TEIJIN
Human Chemistry, Human Solutions

Consolidated Financial Statements Summary

(For the six months ended September 30, 2017)
English translation from the original Japanese-language document
(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

November 7, 2017

Company name : **TEIJIN LIMITED** (Stock code 3401) https://www.teijin.com
Contact person : Hiroki Sorate General Manager, IR Section TEL: +81-(0)3-3506-4395
Finance & Investor Relations Department

(Amounts less than one million yen are omitted)

1. Highlight of the Second quarter of FY2017 (April 1, 2017 through September 30, 2017)

(1) Consolidated financial results (Percentages are year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
For the six months ended September 30, 2017	404,654	14.6	37,532	39.0	37,923	42.2	29,183	36.6
For the six months ended September 30, 2016	353,049	–9.9	26,997	-23.6	26,677	-25.6	21,370	-12.6

cf. Comprehensive income for the six months ended September 30, 2017 : 51,852million yen (For the six months ended September 30, 2016 : 7,627million yen)

	E.P.S. *	Diluted E.P.S.
	Yen	Yen
For the six months ended September 30, 2017	148.33	134.37
For the six months ended September 30, 2016	108.67	98.55

* E.P.S.: Earnings per share

(Notes) The Company consolidated its common shares at a ratio of five shares to one share on the effective date of October 1, 2016. Accordingly, the E.P.S. and the Diluted E.P.S. are calculated on the assumption that the consolidation of shares is conducted at the beginning of the preceding fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of September 30, 2017	953,807	397,842	40.2
As of March 31, 2017	964,053	351,829	35.1

cf. Shareholders' equity as of September 30, 2017 : 383,189million yen (As of March 31, 2017 : 338,383million yen)

2. Dividends

Period	Dividends per share				
	1Q	2Q	3Q	4Q	Annual
	Yen	Yen	Yen	Yen	Yen
FY2016	—	5.00	—	30.00	–
FY2017	—	30.00			
FY2017 (Outlook)			—	30.00	60.00

Note: Revision of outlook for dividends in the first quarter: No

*The Company consolidated its common shares at a ratio of five shares to one share on the effective date of October 1, 2016. Accordingly, with regard to the amounts of the dividend per share for FY2016, the interim dividend per share reflects the amount before the impact of the consolidation of shares, while the year-end dividend per share reflects the amount after the impact of the consolidation of shares. Therefore, disclosure of the annual dividend per share is omitted.

3. Forecast for operating results in the year ending March 31, 2018 (FY2017)

(Percentages are interim-on-interim and year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		E.P.S.
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2017 annual	850,000	14.7	68,000	20.3	68,000	21.6	45,000	-10.2	228.72

Note: Revision of outlook for FY2017 consolidated operating results in the second quarter: Yes

4. Appropriate Use of Forecasts and Other Information and Other Matters

(1) Cautionary statement on forward-looking statements

All forecasts in this document are based on management's assumptions in light of information currently available and involve certain risks and uncertainties. Actual results to differ materially from these forecasts. For information on these forecasts, refer to "Qualitative Information on Outlook for Operating Results", beginning on page 6.

1. Qualitative Information

(1) Qualitative Information on Results of Operations

1) Analysis of Consolidated Results of Operations

Global economic conditions in the six months ended September 30, 2017 continued to show signs of improvement, underpinned by an upturn in internal and external demand in developed countries, as well as the PRC and other emerging countries, despite concerns about geopolitical risks. Meanwhile, the Japanese economy remained on a gradual expansionary course, mainly reflecting a recovery in corporate earnings due to an increase in exports, along with further improvement in personal consumption in line with an improving employment environment.

