

Consolidated Financial Report for the First Half ended September 30, 2010

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/e>

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Quarterly report filing date (Planned): November 12, 2010

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	%
FY 3/2011	169,738	9.6	10,949	265.1	8,946	607.5	(1,916)	—
FY 3/2010	154,858	(23.5)	2,999	(69.1)	1,264	(81.3)	(551)	—

	Net income per share	Net income per share after dilution
	Yen	Yen
FY 3/2011	(2.57)	—
FY 3/2010	(0.78)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2010	421,736	126,989	24.4	137.93
March 31, 2010	438,439	131,097	24.4	143.43

(Reference) Total shareholders' equity: September 30, 2010: ¥102,986 million, March 31, 2010: ¥107,095 million

2. Dividends

Record date	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 3/2010	—	0.00	—	3.50	3.50
FY 3/2011	—	0.00			
FY 3/2011 (Forecast)			—	3.50	3.50

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

3. Forecasts for Fiscal Year Ending March 31, 2011

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 3/2011	340,000	6.7	22,000	91.8	19,000	155.3

	Net income		Net income per share
	Millions of yen	%	Yen
FY 3/2011	5,000	138.8	6.70

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

4. Other

(1) Significant changes in subsidiaries during the subject fiscal year: None

(Transfer of particular subsidiaries following a change in the scope of consolidation.)

(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: Yes

2) Changes other than 1) above: Yes

(4) Number of shares issued and outstanding (common share)

1) Number of shares outstanding (including treasury stock):

September 30, 2010: 750,487,922 shares

March 31, 2010: 750,487,922 shares

2) Number of treasury stock

September 30, 2010: 3,810,848 shares

March 31, 2010: 3,799,615 shares

3) Average number of shares outstanding for each period (cumulative term):

Six months ended September 30 2010: 746,681,453 shares

2009: 706,000,431 shares

This quarterly earnings report is exempt from the quarterly review procedure based upon the Financial Instruments and Exchange Act. Furthermore, it was undergoing the review procedure process at the time of release.

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 during the first half period of fiscal 2011 (the six-month period from April 1 to September 30, 2010) was marked by continued expansion in China and other newly emerging economies, while in Japan corporate production and capital expenditures showed signs of mild recovery driven by exports. However, uncertainty regarding the economic outlook prevailed during the second quarter on concerns of slowdown in the U.S. and Europe, the rapid appreciation of the yen, and production adjustments in some business fields such as LCD panels.

The Toyobo Group aims to become “The category leader for providing new value in the environment, life science, and high-function products fields.” Under such circumstances, we worked to commercialize new products such as films for solar cell back-sheets and autoanalyzers to measure influenza infections, to expand sales of highly functional products such as extra-thick films, and to further global business development including increased sales, especially in Asia.

As a result, net sales for the subject first half period rose ¥14.9 billion (9.6%) from the same period of the previous fiscal year to ¥169.7 billion, with operating income up ¥8.0 billion (265.1%) to ¥10.9 billion. However, due to the impact from the extraordinary loss caused by the valuation of investment securities and other factors, the net loss for the period was ¥1.9 billion.

Results by business segment were as follows.

Films and Functional Polymers

Sales and earnings both rose considerably in this segment from the same period of the previous fiscal year, due mainly to steadily expanding sales volume centered on the home electronics and automotive fields.

In the films business, demand for packaging films remained steady. For industrial films, revenue was up sharply boosted by brisk shipments of films for LCD and optical uses, but was impacted in the latter half of the second quarter by production adjustments among certain users.

In the functional polymers business, revenue from the “VYLON” series of industrial adhesives increased, mainly for electronics components in China. Revenue from engineering plastics rose significantly, following steady growth centered on mainstay automotive applications in Japan and abroad. Sales of the polyolefin adhesive primer “HARDLEN” were also up, mainly for exports.

As a result, sales in this segment rose ¥8.8 billion (15.9%) from the same period of the previous fiscal year to ¥64.0 billion, with operating income up ¥5.7 billion (477.4%) to ¥6.9 billion.

Industrial Materials

Sales and earnings both rose from the same period of the previous fiscal year on recovery in the automotive field, along with steady growth for products in the environmental, lifestyle and safety fields, including VOC emissions treatment equipment and systems, functional filters, and

the high-performance fiber “Dyneema.”

Revenue from airbag fabrics and tire cords rose sharply as demand recovered, boosted by government stimulus measures such as the tax reductions for environmentally-friendly automobiles. Sales of the high-performance fiber “Dyneema,” boosted by the start of operations at a new production facility in June 2010, expanded in a range of fields including protective gloves and fishing line. In the filters field, revenue rose on strong sales of products for automotive and office equipment, healthy performance for VOC emissions treatment equipment and systems as capital expenditures recovered among Japanese companies, and successful efforts to develop new customers overseas.

