

## Consolidated Financial Report for the Third Quarter ended December 31, 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): February 12, 2010

Start of dividend payments (Planned): -

(Figures are rounded to the nearest million yen)

## 1. Consolidated Business Performance

### (1) Consolidated Operating Results

Nine months ended December 31

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	232,245	(20.3)	5,818	(54.2)	2,756	(64.2)	(483)	-
2008	291,424	-	12,712	-	7,695	-	(5,823)	-

	Net income per share	Net income per share after dilution
	Yen	Yen
2009	(0.67)	-
2008	(8.34)	-

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2009	451,985	127,804	23.0	138.93
March 31, 2009	443,816	133,967	22.1	140.79

(Reference) Total shareholders' equity: December 31, 2009: ¥103,740 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):  
December 31, 2009: 750,487,922 shares                      March 31, 2009: 699,027,598 shares
  - 2) Number of treasury stock  
December 31, 2009: 3,791,317 shares                      March 31, 2009: 1,149,171 shares
  - 3) Average number of shares outstanding for each period (cumulative term):  
Nine months ended December 31 2009: 719,563,831 shares  
2008: 697,911,281 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 subject third quarter period of fiscal 2010 (the nine-month period from April 1 to December 31, 2009) was marked by a continuation of the difficult conditions stemming from the global economic recession from the previous fiscal year at the beginning of the subject fiscal year. However, the economy showed an improvement from the second quarter, as exports began to recover on the back of an upward swing in the inventory adjustment cycle and improvement in Asian economies. The markets we focus on, such as automobiles and flat panel displays, have recovered. On the other hand, the Japanese economy showed signs of deflation in stagnant domestic demand, including a slowdown in consumer spending and sluggish capital expenditures.

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, and far-reaching savings in a wide range of expenditures. We also expanded sales of materials related to LCDs and electronic components, automotive applications, and other products, achieving a recovery in earnings from the second quarter.

As a result, net sales for the subject third quarter period decreased ¥59.2 billion (20.3%) from the same period of the previous fiscal year to ¥232.2 billion, with operating income down ¥6.9 billion (54.2%) to ¥5.8 billion, and a net loss for the period of ¥0.5 billion.

Results by business segment were as follows.

#### **Films and Functional Polymers**

Earnings in this segment improved considerably during the subject third quarter, building on the 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. On a cumulative basis, however, both revenue and earnings were down from the same period of the previous fiscal year.

In the films business, for packaging films, which consists mainly of food packaging films, despite an increase in shipment volumes revenue was down on revised sales prices following a decline in the price of raw materials. For industrial films, demand recovered sharply in both Japan and overseas for LCDs and optical uses, but revenue declined as sales prices failed to recover sufficiently.

In the functional polymers business, engineering plastics were boosted by a recovery in exports for mainstay automotive applications, though revenue was down from the same period of the previous fiscal year due to a falloff in demand in the beginning of the fiscal year. Shipments of the “VYLON” series of industrial adhesives rose steadily on efforts to expand sales in China and other parts of Asia, centered on materials related to electronics components applications.

As a result, sales in this segment declined ¥14.0 billion (14.0%) from the same period of the previous fiscal year to ¥86.0 billion, with operating income down ¥2.3 billion (38.4%) to ¥3.7 billion.

#### **Industrial Materials**

This segment continued to face difficult circumstances, with demand for the mainstay automotive-related materials declining as a result of the impact of the global recession. Earnings continued to improve steadily on recovery in demand from the second quarter, but failed to regain the ground lost at the beginning of the fiscal year, and 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 productions, though demand began to recover from the second quarter. Sales of the high-performance fiber “DYNEEMA” 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, air cleaners and other applications 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 ¥16.2 billion (26.7%) from the same period of the previous fiscal year to ¥44.5 billion, with operating income down ¥3.0 billion (74.3%) to ¥1.0 billion.

## **Life Science**

Brisk sales in the contract manufacturing of pharmaceuticals, medical devices and medical membranes led to an increase in earnings compared to the same period of the previous fiscal year, though revenue declined as a result of the impact from the appreciation of the 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 for diagnostic systems to quickly measure kidney function. The contract manufacturing of pharmaceuticals business recorded increased sales on the back of renewed contracts for injectable solutions. Medical membranes sales remained stable. In the water treatment membranes (reverse osmosis membrane modules for seawater desalination) business, 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 ¥2.0 billion (8.1%) from the same period of the previous fiscal year to ¥22.8 billion, with operating income up ¥0.3 billion (11.0%) to ¥2.6 billion.

## **Textiles**

Both revenue and earnings were down sharply in this segment as commodity and less profitable products were systematically scaled back in line with Toyobo’s policy of emphasizing asset efficiency, as well as due to sluggish sales to department stores.

In the textiles field, sales for sports and underwear applications were strong, but exports of thoub fabric to the Middle East fell sharply due to slow demand stemming from the Dubai Shock, and the appreciation of the yen. In the apparel business, revenue declined due to the market slowdown and Toyobo’s withdrawal from the market for less profitable products. 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 ¥21.5 billion (25.0%) from the same period of the previous fiscal year to ¥64.6 billion, with the segment posting an operating loss for the period of ¥0.3 billion.

