

## Consolidated Financial Statements Summary

(For the year ended March 31, 2018)

English translation from the original Japanese-language document

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

May 9, 2018

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(Amounts less than one million yen are omitted)

### 1. Results of FY2017 (April 1, 2017 through March 31, 2018)

(1) Consolidated financial results

(Percentages are year-on-year changes)

Period	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2017	834,985	12.6	69,822	23.6	67,820	21.3	45,556	-9.1
FY2016	741,291	-6.3	56,512	-15.8	55,933	-7.3	50,133	61.3

cf. Comprehensive income; For FY 2017 :66,144 million yen ( For FY 2016 :46,282 million yen)

Period	E.P.S. *1	Diluted E.P.S.	ROE *2	ROA *3	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY2017	231.26	209.61	12.5	7.0	8.4
FY2016	254.91	231.09	15.7	6.3	7.6

\*1 E.P.S.: Earnings per share \*2 ROE: Ratio of Profit (loss) attributable to owners of parent to Shareholders' equity \*3 ROA: Ratio of Ordinary income to Total assets  
 cf. Equity on gain and losses of unconsolidated subsidiaries and affiliates; For FY2017: 1,214 million yen (FY2016: 2,078 million yen)

(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	Shareholders' equity per share
	Million yen	Million yen	%	Yen
As of March 31, 2018	986,184	408,237	39.8	1,986.27
As of March 31, 2017	964,053	351,829	35.1	1,720.13

cf. Shareholders' equity as of March 31, 2018 : 392,924 million yen (As of March 31, 2017 : 338,383 million yen)

(Notes) The Shareholders' equity per share is calculated on the assumption that the consolidation of shares is conducted at the beginning of the preceding fiscal year.

(3) Consolidated cash flows

Period	From operating activities	From investing activities	From financing activities	Cash & cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY2017	80,091	(51,307)	(31,485)	116,157
FY2016	79,040	(127,650)	63,765	117,549

### 2. Dividends

Period	Dividends per share					Total dividends paid (Annual)	Payout ratio (Consolidated)	Dividend on equity ratio (Consolidated)
	1Q	2Q	3Q	4Q	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2016	—	5.00	—	30.00	—	10,818	21.6	3.4
FY2017	—	30.00	—	30.00	60.00	11,837	25.9	3.2
FY2018 (Outlook)	—	30.00	—	40.00	70.00		29.5	

(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, 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.

The year-end dividend per share for FY2018 (Outlook) includes an ordinary dividend of 30 yen and a commemorative dividend of 10 yen.

### 3. Forecast for operating results of FY2018 (April 1, 2018 through March 31, 2019)

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

Period	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		E.P.S.
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2018 interim	430,000	6.3	34,000	-9.4	35,000	-7.7	27,000	-7.5	136.53
FY2018	880,000	5.4	70,000	0.3	71,000	4.7	47,000	3.2	237.66

#### 4. Other information

(1) Changes in specific subsidiaries involving changes in the scope of consolidation: Yes  
Barred consolidated subsidiaries: Braden Partners L.P.

(2) Shares issued (common stock)

Shares issued (including treasury stock) at end of term

As of March 31, 2018 197,953,707

As of March 31, 2017 196,951,733

Treasury stock

As of March 31, 2018 133,480

As of March 31, 2017 231,413

Average shares outstanding during the period

FY 2017 196,991,371

FY 2016 196,668,286

(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 Shares issued (including treasury stock) at end of term, the Treasury stock and the Average shares outstanding during the period are calculated on the assumption that the consolidation of shares is conducted at the beginning of the preceding fiscal year.

#### Reference: Individual results of FY2017 (April 1, 2017 through March 31, 2018)

(1) Individual financial results

(Percentages are year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2017	116,825	-10.6	14,720	-0.7	35,492	44.1	7,419	-53.7
FY2016	130,682	-8.1	14,823	-13.9	24,633	-3.5	16,035	39.6

	E.P.S.	Diluted E.P.S.
	Yen	Yen
FY2017	37.67	34.02
FY2016	81.54	73.82

(Notes) 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) Individual financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
FY2017	580,794	244,992	42.1	1,234.76
FY2016	640,010	249,499	38.9	1,264.42

cf. Shareholders' equity as of March 31, 2018 : 244,261 million yen (As of March 31, 2017 : 248,736 million yen)

(Notes) The Shareholders' equity per share is calculated on the assumption that the consolidation of shares is conducted at the beginning of the preceding fiscal year.

#### Appropriate Use of Forecasts and Other Information and Other Matters

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 "Outlook for FY 2018," beginning on page 5.

## 1. Qualitative Information

### ( 1 ) Qualitative Information on Results of Operations

#### 1 ) Analysis of Consolidated Results of Operations

Global economic conditions in FY2017, ended March 31, 2018, remained on a recovery path as a whole, despite heightened geopolitical risks concerning North Korea. In the U.S., stock prices reached all-time highs, driven partly by strong corporate earnings. Europe too saw an increase in exports as overseas business conditions turned upward. The Japanese economy continued to stage a modest recovery, mainly due to an upturn in capital investment atop improved corporate earnings, supported by firm overseas demand and rising internal demand.

