

## Consolidated Financial Report for the First Half ended September 30, 2009

### Toyobo Co., Ltd.

Listed on the First Section of both the TSE and OSE

Stock Code: 3101

URL <http://www.toyobo.co.jp/annai/zaimu/>

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Quarterly report filing date (Planned): November 13, 2009

Start of dividend payments (Planned): -

(Figures are rounded to the nearest million yen)

## 1. Consolidated Business Performance

### (1) Consolidated Operating Results

Six months ended September 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	%
2009	154,858	(23.5)	2,999	(69.1)	1,264	(81.3)	(551)	-
2008	202,471	-	9,690	-	6,762	-	(5,605)	-

	Net income per share	Net income per share after dilution
	Yen	Yen
2009	(0.78)	-
2008	(8.03)	-

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2009	452,835	128,648	23.1	140.02
March 31, 2009	443,816	133,967	22.1	140.79

(Reference) Total shareholders' equity: September 30, 2009: ¥104,547 million, March 31, 2009: ¥98,253 million

## 2. Dividends

Year ended/ ending March 31

Record date	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2009	-	0.00	-	3.50	3.50
2010	-	0.00			
2010 (Forecast)			-	3.50	3.50

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

### 3. Forecasts for Fiscal Year Ending March 31, 2010

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	325,000	(11.5)	12,000	6.9	7,500	264.3

	Net income		Net income per share
	Millions of yen	%	Yen
Fiscal year	2,500	—	3.43

(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 accounting practices and special accounting policy for quarterly financial reporting: Yes
3. Changes from accounting methods, procedures and the presentation of the quarterly consolidated financial statements:
  - 1) Changes based on revision of accounting standards: None
  - 2) Changes other than 1) above: None
4. Number of shares issued and outstanding (common share)
  - 1) Number of shares outstanding (including treasury stock):
 

September 30, 2009: 750,487,922 shares	March 31, 2009: 699,027,598 shares
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  - 2) Number of treasury stock
 

September 30, 2009: 3,826,928 shares	March 31, 2009: 1,149,171 shares
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  - 3) Average number of shares outstanding for each period (cumulative term):
 

Six months ended September 30 2009: 706,000,431 shares	
	2008: 697,915,768 shares

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.

## QUALITATIVE INFORMATION AND FINANCIAL STATEMENTS

### 1. Qualitative Information on Consolidated Results

The business environment for the Toyobo Group during the first half of fiscal 2010 (the six-month period from April 1 to September 30, 2009) was marked by a continuation of the difficult conditions stemming from the global financial crisis, including a decline in capital expenditures due to deterioration in corporate earnings, and a slowdown in consumer spending. However, the economy showed signs of improvement during the latter part of the subject fiscal period, as exports began to recover on the back of an upward swing in the inventory adjustment cycle, economic stimulation measures taken by governments around the world, and improvement in Asian economies.

Under such business circumstances, the Toyobo Group, in line with its management policy of “reinforcing our foundations, laying the cornerstones for future growth,” implemented a total cost reduction program that included streamlining fixed manufacturing costs, the lowering of variable unit costs, and far-reaching cuts in a wide range of expenditures. We also expanded sales of LCD materials and other products, achieving a substantial recovery in earnings during the second quarter.

As a result, net sales for the subject first half period decreased ¥47.6 billion (23.5%) from the same period of the previous fiscal year to ¥154.9 billion, with operating income down ¥6.7 billion (69.1%) to ¥3.0 billion, and ordinary income down ¥5.5 billion (81.3%) to ¥1.3 billion. Toyobo posted a net loss for the period of ¥0.6 billion.

Results by business segment were as follows.

#### Films and Functional Polymers

This segment was marked by a strong recovery in demand from the latter half of the first quarter compared to the difficult conditions of the fourth quarter of the previous fiscal year. Although performance has improved considerably, on a cumulative basis both revenue and earnings were down from the same period of the previous fiscal year prior to the financial crisis.

In the films business, revenue from packaging films, mainly composed of food packaging films, was down as a result of revised sales prices following a decline in the price of raw materials. Revenue from industrial films declined despite progress with inventory adjustments in the flat panel display industry and an acute recovery in demand, as this did not lead to a rise in sales prices.

In the functional polymers business, although revenue was down from the same period of the previous fiscal year, sales of the “VYLON” series of industrial adhesives to Asia were strong, with demand steadily rising centered on electronics materials applications. Engineering plastics was marked by steady improvement in inventory levels for mainstay automotive applications, with demand during the second quarter.

