August 6, 2012

# Consolidated Financial Report for the First Quarter ended June 30, 2012

**Toyobo Co., Ltd.** Listed on the First Section of both the TSE and OSE
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Quarterly report filing date (Planned): August 10, 2012

(Figures are rounded to the nearest million yen)

## 1. Consolidated Business Performance

### (1) Consolidated Operating Results

First quarter ended June 30 Percentages indicate year-on-year increase/ (decrease)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| 2012 | 83,053 | (4.8) | 2,244 | (60.4) | 1,816 | (67.2) | 492 | (82.9) |
| 2011 | 87,239 | 6.2 | 5,671 | 27.0 | 5,541 | 38.1 | 2,879 | – |

(Note) Comprehensive income: First quarter ended June 30, 2012: ¥ 1,085 million (-68.6%),
First quarter ended June 30,2011: ¥ 3,459 million (-%)

| | Net income per share | Net income per share after dilution |
|---|---|---|
| | Yen | Yen |
| 2012 | 0.56 | – |
| 2011 | 3.25 | 3.25 |

### (2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|---|---|---|---|
| | Millions of yen | Millions of yen | % |
| June 30, 2012 | 439,308 | 145,677 | 29.2 |
| March 31, 2012 | 437,841 | 147,724 | 29.8 |

(Reference) Total shareholders' equity: June 30, 2012: ¥128,291 million, March 31, 2012: ¥130,572 million

## 2. Dividends

| Record date | Dividends per share | | | | |
|---|---|---|---|---|---|
| | 1st Quarter | 2nd Quarter | 3rd Quarter | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| FY 3/2012 | – | 0.00 | – | 3.50 | 3.50 |
| FY 3/2013 | – | | | | |
| FY 3/2013 (Forecast) | | 0.00 | – | 3.50 | 3.50 |

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

### 3. Forecasts for Fiscal Year ending March 31, 2013

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

| | Net sales | | Operating income | | Ordinary income | |
|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Interim period | 175,000 | (1.8) | 7,000 | (36.6) | 6,000 | (40.8) |
| Fiscal year | 355,000 | 1.6 | 18,000 | (1.7) | 15,000 | (4.6) |

| | Net income | | Net income per share |
|---|---|---|---|
| | Millions of yen | % | Yen |
| Interim period | 2,300 | (55.8) | 2.59 |
| Fiscal year | 6,400 | 39.5 | 7.22 |

(Note) Revision of earnings forecast for this period: Yes

### 4. Other

1. Significant changes in subsidiaries during the subject fiscal year (Transfer of particular subsidiaries following a change in the scope of consolidation): None
2. Adoption of simplified and special accounting methods: None
3. Changes from accounting methods, procedures and the presentation of the consolidated financial statements:
   1) Changes based on revision of accounting standards : None
   2) Changes other than 1) above : Yes
   3) Changes due to accounting estimation change : Yes
   4) Error correction : None
4. Number of shares issued and outstanding (common share)
   1) Number of shares outstanding (including treasury stock):
      June 30, 2012: 890,487,922 shares March 31, 2012: 890,487,922 shares
   2) Number of treasury stock
      June 30, 2012: 3,824,724 shares March 31, 2012: 3,822,973 shares
   3) Average number of shares outstanding for each period (cumulative term):
      Three months ended June 30 2012: 886,664,232 shares
      2011: 886,653,317 shares

※ Implementation status of Quarterly review

This Financial Results report for the Second Quarter was exempt from Quarterly review which was based on Financial Instruments and Exchange Law of Japan. As of the Second Quarter disclosing, Quarterly review for the quarterly financial statements are under review.

※ Explanation regarding the appropriate use of forecasts of business results

The forward-looking statements made in this document, including the aforementioned forecasts, are based on all information available to the management at the time of this document's release. Actual results may differ from the results anticipated in the statements.

