

Consolidated Financial Report for the Third Quarter ended December 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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(Figures are rounded to the nearest million yen)

1. Consolidated Business Performance**(1) Consolidated Operating Results**

Nine months ended December 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	241,690	(0.2)	16,048	2.0	13,796	1.1	15,799	142.8
2016	242,270	(6.0)	15,740	1.5	13,648	(3.0)	6,508	(13.6)

(Note) Comprehensive profit: Third Quarter ended December 31, 2017: ¥ 20,572 million 132.8%,

Third Quarter ended December 31, 2016: ¥ 8,836 million 39.1%

	Net profit per share	Net profit per share after dilution
	Yen	Yen
2017	177.97	—
2016	73.31	—

※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	%	Yen
December 31, 2017	452,237	189,477	41.0	2,089.50
March 31, 2017	450,790	170,910	37.2	1,889.81

(Reference) Total shareholders' equity: December 31, 2017: ¥ 185,486 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

Year ended/ ending March 31

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: None

※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: None

※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):

December 31, 2017: 89,048,792 shares March 31, 2017: 89,048,792 shares

2) Number of treasury stock

December 31, 2017: 278,527 shares March 31, 2017: 270,958 shares

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

Nine months ended December 31 2017: 88,776,316 shares

2016: 88,779,698 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 "1. Qualitative Information and Financial Statements (3) Qualitative Information on Consolidated Forecasts".

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 nine months ended December 31, 2017, in the global economy, the economy in the United States remained strong backed by an improvement in business circumstances for the manufacturing industry, and the economy in the Euro area picked up due largely to the expanded employment in addition to increases in production and investments. In China, the economy gradually slowed as non-current asset investments by private and state-owned companies decreased. Meanwhile, in Japan, the economy enjoyed a mild recovery based on background of firm demand both in Japan and overseas.

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 nine months under review, the Group promoted business activities in accordance with the five action plans set forth in the Medium-Term Management Plan for the four years covering the period through the fiscal year ending March 2018, namely “accelerating overseas business development,” “developing new products and creating new businesses,” “increasing competitiveness of domestic businesses,” “improving asset efficiency,” and “strengthening global Group management.”

In “accelerating overseas business development,” in the airbag fabrics business, the Group started production at overseas production sites on a full scale and expanded sales to overseas customers. Also, in the engineering plastics business, the Group proceeded with sales expansion in overseas markets including North America and Asia.

In “developing new products and creating new businesses,” the Group promoted sales expansion of polarizer protective films for LCDs “COSMOSHINE SRF” mainly to major polarizer manufacturers. In addition, the Group started licensing for aluminum catalyst for polyester to overseas manufacturers. In “increasing competitiveness of domestic businesses,” the Group decided to increase mould releasing film manufacturing facilities in response to expansion of the ceramic capacitors market.

In addition, in “improving asset efficiency,” the Group transferred the trust beneficiary right in Toyobo Building held by the Company to improve the efficiency of assets and the financial standing by making effective use of managerial resources. The gain from the transfer accompanying the transfer of the trust beneficiary right of ¥10.4 billion was recorded as gain on sales of non-current assets in extraordinary income in the third quarter of the fiscal year ending March 31, 2018.

As a result, consolidated net sales in the nine months ended December 31, 2017 decreased ¥0.6 billion (0.2%) over the same period of the previous fiscal year, to ¥241.7 billion. Operating profit increased ¥0.3 billion (2.0%), to ¥16.0 billion, ordinary profit increased ¥0.1 billion (1.1%) to ¥13.8 billion, and profit attributable to owners of parent increased ¥9.3 billion (142.8%), to ¥15.8 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 nine 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 nine months of this fiscal year.

Films and Functional Polymers

This segment was affected by the stronger rise in raw material prices than expected, although sales and operating profit increased from the same period of the previous fiscal year because the further sales expansion in both films business and functional polymers business.

In the films business, sales of packaging film were struggling due to the effects of the rise in raw material prices. Meanwhile, sales of industrial film grew centered on “COSMOSHINE SRF” and mould releasing film for ceramic capacitors.

In the functional polymers business, sales of engineering plastics grew for automobile industry in Japan due to its favorable sales, and sales of the industrial adhesives “Vylon” increased primarily for use in electronic materials. Also, sales of photo functional materials were strong in overseas markets such as Europe and Asia.

As a result, sales in this segment increased ¥7.1 billion (6.8%) from the same period of the previous fiscal year to ¥110.9 billion, and operating profit increased ¥0.3 billion (3.1%) to ¥9.9 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 of continuous recovery in sales of products for consumer and industrial uses.