In this environment, for the six months ended September 30, 2017, consolidated net sales totaled ¥404.7 billion, an increase of 14.6% year on year. This increase was primarily due to generally steady sales across all businesses on the whole and the impact of U.S.-based Continental Structural Plastics Holdings Corporation joining the composites business following its acquisition in January 2017. Operating income rose 39.0% to ¥37.5 billion, due to the impact of recording consideration for the licensing out of an investigational antibody candidate targeting tau for a possible new treatment of Alzheimer's disease to Merck & Co., Inc. Ordinary income increased 42.2% to ¥37.9 billion, benefiting from a decrease in non-operating expenses. Profit attributable to owners of parent increased 36.6% to ¥29.2 billion. Earnings per share rose ¥39.66 to ¥148.33.

2) Business Segment Results

In April 2017, Teijin Limited ("the Company") reclassified its previous four reportable operating segments, Advanced Fibers and Composites, Electronics Materials and Performance Polymer Products, Healthcare, and Trading and Retail, into two reportable operating segments: the Materials Business and the Healthcare Business. This change was made in line with the Company's reorganization to accelerate growth and transformation strategies based on the medium-term management plan announced in February 2017. The figures for the year-ago period have been recalculated in accordance with the new segment classification for comparison purposes.

I. Materials Business Field

In the Materials Business Field, sales were ¥300.8 billion, up ¥45.8 billion year on year, while operating income was ¥16.9 billion, up ¥0.7 billion.

Material Business Group

Sales of aramid fibers expanded for automotive- and infrastructure -related applications.

In Aramid Fibers, sales of *Twaron* para-aramid fibers expanded firmly as a whole, centered on automotive applications, such as friction materials and rubber reinforcements, and ballistic protection applications. Sales were firm for *Technora* para-aramid fibers both for automotive applications in Japan and also for infrastructure-related applications overseas. *Technora* is being used in an expanding range of applications under more extreme conditions given the positive assessment of its outstanding fatigue resistance, chemical barrier and other properties.Sales of *Teijinconex* meta-aramid fibers were robust for use in automotive applications such as turbocharger hoses, as well as protective clothing and industrial applications.

In Carbon fibers, Sales of *TENAX* carbon fibers continued to grow steadily for use in aircraft, reflecting firm orders from aircraft manufacturers. Among other applications, we drove growth in sales volume of compound applications, as well as sports and leisure applications in Asia. Additionally, eyeing the expansion of sales of *Pyromex* Oxidized PAN fiber for aircraft brake pads, the conversion of a carbon fiber production line into a *Pyromex* production line at Toho Tenax America, Inc. is progressing steadily, and preparations for the start of production are being advanced. Furthermore, to address further growth in demand for carbon fiber primarily in North America, we completed the acquisition of land in the U.S. in 2016 and are considering the construction of a new carbon fiber plant.

In Resin and Plastics Processing, demand trended firmly for our mainstay *Panlite* and *Multilon* polycarbonate resin products. As a result, high capacity utilization was maintained at both production sites in the PRC and Japan. High-performance compounds are a key area of focus. In automotive applications of these compounds, where the shift to components made of resins is progressing, we are pushing ahead with the development and sales of products featuring outstanding impact resistance, transparency and design characteristics for automotive interior materials. We are also advancing the development and sales of products featuring outstanding weatherability, chemical barrier and heat resistance properties for automotive exterior materials. Moreover, FCX-210, our new phosphorous flame retardant that imparts high flame retardancy without compromising the external appearance of materials, was adopted for use in the world's first halogen-free aqueous transparent acrylic flame-retardant coating.

In Films, we continued to generate favorable sales of *Purex* release films for manufacturing processes mainly for use in multilayer ceramic capacitors for smartphones and other devices. Sales of polyethylene-naphthalate (PEN) film for high-density data storage applications were also firm. Our reverse-dispersion solvent-cast retardation film using specialty polycarbonate resin is used as an organic electroluminescent display (OLED) antireflective film for smartphones and tablets. Sales of this reverse-dispersion solvent-cast retardation film were slightly sluggish due to lackluster sales of smartphone and tablet models using this film.

Polyester Fibers & Trading and Retail Business Group

Functional materials for sports and outdoor use for Europe and the Americas and automotive-related materials posted solid sales.