In this environment, for FY2017, consolidated net sales totaled ¥835.0 billion, an increase of 12.6% year on year. This increase was primarily due to the impact of U.S.-based Continental Structural Plastics Holdings Corporation joining the composites business following its acquisition in January 2017. Operating income rose 23.6% to ¥69.8 billion and ordinary income increased 21.3% to ¥67.8 billion. This was due partly to higher sales in each business, along with the impact of recording consideration for the licensing out of an investigational antibody candidate targeting a possible new treatment of Alzheimer's disease. Profit attributable to owners of parent declined 9.1% to ¥45.6 billion, due partly to one-time factors such as a decrease in tax expense in FY2016. Earnings per share declined ¥23.65 to ¥231.26.

#### 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 FY2016 have been recalculated in accordance with the new segment classification for comparison purposes.

##### I. Materials Business Field

*In the Materials Business Field, sales were ¥624.8 billion, up ¥85.0 billion year on year and operating income was ¥33.6 billion, up ¥2.4 billion.*

##### **Material Business Group**

*Sales of aramid fibers expanded mainly for automotive applications, and sales were robust for high-performance polycarbonate resin products.*

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 optical fiber applications. Sales were firm for *Technora* para-aramid fibers both for automotive applications in Japan and also for infrastructure-related applications overseas. 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. Among other applications, we drove growth in sales volume of compound applications, as well as sports and leisure applications in Asia. However, rising raw material and fuel prices pushed down earnings.

In Resin and Plastics Processing, market prices for our mainstay polycarbonate resin increased due to tightening supply and demand. In this environment, high capacity utilization was maintained at our production sites for polycarbonate resin and compounds in Japan and abroad. In addition, we significantly expanded sales of high-performance products for the automotive, semiconductor manufacturing-related, and optical lens fields, which have been key areas of focus in recent years.

In Films, although overall sales declined due to the impact of the integration of domestic production facilities, we expanded sales of *Purex*, which is used as a release film for manufacturing processes mainly for multilayer ceramic capacitors for smartphones and automotive electronics.

***Polyester Fibers & Trading and Retail Business Group***

*Functional materials for sports and outdoor use for Europe and the Americas held firm, while civil engineering materials declined.*

In Fiber Materials and Apparel, sales of functional fabrics remained favorable for sports and outdoor use for Europe and the Americas. Firm sales were posted for uniforms. In functional textiles and apparel, performance was sluggish, due to inventory adjustments by major customers amid continued weakness in domestic market conditions.

In Industrial Textiles and Materials, we posted firm sales of automotive-related reinforcement materials, including conveyor belts and automotive hoses, and synthetic leather car seat fabric. In fiber materials, there was a downturn in sales of civil engineering materials as earthquake reconstruction demand and orders received for new infrastructure construction settled down.

***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. Continental Structural Plastics Holdings Corporation was acquired in January 2016 and was consolidated in the fourth quarter of FY2016.

In Battery Materials, in *LIELSORT* lithium-ion battery (LIB) separators for consumer applications, sales to existing customers were sluggish, and delays were experienced in expanding sales to new customers.

## II. Healthcare Business Field

*In the Healthcare Business Field, sales were ¥155.4 billion, up ¥4.7 billion year on year and operating income was ¥35.9 billion, up ¥11.2 billion.*

*Favorable sales of FEBURIC in Pharmaceuticals, and solid rental volume for home oxygen therapy in Home Healthcare.*

In Pharmaceuticals, sales of hyperuricemia and gout treatment *FEBURIC* (febuxostat), the transdermal anti-inflammatory analgesic patch formulation *LOQOA Tape* and *Somatuline*<sup>®\*</sup>, a treatment for acromegaly, continued to expand steadily. In July 2017, *Somatuline*<sup>®</sup> received additional approval in Japan for the indication of gastro-entero-pancreatic neuroendocrine tumors (GEP NET). Sales of febuxostat also continued to expand encouragingly overseas. 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. Accordingly, we received a lump-sum payment as consideration for licensing out the investigational antibody.

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 a* (alpha), *Hi-Sanso Portable a 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.

In the area of New Healthcare Initiatives, particularly in the field of implantable medical products, we are conducting an artificial joints business. In FY2017, we augmented this field with bone-bonding materials and the orthopedic business, principally spine fixation devices and spine cages.

## III. Others

*In the Others, which does not qualify as a reportable operating segment, sales were ¥54.8 billion, up ¥4.0 billion year on year and operating income was ¥6.1 billion, up ¥0.8 billion.*

In the IT business, specifically in Digital Entertainment, we recorded a solid performance, highlighted by steady expansion in sales of the *Meccha Comics* e-comics distribution service. Notably, we implemented initiatives such as an exclusive pre-release e-comics distribution campaign through a collaboration project with a major publisher. This project contributed to sales growth mainly through the acquisition of new readers. In Business Solutions, specifically in the healthcare-related business, a recovery in business performance in the hospital field contributed to sales growth.

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\* *Somatuline*<sup>®</sup> is the registered trademark of Ipsen Pharma, France.

**( 2 ) Analysis of Assets, Liabilities and Net Assets**

Total assets as of March 31, 2018 amounted to ¥986.2 billion, up ¥22.1 billion from the end of FY2016. The main reasons for the increase in total assets were an increase in working capital in connection with the growth and expansion of each business and rising raw material and fuel prices, among other factors, and an increase in unrealized gains on investment securities in line with the higher market value of shares held.