## **Real Estate and Other Businesses**

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

As a result, sales in these segments declined ¥5.5 billion (27.6%) from the same period of the previous fiscal year to ¥14.4 billion, with operating income down ¥0.2 billion (14.8%) to ¥1.1 billion.

## 2. Qualitative Information on the Consolidated Financial Position

### Assets, Liabilities and Net Assets

Total assets at the end of the subject third quarter period (December 31, 2009) increased ¥8.2 billion (1.8%) from the end of the previous fiscal year (March 31, 2009) to ¥452.0 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 notes and accounts payable-trade.

Total net assets decreased ¥6.2 billion (4.6%) to ¥127.8 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 ¥21.3 billion at the end of the subject third quarter period. This consisted mainly of a ¥1.4 billion loss before income taxes; ¥15.3 billion in depreciation and amortization; a ¥3.3 billion increase in notes and accounts receivable-trade; and a ¥10.3 billion decrease in inventories.

Net cash used in investing activities amounted to ¥10.9 billion. This consisted mainly of ¥9.7 billion in expenditures for the acquisition of property, plant and equipment.

Net cash provided by financing activities amounted to ¥3.9 billion. This consisted mainly of expenditures of ¥16.4 billion in repayment of long-term debt; ¥2.4 billion in payment of dividends; and ¥19.5 billion in proceeds from long-term debt.

As a result, the balance of cash and cash equivalents at the end of the subject third quarter period (December 31, 2009) stood at ¥24.4 billion, an increase of ¥14.6 billion from the end of the previous fiscal year (March 31, 2009).

## 3. Qualitative Information on Consolidated Forecasts

The outlook for the business environment will have unknown consequences on the recovery of consumer spending, the appreciation of the yen and of the price of raw materials and fuel.

However, the Toyobo Group anticipates a steady growth in the packaging films and life sciences businesses, which are less susceptible to economic impact, along with a strong recovery in the shipment of automotive materials, and films for LCD and optical use. We will also implement cost savings measures ahead of schedule and expand sales of functional products 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 third quarter period and the third quarter period of the previous fiscal year. Calculating depreciation for the previous third quarter period using the revised service life, in the subject period gross profit decreased by ¥298 million and operating income ¥312 million, while the net loss increased by ¥324 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 Third Quarter (As of December 31, 2009)	Previous Fiscal Year (As of March 31, 2009) (Condensed)
<b>Assets</b>		
Current assets		
Cash and deposits	24,548	9,956
Notes and accounts receivable-trade	64,131	60,978
Merchandise and finished goods	38,650	48,974
Work in process	14,167	13,241
Raw materials and supplies	12,520	13,584
Other	12,986	14,130
Allowance for doubtful accounts	(485)	(625)
Total current assets	166,517	160,238
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	48,980	47,198
Machinery, equipment and vehicles, net	42,980	53,546
Land	107,802	107,559
Other, net	12,557	8,050
Total property, plant and equipment	212,318	216,354
Intangible assets	1,715	2,014
Investments and other assets		
Other	74,849	69,410
Allowance for doubtful accounts	(3,415)	(4,200)
Total investments and other assets	71,435	65,210
Total noncurrent assets	285,467	283,578
Total assets	451,985	443,816

(Millions of yen)

	Current Third Quarter (As of December 31, 2009)	Previous Fiscal Year (As of March 31, 2009) (Condensed)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	42,589	37,072
Short-term loans payable	56,732	56,985
Current portion of long-term loans payable	33,633	25,572
Provision	2,051	4,024
Other	29,834	31,424
Total current liabilities	164,839	155,077
Noncurrent liabilities		
Bonds payable	15,000	15,000
Bonds with subscription rights to shares	20,000	20,000
Long-term loans payable	55,692	60,571
Provision for retirement benefits	14,979	13,941
Provision for directors' retirement benefits	525	1,373
Other	53,147	43,887
Total noncurrent liabilities	159,343	154,772
Total liabilities	324,181	309,849
<b>Net assets</b>		
Shareholders' equity		
Capital stock	43,341	43,341
Capital surplus	23,838	16,027
Retained earnings	11,508	13,573
Treasury stock	(556)	(270)
Total shareholders' equity	78,131	72,671
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(1,450)	(1,623)
Deferred gains or losses on hedges	(233)	(159)
Revaluation reserve for land	38,441	39,301
Foreign currency translation adjustment	(11,148)	(11,938)
Total valuation and translation adjustments	25,610	25,581
Minority interests	24,063	35,714
Total net assets	127,804	133,967
Total liabilities and net assets	451,985	443,816



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

(Millions of yen)