In Fiber Materials and Apparel, fiber materials saw continued favorable sales of functional materials for sports and outdoor use for Europe and the Americas. However, sales of fashion materials struggled. Firm sales were posted for uniforms, which benefited from the development of new materials. In functional textiles and apparel, although performance was sluggish owing to the impact of weakness in domestic market conditions, we grew our integrated proposal-based business encompassing materials to products and expanded our initiatives with leading customers.

In Industrial Textiles and Materials, sales of automotive-related materials were generally firm in line with steady automobile production volume in Japan and Asia. Notably, demand for air-bag fabric has continued to expand, so we are considering plans to further increase production. In other industrial textiles and related materials, there was a downturn in sales of civil engineering materials as earthquake reconstruction demand subsided. However, in light of growing demand for reinforcement projects and related business, we are putting new initiatives in place. In polyester fibers, sales of rubber materials for industrial machinery and functional cotton for bed and bedding were solid. In addition, eyeing growing demand for non-woven fabrics for high-performance filters, we are taking steps to further expand sales.

Composites, Others
Firm sales of mass-produced automotive components in North America.

In Composites, we recorded firm sales of mass-produced automotive components led by Continental Structural Plastics Holdings Corporation for pickup trucks and SUVs, that performed well in North America, and for large trucks, for which the market showed signs of recovery. We will develop and expand new materials such as mainstay glass fiber reinforced plastic (GFRP), as well as carbon fiber reinforced thermoplastic (CFRTP) and carbon fiber reinforced plastic (CFRP), in order to drive business expansion in the Americas and extend our global market reach to Europe, Asia and Japan.

In Battery Materials, we experienced delays in measures to expand sales of *LIELSORT* lithium-ion battery (LIB) separators for consumer applications. However, we pushed ahead to capture orders from new customers. Moreover, in the field of automotive applications, we are advancing initiatives together with customers.

I. Healthcare Business Field

In the Healthcare Business Field, sales were ¥78.0 billion, up ¥3.0 billion year on year, while operating income was ¥20.6 billion, up ¥9.7 billion.

In Pharmaceuticals, the domestic pharmaceuticals market continues to face a challenging business environment. In this climate, sales of hyperuricemia and gout treatment *FEBURIC* (febuxostat) and *Somatuline*®*, a treatment for acromegaly, continued to expand steadily. In July 2017, *Somatuline*® received additional approval in Japan for the indication of gastro-entero-pancreatic neuroendocrine tumors (GEP NET). In addition, we are providing patients with a wider range of choices through new formulations, such as an oral jelly and an intravenous drip of the osteoporosis treatment *Bonalon*®†, and *Mucosolvan* L Tablet 45 mg, a novel reduced-sized tablet-form version of the sustained-release expectorant *Mucosolvan*. Sales of febuxostat also continued to expand encouragingly overseas. We have secured exclusive distributorship agreements for febuxostat covering 117 countries and territories. The drug is currently sold in 72 of these countries and territories (including Japan). Furthermore, in May 2017, we entered into a worldwide license agreement with Merck & Co., Inc., U.S.A. for the development, manufacture and commercialization of an investigational antibody candidate targeting tau, for a possible new treatment of Alzheimer's disease.

In Home Healthcare, we maintained a high level of rental volume for therapeutic oxygen concentrators for home oxygen therapy (HOT). This was done by enhancing the lineup and expanding the use of portable oxygen concentrators (*Hi-Sanso Portable α* (alpha), *Hi-Sanso Portable α II*), which are designed to expand the range of patients' daily activities. Rental volume for continuous positive airway pressure (CPAP) ventilators for the treatment of sleep apnea syndrome (SAS) continued to increase favorably, due to increasing the appeal of *NemLink*, a monitoring system for CPAP ventilators that uses mobile phone networks, and to the use of the *SAS-2100* Sleeping pattern analysis devices. Meanwhile, in September 2015 we commenced sales of *VitalLink*, a multidisciplinary collaboration and information sharing system, as a product targeting comprehensive community healthcare. *VitalLink* is being used by numerous medical and nursing care professionals as a support tool for facilitating collaboration between healthcare and nursing care. We have steadily expanded the sales volume of *VitalLink*, primarily through the signing of new

* *Somatuline*® is the registered trademark of Ipsen Pharma, France.
† *Bonalon*® is the registered trademark of Merck Sharp & Dohme Corp., U.S.A.

agreements with medical associations and government bodies.