## 1. Qualitative Information and Financial Statements

### (1) Qualitative Information on Consolidated Results

The business environment for the Toyobo Group in the first quarter of the fiscal year ending March 31, 2013 (April 1, 2012, through June 30, 2012) was characterized by moderate recovery in the Japanese economy as reconstruction work continued following the Great East Japan Earthquake. However, the outlook for future trends continued to be uncertain because of concerns regarding electric power shortages and other issues. In overseas economies also, concerns about a deceleration in economic activity grew because of the prolongation of the debt crises in Europe and the slowing of growth in China and other Asian countries, which had acted as a driving force for growth.

Amid this operating environment, the Toyobo Group aims to become “The category leader for providing new value in the environment, life science, and high-function products fields” and is proceeding with business activities targeted at expansion through emphasis on growing overseas markets, where business opportunities abound. In the environment field, Toyobo is working toward expansion in various businesses, and its reverse osmosis membrane for seawater desalination has been chosen for installation in one of the world’s largest seawater desalination plants that will be built in Saudi Arabia. In addition, Toyobo proceeded with the development of its position in the VOC emissions treatment equipment business in Asia and expanded the range of uses of its high-melting-point polyamide made from biomass. In the life science field, Toyobo focused on expanding sales of enzymes for self-monitoring of blood glucose sensors with improved analytic precision and other products. In the high-function product field, Toyobo concentrated on expansion of overseas business activities, and its manufacturing and sales joint venture in China for production of airbag fabrics which went into full operation. Also, Toyobo worked to develop and market films used in the manufacturing process for ceramic capacitors and other products, along with the rise in demand for smartphones.

As previously mentioned, the Toyobo Group is addressing business issues as well as implementing measures and reforms that will lead to growth and expansion. However, in the current difficult environment, sales in the first quarter of the fiscal year decreased ¥4.2 billion (4.8%) in comparison with the same period of the previous fiscal year, to ¥83.1 billion, and operating income down ¥3.4 billion (60.4%), to ¥2.2 billion. Ordinary income declined ¥3.7 billion (67.2%), to ¥1.8 billion, and net income for the first quarter down ¥2.4 billion (82.9%), ¥0.5 billion.

Results by business segment were as follows.

**Films and Functional Polymers**

In this business segment, sales of functional polymers held firm, particularly in automotive applications, but in the films business, performance was adversely affected by the decline in sales prices of LCD panels and the weakness in demand in packaging materials. As a result, sales in this segment decreased from the same quarter of the previous fiscal year, and operating income declined.

In the films business, sales in the packaging films business declined substantially because of adjustments in product shipments caused by sudden fluctuations in user demand due to the effects of the Great East Japan Earthquake. In the industrial films business, activities were directed at expanding sales of materials other than optical films that are used in electronic parts in the IT field. However, although there was recovery in demand for LCDs from Asian countries, performance was adversely affected by the drop in prices that occurred in the latter half of the previous fiscal year.

In the functional polymers business, sales of the co-polyester “VYLON” series of industrial adhesives to China for use in electronic parts applications were favorable. Also, sales of engineering plastics for use in automotive applications, which is the principal customer industry for these products, recovered and held strong.

As a result, sales in this segment decreased ¥1.7 billion (4.5%) from the same quarter of the previous fiscal year, to ¥35.5 billion, but operating income declined ¥1.7 (50.9%), to ¥1.7 billion.

**Industrial Materials**

Although this business segment was adversely affected by the delayed recovery of conditions in the environment-related industries, overall sales were firm because of the positive impact of recovery in production in automobile industries. As a result, sales in this segment increased from the same period of the previous year, while operating income rose.

Revenues from airbag fabrics held strong along with the rise in unit production of automobiles. Tire cords, however, were adversely influenced by production adjustments of domestic users and the appreciation of the yen. Among high-performance fibers, “Dyneema” was adversely influenced by stagnant market conditions, but sales of “ZYLON” for use in heat-resistance applications and other products rose because of the expansion in the scope of applications. In the functional filters business, as efforts were in progress to increase sales of VOC emissions treatment equipment in Asia, revenues were affected by delays in investment projects among users. Performance of non-woven fabrics held steady as sales for automotive applications recovered.

