

Consolidated Financial Report for the First Quarter ended June 30, 2013

Toyobo Co., Ltd.

Listed on the First Section of the TSE

Stock Code: 3101

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(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	%
2013	85,284	2.7	5,195	131.5	5,129	182.4	2,959	501.1
2012	83,053	(4.8)	2,244	(60.4)	1,816	(67.2)	492	(82.9)

(Note) Comprehensive income: First quarter ended June 30, 2013: ¥ 5,800 million (434.7%),

First quarter ended June 30, 2012: ¥ 1,085 million (-68.6%)

	Net income per share	Net income per share after dilution
	Yen	Yen
2013	3.33	—
2012	0.56	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
June 30, 2013	446,794	157,583	31.4
March 31, 2013	447,445	155,522	30.8

(Reference) Total shareholders' equity: June 30, 2013: ¥140,231 million, March 31, 2013: ¥138,024 million

2. Dividends

Record date	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 3/2013	—	0.00	—	3.50	3.50
FY 3/2014	—				
FY 3/2014 (Forecast)		0.00	—	3.50	3.50

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

3. Forecasts for Fiscal Year ending March 31, 2014

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim period	172,000	0.5	10,000	31.0	9,000	39.0
Fiscal year	350,000	3.2	22,000	28.8	19,500	25.6

	Net income		Net income per share
	Millions of yen	%	Yen
Interim period	4,300	59.1	4.84
Fiscal year	9,500	24.4	10.69

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

4. Other

1. Significant changes in subsidiaries during the subject fiscal year (Transfer of particular subsidiaries following a change in the scope of consolidation): None
2. Adoption of simplified and special accounting methods: None
3. Changes from accounting methods, procedures and the presentation of the consolidated financial statements:
 - 1) Changes based on revision of accounting standards : None
 - 2) Changes other than 1) above : None
 - 3) Changes due to accounting estimation change : None
 - 4) Error correction : None
4. Number of shares issued and outstanding (common share)
 - 1) Number of shares outstanding (including treasury stock):

June 30, 2013: 890,487,922 shares	March 31, 2013: 890,487,922 shares
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 - 2) Number of treasury stock

June 30, 2013: 1,915,632 shares	March 31, 2013: 2,039,578 shares
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 - 3) Average number of shares outstanding for each period (cumulative term):

Three months ended June 30	2013: 888,574,677 shares
	2012: 886,664,232 shares

※ Implementation status of Quarterly review

This Financial Results report for the first Quarter was exempt from Quarterly review which was based on Financial Instruments and Exchange Law of Japan. As of the first 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 Japan through the end of the first quarter (April 1, 2013 to June 30, 2013) was characterized by the appearance of signs of recovery as the high values of the yen experienced a downward correction and stock prices rose against a background of economic policies that were initiated after the change in Japan's government administration. On the other hand, in the international economy, although moderate recovery continued in the United States, growth slowed in China and the newly emerging countries of Asia—which had been driving forces for growth—and the economies of Europe were stagnant because of the prolonged debt crises. As a result of these and other factors, uncertainties about future directions persisted.

Amid this operating environment, the Toyobo Group continued its activities aimed at becoming “The category leader, continuing to create new value that contributes to society in the environment, life science, and high-function products fields.” Accordingly, Toyobo is proceeding with activities targeted at further expanding its businesses by developing specialty products and increasing their sales in domestic and overseas markets. In the environment field, Toyobo's reverse osmosis (RO) membrane elements for seawater desalination have been selected for use in the largest desalination plant in Saudi Arabia. Shipments of these membrane elements have begun. In the life science field, Toyobo successfully developed and began to market “Nerbridge”, the first medical treatment device in Japan for the regeneration of damaged peripheral nerves. In the high-function products businesses, Toyobo is focusing on the expansion of sales of new products in the films business, including an industrial film for LCDs with new optical properties and a shrinkable film for PET bottle labels that is thinner and stronger as well as contributes to increased productivity. In addition, Toyobo worked to further expand its overseas business activities. To gain a foothold in the shrink film market in China, which is expected to expand in the years ahead, Toyobo invested, together with a South Korean film manufacturer, in a joint venture in China.

As previously mentioned, the Toyobo Group is addressing business issues as well as implementing measures and improvements that will lead to further growth and expansion. As a result, sales in the first quarter of the fiscal year increased ¥2.2 billion (2.7%) in comparison with the same period of the previous fiscal year, to ¥85.3 billion, and operating income up ¥3.0 billion (131.5%), to ¥5.2 billion. Ordinary income increased ¥3.3 billion (182.4%), to ¥5.1 billion, and net income for the first quarter down ¥2.5 billion (501.1%), ¥3.0 billion.

Results by business segment were as follows.

Films and Functional Polymers

Within this segment, in the films business, although sales in the packaging films business reported a weak performance, sales of industrial films for LCDs held strong. In the functional polymers business, sales principally to the automobile industry were generally steady. Compared with the same quarter of the previous year, sales increased and operating income increased.