In high-performance fibers, although sales of “Tsunoooga” remained favorable primarily for gloves, sales of “ZYLON” remained sluggish. Meanwhile, as for products for consumer and industrial uses, sales of PPS materials for filter bag “PROCON” were recovering continually.

As a result, sales in this segment increased ¥1.9 billion (4.4%) from the same period of the previous fiscal year to ¥46.3 billion, and operating profit increased ¥0.7 billion (28.8%) to ¥3.1 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 recovering solvent in Asia, because the difficult condition continued until the previous quarter for 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 suffered the impact of weak sales continued until the previous quarter.

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

As a result, sales in this segment decreased ¥0.7 billion (2.7%) from the same period of the previous fiscal year to ¥25.2 billion, and operating profit decreased ¥0.1 billion (1.8%) to ¥3.3 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 traditional Arabic menswear remained sluggish and sales of materials for sports apparel were affected by flagging sales continued until the previous quarter. 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 ¥6.7 billion (12.1%) from the same period of the previous fiscal year to ¥48.4 billion, with an operating loss of ¥0.4 billion. (Compared with operating profit of ¥0.1 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 ¥2.3 billion (17.4%) over the same period of the previous fiscal year to ¥10.9 billion, and operating profit decreased ¥0.5 billion (18.3%) to ¥2.0 billion.

(2) Qualitative Information on the Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets increased ¥1.4 billion (0.3%) from the end of the previous fiscal year to ¥452.2 billion. This was mainly because of an increase in Other under Investments and other assets due to the market value of investment securities.

Total liabilities decreased ¥17.1 billion (6.1%) from the end of the previous fiscal year to ¥262.8 billion. This was mainly because of a redemption of the current portion of bonds.

Total net assets increased ¥18.6 billion (10.9%) to ¥189.5 billion. This was due mainly because of an increase in retained earnings.

(3) Qualitative Information on Consolidated Forecasts

The Company's consolidated performance through the third quarter is generally as initially forecast. We have made no revisions in the forecasts for the full fiscal year ending March 31, 2018, which we announced 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 Third Quarter (As of December 31, 2017)
Assets		
Current assets		
Cash and deposits	32,329	34,703
Notes and accounts receivable - trade	81,407	77,246
Merchandise and finished goods	43,516	45,578
Work in process	13,916	13,946
Raw materials and supplies	15,336	15,728
Other	10,097	10,584
Allowance for doubtful accounts	(309)	(324)
Total current assets	196,293	197,461
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	48,445	47,548
Machinery, equipment and vehicles, net	44,208	44,440
Land	105,578	99,050
Other, net	9,675	12,555
Total property, plant and equipment	207,906	203,593
Intangible assets	4,186	4,103
Investments and other assets		
Other	43,227	47,655
Allowance for doubtful accounts	(821)	(574)
Total investments and other assets	42,406	47,080
Total non-current assets	254,497	254,776
Total assets	450,790	452,237

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2017) (Condensed)	Current Third Quarter (As of December 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	42,721	43,929
Short-term loans payable	39,989	33,306
Current portion of long-term loans payable	22,916	15,662
Provision	4,841	2,371
Other	26,397	16,861
Total current liabilities	136,865	112,128
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term loans payable	65,440	72,414
Provision for directors' retirement benefits	322	283
Provision for environmental measures	791	763
Net defined benefit liability	18,331	17,774
Other	28,132	29,398
Total non-current liabilities	143,016	150,632
Total liabilities	279,880	262,760
Net assets		
Shareholders' equity		
Capital stock	51,730	51,730
Capital surplus	32,239	32,239
Retained earnings	45,919	58,872
Treasury shares	(393)	(409)
Total shareholders' equity	129,495	142,432
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,388	9,136
Deferred gains or losses on hedges	(58)	(39)
Revaluation reserve for land	44,467	44,467
Foreign currency translation adjustment	(10,268)	(9,125)
Remeasurements of defined benefit plans	(2,251)	(1,386)
Total accumulated other comprehensive income	38,278	43,053
Non-controlling interests	3,137	3,991
Total net assets	170,910	189,477
Total liabilities and net assets	450,790	452,237

(2) Consolidated Statements of Income

(Millions of yen)