As a result, sales in this segment rose ¥0.9 billion (5.5%) from the same quarter of the previous year, to ¥17.3 billion, and operating income increased ¥0.0 (2.4%), to ¥1.0 billion.

**Life Science**

Although sales of the medical product business were favorable, revenues of the bioproduct and water treatment membrane businesses were negatively influenced by the appreciation of the yen. As a result, sales in this segment declined over the same period of the previous year, and operating income down.

In the bioproducts business, sales of enzymes for diagnostic reagents, which are the mainstay product in this business, faced difficult conditions because of inventory adjustments among domestic and overseas customers and the impact of the appreciation of the yen. In the medical business, within the contract manufacturing of pharmaceuticals, sales of injection materials held firm. In the functional membranes business, membranes for medical use experienced tough conditions as the unit volume of sales in Japan decreased. Shipments of replacement membrane units for reverse osmosis membrane seawater desalination plants were steady but were influenced by the appreciation of the yen.

As a result, sales in this segment declined ¥1.0 billion (16.0%) from the same quarter of the previous year, to ¥5.4 billion, and operating income down ¥0.4 (47.3%), to ¥0.4 billion.

**Textiles**

Sales in this segment decreased from the same period of the previous fiscal year, and operating income down.

Sales of functional textiles for use in sports apparel and inner wear held firm, but the nylon business experienced tough operating conditions because of the appreciation of the yen and stagnation in market conditions. In the textiles field, the rising trend in sales of perspiration-absorbing and quick-drying knit shirts, which respond to the needs for “cool-biz” comfortable summer wear in business situations, held steady. Sales of fabrics for traditional Arabic menswear expanded in volume terms, but were adversely influenced by the appreciation of the yen. Some of the subsidiaries of the Toyobo Group began to review the lifecycles of their products to take account of the weakness in domestic consumer spending on these items and reported inventory valuation losses.

As a result, sales in this segment decreased ¥1.8 billion (8.6%) from the same quarter of the previous year, to ¥19.4 billion, with an operating loss of ¥0.7 billion.
(compared with operating income of ¥0.6 billion for the first quarter of the previous fiscal year).

**Real Estate and Other Businesses**

These segments include infrastructure-related businesses such as real estate, engineering, information processing services, and logistics services. Results were essentially in line with plan.

As a result, sales in these segments decreased ¥0.6 billion (9.2%) from the same period of the previous fiscal year to ¥5.5 billion, with operating income up ¥0 billion (3.6%) to ¥0.5 billion.

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

**Assets, Liabilities and Net Assets**

Total assets increased ¥1.5 billion (0.3%) over the end of the previous fiscal year, to ¥439.3 billion. This was due mainly to increase in cash and deposits.

Total liabilities rose ¥3.5 billion (1.2%), to ¥293.6 billion. This was mainly because of an increase in current liabilities.

Total net assets decreased ¥2.0 billion (1.4%) to ¥145.7 billion. This was due mainly to a decline in retained earnings for paying dividends.

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

Difficult conditions continued during the first quarter of the fiscal year ending March 31, 2013, and this affected the consolidated financial results of the Toyobo Group. In the Films and Functional Polymers segment, these adverse conditions included declines in prices of LCDs and decreases in the unit volume of sales in the packaging films business due to fluctuations in demand. In the Industrial Materials segment, difficult circumstances continued and adverse conditions included the effects of delays in expanding sales to environment-related businesses in China. In the Textiles business segment, some of the subsidiaries of the Toyobo Group reviewed the life cycles of their products taking account of stagnation in domestic consumer spending and reported inventory valuation losses, which, in turn, increased operating costs temporarily and put pressure on profitability.

From the second quarter of the current fiscal year onward, we will proceed with improving the product portfolio in specialty businesses and are expecting improvement in performance.

