year to ¥77.6 billion, and operating profit decreased ¥1.4 billion (57.4%) to ¥1.1 billion.

Real Estate and Other Businesses

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

As a result, total sales in these businesses decreased ¥3.6 billion (17.6%) from the previous fiscal year to ¥17.0 billion, but operating income increased ¥0.5 billion (17.7%) to ¥3.3 billion.

(2) Analysis of Financial Position

Assets, Liabilities and Net Assets

Total assets at the end of the subject fiscal year (March 31, 2017) increased ¥6.2 billion (1.4%) from the end of the previous fiscal year (March 31, 2016) to ¥450.8 billion. This was mainly because of an increase in cash and deposits.

Total liabilities decreased ¥4.6 billion (1.6%) to ¥279.9 billion. This was mainly because of a decrease in long-term loans payable.

Total net assets increased ¥10.8 billion (6.8%) to ¥170.9 billion. This was mainly because of an increase in retained earnings and remeasurements of defined benefit plans.

(3) Cash Flows

Net cash proceeded by operating activities amounted to ¥26.9 billion at the end of the subject fiscal year. This consisted mainly of ¥13.9 billion in profit before income taxes; ¥14.9 billion in depreciation and amortization.

Net cash used in investing activities amounted to ¥14.1 billion. This consisted mainly of ¥17.2 billion in expenditures for Purchase of property, plant and equipment and intangible assets.

Net cash used in financing activities amounted to ¥0.3 billion. This consisted mainly of ¥20.3 billion in long-term loans payable, ¥3.1 billion in cash dividends paid and ¥15.0 billion in proceeds from issuance of bonds.

As a result, the balance of cash and cash equivalents at the end of the subject fiscal year (March

31, 2017) stood at ¥32.2 billion, an increase of ¥12.1 billion from the end of the previous fiscal year (March 31, 2016).

(Reference) Cash Flow Indicators

Years ended March 31

	2013	2014	2015	2016	2017
Equity ratio (%)	30.8	31.2	33.9	35.3	37.2
Equity ratio, based on market value (%)	31.8	31.5	30.9	33.7	38.0
Interest-bearing debt to cash flow ratio (Years)	5.3	7.1	8.8	5.1	6.3
Interest coverage ratio (Times)	16.0	13.3	11.3	19.4	19.3
D/E ratio (Times)	1.16	1.20	1.12	1.05	1.01

Notes:

Equity ratio: shareholders' equity/ total assets

Market-based rate of equity ratio: total market capitalization/ total assets

Interest-bearing debt to cash flow ratio: interest-bearing debt/ operating cash flows

Interest coverage ratio: operating cash flows/ interest expense

D/E ratio: interest-bearing debt/ net assets excluding minority interests

(4) Forecast for Fiscal 2018 (ending March 31, 2018)

The outlook for the business environment during the fiscal year ending March 31, 2018 overseas is that while the economy in the United States will remain firm, there are concerns about stagnation of the slowing economies in emerging countries in Asia, particularly China, Europe, and the Middle East. On the other hand, in Japan, the domestic economy is expected to be affected by the rise in crude oil prices and strong yen.

In view of these prospects for the business environment, the Group will work to build an earnings generating capacity that will be strong in the face of changes in the environment. In addition, the Group will aim to become "The category leader, continuing to create new value that contributes to society in the environment, healthcare, and high-function products fields" as it focuses its corporate resources in highly profitable growth businesses. In addition, through activities, including increasing asset efficiency and strengthening financial position, the Group will endeavor to become a "strong company," with growth potential and stable profitability.

As a result of these activities, for the fiscal year ending March 31, 2018, the Group is forecasting net sales of ¥340.0 billion (an increase of ¥10.5 billion year on year), operating profit of ¥25.0 billion (an increase of ¥1.7 billion), ordinary profit of ¥23.0 billion (an increase of ¥2.3 billion), and profit attributable to owners of parent of ¥13.5 billion (an increase of ¥4.1 billion).