As a result, sales in this segment declined ¥14.4 billion (20.7%) from the same period of the previous fiscal year to ¥55.3 billion, with operating income down ¥3.6 billion (75.1%) to ¥1.2 billion.

#### Industrial Materials

This segment continued to face difficult circumstances, with demand for automotive-related materials declining as a result of the impact of the global recession. Although performance improved during the subject second quarter, on a cumulative basis both revenue and earnings were down from the same period of the previous fiscal year.

Revenue from airbag fabrics and tire cords was down as a result of the falloff in automobile sales. Sales of the high-performance fiber “DYNEEMA,” despite strong sales for fishing line applications, declined for such

applications as safety gloves and mooring cables due to the economic slowdown.

In the functional filters field, revenue was down overall as the upturn in sales of filters for automotive cabins and face masks was offset by a decline in orders for solvent adsorption equipment stemming from companies scaling back on capital expenditures. Revenue from spunbond decreased due to sluggish demand for automotive material, construction-related and other applications.

As a result, sales in this segment declined ¥12.9 billion (31.0%) from the same period of the previous fiscal year to ¥28.7 billion, with operating income down ¥2.2 billion (75.9%) to ¥0.7 billion.

## **Life Science**

Sales from contract manufacturing of pharmaceuticals, medical devices and medical membranes rose during the subject period, but on a cumulative basis both revenue and earnings were down from the same period of the previous fiscal year as a result of the impact from the strong yen and other factors.

In the bioproducts field, sales were down in enzymes for diagnostic reagents—the mainstay product of the biochemical business—due to the impact from foreign exchange rates, but rose steadily in the diagnostic systems business. The contract manufacturing of pharmaceuticals business recorded higher sales on the back of renewals for large contracts. Medical membranes sales grew strongly overseas. In water treatment membranes (reverse osmosis membrane modules for seawater desalination), revenue was down with the completion of deliveries to new plants, but orders for replacement membranes at existing plants were strong.

As a result, sales in this segment declined ¥1.3 billion (7.8%) from the same period of the previous fiscal year to ¥15.7 billion, with operating income down ¥0.2 billion (9.9%) to ¥1.7 billion.

## **Textiles**

Both revenue and earnings were down in this segment as commodity and less profitable products were scaled back in line with Toyobo's policy of emphasizing asset efficiency, and narrowing the business focus to functional textiles that utilize Toyobo's proprietary technologies.

In the apparel and working uniform businesses, revenue declined following withdrawal from the market for less profitable products. Sales for underwear applications, despite sales of functional materials, declined overall as a result of sluggish demand in fiber sales. Revenue from exports of thoub fabric to the Middle East fell sharply due to slow demand and the appreciation of the yen. Sales of the acrylic fiber "EXLAN" declined as a result of the scaling back of production capacity implemented during the previous fiscal year, but the supply-demand balance improved considerably.

As a result, sales in this segment declined ¥13.9 billion (23.3%) from the same period of the previous fiscal year to ¥45.9 billion, with operating income down ¥0.9 billion (82.2%) to ¥0.2 billion.

## **Real Estate and Other Businesses**

These segments include such businesses as real estate, engineering, information processing services, and logistics services. Performance was essentially in line with plan.

As a result, sales in these segments declined ¥5.0 billion (35.1%) from the same period of the previous fiscal year to ¥9.3 billion, with operating income down ¥0.1 billion (13.9%) to ¥0.7 billion.

## 2. Qualitative Information on the Consolidated Financial Position

### Assets, Liabilities and Net Assets

Total assets at the end of the subject first half (September 30, 2009) increased ¥9.0 billion (2.0%) from the end of the previous fiscal year (March 31, 2009) to ¥452.8 billion. This was due mainly to increases in cash and deposits, and notes and accounts receivable-trade.

Total liabilities increased ¥14.3 billion (4.6%) to ¥324.2 billion. This was due mainly to increases in lease obligations and negative goodwill.

Total net assets decreased ¥5.3 billion (4.0%) to ¥128.6 billion. This was due mainly to declines in retained earnings and minority interests, which offset an increase in capital surplus.

### Cash Flows

Net cash provided by operating activities amounted to ¥12.1 billion at the end of the subject first half. This consisted mainly of a ¥1.0 billion net loss before income taxes; ¥10.1 billion in depreciation and amortization; a ¥5.7 billion increase in notes and accounts receivable-trade; and a ¥10.1 billion decrease in inventories.

Net cash used in investing activities amounted to ¥8.3 billion. This consisted mainly of ¥7.4 billion in expenditures for the acquisition of property, plant and equipment.