In the area of New Healthcare initiatives, particularly the field of regenerative medicine, in July 2017 we entered into a co-development and license agreement with JCR Pharmaceuticals Co., Ltd. regarding an allogeneic regenerative medical product using dental pulp stem cells (DPCs) for the indication of acute cerebral infarction (stroke) for Japan. Furthermore, in July 2017, we established Teijin Medical Technologies Co., Ltd. by investing in a medical company spun off from C.I. TAKIRON Corporation in the field of implantable medical products. In the field of functional food ingredients, the enhanced barley product *BARLEYmax* is being steadily adopted by a growing number of food manufacturers as a result of development and marketing activities for this product.

II. Others

In the Others, sales were ¥25.8 billion, up ¥2.9 billion year on year and operating income was ¥2.9 billion, up ¥1.0 billion.

In the IT business, specifically in Digital Entertainment, sales of the *Meccha Comics* e-comics distribution service steadily expanded, surpassing ¥10.0 billion in the six months ended September 30, 2017. In Business Solutions, specifically in the healthcare-related business, sales grew steadily, mainly due to an increase in the number of projects in both the hospital and nursing care fields..

(2) Qualitative Information on Financial Position

Assets, Liabilities and Net Assets

Total assets as of September 30, 2017 amounted to ¥953.8 billion, down ¥10.2 billion from the end of FY2016. The main reason for the decrease in total assets was a decrease in cash and deposits due to the repayment of long-term loans payable, despite an increase in the yen-denominated valuation of foreign-currency denominated assets in connection with the weaker yen.

Total liabilities amounted to ¥556.0 billion, down ¥56.3 billion from the end of FY2016. The main reasons for this decrease were the repayment of long-term loans payable and the reversal of provision for business structure improvement recorded in preparation for the withdrawal from the U.S. home healthcare business.

Total net assets amounted to ¥397.8 billion, up ¥46.0 billion from the end of FY2016. This was mainly due to profit attributable to owners of parent of ¥29.2 billion, along with an increase in foreign currency translation adjustment in connection with the weaker yen and an increase in valuation difference on available-for-sale securities in line with the higher market value of shares held.

Cash Flows

Net cash and cash equivalents provided by operating activities in the six months ended September 30, 2017 amounted to ¥25.8 billion. This result reflected income before income taxes, along with the impact of non-cash items such as depreciation and amortization.

Net cash and cash equivalents used in investing activities amounted to ¥20.9 billion, owing mainly to capital expenditures including outlays for growth and transformation strategies.

Free cash flow-net cash and cash equivalents from operating and investing activities combined-was therefore a positive ¥4.9 billion.

Net cash and cash equivalents used in financing activities amounted to ¥37.3 billion, mainly due to the repayment of long-term loans payable and the payment of dividends.

After factoring in the impact of exchange rate fluctuations, operating, investing and financing activities in the period under review resulted in a net decrease in cash and cash equivalents of ¥30.7 billion as of September 30, 2017.

(3) Qualitative Information on Outlook for Operating Results

In the second half of FY2017, the global economy is expected to remain on a steady growth path on the whole. The employment environment has continued to trend firmly in the U.S., and corporate business performance in the euro zone and Japan has also held firm. In the PRC and other emerging countries, surging demand for infrastructure is expected to drive internal demand.

In light of our business performance during the first half of FY 2017, we have revised our consolidated full-term operating results forecasts for FY2017, which were announced on August 1, 2017, as follows. In connection with this revision, we have assumed that the exchange rates from the third quarter onwards are ¥110 to US$1.00 and ¥130 to €1.00, and that the average Dubai crude oil price is US$53 per barrel from the third quarter onwards.