However, Toyobo has revised its forecast of performance for the six months ending September 30, 2012 and the full fiscal year ending March 31, 2013, due to a severer business environment than initially expected.

Six months ending September 30, 2012

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Net Sales | Operating Income | Ordinary Income | Net Income |
| Previous Forecast (A)<br>(Announced on May 8,2012) | 180,000 | 11,500 | 10,500 | 5,000 |
| Revised Forecast (B) | 175,000 | 7,000 | 6,000 | 2,300 |
| Change (B-A) | (5,000) | (4,500) | (4,500) | (2,700) |
| Percent Change (%) | (2.8) | (39.1) | (42.9) | (54.0) |

Year ending March 31, 2013

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Net Sales | Operating Income | Ordinary Income | Net Income |
| Previous Forecast (A)<br>(Announced on May 8,2012) | 365,000 | 24,000 | 21,000 | 10,000 |
| Revised Forecast (B) | 355,000 | 18,000 | 15,000 | 6,400 |
| Change (B-A) | (10,000) | (6,000) | (6,000) | (3,600) |
| Percent Change (%) | (2.7) | (25.0) | (28.6) | (36.0) |

**2. Summary Information (Footnote Item)**

Changes in Accounting Principles, Changes in Accounting Estimates, and Corrections or Restatements
(Changes in Accounting Principles that Are Difficult to Distinguish from Changes in Accounting Estimates)

Beginning with the first quarter under review, the Company has changed its method of calculation of depreciation for the tangible fixed assets of the parent company and domestic consolidated subsidiaries from the previous declining balance method to the straight-line method.

After completing structural reforms in its apparel and textile businesses, the Company is now making capital investments to aggressively expand its specialty businesses globally. Accordingly, the Company has taken this as an opportune time to reconsider its depreciation methods.

As a consequence, the Toyobo Group is expected to secure long-term, stable income from its product groups. Moreover, since costs related to repairs, etc., and the maintenance of equipment are expected on an average basis, the shift from the declining balance method to the straight-line method of depreciation was deemed appropriate to attain a more-reasonable allocation of expenses.

As a result of this accounting change, the amount of depreciation through the first quarter under review decreased ¥827 million compared with figures prepared under the previous method of depreciation. In addition, gross profit and operating income are higher than they would have been without this change by ¥456 million and ¥584 million, respectively. Also, ordinary income and income before income taxes and minority interests were both ¥605 million higher than they would have been otherwise. For further information on the effects of this change on segment information, please refer to the section entitled “(5) Segment Information.”

## 3. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

| | Previous Fiscal Year (As of March 31,2012) | Current First Quarter (As of June 30, 2012) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 9,608 | 11,529 |
| Notes and accounts receivable-trade | 75,542 | 73,578 |
| Merchandise and finished goods | 47,963 | 48,294 |
| Work in process | 14,830 | 15,497 |
| Raw materials and supplies | 14,779 | 15,249 |
| Other | 15,210 | 13,300 |
| Allowance for doubtful accounts | (196) | (194) |
| Total current assets | 177,735 | 177,254 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 46,530 | 46,444 |
| Machinery, equipment and vehicles, net | 33,780 | 34,693 |
| Land | 106,631 | 106,593 |
| Other, net | 12,848 | 12,281 |
| Total property, plant and equipment | 199,789 | 200,011 |
| Intangible assets | 1,606 | 1,525 |
| Investments and other assets | | |
| Other | 60,112 | 61,917 |
| Allowance for doubtful accounts | (1,401) | (1,399) |
| Total investments and other assets | 58,710 | 60,518 |
| Total noncurrent assets | 260,105 | 262,054 |
| Total assets | 437,841 | 439,308 |