Net cash provided by financing activities amounted to ¥4.9 billion. This consisted mainly of expenditures of ¥11.3 billion in repayment of long-term debt; and ¥2.4 billion in payment of dividends; along with ¥6.8 billion in proceeds from sale-and-leaseback transactions; and ¥11.0 billion in proceeds from long-term debt.

As a result, the balance of cash and cash equivalents at the end of the subject first half (September 30, 2009) stood at ¥18.7 billion, an increase of ¥8.9 billion from the end of the previous fiscal year (March 31, 2009).

## 3. Qualitative Information on Consolidated Forecasts

The outlook for the business environment is weighed down by concerns about a delay in economic recovery stemming from the appreciation of the yen, price trends for raw material and fuel, and sluggish consumer spending. However, there are positive signs in areas directly related to Toyobo's business, including recovery in automotive production and increased sales of flat panel displays. The Toyobo Group anticipates strong growth in the packaging films and life sciences businesses, which are less susceptible to economic impacts, along with a full-scale recovery in production of automotive materials, and films for LCD and optical use. We will also continue to cut costs in order to secure earnings.

For its full-year earnings forecast, Toyobo is making no changes to the forecast announced in "Notice of Revision to Earnings Forecasts" released on October 30, 2009.

## 4. Other Items

1. Significant changes in subsidiaries during the subject fiscal period (Transfer of particular subsidiaries following a change in the scope of consolidation)

None

2. Application of simplified accounting methods or special accounting methods for the preparation of consolidated quarterly statements

Calculation of the amount of income taxes paid at certain consolidated subsidiaries is limited to major items

such as those that increase or decrease the amount, or tax credit items.

Also, the value of deferred income taxes includes income taxes.

3. Changes in accounting principles or procedures related to the preparation of consolidated quarterly statements, or style of presentation

None

(Additional Information)

#### Change in Service Life of Fixed Assets

Toyobo and its domestic subsidiaries made changes to the service life of certain tangible fixed assets in the previous fiscal year, resulting in a discrepancy in the service life of certain tangible fixed assets between the subject first half period and the first half period of the previous fiscal year. Calculating depreciation for the previous first half period using the revised service life, in the subject period gross profit decreased by ¥173 million and operating income ¥184 million, while the net loss increased by ¥191 million.

#### Provision for Directors' Retirement Benefits

Toyobo, in anticipation of expenditures for retirement benefits for directors and executive officers, and in accordance with company regulations, has recorded the necessary year-end payment as a provision for directors' retirement benefits. However, it was decided at the General Meeting of Shareholders held on June 26, 2009, to abolish the retirement benefit system for directors and executive officers, and make a final payment of retirement benefits based on the period of service.

Accordingly, the provision for directors' retirement benefits will be fully reversed, and a final payment amount of ¥667 million recorded as long-term accounts payable under the "other" item in long-term liabilities.

**5. Consolidated Financial Statements**  
**(1) Consolidated Quarterly Balance Sheets**

(Millions of yen)

	Current Second Quarter (As of September 30, 2009)	Previous Fiscal Year (As of March 31, 2009) (Condensed)
<b>Assets</b>		
Current assets		
Cash and deposits	18,885	9,956
Notes and accounts receivable-trade	66,663	60,978
Merchandise and finished goods	39,591	48,974
Work in process	13,549	13,241
Raw materials and supplies	12,950	13,584
Other	14,620	14,130
Allowance for doubtful accounts	(497)	(625)
Total current assets	165,761	160,238
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	49,231	47,198
Machinery, equipment and vehicles, net	44,627	53,546
Land	107,834	107,559
Other, net	14,153	8,050
Total property, plant and equipment	215,845	216,354
Intangible assets	2,070	2,014
Investments and other assets		
Other	76,589	69,410
Allowance for doubtful accounts	(7,431)	(4,200)
Total investments and other assets	69,159	65,210
Total noncurrent assets	287,074	283,578
Total assets	452,835	443,816

(Millions of yen)

	Current Second Quarter (As of September 30, 2009)	Previous Fiscal Year (As of March 31, 2009) (Condensed)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	40,368	37,072
Short-term loans payable	60,091	56,985
Current portion of long-term loans payable	31,671	25,572
Provision	3,810	4,024
Other	30,136	31,424
Total current liabilities	166,076	155,077
Noncurrent liabilities		
Bonds payable	15,000	15,000
Bonds with subscription rights to shares	20,000	20,000
Long-term loans payable	54,253	60,571
Provision for retirement benefits	14,497	13,941
Provision for directors' retirement benefits	495	1,373
Negative goodwill	4,653	915
Other	49,214	42,973
Total noncurrent liabilities	158,112	154,772
Total liabilities	324,187	309,849
<b>Net assets</b>		
Shareholders' equity		
Capital stock	43,341	43,341
Capital surplus	23,756	16,027
Retained earnings	11,440	13,573
Treasury stock	(560)	(270)
Total shareholders' equity	77,977	72,671
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(849)	(1,623)
Deferred gains or losses on hedges	(195)	(159)
Revaluation reserve for land	38,441	39,301
Foreign currency translation adjustment	(10,826)	(11,938)
Total valuation and translation adjustments	26,571	25,581
Minority interests	24,101	35,714
Total net assets	128,648	133,967
Total liabilities and net assets	452,835	443,816