In the films business, sales of packaging films decreased because of the sluggish shipments across the industry as a whole and the delay in revising product prices to higher levels to offset the rise in raw materials prices. In the industrial films business, sales held firm, driven by exports to South Korea and Taiwan as well as domestic sales for smartphones and tablet PCs. In the functional polymers business, sales of industrial adhesive “VYLON” for electronic components to China were adversely affected by the stagnation in the Chinese market, and operating conditions were difficult. In the engineering plastics business, sales, principally for automotive uses, held firm especially to the North American market.

As a result, sales in this segment increased ¥2.4 billion (6.7%) from the same quarter of the previous fiscal year, to ¥37.9 billion, but operating income increased ¥0.8 (44.6%), to ¥2.4 billion.

Industrial Materials

Within this segment, the high-performance fibers business and materials for consumer and industrial uses showed favorable performance. However, the impact on sales of the decision to withdraw from the tire cord business and the effect of the prolonged stagnation in China on environment-related businesses resulted in a decrease in sales and an increase in operating income.

In the airbag fabrics business, performance in volume terms held generally firm because of the recovery in sales to China and other factors. Regarding the tire cord business, Toyobo made the decision to exit this business in December of the fiscal year under review, and this resulted in a major decline in sales. In the high-performance fibers business, sales of ultra-high-strength polyethylene fiber “Dyneema” for ropes used on ships were favorable, but growth in sales of “ZYLON,” for use in heat-resistant materials and other applications—which had been favorable—weakened. In the functional filters business, operating conditions continued to be difficult as users in China postponed their investments owing to the stagnation in the European markets. Among materials for consumer and industrial uses, sales of “BREATHAIR,” a functional cushion material, reported substantial expansion in volume terms, principally to the bedding market, and overall sales showed major expansion.

As a result, sales in this segment decreased ¥0.1 billion (0.6%) from the same quarter of the previous year, to ¥17.2 billion, and operating income increased ¥0.0 (1.1%), to ¥1.0 billion.

Life Science

In this segment, because of the favorable performance of the bioproducts business, the commencement of sales of “Nerbridge” a conduit for regeneration of peripheral nerve in the medical devices business, and other factors, sales increased year on year, and operating income increased.

In the bioproducts business, sales of diagnostic enzymes, which are mainstay products in this business, continued to be favorable, resulting in a gain in sales. In the medical products business, sales of the contract manufacturing of pharmaceuticals business continued to be firm, partly because of the start-up of new production facilities. In the medical devices business, sales of new product “Nerbridge” continued to be favorable. In the functional membrane business, although recovery in sales of membranes for medical use in the domestic market was delayed, sales exceeded the level of the same period of the previous year. Shipments to Japanese and overseas users of RO membrane elements for replacement of membranes at existing plants were favorable.

As a result, sales in this segment increased ¥0.4 billion (8.3%) from the same quarter of the previous year, to ¥5.8 billion, and operating income increased ¥0.7 billion (171.9%), to ¥1.2 billion.

Textiles

Sales in this segment decreased compared with the same period of the previous year, and operating income increased.

Sales of sports apparel in volume terms decreased, and the decline in the value of the yen caused a deterioration in income because of the higher cost of products manufactured overseas. In the textiles business, sales of materials for traditional Arabic menswear continued to be favorable, and income also improved because of the downward correction in the high values of the yen. Sales of acrylic fiber to China remained firm.

As a result, sales in this segment decreased ¥0.7 billion (3.8%) from the same quarter of the previous year, to ¥18.7 billion, and operating income increased ¥1.5 billion, to ¥0.8 billion.

(Compared with operating loss of ¥0.7 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 increased ¥0.3 billion (4.6%) from the same period of the previous fiscal year to ¥5.7 billion, and operating income increased ¥0 billion (6.0%) to ¥0.5 billion.

(2) Qualitative Information on the Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets decreased ¥0.7 billion (0.1%) over the end of the previous fiscal year, to ¥446.8 billion. This was due mainly to decrease in cash and deposits.

Total liabilities decreased ¥2.7 billion (0.9%), to ¥289.2 billion. This was mainly because of a decrease in current liabilities.

Total net assets increased ¥2.1 billion (1.3%) to ¥157.6 billion. This was due mainly because of an increase in the foreign currency translation adjustment account, although retained earnings decreased by paying dividends.