(5) Basic Policy Regarding Earnings Distribution, and Dividends for Fiscal 2017 and 2018

Toyobo considers providing returns to shareholders to be one of its highest priorities. Our basic policy is to continually provide a stable dividend, in a comprehensive consideration of such factors as profits levels, retention of earnings for future investment, and improving the financial position to provide shareholders returns, including the acquisition of treasury shares, with a target total return ratio (*1) of 30%.

Toyobo plans to pay a year-end dividend for the subject fiscal year of ¥3.50 per share. For fiscal

2018, we currently expect to pay a dividend of ¥35.0 per share (the amount presented factors in the consolidation of shares *2). However, this will be reviewed in the future based on the policy above.

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

(*2) For details, please refer to “Notice Regarding Change of Share Trading Unit, Consolidation of Shares and Partial Changes to the Articles of Incorporation Therefor” announced on April 25, 2017.

2. Basic Approach to Selection of Accounting Standards

After considering the possibility of comparisons among financial results for consolidated accounting periods and the possibility of comparisons with other companies, the Toyobo Group has decided to continue to adopt generally accepted accounting principles in Japan for the time being. Please note that, regarding the adoption of International Financial Reporting Standards (IFRS), the policy of the Group is to take appropriate action after the consideration of related issues in Japan and overseas.

3. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

(Millions of yen)

	2016 (As of March 31, 2016)	2017 (As of March 31, 2017)
Assets		
Current assets		
Cash and deposits	20,258	32,329
Notes and accounts receivable - trade	81,176	81,407
Merchandise and finished goods	44,416	43,516
Work in process	15,498	13,916
Raw materials and supplies	15,424	15,336
Deferred tax assets	5,147	4,616
Other	5,105	5,482
Allowance for doubtful accounts	(390)	(309)
Total current assets	186,633	196,293
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	48,966	48,445
Machinery, equipment and vehicles, net	44,105	44,208
Land	106,025	105,578
Construction in progress	5,357	5,292
Other, net	4,485	4,383
Total property, plant and equipment	208,937	207,906
Intangible assets		
Other	3,860	4,186
Total intangible assets	3,860	4,186
Investments and other assets		
Investment securities	23,459	23,945
Deferred tax assets	14,053	11,673
Other	8,509	7,610
Allowance for doubtful accounts	(863)	(821)
Total investments and other assets	45,157	42,406
Total non-current assets	257,954	254,497
Total assets	444,587	450,790

(Millions of yen)

	2016 (As of March 31, 2016)	2017 (As of March 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	43,441	42,721
Short-term loans payable	40,586	39,989
Current portion of bonds	—	10,000
Current portion of long-term loans payable	20,091	22,916
Provision for bonuses	4,289	4,313
Other	22,284	16,925
Total current liabilities	130,690	136,865
Non-current liabilities		
Bonds payable	25,000	30,000
Long-term loans payable	78,697	65,440
Deferred tax liabilities for land revaluation	21,228	21,280
Provision for directors' retirement benefits	317	322
Provision for environmental measures	945	791
Net defined benefit liability	20,192	18,331
Other	7,416	6,852
Total non-current liabilities	153,795	143,016
Total liabilities	284,486	279,880
Net assets		
Shareholders' equity		
Capital stock	51,730	51,730
Capital surplus	32,239	32,239
Retained earnings	39,540	45,919
Treasury shares	(389)	(393)
Total shareholders' equity	123,119	129,495
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,847	6,388
Deferred gains or losses on hedges	(162)	(58)
Revaluation reserve for land	44,578	44,467
Foreign currency translation adjustment	(10,748)	(10,268)
Remeasurements of defined benefit plans	(5,719)	(2,251)
Total accumulated other comprehensive income	33,796	38,278
Non-controlling interests	3,186	3,137
Total net assets	160,101	170,910
Total liabilities and net assets	444,587	450,790