**(2) Consolidated Quarterly Statements of Income**

(Millions of yen)

	Six Months Ended September 30, 2008 (From April 1, 2008 To September 30, 2008)	Six Months Ended September 30, 2009 (From April 1, 2009 To September 30, 2009)
Net sales	202,471	154,858
Cost of sales	161,752	125,202
Gross profit	40,719	29,655
Selling, general and administrative expenses	31,029	26,656
Operating income	9,690	2,999
Non-operating income		
Dividends income	-	568
Other	3,195	2,039
Total non-operating income	3,195	2,607
Non-operating expenses		
Interest expenses	1,512	1,393
Other	4,610	2,949
Total non-operating expenses	6,123	4,342
Ordinary income	6,762	1,264
Extraordinary income		
Gain on sales of noncurrent assets	74	54
Gain on sales of securities	-	110
Other	-	35
Total extraordinary income	74	200
Extraordinary loss		
Loss on valuation of inventories	4,057	-
Loss on restructuring of business	10,685	-
Loss on litigation	-	1,079
Other	4,505	1,432
Total extraordinary losses	19,247	2,511
Income before income taxes and minority interests	(12,412)	(1,047)
Total income taxes	(6,144)	(396)
Minority interests in income	(663)	(99)
Net income	(5,605)	(551)

### (3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	Six Months Ended September 30, 2008 (From April 1, 2008 To September 30, 2008)	Six Months Ended September 30, 2009 (From April 1, 2009 To September 30, 2009)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	(12,412)	(1,047)
Depreciation and amortization	9,492	10,092
Interest expenses	1,512	1,393
Increase in notes and accounts receivable-trade	(2,821)	(5,676)
Decrease in inventories	4,807	10,100
Increase (decrease) in notes and accounts payable-trade	(3,958)	3,653
Other, net	3,871	(5,931)
Subtotal	493	12,585
Income taxes paid	(4,538)	(519)
Net cash provided by (used in) operating activities	(4,045)	12,066
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(12,693)	(7,445)
Other, net	1,573	(887)
Net cash used in investing activities	(11,120)	(8,333)
Net cash provided by (used in) financing activities		
Net increase in short-term loans payable	2,676	2,922
Increase in commercial papers	4,986	-
Proceeds from long-term loans payable	14,450	11,000
Repayment of long-term loans payable	(8,558)	(11,259)
Proceeds from issuance of bonds	14,906	-
Redemption of bonds	(10,000)	-
Cash dividends paid	(3,481)	(2,443)
Interest expenses paid	(1,423)	(1,473)
Proceeds from sale and lease-back transaction	-	6,791
Other, net	(596)	(635)
Net cash provided by financing activities	12,961	4,903
Effect of exchange rate change on cash and cash equivalents	(3)	354
Net increase (decrease) in cash and cash equivalents	(2,207)	8,990
Cash and cash equivalents at beginning of period	9,749	9,802
Decrease in cash and cash equivalents resulting from change of scope of consolidation	-	(69)
Cash and cash equivalents at end of period	7,542	18,723

#### (4) Note to going concern

None

#### (5) Segment information

##### a. Segment information by business type

Six months ended September 30, 2008 (from April 1, 2008 to September 30, 2008)

(Millions of yen)

	Films and functional polymers	Industrial materials	Life science	Textiles	Other businesses	Total	Elimination or corporate	Consolidated
Net sales								
(1) Net sales to external customers	69,707	41,618	16,996	59,862	14,289	202,471	—	202,471
(2) Intersegment net sales and transfer amounts	68	17	260	132	7,337	7,814	(7,814)	—
Net sales	69,775	41,635	17,256	59,994	21,626	210,286	(7,814)	202,471
Operating income	4,814	2,892	1,924	1,041	865	11,535	(1,845)	9,690

(Reference) The main products and services of each business are as follows.