Total liabilities amounted to ¥577.9 billion, down ¥34.3 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 ¥408.2 billion, up ¥56.4 billion from the end of FY2016. This was mainly due to profit attributable to owners of parent of ¥45.6 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.

**( 3 ) Analysis of Cash Flows**

Net cash and cash equivalents provided by operating activities in FY2017 amounted to ¥80.1 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 ¥51.3 billion, owing mainly to capital expenditures including outlays for growth and transformation strategies.

Net cash and cash equivalents used in financing activities amounted to ¥31.5 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 ¥1.4 billion as of March 31, 2018.

#### ( 4 ) Outlook for FY2018

Looking at the global economy in FY2018, business conditions are forecast to expand steadily in the U.S., Europe and China, despite heightened geopolitical risks and concerns about stronger protectionism in the U.S. The Japanese economy is forecast to remain on a steady growth trajectory, underpinned partly by a projected improvement in corporate earnings against the backdrop of solid internal and external demand.

Looking at our consolidated full-term operating results forecasts for FY2018, we are forecasting net sales of ¥880.0 billion, up 5.4% from FY2017. We also forecast operating income of ¥70.0 billion, up 0.3%, and ordinary income of ¥71.0 billion, up 4.7%. Profit attributable to owners of parent is forecast at ¥47.0 billion, up 3.2% from FY2017. These forecasts assume exchange rates of ¥105 to US\$1.00 and ¥130 to €1.00 and an average Dubai crude oil price of US\$65 per barrel.

(Billions of yen/ %)

Full-term operating results forecasts for FY2018	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
FY2018 forecast (A)	880.0	70.0	71.0	47.0
FY2017 (B)	835.0	69.8	67.8	45.6
Change (B-A)	+45.0	+0.2	+3.2	+1.4
Percentage change	+5.4%	+0.3%	+4.7%	+3.2%

(For reference)

(Billions of yen)

Segment results forecasts for FY2018	Net sales		Operating income	
	First half (Forecast)	Full term (Forecast)	First half (Forecast)	Full term (Forecast)
Materials	325.0	670.0	16.0	36.5
Healthcare	80.0	155.0	18.5	34.0
Others	25.0	55.0	2.5	6.0
Elimination and corporate	—	—	(3.0)	(6.5)
Consolidated total	430.0	880.0	34.0	70.0

(For reference)

Key Financial Indicators	FY 2013 (As of March 31, 2014)	FY 2014 (As of March 31, 2015)	FY 2015 (As of March 31, 2016)	FY 2016 (As of March 31, 2017)	FY 2017 (As of March 31, 2018)	FY 2018 (As of March 31, 2019) (Forecast)
ROE (%)	3.0%	-2.8%	10.6%	15.7%	12.5%	11.4%
ROIC based on operating income (%)	3.4%	7.1%	12.7%	10.0%	11.2%	10.3%
EBITDA (Billions of yen)	63.7	82.1	106.0	95.8	115.5	118.0

Note: Calculations are based on consolidated figures.

Return On Equity (ROE) Profit attributable to owners of the parent ÷ Average\* total shareholders' equity

\* [(Beginning balance + Ending balance) ÷ 2]

Return On Invested Capital (ROIC) Operating income / invested capital (Net assets + Interest-bearing debt – Cash and deposits)

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) Operating income + Depreciation & amortization

## **( 5 ) Policy Regarding the Payment of Dividends, Dividends Declared for FY2017 and Dividend Forecast for FY2018**

### **1) Policy Regarding the Payment of Dividends**

Our basic policy for profit sharing is to ensure dividends are in line with consolidated operating results, targeting a consolidated payout ratio of 30% for the medium term. We will also determine dividends by giving consideration to the need to ensure financial soundness, to our ability to maintain stable dividend payments over the medium to long term, and to securing sufficient internal reserves to fund strategic investments aimed at ensuring future growth.

### **2) Dividends Declared for FY2017 and Dividend Forecast for FY2018**

Our year-end dividend for FY2017 was declared at ¥30.0 per share, bringing dividends for the full term, including the interim dividend, to ¥60.0 per share.

The Company marks its founding centennial in 2018. Accordingly, as a means of expressing our appreciation to shareholders, we plan to declare a commemorative dividend of ¥10 per share as part of the year-end dividend for FY2018. As a result, taking into account our consolidated operating results forecasts for FY2018, we currently expect to declare an interim dividend of ¥30.0 per share and a year-end dividend of ¥40.0 per share, comprising an ordinary dividend of ¥30.0 per share and the commemorative dividend of ¥10.0 per share, for full-term dividends of ¥70.0 per share.

## 2. Management Policies

### ( 1 ) Basic Management Policies of the Teijin Group

As declared in the Teijin Group's corporate philosophy, we are committed to enhancing the quality of life of people everywhere through our deep insight into human nature and the application of our creative abilities. At the same time, our corporate philosophy commits us to Grow In Harmony With Society, and to Grow By Empowering Our People. Accordingly, as our long-term vision, we pledge to create the new value needed by society by utilizing its workforce diversity, thereby aiming to become "An Enterprise that Supports the Society of the Future."