	Previous Third Quarter (From April 1, 2016 To December 31, 2017)	Current Third Quarter (From April 1, 2016 To December 31, 2017)
Net sales	242,270	241,690
Cost of sales	183,822	182,702
Gross profit	58,448	58,989
Selling, general and administrative expenses	42,708	42,941
Operating profit	15,740	16,048
Non-operating income		
Dividend income	487	597
Other	1,554	1,147
Total non-operating income	2,041	1,744
Non-operating expenses		
Interest expenses	1,089	981
Salaries paid to dispatched employees	686	919
Other	2,357	2,096
Total non-operating expenses	4,132	3,996
Ordinary profit	13,648	13,796
Extraordinary income		
Gain on sales of non-current assets	118	11,358
Other	33	106
Total extraordinary income	151	11,464
Extraordinary losses		
Loss on disposal of non-current assets	1,256	1,721
Loss on realized foreign currency translation adjustments due to liquidation of foreign subsidiary	1,085	-
Other	1,781	941
Total extraordinary losses	4,123	2,662
Profit before income taxes	9,677	22,598
Income taxes	3,212	6,866
Profit	6,465	15,733
Loss attributable to non-controlling interests	(43)	(66)
Profit attributable to owners of parent	6,508	15,799

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous Third Quarter (From April 1, 2016 To December 31, 2017)	Current Third Quarter (From April 1, 2016 To December 31, 2017)
Profit	6,465	15,733
Other comprehensive income		
Valuation difference on available-for-sale securities	700	2,893
Deferred gains or losses on hedges	123	19
Foreign currency translation adjustment	965	954
Remeasurements of defined benefit plans, net of tax	1,175	866
Share of other comprehensive income of entities accounted for using equity method	(592)	107
Total other comprehensive income	2,371	4,839
Comprehensive income	8,836	20,572
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,898	20,574
Comprehensive income attributable to non-controlling interests	(62)	(2)

(3) Note to Going Concern:

Not applicable

(4) Notes on Significant Changes in Shareholders' Equity

Not applicable

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

(I) Nine months ended December 31, 2016 (from April 1, 2016 to December 31, 2016)

(Millions of yen)

	Segment to be reported						Other Business- ses (Note 1)	Total	Adjust ment (Note 2)	Consolidated Statements of Profit (Note 3)
	Films and Functional Polymers	Industrial Materials	Health care	Textiles and Trading	Real Estate	Total				
Net Sales										
(1) Outside customers	103,822	44,351	25,900	55,041	3,335	232,448	9,822	242,270	—	242,270
(2) Inter-segment sales and transfers	0	81	755	170	830	1,836	7,923	9,759	(9,759)	—
Total	103,822	44,432	26,655	55,211	4,165	234,285	17,745	252,029	(9,759)	242,270
Operating Profit (loss)	9,566	2,383	3,335	146	1,755	17,185	719	17,904	(2,164)	15,740

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

2. Includes segment profit adjustment of (¥2,164) million, eliminations of intersegment transactions of (¥171) million, and companywide expenses that are not allocated across reporting segments of (¥1,993) million. The principal components of companywide expenses are those related to basic research and development.

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

(II) Nine months ended December 31, 2017 (from April 1, 2017 to December 31, 2017)

(Millions of yen)

	Segment to be reported						Other Business- ses (Note 4)	Total	Adjust ment (Note 5)	Consolidated Statements of Profit (Note 6)
	Films and Functional Polymers	Industrial Materials	Health care	Textiles and Trading	Real Estate	Total				
Net Sales										
(1) Outside customers	110,933	46,297	25,210	48,380	3,190	234,010	7,680	241,690	-	241,690
(2) Inter-segment sales and transfers	1	181	1,488	233	739,830	1,166	7,923	9,089	(9,089)	—
Total	103,822	49,637	20,780	55,211	4,165	233,614	17,745	251,359	(9,089)	242,270
Operating Income (loss)	9,862	3,068	3,275	(356)	1,652	17,500	371	17,870	(1,822)	16,048

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

5. Includes segment profit adjustment of (¥1,822) million, eliminations of intersegment transactions of ¥44 million, and companywide expenses that are not allocated across reporting segments of (¥1,866) million. The principal components of company wide expenses are those related to basic research and development.

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

※ Matters Concerning Changes to Reporting Segments

Effective from the first quarter of the fiscal year under review, in order to reinforce business synergies, the Company has implemented organizational changes to consolidate its business relating to membranes and release materials, and it has moved the AC business, which was previously included in the “Industrial Materials” business segment, into the “Healthcare” business segment. In accordance with these organizational changes, some business segments of the consolidated subsidiaries were each moved from the “Industrial Materials” business segment to the “Healthcare” business segment. Segment information for the nine months ended December 31, 2016 has been prepared in accordance with the method of classification following the changes.