	2016 (From April 1, 2015 To March 31, 2016)	2017 (From April 1, 2016 To March 31, 2017)
Net sales	347,763	329,487
Cost of sales	268,069	249,940
Gross profit	79,694	79,547
Selling, general and administrative expenses	56,571	56,215
Operating profit	23,123	23,332
Non-operating income		
Dividend income	705	576
Share of profit of entities accounted for using equity method	251	351
Contribution for equipments	—	580
Other	2,041	1,647
Total non-operating income	2,998	3,155
Non-operating expenses		
Interest expenses	1,619	1,408
Foreign exchange losses	384	615
Salaries paid to dispatched employees	888	951
Other	2,837	2,862
Total non-operating expenses	5,728	5,837
Ordinary profit	20,393	20,650
Extraordinary income		
Gain on sales of non-current assets	—	269
Gain on sales of investment securities	702	200
Total extraordinary income	702	469
Extraordinary losses		
Loss on disposal of non-current assets	2,764	2,311
Loss on restructuring of business	765	1,126
Loss on realized foreign currency translation adjustments due to liquidation of foreign subsidiary	—	1,084
Impairment loss	—	2,005
Other	1,341	653
Total extraordinary losses	4,871	7,179
Profit before income taxes	16,224	13,940
Income taxes - current	3,728	4,013
Income taxes - deferred	2,230	899
Total income taxes	5,958	4,913
Profit	10,266	9,027
Profit (loss) attributable to non-controlling interests	117	(417)
Profit attributable to owners of parent	10,150	9,444

	2016 (From April 1, 2015 To March 31, 2016)	2017 (From April 1, 2016 To March 31, 2017)
Profit	10,266	9,027
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,432)	542
Deferred gains or losses on hedges	(128)	104
Revaluation reserve for land	685	(70)
Foreign currency translation adjustment	(2,911)	748
Remeasurements of defined benefit plans, net of tax	(4,086)	3,471
Share of other comprehensive income of entities accounted for using equity method	(248)	(303)
Total other comprehensive income	<u>(8,120)</u>	<u>4,492</u>
Comprehensive income	<u>2,147</u>	<u>13,519</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,040	13,968
Comprehensive income attributable to non-controlling interests	107	(449)

(3) Consolidated Statements of Changes in Net Assets

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

(Millions of yen)

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

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	7,126	(34)	43,920	(7,460)	(1,628)	41,923	3,098	161,087
Changes of items during period								
Dividends of surplus								(3,107)
Profit attributable to owners of parent								10,150
Reversal of revaluation reserve for land								18
Change of scope of consolidation								—
Purchase of treasury shares								(6)
Disposal of treasury shares								0
Net changes of items other than shareholders' equity	(1,279)	(128)	658	(3,288)	(4,091)	(8,128)	88	(8,040)
Total changes of items during period	(1,279)	(128)	658	(3,288)	(4,091)	(8,128)	88	(985)
Balance at end of current period	5,847	(162)	44,578	(10,748)	(5,719)	33,796	3,186	160,101

2017 (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	51,730	32,239	39,540	(389)	123,119
Changes of items during period					
Dividends of surplus			(3,107)		(3,107)
Profit attributable to owners of parent			9,444		9,444
Reversal of revaluation reserve for land			41		41
Change of scope of consolidation			1		1
Purchase of treasury shares				(5)	(5)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	—	0	6,379	(5)	6,375
Balance at end of current period	51,730	32,239	45,919	(393)	129,495

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	5,847	(162)	44,578	(10,748)	(5,719)	33,796	3,186	160,101
Changes of items during period								
Dividends of surplus								(3,107)
Profit attributable to owners of parent								9,444
Reversal of revaluation reserve for land								41
Change of scope of consolidation								1
Purchase of treasury shares								(5)
Disposal of treasury shares								0
Net changes of items other than shareholders' equity	541	104	(111)	480	3,469	4,483	(49)	4,434
Total changes of items during period	541	104	(111)	480	3,469	4,483	(49)	10,809
Balance at end of current period	6,388	(58)	44,467	(10,268)	(2,251)	38,278	3,137	170,910