### ( 2 ) Tasks Ahead and Medium & Long-Term strategies

In February 2017, we announced our new medium-term management plan for 2017–2019, named "ALWAYS EVOLVING," to create value needed by society, thereby striving to achieve the aim to become "An Enterprise that Supports the Society of the Future," by utilizing its workforce diversity for enhanced competitiveness, improving core earnings through growth strategies, establishing new core businesses through transformation strategies and strengthening group-wide management systems.

#### 1) Long-Term Vision

##### I. Evolve for future society as an enterprise that delivers new value

###### ◆ An enterprise that helps to solve social issues

Teijin will develop business opportunities by leveraging strengths in core priority fields to help society address pressing issues.

###### Core priority fields for business development

Environmental value solutions	Supply weight-reducing materials that enhance environmental performance for transportation
Safety, security and disaster mitigation solutions	Enhance disaster-readiness measures and social infrastructure development
Demographic change and increased health consciousness solutions	Support health maintenance and enhancement in response to the progression of demographic change and increasing lifestyle diseases

###### ◆ An enterprise that achieves continuous transformation by anticipating changes in the external environment

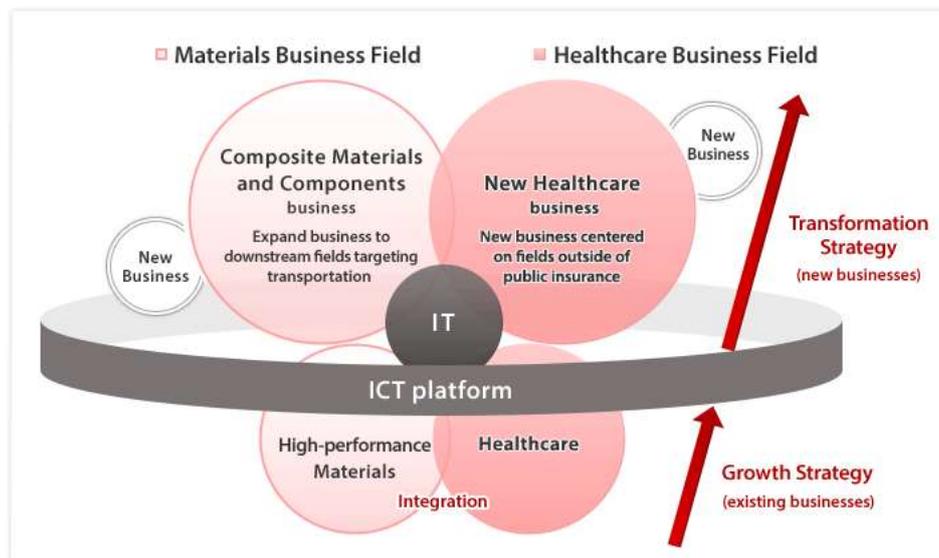
In an increasingly uncertain external environment, Teijin will take the initiative to contribute to evolution, instead of chasing trends, for sustainable growth.

###### ◆ An enterprise that continues to create new value at all times

Teijin will create products and services that accelerate the evolution of society.

## 2) Business Strategies in Medium-Term Management Plan

Teijin will implement both growth and transformation strategies focusing on the materials and healthcare business fields as the pillars of its operations and develop new businesses that are not yet contributing to profits at present into its core earnings sources, without merely relying on the continuation of existing businesses.



## 3) Performance Targets

New key performance indicators (KPI) will be established with an emphasis on both investment efficiency and earnings power. Teijin will emphasize ROE and ROIC based on operating income as profitability indicators and EBITDA as a growth indicator. Other KPI including non-financial information will be established, such as net sales from transformation strategy projects and degree of diversity promotion, to visualize and measure business portfolio transformation. Performance targets to FY 2019 are shown below:

ROE	10%+
ROIC based on operating income	8%+
EBITDA	Over ¥ 120 billion

Note:

Return On Equity (ROE) Profit attributable to owners of the parent ÷ Average\* total shareholders' equity

\* [(Beginning balance + Ending balance) ÷ 2]

Return On Invested Capital (ROIC) Operating income / invested capital (Net assets + Interest-bearing debt – Cash and deposits)

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) Operating income + Depreciation & amortization

### 3. Basic Policy on Selection of Financial Reporting Standards

In preparation for the future adoption of International Financial Reporting Standards (IFRS), we are analyzing differences between the IFRS and financial reporting standards generally accepted in Japan, which we currently apply. We are also considering the appropriate timing of adoption.