(Millions of yen)

| | Previous Fiscal Year (As of March 31,2012) | Current First Quarter (As of June 30, 2012) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 47,741 | 47,507 |
| Short-term loans payable | 51,432 | 51,716 |
| Current portion of long-term loans payable | 28,132 | 25,945 |
| Provision | 4,263 | 2,209 |
| Other | 31,282 | 46,986 |
| Total current liabilities | 162,850 | 174,363 |
| Noncurrent liabilities | | |
| Bonds payable | 15,000 | 5,000 |
| Long-term loans payable | 54,833 | 57,615 |
| Provision for retirement benefits | 17,302 | 17,431 |
| Provision for directors' retirement benefits | 444 | 325 |
| Provision for environmental measures | 1,931 | 1,931 |
| Other | 37,758 | 36,967 |
| Total noncurrent liabilities | 127,267 | 119,268 |
| Total liabilities | 290,116 | 293,631 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 51,730 | 51,730 |
| Capital surplus | 32,227 | 32,227 |
| Retained earnings | 17,042 | 14,431 |
| Treasury stock | (559) | (560) |
| Total shareholders' equity | 100,440 | 97,828 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,038 | 675 |
| Deferred gains or losses on hedges | (117) | (141) |
| Revaluation reserve for land | 41,412 | 41,412 |
| Foreign currency translation adjustment | (12,201) | (11,483) |
| Total accumulated other comprehensive income | 30,132 | 30,463 |
| Minority interests | 17,153 | 17,386 |
| Total net assets | 147,724 | 145,677 |
| Total liabilities and net assets | 437,841 | 439,308 |

## (2) Consolidated Statements of Income and Consolidated Comprehensive Income Statements

Consolidated Statements of Income

(Millions of yen)

| | Previous First Quarter (From April 1, 2011 To June 30, 2011) | Current First Quarter (From April 1, 2012 To June 30, 2012) |
|---|---|---|
| Net sales | 87,239 | 83,053 |
| Cost of sales | 67,970 | 66,692 |
| Gross profit | 19,269 | 16,361 |
| Selling, general and administrative expenses | 13,598 | 14,117 |
| Operating income | 5,671 | 2,244 |
| Non-operating income | | |
| Dividends income | 372 | 265 |
| Amortization of negative goodwill | 245 | 237 |
| Other | 880 | 577 |
| Total non-operating income | 1,496 | 1,079 |
| Non-operating expenses | | |
| Interest expenses | 556 | 498 |
| Amortization of net retirement benefit obligation at transition | 391 | 392 |
| Other | 678 | 617 |
| Total non-operating expenses | 1,626 | 1,507 |
| Ordinary income | 5,541 | 1,816 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 92 | 161 |
| Other | 5 | - |
| Total extraordinary income | 97 | 161 |
| Extraordinary loss | | |
| Loss on valuation of investment securities | 4 | 502 |
| Loss on litigation | 756 | 380 |
| Other | 167 | 166 |
| Total extraordinary losses | 927 | 1,048 |
| Income (loss) before income taxes and minority interests | 4,711 | 929 |
| Income taxes | 1,535 | 219 |
| Income (loss) before minority interests | 3,176 | 710 |
| Minority interests in income | 297 | 218 |
| Net income (loss) | 2,879 | 492 |

Consolidated Comprehensive Income Statements

(Millions of yen)

| | Previous First Quarter (From April 1, 2011 To June 30, 2011) | Current First Quarter (From April 1, 2012 To June 30, 2012) |
|---|---|---|
| Income (loss) before minority interests | 3,176 | 710 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (71) | (342) |
| Deferred gains or losses on hedges | (13) | (24) |
| Foreign currency translation adjustment | 353 | 739 |
| Share of other comprehensive income of associates accounted for using equity method | 14 | 1 |
| Total other comprehensive income | 284 | 374 |
| Comprehensive income | 3,459 | 1,085 |
| Breakdown of comprehensive income | | |
| Comprehensive income attributable to owners of the parent | 3,148 | 824 |
| Comprehensive income attributable to minority interests | 311 | 261 |