As a result, sales in this segment rose ¥5.8 billion (20.3%) from the same period of the previous fiscal year to ¥34.5 billion, with operating income up ¥1.7 billion (242.0%) to ¥2.4 billion.

Life Science

Sales and earnings were both down from the same period of the previous fiscal year despite steady demand overall, due mainly to the appreciation of the yen.

In the bioproducts business, sales of enzymes for diagnostic reagents rose steadily centered on enzymes for self-monitoring of blood glucose, despite the impact from the appreciation of the yen. In diagnostic systems, we worked to expand sales of an automated urine sediment analyzer and new products such as, a compact chemiluminescent autoanalyzer able to measure influenza infections quickly and with high sensitivity.

In the functional membranes business, overseas shipments of medical membranes were steady, but sales were sluggish in Japan due to the impact from National Health Insurance price revisions. For water treatment membranes, demand for replacement membranes held steady, but were influenced by the appreciation of the yen.

As a result, sales in this segment declined ¥0.7 billion (4.7%) from the same period of the previous fiscal year to ¥14.9 billion, with operating income roughly on a par with a year earlier (down 2.0%) to ¥1.7 billion.

Textiles

Sales declined from the same period of the previous fiscal year while earnings rose, mainly as a result of sluggish consumer spending, and efforts to scale back the textiles business.

In the sportswear field, business with major sportswear producers steadily expanded, but sales of products for department stores declined. In the underwear field, sales rose for functional materials to volume retailers. Fabric exports to the Middle East, despite a recovery in shipment volume following the launch of new products, were impacted by the appreciation of the yen. Sales of the acrylic fiber “EXLAN,” despite steady demand both in Japan and overseas, were influenced by rising costs for raw materials and the appreciation of the yen.

As a result, sales in this segment declined ¥1.7 billion (3.6%) from the same period of the previous fiscal year to ¥44.3 billion, though operating income was up ¥0.1 billion (44.2%) to ¥0.3 billion.

Real Estate and Other Businesses

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

As a result, sales in these segments increased ¥2.7 billion (29.0%) from the same period of the previous fiscal year to ¥12.0 billion, with operating income up ¥0.5 billion (63.0%) to ¥1.2 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, 2010) decreased ¥16.7 billion (3.8%) from the end of the previous fiscal year (March 31, 2010) to ¥421.7 billion. This was due mainly to declines in notes and accounts receivable-trade; machinery, equipment and vehicles, net; and the “other” item in investments and other assets.

Total liabilities decreased ¥12.6 billion (4.1%) to ¥294.7 billion. This was due mainly to declines in short-term loans payable; and current portion of long-term loans payable.

Total net assets decreased ¥4.1 billion (3.1%) to ¥127.0 billion. This was due mainly to an increase in valuation difference on available-for-sale securities, which offset a decline in retained earnings.

Cash Flows

Net cash provided by operating activities amounted to ¥17.9 billion in the subject first half period. This was due mainly to ¥0.9 billion in income before income taxes; ¥9.2 billion in depreciation and amortization; and a ¥2.4 billion decrease in notes and accounts receivable-trade.

Net cash used in investing activities amounted to ¥4.7 billion. This was due mainly to ¥5.7 billion in expenditures for the purchase of property, plant and equipment and intangible assets.

Net cash used in financing activities amounted to ¥15.0 billion. This was due mainly to ¥18.9 billion in repayment of long-term loans payable; ¥2.6 billion in cash dividends paid; and ¥12.5 billion in proceeds from long-term loans payable.

As a result, the balance of cash and cash equivalents at the end of the subject first half (September 30, 2010) stood at ¥8.0 billion, a decrease of ¥2.0 billion from the end of the previous fiscal year (March 31, 2010).

(3) Qualitative Information on Consolidated Forecasts

The first half total for operating income exceeded the previous forecast. However, in response to growing uncertainty regarding the economic outlook stemming from concerns over slowdown in the U.S. and European economies and a prolonged period of yen appreciation, Toyobo has revised downward its full-year forecast for net sales from the previous forecast. The full-year forecasts for operating income and net income are unchanged from the previous forecast.

As a result, we currently forecast net sales for the subject fiscal year increase ¥21.2 billion from the previous fiscal year to ¥340.0 billion. Operating income increases ¥10.5 billion from the

previous fiscal year to ¥22.0 billion and net income for the period of ¥5 billion.

Fiscal year ending March 31, 2011

	Millions of Yen			
	Net Sales	Operating Income	Ordinary Income	Net Income
Previous Forecast (A) (Announced on August 5,2010)	350,000	22,000	19,000	5,000
Revised Forecast (B)	340,000	22,000	19,000	5,000
Change (B-A)	(10,000)	---	---	---
Percent Change (%)	(2.9)	---	---	---

2. Other Information

(1) Summary of significant changes in subsidiaries

Not applicable

(2) Summary of simplified or special accounting practices

The calculation of income taxes paid at certain consolidated subsidiaries is limited to major items that increase or decrease the amount, and tax credit items.