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

## 4. Financial Statements

### ( 1 ) Consolidated Balance Sheets

(Millions of yen)

	FY2016 (As of Mar. 31, 2017)	FY2017 (As of Mar. 31, 2018)
<b>&lt; Assets &gt;</b>		
<b>Current assets</b>		
Cash and deposits	97,750	96,417
Notes and accounts receivable-trade	166,803	177,776
Securities	20,000	14,000
Merchandise and finished goods	84,272	91,257
Work in process	8,980	10,827
Raw materials and supplies	29,059	34,178
Short-term loans receivable	13,677	13,126
Deferred tax assets	15,063	11,874
Other current assets	32,058	40,852
Allowance for doubtful accounts	(909)	(578)
<b>Total</b>	<b>466,754</b>	<b>489,733</b>
<b>Noncurrent assets</b>		
<b>Tangible assets</b>		
Buildings and structures, net	61,178	60,106
Machinery and equipment, net	98,322	94,869
Land	44,493	42,091
Construction in progress	15,471	20,608
Other, net	21,823	22,612
<b>Total</b>	<b>241,289</b>	<b>240,289</b>
<b>Intangible assets</b>		
Goodwill	32,737	27,191
Other	36,302	33,149
<b>Total</b>	<b>69,040</b>	<b>60,340</b>
<b>Investments and other assets</b>		
Investment securities	115,104	127,721
Long-term loans receivable	1,846	2,985
Net defined benefit asset	37,988	39,576
Deferred tax assets	10,965	3,017
Other	23,155	24,621
Allowance for doubtful accounts	(2,092)	(2,101)
<b>Total</b>	<b>186,967</b>	<b>195,821</b>
<b>Total noncurrent assets</b>	<b>497,298</b>	<b>496,451</b>
<b>Total assets</b>	<b>964,053</b>	<b>986,184</b>

(Millions of yen)

	FY2016 (As of Mar. 31, 2017)	FY2017 (As of Mar. 31, 2018)
<b>&lt; Liabilities &gt;</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	79,117	92,382
Short-term loans payable	57,585	66,291
Current portion of long-term loans payable	51,326	16,174
Current portion of bonds	—	17,985
Income taxes payable	5,021	5,110
Provision for business structure improvement	15,112	9,572
Deferred tax liabilities	54	52
Accrued expenses	26,261	24,616
Other	45,094	44,051
<b>Total</b>	<b>279,572</b>	<b>276,238</b>
<b>Noncurrent liabilities</b>		
Bonds payable	55,109	35,052
Long-term loans payable	210,431	207,162
Provision for business structure improvement	10,944	—
Net defined benefit liability	35,427	35,649
Asset retirement obligations	1,322	1,426
Deferred tax liabilities	8,370	9,223
Other	11,044	13,194
<b>Total</b>	<b>332,650</b>	<b>301,708</b>
<b>Total liabilities</b>	<b>612,223</b>	<b>577,947</b>
<b>&lt;Net assets&gt;</b>		
<b>Shareholders' equity</b>		
Capital stock	70,816	71,832
Capital surplus	103,664	104,685
Retained earnings	168,661	202,413
Treasury stock	(274)	(166)
<b>Total</b>	<b>342,867</b>	<b>378,764</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	21,842	28,377
Deferred gains or losses on hedges	(276)	903
Foreign currency translation adjustment	(24,889)	(14,815)
Remeasurements of defined benefit plans	(1,159)	(305)
<b>Total</b>	<b>(4,483)</b>	<b>14,159</b>
<b>Subscription rights to shares</b>	<b>861</b>	<b>860</b>
<b>Non-controlling interests</b>	<b>12,583</b>	<b>14,452</b>
<b>Total net assets</b>	<b>351,829</b>	<b>408,237</b>
<b>Total liabilities and net assets</b>	<b>964,053</b>	<b>986,184</b>

**( 2 ) Consolidated Statements of Income**

(Millions of yen)

	FY2016 (Apr. 2016-Mar. 2017)	FY2017 (Apr. 2017-Mar. 2018)
<b>Net sales</b>	<b>741,291</b>	<b>834,985</b>
Cost of sales	492,862	565,689
<b>Gross profit</b>	<b>248,429</b>	<b>269,296</b>
Selling, general and administrative expenses	191,917	199,474
<b>Operating income</b>	<b>56,512</b>	<b>69,822</b>
Non-operating revenues		
Interest income	648	967
Dividends income	1,862	2,034
Equity in earnings of affiliates	2,078	1,214
Foreign exchange gains	—	601
Gain on investments in partnership	1,099	43
Miscellaneous income	769	1,133
Total	6,458	5,996
Non-operating expenses		
Interest expenses	2,223	2,646
Foreign exchange losses	1,726	—
Contribution	704	587
Loss on valuation of derivatives	541	3,108
Miscellaneous loss	1,840	1,655
Total	7,036	7,998
<b>Ordinary income</b>	<b>55,933</b>	<b>67,820</b>
Extraordinary income		
Gain on sales of noncurrent assets	318	5,595
Gain on sales of investment securities	119	585
Reversal of provision for business structure improvement	788	377
Gain on revision of retirement benefit plan	193	—
Reversal of impairment losses	52	—
Insurance income	392	—
Other	358	193
Total	2,223	6,751
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	4,772	4,146
Loss on valuation of investment securities	27	88
Impairment loss	1,378	1,076
Business structure improvement expenses	16,314	828
Other	1,736	537
Total	24,229	6,677
<b>Income before income taxes</b>	<b>33,928</b>	<b>67,894</b>
Income taxes - current	12,026	11,268
Income taxes - deferred	(29,487)	9,524
Total	(17,460)	20,792
<b>Profit</b>	<b>51,388</b>	<b>47,101</b>
Profit attributable to non-controlling interests	1,255	1,545
<b>Profit attributable to owners of parent</b>	<b>50,133</b>	<b>45,556</b>