Films and Functional Polymers:	Packaging films, industrial films, industrial adhesives, engineering plastics, photo-sensitive printing plates, etc.
Industrial Materials:	Functional fibers for automobiles, high-performance fibers, functional filters, non-woven fabrics, etc.
Life Science:	Bioproducts such as diagnostic enzymes, contract manufacturing of pharmaceuticals, medical equipment and devices, medical membranes, water treatment membranes, etc.
Textiles:	Functional textiles, apparel products, apparel textiles, apparel fibers, etc.
Other Businesses:	Design and construction of buildings and machinery, lease and maintenance of real estate, information processing services, logistics services, etc.

Six months ended September 30, 2009 (from April 1, 2009 to September 30, 2009)

(Millions of yen)

	Films and Functional Polymers	Industrial Materials	Life Science	Textiles	Real Estate	Other Businesses	Total	Elimination or Corporate	Consolidated
Net sales									
(1) Net sales to external customers	56,271	28,725	15,668	45,922	2,260	7,012	154,858	—	154,858
(2) Intersegment net sales or transfer amounts	250	36	81	147	731	4,039	5,285	(5,285)	—
Net Sales	55,521	28,761	15,750	46,069	2,991	11,051	160,142	(5,285)	154,858
Operating Income	1,198	696	1,734	185	693	52	4,558	(1,559)	2,999

(Reference) The main products and services of each business are as follows.

Films and Functional Polymers:	Packaging films, industrial films, industrial adhesives, engineering plastics, photo-sensitive printing plates, etc.
Industrial Materials:	Functional fibers for automobiles, high-performance fibers, functional filters, non-woven fabrics, etc.
Life Science:	Bioproducts such as diagnostic enzymes, contract manufacturing of pharmaceuticals, medical equipment and devices, medical membranes, water treatment membranes, etc.
Textiles	Functional textiles, apparel products, apparel textiles, apparel fibers, etc.
Real Estate:	Lease and maintenance of real estate, etc.
Other Businesses:	Design and construction of buildings and machinery, information processing services, logistics services, etc.

### Change in Classification of Business Segments

The real estate leasing business was previously included as part of the Other Businesses segment, but since the value of the assets in this business exceeded more than 10% of the total value of assets in the segment, from the fiscal year ended March 2009, the segment classification was changed to include the Real Estate segment. Segment data for the first half period of the previous fiscal year, following the segment classifications used in the subject first half period, is as follows.

Six months ended September 30, 2008 (from April 1, 2008 to September 30, 2008)

(Millions of yen)

	Films and Functional Polymers	Industrial Materials	Life Science	Textiles	Real Estate	Other Businesses	Total	Elimination or Corporate	Consolidated
Net Sales									
(1) Net sales to external customers	69,707	41,618	16,996	59,862	2,310	11,978	202,471	—	202,471
(2) Intersegment net sales or transfer amounts	68	17	260	132	714	6,623	7,814	(7,814)	—
Net Sales	69,775	41,635	17,256	59,994	3,025	18,602	210,286	(7,814)	202,471
Operating Income	4,814	2,892	1,924	1,041	709	156	11,535	(1,845)	9,690

### **b. Geographic Segments**

This information is omitted because sales generated in Japan accounted for more than 90% of sales generated in all geographic segments.

### **c. Overseas Sales**

Six months ended September 30, 2008 (from April 1, 2008 to September 30, 2008)

(Millions of yen)

	Southeast Asia	Other Regions	Total
I. Overseas sales	21,552	19,698	41,251
II. Consolidated sales			202,471
III. Percentage of overseas sales to total consolidated sales	10.6%	9.7%	20.4%

Six months ended September 30, 2009 (from April 1, 2009 to September 30, 2009)

(Millions of yen)

	Southeast Asia	Other Regions	Total
I. Overseas sales	16,280	13,045	29,325
II. Consolidated sales			154,858
III. Percentage of overseas sales to total consolidated sales	10.5%	8.4%	18.9%

### Notes

1. Country and regional segments are based on geographic proximity.
2. Main countries and regions included in each segment:  
South East Asia: China, South Korea, Taiwan, Malaysia, Indonesia, Thailand  
Other: United States, Germany, Brazil, Saudi Arabia, etc.
3. Overseas sales indicate the sales of the Company and its consolidated subsidiaries made to customers located in countries or regions outside Japan.

**(6) Note to significant changes in shareholders' equity**

On September 1, 2009, Toyobo conducted a stock swap to make Miyuki Holdings Co., Ltd. and Toyo Cloth Co., Ltd. wholly-owned subsidiaries. As a result, capital reserves increased by ¥7,616 million during the subject first half period, with capital surplus amounting to ¥23,756 million at the end of the subject first half period.