(Billions of yen/%)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Previous forecast (A)	855.0	64.0	65.0	44.0
Revised forecast (B)	850.0	68.0	68.0	45.0
Change (B–A)	-5.0	+4.0	+3.0	+1.0
Percentage change	-0.6%	+6.3%	+4.6%	+2.3%
(For reference) Results for FY2016	741.3	56.5	55.9	50.1

(For reference) Forecast for Segment Results

(Billions of yen)

	Net sales		Operating income	
	First half	Full term (Outlook)	First half	Full term (Outlook)
Materials	300.8	635.0	16.9	35.0
Healthcare	78.0	155.0	20.6	34.0
Others	25.8	60.0	2.9	5.5
Elimination and corporate	—	—	(2.9)	(6.5)
Consolidated total	404.7	850.0	37.5	68.0

Italicized product names and service names in this report are trademarks or registered trademarks of the Teijin Group in Japan and/or other countries. Where noted, other italicized product names and service names used in this document are protected as the trademarks and/or trade names of other companies.

2. Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
< Assets >		
Current assets		
Cash and deposits	97,750	77,080
Notes and accounts receivable-trade	166,803	176,173
Securities	20,000	10,000
Merchandise and finished goods	84,272	95,521
Work in process	8,980	11,538
Raw materials and supplies	29,059	31,443
Other current assets	60,799	58,299
Allowance for doubtful accounts	(909)	(592)
Total	**466,754**	**459,465**
Noncurrent assets		
Tangible assets		
Buildings and structures, net	61,178	60,246
Machinery and equipment, net	98,322	95,588
Other, net	81,788	82,820
Total	**241,289**	**238,654**
Intangible assets		
Goodwill	32,737	31,424
Other	36,302	34,925
Total	**69,040**	**66,350**
Investments and other assets		
Investment securities	115,104	122,841
Other assets	73,955	68,622
Allowance for doubtful accounts	(2,092)	(2,126)
Total	**186,967**	**189,337**
Total noncurrent assets	**497,298**	**494,342**
Total assets	**964,053**	**953,807**

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
< Liabilities >		
Current liabilities		
Notes and accounts payable-trade	79,117	86,512
Short-term loans payable	57,585	67,223
Current portion of long-term loans payable	51,326	21,298
Income taxes payable	5,021	3,855
Provision for business structure improvement	15,112	294
Other	71,409	58,512
Total	**279,572**	**237,695**
Noncurrent liabilities		
Bonds payable	55,109	55,089
Long-term loans payable	210,431	195,804
Provision for business structure improvement	10,944	10,773
Net defined benefit liability	35,427	36,460
Asset retirement obligations	1,322	1,914
Other	19,414	18,226
Total	**332,650**	**318,269**
Total liabilities	**612,223**	**555,964**
<Net assets>		
Shareholders' equity		
Capital stock	70,816	70,816
Capital surplus	103,664	103,670
Retained earnings	168,661	191,943
Treasury stock	(274)	(236)
Total	**342,867**	**366,192**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,842	27,052
Deferred gains or losses on hedges	(276)	1,255
Foreign currency translation adjustment	(24,889)	(9,461)
Remeasurements of defined benefit plans	(1,159)	(1,850)
Total	**(4,483)**	**16,996**
Subscription rights to shares	**861**	**837**
Non-controlling interests	**12,583**	**13,816**
Total net assets	**351,829**	**397,842**
Total liabilities and net assets	**964,053**	**953,807**

(2) Consolidated Statements of Income

(Millions of yen)