The figure for income taxes-deferred includes income taxes.

(3) Summary of changes in accounting principles, procedures, or presentation method

- (i) Application of “Accounting Standard for Equity Method of Accounting for Investments” and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method”

From the first quarter of the subject fiscal year, Toyobo has applied “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, March 10, 2008) and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (PITF No. 24, March 10, 2008).

There is no impact on income before income taxes as a result of this change.

- (ii) Application of accounting standard for asset retirement obligations

From the first quarter of the subject fiscal year, Toyobo has applied “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008).

As a result, the impact on operating income was minimal, but the income before income taxes for the period decreased by ¥0.3 billion.

- (iii) Change in the Accounting Classification of the Real Estate Leasing Business

Toyobo has until now recorded real estate-related revenue and expenses as non-operating income and non-operating expenses, respectively. However, real estate-related income increased following the absorption-type company split of Toyobo Real Estate Co., Ltd. on February 1, 2010, and the subject revenue is primarily the result of sales activities. To more properly reflect this situation, from the subject fiscal year the classification of real estate-related revenue and expenses has been changed to “Net sales” and “Cost of sales” in Toyobo’s

non-consolidated financial statements.

The impact on gross profit and the operating income in the first half period of the previous fiscal year prior to this change is minimal compared with that after the change. There is no impact on loss before income taxes.

3. Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of Yen)

	Current Second Quarter (As of September 30, 2010)	Prior Fiscal Year (As of March 31, 2010) (Condensed)
Assets		
Current assets		
Cash and deposits	8,119	10,110
Notes and accounts receivable-trade	70,288	72,931
Merchandise and finished goods	36,285	38,538
Work in process	13,601	12,312
Raw materials and supplies	12,523	11,663
Other	10,780	12,323
Allowance for doubtful accounts	(358)	(548)
Total current assets	151,238	157,329
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	48,168	48,872
Machinery, equipment and vehicles, net	37,841	40,569
Land	107,322	107,293
Other, net	11,967	13,517
Total property, plant and equipment	205,297	210,251
Intangible assets	2,037	1,603
Investments and other assets		
Other	64,747	70,793
Allowance for doubtful accounts	(1,583)	(1,538)
Total investments and other assets	63,164	69,255
Total noncurrent assets	270,499	281,110
Total assets	421,736	438,439

(Millions of Yen)

	Current Second Quarter (As of September 30, 2010)	Prior Fiscal Year (As of March 31, 2010) (Condensed)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	44,589	45,360
Short-term loans payable	51,312	54,528
Current portion of long-term loans payable	24,129	30,660
Provision	4,112	3,888
Other	28,076	29,119
Total current liabilities	152,218	163,554
Noncurrent liabilities		
Bonds payable	15,225	15,225
Long-term loans payable	63,182	63,060
Provision for retirement benefits	15,783	15,248
Provision for directors' retirement benefits	380	486
Provision for environmental measures	1,085	1,092
Other	46,875	48,677
Total noncurrent liabilities	142,530	143,787
Total liabilities	294,748	307,341
Net assets		
Shareholders' equity		
Capital stock	43,341	43,341
Capital surplus	23,838	23,839
Retained earnings	9,350	13,881
Treasury stock	(559)	(558)
Total shareholders' equity	75,970	80,503
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	186	(584)
Deferred gains or losses on hedges	(236)	(182)
Revaluation reserve for land	38,192	38,197
Foreign currency translation adjustment	(11,126)	(10,839)
Total valuation and translation adjustments	27,017	26,592
Minority interests	24,002	24,002
Total net assets	126,989	131,097
Total liabilities and net assets	421,736	438,439

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

	Six Months Ended September 30, 2009 (From April 1, 2009 To September 30, 2009)	Six Months Ended September 30, 2010 (From April 1, 2010 To September 30, 2010)
Net sales	154,858	169,738
Cost of sales	125,202	131,343
Gross profit	29,655	38,395
Selling, general and administrative expenses	26,656	27,445
Operating income	2,999	10,949
Non-operating income		
Dividends income	568	521
Amortization of negative goodwill	-	490
Other	2,039	1,340
Total non-operating income	2,607	2,351
Non-operating expenses		
Interest expenses	1,393	1,365
Other	2,949	2,989
Total non-operating expenses	4,342	4,354
Ordinary income	1,264	8,946
Extraordinary income		
Gain on sales of noncurrent assets	54	9
Gain on sales of securities	110	-
Gain on sales of investments in capital	-	29
Other	35	-
Total extraordinary income	200	38
Extraordinary loss		
Loss on valuation of investment securities	-	4,873
Loss on litigation	1,079	-
Other	1,432	3,257
Total extraordinary losses	2,511	8,130
Income before income taxes and minority interests	(1,047)	854
Total income taxes	(396)	2,307
Income before minority interests	-	(1,452)
Minority interests in income	(99)	464
Net income	(551)	(1,916)