	Nine Months Ended December 31, 2008 (From April 1, 2008 To December 31, 2008)	Nine Months Ended December 31, 2009 (From April 1, 2009 To December 31, 2009)
Net sales	291,424	232,245
Cost of sales	232,238	186,117
Gross profit	59,186	46,128
Selling, general and administrative expenses	46,475	40,310
Operating income	12,712	5,818
Non-operating income		
Dividends income	-	663
Amortization of negative goodwill	-	700
Other	3,995	1,854
Total non-operating income	3,995	3,217
Non-operating expenses		
Interest expenses	2,323	2,091
Other	6,689	4,188
Total non-operating expenses	9,011	6,279
Ordinary income	7,695	2,756
Extraordinary income		
Gain on sales of noncurrent assets	-	61
Gain on sales of securities	179	110
Subsidy	156	-
Other	122	35
Total extraordinary income	456	206
Extraordinary loss		
Loss on restructuring of business	10,893	-
Loss on litigation	-	1,623
Other	9,758	2,747
Total extraordinary losses	20,651	4,370
Income before income taxes and minority interests	(12,499)	(1,407)
Total income taxes	(6,078)	(1,053)
Minority interests in income	(599)	130
Net income	(5,823)	(483)

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

(Millions of yen)

	Nine Months Ended December 31, 2008 (From April 1, 2008 To December 31, 2008)	Nine Months Ended December 31, 2009 (From April 1, 2009 To December 31, 2009)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	(12,499)	(1,407)
Depreciation and amortization	15,109	15,304
Interest expenses	2,323	2,091
Decrease (increase) in notes and accounts receivable-trade	4,682	(3,265)
Decrease (increase) in inventories	(702)	10,265
Increase (decrease) in notes and accounts payable-trade	(12,682)	6,027
Other, net	4,811	(6,738)
Subtotal	1,042	22,276
Income taxes paid	(5,158)	(975)
Net cash provided by (used in) operating activities	(4,116)	21,301
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(17,060)	(9,718)
Other, net	794	(1,189)
Net cash provided by (used in) investing activities	(16,266)	(10,907)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	9,560	(348)
Proceeds from long-term loans payable	25,650	19,500
Repayment of long-term loans payable	(13,244)	(16,358)
Proceeds from issuance of bonds	14,906	-
Redemption of bonds	(10,000)	-
Cash dividends paid	(3,487)	(2,443)
Interest expenses paid	(2,203)	(1,770)
Proceeds from sale and lease-back transaction	-	6,791
Other, net	(412)	(1,461)
Net cash provided by (used in) financing activities	20,771	3,911
Effect of exchange rate change on cash and cash equivalents	(421)	352
Net increase (decrease) in cash and cash equivalents	(32)	14,657
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	9,716	24,390

#### (4) Note to going concern

None

#### (5) Segment information

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

Nine months ended December 31, 2008 (from April 1, 2008 to December 31, 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	99,953	60,687	24,828	86,105	19,852	291,424	—	291,424
(2) Intersegment net sales and transfer amounts	137	28	275	184	9,841	10,466	(10,466)	—
Net sales	100,090	60,715	25,103	86,289	29,693	301,890	(10,466)	291,424
Operating income	6,034	3,996	2,323	1,717	1,335	15,405	(2,693)	12,712

(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.

Nine months ended December 31, 2009 (from April 1, 2009 to December 31, 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	85,987	44,462	22,827	64,603	3,352	11,013	232,245	—	232,245
(2) Intersegment net sales or transfer amounts	275	40	83	216	1,113	5,652	7,379	(7,379)	—
Net Sales	86,262	44,502	22,910	64,818	4,465	16,665	239,624	(7,379)	232,245
Operating Income	3,716	1,027	2,579	(312)	1,082	56	8,148	(2,330)	5,818

(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 third quarter period of the previous fiscal year, following the segment classifications used in the subject third quarter period, is as follows.

Nine months ended December 31, 2008 (from April 1, 2008 to December 31, 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	99,953	60,687	24,828	86,105	3,458	16,394	291,424	—	291,424
(2) Intersegment net sales or transfer amounts	137	28	275	184	1,090	8,751	10,466	(10,466)	—
Net Sales	100,090	60,715	25,103	86,289	4,548	25,145	301,890	(10,466)	291,424
Operating Income	6,034	3,996	2,323	1,717	1,061	273	15,405	(2,693)	12,712

### **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**

Nine months ended December 31, 2008 (from April 1, 2008 to December 31, 2008)

(Millions of yen)

	Southeast Asia	Other Regions	Total
I. Overseas sales	29,089	28,593	57,682
II. Consolidated sales			291,424
III. Percentage of overseas sales to total consolidated sales	10.0%	9.8 %	19.8%

Nine months ended December 31, 2009 (from April 1, 2009 to December 31, 2009)

(Millions of yen)

	Southeast Asia	Other Regions	Total
I. Overseas sales	25,886	20,173	46,059
II. Consolidated sales			232,245
III. Percentage of overseas sales to total consolidated sales	11.1%	8.7 %	19.8%

### Notes

- Country and regional segments are based on geographic proximity.
- 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.
- 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 ¥23,838 million at the end of the subject third quarter period.