**(Consolidated Statements of Comprehensive Income)**

(Millions of yen)

	FY2016 (Apr. 2016-Mar. 2017)	FY2017 (Apr. 2017-Mar. 2018)
<b>Profit</b>	<b>51,388</b>	<b>47,101</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	4,180	6,854
Deferred gains (losses) on hedges	1,026	1,179
Foreign currency translation adjustment	(7,701)	8,678
Remeasurements of defined benefit plans, net of tax	(305)	862
Share of other comprehensive income of associates accounted for using equity method	(2,305)	1,467
<b>Total</b>	<b>(5,105)</b>	<b>19,042</b>
<b>Comprehensive income</b>	<b>46,282</b>	<b>66,144</b>
Comprehensive income attributable to :		
Owners of the parent	44,850	64,199
Non-controlling interests	1,432	1,944

(3) Consolidated Statement of Changes in Net Assets

FY2016 (Apr. 2016 - Mar. 2017)

(Millions of yen : amounts less than one million yen are omitted)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2016	70,816	101,473	127,377	(354)	299,312
Changes of items during the period					
Dividends from surplus			(8,849)		(8,849)
Profit attributable to owners of parent			50,133		50,133
Purchase of treasury stock				(23)	(23)
Disposal of treasury stock		12		103	115
Change in treasury shares of parent arising from transactions with non-controlling shareholders		2,178			2,178
Net changes of items other than shareholders' equity					
Total	—	2,190	41,284	79	43,554
Balance at March 31, 2017	70,816	103,664	168,661	(274)	342,867

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total			
Balance as of March 31, 2016	17,754	(1,303)	(15,073)	(578)	799	837	13,462	314,412
Changes of items during the period								
Dividends from surplus								(8,849)
Profit attributable to owners of parent								50,133
Purchase of treasury stock								(23)
Disposal of treasury stock								115
Change in treasury shares of parent arising from transactions with non-controlling shareholders								2,178
Net changes of items other than shareholders' equity	4,087	1,027	(9,816)	(581)	(5,283)	24	(878)	(6,136)
Total	4,087	1,027	(9,816)	(581)	(5,283)	24	(878)	37,417
Balance at March 31, 2017	21,842	(276)	(24,889)	(1,159)	(4,483)	861	12,583	351,829

(3) Consolidated Statement of Changes in Net Assets

FY2017 (Apr. 2017 - Mar. 2018)

(Millions of yen : amounts less than one million yen are omitted)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2017	70,816	103,664	168,661	(274)	342,867
Changes of items during the period					
Conversion of convertible bonds	1,016	1,016			2,032
Dividends from surplus			(11,804)		(11,804)
Profit attributable to owners of parent			45,556		45,556
Purchase of treasury stock				(21)	(21)
Disposal of treasury stock		4		130	134
Net changes of items other than shareholders' equity					
Total	1,016	1,020	33,752	108	35,897
Balance at March 31, 2018	71,832	104,685	202,413	(166)	378,764

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total			
Balance as of March 31, 2017	21,842	(276)	(24,889)	(1,159)	(4,483)	861	12,583	351,829
Changes of items during the period								
Conversion of convertible bonds								2,032
Dividends from surplus								(11,804)
Profit attributable to owners of parent								45,556
Purchase of treasury stock								(21)
Disposal of treasury stock								134
Net changes of items other than shareholders' equity	6,534	1,179	10,074	854	18,643	(1)	1,868	20,510
Total	6,534	1,179	10,074	854	18,643	(1)	1,868	56,407
Balance at March 31, 2018	28,377	903	(14,815)	(305)	14,159	860	14,452	408,237

**(4) Consolidated Statements of Cash Flows**

(Millions of yen)