## (3) Note to Going Concern: None

## (4) Segment Information

### a. Segment information by business type

( i ) Previous first quarter (from April 1, 2011 to June 30, 2011) (Millions of yen)

| | Segment to be reported | | | | | | Other Busines-ses (Note 1) | Total | Adjustment (Note 2) | Consolidated Statements of Income (Note 3) |
|---|---|---|---|---|---|---|---|---|---|---|
| | Films and Functional Polymers | Industrial Materials | Life Science | Textiles | Real Estate | Total | | | | |
| Net Sales | | | | | | | | | | |
| (1) Outside customers | 37,175 | 16,404 | 6,388 | 21,256 | 975 | 82,198 | 5,041 | 87,239 | – | 87,239 |
| (2) Inter-segment sales and transfers | 26 | 23 | 24 | 334 | 289 | 696 | 2,000 | 2,696 | (2,696) | - |
| Total | 37,201 | 16,427 | 6,412 | 21,590 | 1,264 | 82,894 | 7,041 | 89,935 | (2,696) | 87,239 |
| Operating Income (loss) | 3,437 | 946 | 818 | 624 | 376 | 6,200 | 119 | 6,320 | (649) | 5,671 |

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

2. Includes segment income adjustment of ¥-649 million, eliminations of intersegment transactions of ¥ 43 million, and companywide expenses that are not allocated across reporting segments of ¥-692 million. The principal components of companywide expenses are those related to basic research and development.

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

( ii ) Current first quarter (from April 1, 2012 to June 30, 2012) (Millions of yen)

| | Segment to be reported | | | | | | Other Busines-ses (Note 4) | Total | Adjustment (Note 5) | Consolidated Statements of Income (Note 6) |
|---|---|---|---|---|---|---|---|---|---|---|
| | Films and Functional Polymers | Industrial Materials | Life Science | Textiles | Real Estate | Total | | | | |
| Net Sales | | | | | | | | | | |
| (1) Outside customers | 35,500 | 17,307 | 5,363 | 19,419 | 1,013 | | 4,452 | 83,053 | – | 83,053 |
| (2) Inter-segment sales and transfers | 0 | 63 | 24 | 45 | 277 | | 2,631 | 3,040 | (3,040) | – |
| Total | 35,500 | 17,370 | 5,388 | 19,464 | 1,290 | | 7,083 | 86,094 | (3,040) | 83,053 |
| Operating Income (loss) | 1,689 | 969 | 431 | (653) | 445 | | 68 | 2,948 | (705) | 2,244 |

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

5. Includes segment income adjustment of ¥-705 million, eliminations of intersegment transactions of ¥-34 million, and companywide expenses that are not allocated across reporting segments of ¥-670 million. The principal components of companywide expenses are those related to basic research and development.

6. Segment income or loss have been adjusted with operating income on the consolidated financial statements

## 4. Changes in Reporting Segments

As of April 1, 2012, the Company implemented an organizational realignment with the aims of strengthening teamwork in the areas of “manufacturing,” “sales,” and “development,” as well as strengthening the allocation of corporate resources to addressing important issues and expanding in growth fields. For this reason, beginning in the first quarter under review, the fine chemical business previously included in the Life Science business were reassigned to the Films and Functional Polymers business.

In view of this change, the reporting segments in the first quarter of the previous year have been revised to reflect the reporting segment classification after this change.

## 5. Changes in Accounting Principles that Are Difficult to Distinguish from Changes in Accounting Estimates

As noted in “2. Summary Information (Footnote Item),” the parent company and its domestic consolidated subsidiaries have changed their method of calculating depreciation beginning with the first quarter under review.

As a result, segment income (loss) changed as follows compared with figures prepared under the previous method of depreciation. Income from the Films and Functional Polymers segment was ¥275 million higher, income from the Industrial Materials segment was ¥76 million higher, income from the Life Science segment was ¥98 million higher, income from the Textiles segment was ¥31 million higher, income from the Real Estate segment was ¥48 million higher, and income from the Other segment was ¥10 million higher. (In the cases where the segment showed a loss, the figures indicate the margin of improvement.)