	2016 (From April 1, 2015 To March 31, 2016)	2017 (From April 1, 2016 To March 31, 2017)
Cash flows from operating activities		
Profit before income taxes	16,224	13,940
Depreciation	14,434	14,939
Increase (decrease) in allowance for doubtful accounts	54	(106)
Increase (decrease) in net defined benefit liability	478	884
Interest and dividend income	(854)	(755)
Interest expenses	1,619	1,408
Share of (profit) loss of entities accounted for using equity method	(251)	(351)
Impairment loss	—	2,005
Loss (gain) on sales and disposal of property, plant and equipment, net	2,764	2,085
Loss (gain) on sales and valuation of investment securities	(432)	(193)
Special loss on restructuring of businesses	765	1,126
Decrease (increase) in notes and accounts receivable - trade	1,571	(2,447)
Decrease (increase) in inventories	5,804	1,247
Increase (decrease) in notes and accounts payable - trade	(5,377)	908
Decrease (increase) in net defined benefit asset	1,606	2,430
Other, net	(2,696)	(6,621)
Subtotal	35,710	30,500
Income taxes (paid) refund	(3,373)	(3,628)
Net cash provided by (used in) operating activities	32,337	26,872
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(16,958)	(17,152)
Proceeds from sales of property, plant and equipment and intangible assets	382	362
Proceeds from sales of investment securities	3,328	229
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	567
Collection of long-term loans receivable	1,163	851
Payments of long-term loans receivable	(2)	(252)
Interest and dividend income received	873	923
Other, net	578	339
Net cash provided by (used in) investing activities	(10,636)	(14,132)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	182	95
Proceeds from long-term loans payable	13,924	9,890
Repayments of long-term loans payable	(15,162)	(20,315)
Proceeds from issuance of bonds	—	15,000
Redemption of bonds	(10,000)	—
Purchase of treasury shares	(8)	(5)
Repayments of finance lease obligations	(407)	(478)
Interest expenses paid	(1,669)	(1,394)
Cash dividends paid	(3,111)	(3,112)
Dividends paid to non-controlling interests	(19)	(5)
Repayments of deposits received from employees	(5,114)	—
Net cash provided by (used in) financing activities	(21,384)	(324)
Effect of exchange rate change on cash and cash equivalents	(606)	(351)
Net increase (decrease) in cash and cash equivalents	(288)	12,065
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	<u>20,101</u>	<u>32,179</u>

Segment Information

i) Segment Information

Toyobo's reportable segments allow it to acquire financial data separated into the various components of the corporate group. The scope of the segments is reviewed on a regular basis in order to allow the highest decision-making body to determine the allocation of management resources, and evaluate earnings performance.

Toyobo's basic organization comprises business headquarters and business divisions within the head office, separated by the type, nature and market for products and services. Each business headquarters and business division formulates comprehensive strategies for its domestic and overseas operations, and conducts business activities.

Accordingly, Toyobo comprises business segments by product and service. Its five reportable segments are "Films and Functional Polymers," "Industrial Materials," "Health care," "Textiles and Trading" and "Real Estate." The "Films and Functional Polymers" segment manufactures and sells packaging films, industrial films, industrial adhesives, engineering plastics, photo functional materials. The "Industrial Materials" segment manufactures and sells fiber materials for automotive applications, high-performance fibers, functional filters, VOC emissions treatment equipment and systems, non-woven fabrics and other products. The "Health care" segment manufactures and sells bio-products such as enzymes for diagnostics, contract manufacturing of pharmaceuticals, medical-use membranes, medical equipment and equipment devices, water treatment membranes, and other products. The "Textiles and Trading" segment manufactures and sells functional textiles, apparel products, apparel textiles, apparel fibers, and other products. The "Real Estate" segment leases and manages real estate properties.

ii) Segment sales and Operating profit

[Fiscal Year ended March 31, 2016]

(Millions of yen)

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

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

2. Includes segment profit adjustment of (¥3,152) million, eliminations of inter segment transactions of (¥ 305) million, and companywide expenses that are not allocated across reporting segments of (¥2,847) million. The principal components of companywide expenses are those related to basic research and development.