	FY2016 (Apr. 2016-Mar. 2017)	FY2017 (Apr. 2017-Mar. 2018)
<b>Cash flows from operating activities</b>		
Income (loss) before income taxes	33,928	67,894
Depreciation and amortization	39,331	45,655
Impairment loss	1,378	1,076
Reversal of impairment losses	(52)	—
Increase (decrease) in net defined benefit liability	3,236	2,178
Decrease (increase) in net defined benefit asset	(5,586)	(2,781)
Increase (decrease) in allowance for doubtful receivables	(224)	(101)
Increase (decrease) in provision for business structure improvement	10,462	(16,484)
Interest and dividend income	(2,510)	(3,002)
Interest expenses	2,223	2,646
Equity in losses (earnings) of affiliates	(2,078)	(1,214)
Loss (gain) on valuation of derivatives	541	3,108
Loss (gain) on sales and retirement of noncurrent assets	4,454	(1,448)
Loss (gain) on sales of investment securities	(119)	(585)
Loss (gain) on valuation of investment securities	27	88
Decrease (increase) in notes and accounts receivable-trade	5,253	(10,813)
Decrease (increase) in inventories	989	(11,295)
Increase (decrease) in notes and accounts payable-trade	2,191	12,307
Other, net	(4,009)	5,030
Subtotal	89,437	92,258
Interest and dividends income received	6,021	5,968
Interest expenses paid	(2,166)	(2,564)
Income taxes paid	(14,251)	(15,570)
<b>Net cash and cash equivalents provided by operating activities</b>	<b>79,040</b>	<b>80,091</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(37,662)	(42,604)
Proceeds from sales of property, plant and equipment	2,414	10,143
Purchase of intangible assets	(2,940)	(3,431)
Purchase of investment securities	(2,641)	(5,160)
Proceeds from sales of investment securities	2,026	689
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(82,890)	(1,942)
Payments for sales of shares of subsidiaries resulting in change in scope of	—	(3,685)
Decrease (increase) in short-term loans receivable	(2,379)	(529)
Payments of long-term loans receivable	(21)	(868)
Collections of long-term loans receivable	90	300
Other, net	(3,644)	(4,218)
<b>Net cash and cash equivalents used in investing activities</b>	<b>(127,650)</b>	<b>(51,307)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	1,604	10,618
Proceeds from long-term loans payable	98,761	16,051
Repayment of long-term loans payable	(27,309)	(45,831)
Cash dividends paid	(8,849)	(11,804)
Cash dividends paid to non-controlling interests	(372)	(286)
Proceeds from share issuance to non-controlling shareholders	1,817	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,584)	—
Other, net	(301)	(233)
<b>Net cash and cash equivalents provided by financing activities</b>	<b>63,765</b>	<b>(31,485)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>822</b>	<b>1,309</b>
Net increase in cash and cash equivalents	15,978	(1,391)
<b>Cash and cash equivalents at beginning of period</b>	<b>100,955</b>	<b>117,549</b>
Increase in cash and cash equivalents resulting from change of scope of consolidation	615	—
<b>Cash and cash equivalents at end of period</b>	<b>117,549</b>	<b>116,157</b>

## 5. Segment Information, etc.

### (1) Segment Information

#### 1) Outline of segments

The Company's reportable operating segments are components of an entity for which separate financial information is available and evaluated regularly by its chief decision-making authority in determining the allocation of management resources and in assessing performance.

The Company currently divides its operations into business fields, based on type of product, nature of business and services provided. The business fields formulate product and service strategies in a comprehensive manner in Japan and overseas. Accordingly, the Company divides its operations into reportable operating segments on the same basis as it uses internally.

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 Materials Business involves the production and sale of aramid fibers, carbon fibers, polycarbonate resin, polyester films, polyester fibers, fiber products, and composites, while the Healthcare Business includes the production and sale of pharmaceuticals and medical devices, as well as the production and rental of home healthcare devices and the provision of home healthcare services. The figures for FY2016 have been recalculated in accordance with the new segment classification.

#### 2) Accounting methods used to calculate segment income (loss), segment assets and other items for reportable segments

Segment income (loss) for reportable segments is based on operating income (loss).

Amounts for intersegment transactions or transfers are calculated based on market prices or on prices determined using the cost-plus method.

#### 3) Segment income (loss), segment assets and other items for reportable segments

FY2016 results (Apr. 2016 - Mar. 2017)

(Millions of yen)

	Reportable operating segments			Others <sup>1</sup>	Total
	Materials	Healthcare	Subtotal		
Sales					
1) External customers	539,847	150,676	690,523	50,767	741,291
2) Intersegment transactions or transfers	957	—	957	7,591	8,549
Net sales	540,805	150,676	691,481	58,358	749,840
Segment income	31,234	24,763	55,997	5,296	61,294
Segment asset	585,941	154,424	740,366	84,505	824,871
Other items					
Depreciation <sup>2</sup>	21,673	12,525	34,199	1,568	35,767
Amortization of goodwill	2,105	155	2,261	1	2,262
Investments in associates accounted for using equity method	12,252	2,721	14,973	23,569	38,543
Increase in tangible and intangible fixed assets <sup>2</sup>	30,586	12,404	42,991	2,132	45,124

(Notes)

1. "Others," which includes the IT business, does not qualify as a reportable operating segment.
2. Depreciation and Increase in tangible and intangible fixed assets included long-term prepaid expenses and their amortization.

FY2017 results (Apr. 2017 - Mar. 2018)

(Millions of yen)

	Reportable operating segments			Others <sup>1</sup>	Total
	Materials	Healthcare	Subtotal		
Sales					
1) External customers	624,812	155,370	780,183	54,802	834,985
2) Intersegment transactions or transfers	1,163	3	1,166	9,121	10,288
Net sales	625,975	155,374	781,350	63,924	845,274
Segment income	33,627	35,941	69,568	6,137	75,706
Segment asset	617,123	168,428	785,551	97,872	883,423
Other items					
Depreciation <sup>2</sup>	27,123	10,992	38,115	1,774	39,889
Amortization of goodwill	4,218	265	4,484	—	4,484
Investments in associates accounted for using equity method	12,224	2,027	14,251	25,655	39,906
Increase in tangible and intangible fixed assets <sup>2</sup>	30,010	12,571	42,581	1,650	44,231

(Notes)

1. "Others," which includes the IT business, does not qualify as a reportable operating segment.
2. Depreciation and Increase in tangible and intangible fixed assets included long-term prepaid expenses and their amortization.