	For the six months ended September 30, 2016	For the six months ended September 30, 2017
Net sales	**353,049**	**404,654**
Cost of sales	231,269	271,063
Gross profit	**121,779**	**133,590**
Selling, general and administrative expenses	94,782	96,057
Operating income	**26,997**	**37,532**
Non-operating income		
Interest income	318	473
Dividends income	1,121	1,223
Equity in earnings of affiliates	2,532	815
Gain on valuation of derivatives	—	323
Miscellaneous income	322	643
Total	4,294	3,479
Non-operating expenses		
Interest expenses	1,076	1,338
Foreign exchange losses	599	1,096
Loss on valuation of derivatives	1,890	—
Miscellaneous loss	1,047	654
Total	4,614	3,089
Ordinary income	**26,677**	**37,923**
Extraordinary income		
Gain on sales of noncurrent assets	206	5,466
Gain on sales of investment securities	11	432
Reversal of provision for business structure improvement	525	48
Reversal of impairment losses	50	—
Other	101	37
Total	895	5,984
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	1,201	709
Gain on sales of investment securities	106	43
Impairment loss	586	169
Business structure improvement expenses	1,509	231
Other	378	173
Total	3,782	1,326
Income before income taxes	**23,790**	**42,580**
Income taxes	2,021	12,414
Profit	**21,769**	**30,166**
Profit attributable to non-controlling interests	399	982
Profit attributable to owners of parent	**21,370**	**29,183**

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	For the six months ended September 30, 2016	For the six months ended September 30, 2017
Profit	**21,769**	**30,166**
Other comprehensive income		
Valuation difference on available-for-sale securities	(462)	5,367
Deferred gains or losses on hedges	(472)	1,531
Foreign currency translation adjustment	(10,623)	15,030
Remeasurements of defined benefit plans, net of tax	(307)	(728)
Share of other comprehensive income of associates accounted for using equity method	(2,277)	485
Total	**(14,142)**	**21,685**
Comprehensive income	**7,627**	**51,852**
Comprehensive income attributable to :		
Owners of parent	7,282	50,663
Non-controlling interests	344	1,188

(3) Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2016	For the six months ended September 30, 2017
Cash flows from operating activities		
Income before income taxes	23,790	42,580
Depreciation and amortization	18,630	22,556
Impairment loss	586	169
Reversal of impairment losses	(50)	—
Increase (decrease) in net defined benefit liability	413	1,026
Decrease (increase) in net defined benefit asset	(1,078)	(1,394)
Increase (decrease) in accounts payable-other	215	1,702
Increase (decrease) in provision for business structure improvement	(2,401)	(14,989)
Interest and dividends income	(1,439)	(1,697)
Interest expenses	1,076	1,338
Equity in (earnings) losses of affiliates	(2,532)	(815)
Loss (gain) on sales of investment securities	(11)	(432)
Decrease (increase) in notes and accounts receivable-trade	8,937	(7,554)
Decrease (increase) in inventories	(4,437)	(12,749)
Increase (decrease) in notes and accounts payable-trade	(1,416)	5,791
Other, net	(1,593)	(1,471)
Subtotal	38,689	34,061
Interest and dividends income received	2,295	2,037
Interest expenses paid	(1,046)	(1,232)
Income taxes paid	(8,438)	(9,081)
Net cash and cash equivalents provided by operating activities	**31,500**	**25,785**
Cash flows from investing activities		
Purchase of property, plant and equipment	(18,718)	(21,915)
Proceeds from sales of property, plant and equipment	1,687	9,711
Purchase of intangible assets	(1,045)	(1,224)
Purchase of investment securities	(631)	(184)
Proceeds from sales of investment securities	1,893	432
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(1,942)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(3,685)
Net decrease (increase) in short-term loans receivable	(367)	(284)
Other, net	(1,634)	(1,768)
Net cash and cash equivalents used in investing activities	**(18,818)**	**(20,860)**
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(21)	8,858
Proceeds from long-term loans payable	2,065	422
Repayment of long-term loans payable	(20,163)	(40,334)
Cash dividends paid	(3,932)	(5,901)
Cash dividends paid to minority shareholders	(258)	(172)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,360)	—
Other, net	(154)	(160)
Net cash and cash equivalents provided by financing activities	**(23,825)**	**(37,288)**
Effect of exchange rate changes on cash and cash equivalents	**(2,589)**	**1,698**
Net increase (decrease) in cash and cash equivalents	(13,732)	(30,665)
Cash and cash equivalents at beginning of period	**100,955**	**117,549**
Increase in cash and cash equivalents resulting from change of scope of consolidation	**615**	**—**
Cash and cash equivalents at end of period	**87,838**	**86,884**