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six Months Ended September 30, 2009 (From April 1, 2009 To September 30, 2009)	Six Months Ended September 30, 2010 (From April 1, 2010 To September 30, 2010)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	(1,047)	854
Depreciation and amortization	10,092	9,193
Interest expenses	1,393	1,365
Loss on valuation of investment securities	-	4,873
Decrease (increase) in notes and accounts receivable-trade	(5,676)	2,392
Decrease (increase) in inventories	10,100	(876)
Increase (decrease) in notes and accounts payable-trade	3,653	(641)
Other, net	(5,931)	503
Subtotal	12,585	17,663
Income taxes paid	(519)	-
Income taxes refund	-	223
Net cash provided by (used in) operating activities	12,066	17,886
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(7,445)	-
Purchase of property, plant and equipment and intangible assets	-	(5,734)
Other, net	(887)	1,072
Net cash provided by (used in) investing activities	(8,333)	(4,662)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	2,922	(3,127)
Proceeds from long-term loans payable	11,000	12,528
Repayment of long-term loans payable	(11,259)	(18,936)
Cash dividends paid	(2,443)	(2,596)
Interest expenses paid	(1,473)	(1,338)
Proceeds from sale and lease-back transaction	6,791	-
Other, net	(635)	(1,559)
Net cash provided by (used in) financing activities	4,903	(15,027)
Effect of exchange rate change on cash and cash equivalents	354	(187)
Net increase (decrease) in cash and cash equivalents	8,990	(1,990)
Cash and cash equivalents at beginning of period	9,802	9,953
Decrease in cash and cash equivalents resulting from change of scope of consolidation	(69)	-
Cash and cash equivalents at end of period	18,723	7,963

(4) Note to Going Concern

Not applicable

(5) Segment Information

a. Segment information by business type

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	55,271	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)	—
Total	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 automotives, high-performance fibers, functional filters, VOC emissions treatment equipment and systems, non-woven fabrics, etc.
Life Science:	Bio-products such as enzymes for diagnostics, 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.

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, 2009 (from April 1, 2009 to September 30, 2009)

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

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.

d. Business Segments Reported

(i) Overview of reportable segments

Toyobo's reportable segments allow it to acquire financial data separated into the various components of the corporate group. The scope of the segments is reviewed on a regular basis in order to allow the highest decision-making body to determine the allocation of management resources, and evaluate earnings performance.

Toyobo's basic organization comprises business headquarters and business divisions within the head office, separated by the type, nature and market for products and services. Each business headquarters and business division formulates comprehensive strategies for its domestic and overseas operations, and conducts business activities.

Accordingly, Toyobo comprises business segments by product and service. Its five reportable segments are "Films and Functional Polymers," "Industrial Materials," "Life Science," "Textiles" and "Real Estate." The "Films and Functional Polymers" segment manufactures and sells packaging films, industrial films, industrial adhesives, engineering plastics, photo-sensitive printing plates and other products. The "Industrial Materials" segment manufactures and sells fiber materials for automotive applications, high-performance fibers, functional filters, VOC emissions treatment equipment and systems, non-woven fabrics and other products. The "Life Science" segment manufactures and sells bio-products such as enzymes for diagnostics, contract manufacturing of pharmaceuticals, medical membranes, medical equipment and devices, water treatment membranes, and other products. The "Textiles" segment manufactures and sells functional textiles, apparel products, apparel textiles, apparel fibers, and other products. The "Real Estate" segment leases and manages real estate properties.

(ii) Segment sales and operating income

Six months ended September 30, 2010 (from April 1, 2010 to September 30, 2010)

(Millions of yen)

	Segment to be reported						Other Business- ses	Total	Adjustment	Consolidated Statements of Income
	Films and Functional Polymers	Industrial Materials	Life Science	Textiles	Real Estate	Total				
Net Sales										
(1) Outside customers	64,037	34,544	14,927	44,266	1,813	159,586	10,152	169,738	—	169,738
(2) Inter-segment sales and transfers	367	180	20	210	634	1,411	3,808	5,219	(5,219)	—
Total	64,404	34,724	14,947	44,476	2,447	160,997	13,959	174,957	(5,219)	169,738
Operating Income (loss)	6,917	2,380	1,699	267	814	12,078	400	12,478	(1,528)	10,949

6) Note to Significant Changes in Shareholders' Equity

Not applicable