#### 4) Reconciliation of published figures and aggregates of reportable operating segments

(Millions of yen)

Net sales	FY2016	FY2017
Reportable operating segments	691,481	781,350
Others segment	58,358	63,924
Elimination of intersegment transactions	(8,549)	(10,288)
Net sales	741,291	834,985

(Millions of yen)

Operating income	FY2016	FY2017
Reportable operating segments	55,997	69,568
Others segment	5,296	6,137
Elimination of intersegment transactions	209	(37)
Corporate expenses*	(4,991)	(5,846)
Operating income	56,512	69,822

(Notes)

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

(Millions of yen)

Assets	FY2016	FY2017
Reportable operating segments	740,366	785,551
Others segment	84,505	97,872
Corporate assets not allocated to segments*	183,897	163,096
Other	(44,715)	(60,334)
Total assets	964,053	986,184

(Notes)

Corporate assets are assets that cannot be allocated to individual reportable operating segments and are primarily related to investments of the parent company in "Cash and time deposits" and "Investments in securities" etc.

(Millions of yen)

Other items	Total for reportable operating segments		Others		Adjustment		Consolidated total	
	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017
Depreciation	34,199	38,115	1,568	1,774	1,301	1,280	37,068	41,170
Amortization of goodwill	2,261	4,484	1	—	—	—	2,262	4,484
Investments in associates accounted for using equity method	14,973	14,251	23,569	25,655	—	—	38,543	39,906
Increase in tangible fixed assets and intangible fixed assets	42,991	42,581	2,132	1,650	1,099	378	46,223	44,610

## (2) Related Information

### 1) FY2016 results (Apr. 2016 - Mar. 2017)

#### Information by product/service

Sales to external customers (Millions of yen)

Material	Polyester Fibers & Trading and Retail	Composites, others	Healthcare	IT and Others	Total
228,081	287,263	24,502	150,676	50,767	741,291

(Note) The Materials Business is a reportable operating segment including the categories of "Material," "Polyester Fibers & Trading and Retail," and "Composites, others." The Material category involves the production and sale of aramid fibers, carbon fibers, polycarbonate resin and polyester films.

#### Information by geographical segment

I. Sales (Millions of yen)

Japan	PRC	U.S.	Asia	Americas (ex-U.S.)	Europe, others	Total
453,734	93,789	59,381	65,985	6,336	62,065	741,291

Note: Geographical segments are determined based on the country/region of domicile of customers.

II. Tangible fixed assets (Millions of yen)

Japan	U.S.	Netherlands	PRC	Asia	Europe	Americas (ex-U.S.)	Total
130,906	32,816	26,888	17,019	23,913	4,623	5,119	241,289

#### Information by major customer

Omitted as no single customer accounts for more than 10% of consolidated net sales as reported in the Consolidated Statements of Income.

**2) FY2017 results (Apr. 2017 - Mar. 2018)**

**Information by product/service**

Sales to external customers

(Millions of yen)

Material	Polyester Fibers & Trading and Retail	Composites, others	Healthcare	IT and Others	Total
254,077	293,214	77,520	155,370	54,802	834,985

(Changes in Presentation Method)

As noted in “(1) Segment Information, 1) Outline of segments,” the Company has classified and disclosed information by product/service into the categories of “Material,” “Polyester Fibers & Trading and Retail,” “Composites, others,” “Healthcare,” and “IT and Others,” in accordance with a reclassification of reportable operating segments effective from FY2017. This disclosure had been omitted because similar information had been disclosed in segment information until FY2016. In accordance with this change, the Company has prepared and disclosed information by product/service for FY2016 based on the same classification.

**Information by geographical segment**

I. Sales

(Millions of yen)

Japan	PRC	U.S.	Asia	Americas (ex-U.S.)	Europe, others	Total
464,088	106,878	107,136	72,410	16,540	67,930	834,985

Note: Geographical segments are determined based on the country/region of domicile of customers.

II. Tangible fixed assets

(Millions of yen)

Japan	U.S.	Netherlands	PRC	Asia	Europe	Americas (ex-U.S.)	Total
127,307	34,693	26,469	18,025	23,883	4,830	5,079	240,289

**Information by major customer**

Omitted as no single customer accounts for more than 10% of consolidated net sales as reported in the Consolidated Statements of Income.

**(3) Loss on Impairment by Reportable Segment**

**1) FY2016 results (Apr. 2016 - Mar. 2017)**

(Millions of yen)

	Materials	Healthcare	Others	Elimination and corporate	Total
Impairment loss	836	—	45	496	1,378

**2) FY2017 results (Apr. 2017 - Mar. 2018)**

(Millions of yen)

	Materials	Healthcare	Others	Elimination and corporate	Total
Impairment loss	698	—	23	353	1,076

**(4) Goodwill by Reportable Segment**

**1) FY2016 results (Apr. 2016 - Mar. 2017)**

(Millions of yen)

	Materials	Healthcare	Others	Elimination and corporate	Total
Amortization of goodwill in FY2016	2,105	155	1	—	2,262
Balance as of March 31, 2017	32,370	367	—	—	32,737

**2) FY2017 results (Apr. 2017 - Mar. 2018)**

(Millions of yen)

	Materials	Healthcare	Others	Elimination and corporate	Total
Amortization of goodwill in FY2017	4,218	265	—	—	4,484
Balance as of March 31, 2018	26,315	876	—	—	27,191