(3) Qualitative Information on Consolidated Forecasts

The performance of the Toyobo Group during the first quarter was generally as forecast. Regarding the outlook for performance through the end of the second quarter (interim period) and the forecast for the full fiscal year, no changes have been made in the outlook announced on May 9, 2013.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2013) (Condensed)	Current First Quarter (As of June 30, 2013)
Assets		
Current assets		
Cash and deposits	26,600	21,661
Notes and accounts receivable-trade	74,598	72,870
Merchandise and finished goods	43,073	44,852
Work in process	14,179	15,516
Raw materials and supplies	13,757	14,131
Other	12,729	11,766
Allowance for doubtful accounts	(198)	(196)
Total current assets	184,739	180,600
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	46,239	46,290
Machinery, equipment and vehicles, net	33,876	35,844
Land	106,202	106,777
Other, net	15,956	17,646
Total property, plant and equipment	202,273	206,557
Intangible assets	1,242	1,418
Investments and other assets		
Other	60,417	59,479
Allowance for doubtful accounts	(1,226)	(1,259)
Total investments and other assets	59,191	58,220
Total noncurrent assets	262,707	266,194
Total assets	447,445	446,794

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2013) (Condensed)	Current First Quarter (As of June 30, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	48,452	52,485
Short-term loans payable	51,211	50,618
Current portion of long-term loans payable	21,815	20,628
Income taxes payable	1,726	629
Provision	4,036	2,144
Other	37,590	30,624
Total current liabilities	164,831	157,128
Noncurrent liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	52,278	57,008
Provision for retirement benefits	17,576	17,920
Provision for directors' retirement benefits	379	294
Provision for environmental measures	1,771	1,771
Other	35,088	35,089
Total noncurrent liabilities	127,093	132,082
Total liabilities	291,923	289,211
Net assets		
Shareholders' equity		
Capital stock	51,730	51,730
Capital surplus	32,239	32,239
Retained earnings	21,568	21,229
Treasury stock	(295)	(264)
Total shareholders' equity	105,242	104,934
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,815	3,593
Deferred gains or losses on hedges	(72)	(73)
Revaluation reserve for land	41,422	41,422
Foreign currency translation adjustment	(11,384)	(9,646)
Total accumulated other comprehensive income	32,782	35,297
Minority interests	17,498	17,352
Total net assets	155,522	157,583
Total liabilities and net assets	447,445	446,794

(2) Consolidated Statements of Income

(Millions of yen)

	Previous First Quarter (From April 1, 2012 To June 30, 2012)	Current First Quarter (From April 1, 2013 To June 30, 2013)
Net sales	83,053	85,284
Cost of sales	66,692	66,599
Gross profit	16,361	18,685
Selling, general and administrative expenses	14,117	13,490
Operating income	2,244	5,195
Non-operating income		
Dividends income	265	282
Foreign exchange gains	-	463
Other	814	581
Total non-operating income	1,079	1,325
Non-operating expenses		
Interest expenses	498	441
Amortization of net retirement benefit obligation at transition	392	392
Other	617	559
Total non-operating expenses	1,507	1,392
Ordinary income	1,816	5,129
Extraordinary income		
Gain on sales of noncurrent assets	161	-
Gain on bargain purchase	-	595
Other	-	17
Total extraordinary income	161	612
Extraordinary loss		
Loss on disposal of noncurrent assets	126	317
Loss on sales of investment securities	-	552
Loss on valuation of investment securities	502	-
Loss on litigation	380	268
Other	40	101
Total extraordinary losses	1,048	1,238
Income before income taxes and minority interests	929	4,503
Income taxes	219	1,255
Income before minority interests	710	3,247
Minority interests in income	218	288
Net income	492	2,959

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous First Quarter (From April 1, 2012 To June 30, 2012)	Current First Quarter (From April 1, 2013 To June 30, 2013)
Income before minority interests	710	3,247
Other comprehensive income		
Valuation difference on available-for-sale securities	(342)	784
Deferred gains or losses on hedges	(24)	(1)
Foreign currency translation adjustment	739	1,745
Share of other comprehensive income of associates accounted for using equity method	1	24
Total other comprehensive income	374	2,552
Comprehensive income	1,085	5,800
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	824	5,484
Comprehensive income attributable to minority interests	261	315

(3) Note to Going Concern: None

Not applicable

(4) Notes on Significant Changes in Shareholders' Equity

Not applicable

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

(i) Previous first quarter (from April 1, 2012 to June 30, 2012)

(Millions of yen)

	Segment to be reported						Other Business- ses (Note 1)	Total	Adjustm ent (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	35,500	17,307	5,363	19,419	1,013	78,602	4,452	83,053	—	83,053
(2) Inter-segment sales and transfers	0	63	24	45	277	409	2,631	3,040	(3,040)	—
Total	35,500	17,370	5,388	19,464	1,290	79,011	7,083	86,094	(3,040)	83,053
Operating Income (loss)	1,689	969	431	(653)	445	2,880	68	2,948	(705)	2,244

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

2. 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.

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

(ii) Current first quarter (from April 1, 2013 to June 30, 2013)

(Millions of yen)

	Segment to be reported						Other Business- ses (Note 4)	Total	Adjustm ent (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	37,878	17,197	5,808	18,684	1,025	80,591	4,693	85,284	—	85,284
(2) Inter-segment sales and transfers	11	12	28	36	279	366	3,120	3,485	(3,485)	—
Total	37,889	17,209	5,836	18,719	1,304	80,957	7,813	88,770	(3,485)	85,284
Operating Income (loss)	2,443	980	1,171	843	475	5,911	70	5,982	(786)	5,195

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

5. Includes segment income adjustment of ¥-786 million, eliminations of intersegment transactions of ¥-117 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.