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

[Fiscal Year ended March 31, 2017]

(Millions of yen)

	Segment to be reported						Other Busines- ses	Total	Adjustment	Consolidated Statements of Income
	Films and Functional Polymers	Industrial Materials	Health care	Textiles and Trading	Real Estate	Total				
Net Sales										
(1) Outside customers	138,574	69,214	27,134	77,552	4,444	316,918	12,569	329,487	—	329,487
(2) Inter-segment sales and transfers	0	182	102	283	1,116	1,682	11,370	13,052	(13,052)	—
Total	138,575	69,396	27,236	77,834	5,559	318,600	23,939	342,540	(13,052)	329,487
Operating Profit	12,747	4,832	4,281	1,066	2,344	25,270	1,000	26,270	(2,938)	23,332
Assets	137,842	78,687	34,745	71,312	50,054	372,640	15,431	388,071	62,719	450,790
Others										
Depreciation and Amortization	6,641	2,154	2,512	1,729	753	13,789	326	14,115	824	14,939
Capital Expenditure	5,546	4,953	3,508	1,872	603	16,482	352	16,834	1,526	18,360

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

2. Includes segment profit adjustment of (¥2,938) million, eliminations of inter segment transactions of (¥ 251) million, and companywide expenses that are not allocated across reporting segments of (¥2,687) million. The principal components of companywide expenses are those related to basic research and development.

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

Significant Subsequent Events

a. Merger with TOYOBO G·F·A CO., LTD.

The Company has resolved to implement an absorption-type merger, effective April 1, 2017, with its consolidated subsidiary, TOYOBO G·F·A CO., LTD., at the meeting of the Board of Directors held on December 22, 2016, and entered into a merger agreement on the same date. Pursuant to Article 796, paragraph 2 (as for the Company) and Article 784, paragraph 1 (as for TOYOBO G·F·A CO., LTD.) of the Companies Act, the merger will be conducted without seeking approval at the general meeting of shareholders of each company on the execution of the merger.

The outline of the merger is as follows.

1. Outline of the transaction

(1) Name and content of business of the company involved in the merger

Name of the company involved in the merger TOYOBO G·F·A CO., LTD.

Content of business Financial services including loans to each of the Toyobo Group companies

(2) Date of the business combination

April 1, 2017

(3) Legal form of the business combination

The Company, as the surviving company, will absorb TOYOBO G·F·A CO., LTD., which will be dissolved upon the merger.

(4) Name of the company after the business combination

Toyobo Co., Ltd.

(5) Other items related to the outline of the transaction

(i) Purpose of the merger

The Company decided to implement an absorption-type merger with TOYOBO G·F·A CO., LTD., which has operated as a core company of group financing for the Toyobo Group, with the aim of consolidating management resources and an efficient organizational operation.

(ii) Allotment regarding the merger

There shall be no issuance of new shares or allotment of any other consideration with respect to the merger.

(iii) Financial position and operating results of the company involved in the merger for immediately preceding fiscal year (Fiscal year ended March 31, 2017)

Assets ¥21,596 million

Liabilities ¥21,414 million

Net assets ¥182 million

Operating income ¥159 million

Profit ¥1 million

2. Outline of the accounting method

In accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, September 13, 2013), the merger has been accounted for as a transaction under common control.

b. Consolidation of shares

The Company resolved, at the meeting of Board of Directors held on April 25, 2017, to partially amend the Articles of Incorporation in association with the change in the number of shares constituting one share unit and to propose the share consolidation to the 159th Ordinary General Meeting of Shareholders to be held on June 28, 2017. For details, please refer to “Notice concerning a change in the number of shares constituting one share unit and consolidation of shares, and the accompanying partial amendment of Articles of Incorporation,” which was released on April 25, 2017.

Disclosure of notes other than those above is omitted because the necessity of their disclosure in the quarterly report is considered immaterial.