3. Segment and Other Information

Notes Pertaining to Going Concern Assumption:

None

Notes on Significant Changes in Shareholders' Equity:

None

Changes in significant subsidiaries during the period under review:

During the three months ended June 30, 2017, the Company sold its entire equity interest in Braden Partners L.P., which had formerly been a specified subsidiary of the Company. As a result, Braden Partners L.P. is no longer classified as a specified subsidiary of the Company, and has been excluded from the scope of consolidation effective from the three months ended June 30, 2017.

Adoption of special quarterly accounting methods:

Certain of the consolidated subsidiaries of the Company have adopted a method for estimating in practical terms the effective tax rate for the fiscal year, including for the six months ended September 30, 2017, following the application of tax effect accounting to income before income taxes, and multiplying this by quarterly income before income taxes to estimate quarterly tax expense.

Segment information

(1) Results of the Second quarter of FY2016 (April 1, 2016 through September 30, 2016)

1) Segment sales and operating income

(Millions of yen)

	Reportable operating segments			Others*	Total
	Materials	Healthcare	Subtotal		
Sales					
1) External customers	255,072	75,031	330,103	22,945	353,049
2) Intersegment transactions or transfers	1,559	—	1,559	3,369	4,928
Net sales	256,632	75,031	331,663	26,314	357,978
Segment income	16,193	10,961	27,155	1,927	29,083

* "Others," which includes the IT business, does not qualify as a reportable operating segment.

2) Difference between operating income and sum of operating income (loss) in reportable operating segments

(Adjustment) (Millions of yen)

Operating income	Amount
Total reportable operating segments	27,155
Others segment	1,927
Elimination of intersegment transactions	224
Corporate expenses*	(2,310)
Operating income	26,997

* Corporate expenses are expenses that cannot be allocated to individual reportable operating segments and are primarily related to head office administration.

3) Loss on impairment and goodwill by reportable segments

This item has been omitted because it is of low significance.

(2) Results of the Second quarter of FY2017 (April 1, 2017 through September 30, 2017)

1) Segment sales and operating income

(Millions of yen)

	Reportable operating segments			Others*	Total
	Materials	Healthcare	Subtotal		
Sales					
1) External customers	300,830	78,002	378,832	25,822	404,654
2) Intersegment transactions or transfers	781	1	783	4,145	4,928
Net sales	301,611	78,003	379,615	29,967	409,582
Segment income	16,906	20,628	37,534	2,928	40,463

* "Others," which includes the IT business, does not qualify as a reportable operating segment.

2) Difference between operating income and sum of operating income (loss) in reportable operating segments

(Adjustment) (Millions of yen)

Operating income	Amount
Total reportable operating segments	37,534
Others segment	2,928
Elimination of intersegment transactions	108
Corporate expenses*	(3,038)
Operating income	37,532

* Corporate expenses are expenses that cannot be allocated to individual reportable operating segments and are primarily related to head office administration.

3) Changes in reportable segments

In April 2017, the Company reclassified its previous four reportable operating segments, Advanced Fibers and Composites, Electronics Materials and Performance Polymer Products, Healthcare, and Trading and Retail, into two reportable operating segments: the Materials Business and the Healthcare Business. This change was made in line with the Company's reorganization to accelerate growth and transformation strategies based on the medium-term management plan announced in February 2017. The figures for the six months ended September 30, 2016 have been recalculated in accordance with the new segment classification for comparison purposes.

4) Loss on impairment and goodwill by reportable segments

This item has been omitted because it is of low significance.