November 5, 2015

Consolidated Financial Report for the First Half ended September 30, 2015

Toyobo Co., Ltd. Listed on the First Section of the TSE

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(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		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2015	179,683	4.3	10,511	16.4	9,652	83.5	5,359	106.4
2014	172,321	(1.2)	9,033	(19.8)	5,260	(51.2)	2,597	(49.7)

(Note) Comprehensive income: First half ended September 30, 2015: ¥ 4,849 million 31.2%,

First half ended September 30, 2014: ¥ 3,697 million (58.3%)

	Net income per share	Net income per share after dilution
	Yen	Yen
2015	6.04	–
2014	2.92	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
September 30, 2015	456,583	162,810	35.0
March 31, 2015	465,809	161,087	33.9

(Reference) Total shareholders' equity: September 30, 2015: ¥159,637 million, March 31, 2015: ¥157,988 million

2. Dividends

Record date	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 3/2015	–	0.00	–	3.50	3.50
FY 3/2016	–				
FY 3/2016 (Forecast)		0.00	–	3.50	3.50

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

3. Forecasts for Fiscal Year ending March 31, 2016

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	365,000	3.9	23,000	11.8	21,000	29.2

	Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Yen
Fiscal year	11,500	41.7	12.95

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

4. Other

1. Significant changes in subsidiaries during the subject fiscal year (Transfer of particular subsidiaries following a change in the scope of consolidation): None
2. Adoption of simplified and special accounting methods: None
3. Changes from accounting methods, procedures and the presentation of the consolidated financial statements:
   1) Changes based on revision of accounting standards : Yes
   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):
      September 30, 2015: 890,487,922 shares   March 31, 2015: 890,487,922 shares
   2) Number of treasury stock
      September 30, 2015: 2,670,470 shares   March 31, 2015: 2,653,322 shares
   3) Average number of shares outstanding for each period (cumulative term):
      Six months ended September 30   2015: 887,825,882 shares
      2014: 887,858,314 shares

※ Implementation status of Quarterly review

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

※ Explanation regarding the appropriate use of forecasts of business results

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

1. Qualitative Information and Financial Statements

(1) Qualitative Information on Consolidated Results

Through the second quarter of the fiscal year ending March 31, 2016, from April 1, 2015 through September 30, 2015, the business environment for the Toyobo Group (hereinafter referred to as the “Group”) was characterized by continued uncertainty about the future of the global economy, which included a strengthening sense of economic slowdown in China while the economy in the United States maintained its domestic demand-led recovery trend. Meanwhile, in Japan, the economy remained at a standstill with weak capital expenditure, affected by the slowdown in emerging economies, as well as a lackluster recovery in personal consumption.

Amid this operating environment, the Group continued its activities aimed at becoming “The category leader, continuing to create new value that contributes to society in the environment, healthcare and high-function products fields.” Accordingly the Group is proceeding with activities targeted at further growth by expanding its businesses in Japan and overseas markets through developing specialty products. During the second quarter of the fiscal year under review, the Group promoted business activities in accordance with the five action plans set forth in the Medium-Term Management Plan ending March 2018, namely “accelerating overseas business development,” “developing new products and creating new businesses,” “increasing competitiveness of domestic businesses,” “improving asset efficiency” and “strengthening global Group management.”

In “accelerating overseas business development,” in the airbag fabrics business, the Group made efforts to strengthen its production sites in Thailand, China and the United States, taking advantage of the acquisition, jointly done with another company, of an airbag fiber manufacturer based in Germany, and stepped up marketing activities to promote the building of systems aimed at expansion in the second half of the Medium-Term Management Plan.

In “developing new products and creating new businesses,” the Group worked to expand sales of “COSMOSHINE SRF” polarizer protective films for LCDs and “Nerbridge,” Japan’s first nerve bridging devices and other products. The Group expanded the rollout of “COSMOSHINE SRF” for overseas customers, and sales increased from the same period of the previous fiscal year. Meanwhile, as for “Nerbridge,” the Group pursued preparations to obtain approval and secure sales routes in the United States aiming at overseas sales amid a steady increase in the number of cases of successful applications and the number of facilities using the product in Japan. Furthermore, the Group also proceeded with clinical trials of bone regeneration inducing materials in the dental and oral surgery field as a move aimed at future growth and expansion.

As a result of these various activities, consolidated net sales for the first quarter increased ¥7.4 billion (4.3%) over the same quarter of the previous fiscal year to ¥179.7 billion. Operating income increased ¥1.5 billion (16.4 %) to ¥10.5 billion, ordinary income increased ¥4.4 billion (83.5 %) to ¥9.7 billion and profit attributable to owners of parent increased ¥2.8 billion (106.4 %) to ¥5.4 billion.

Films and Functional Polymers

Within this segment, sales and operating income increased from the same period of the previous fiscal year despite the impact of adjustments in the LCDs market and the slump in the Japanese automobile market because there was a decline in costs incurred in connection with the development of markets for new products and the start-up of new production facilities in the films business.

In the films business, demand for packaging film remained robust, benefitting from the weather, and sales were in line with the same period of the previous fiscal year. Sales of industrial film declined, affected by adjustments in the LCDs market in general and stagnation of the smartphone market. Shipments of "COSMOSHINE SRF," primarily to overseas users for use in TVs, remained steady.

In the functional polymers business, the market environment for sales of industrial adhesive "VYLON" to the paint industry and for IT and electronics uses was difficult, and sales declined. Sales of engineering plastics increased despite struggling in Japan due to a drop in automobile production as sales overseas rose, primarily in China, the United States, and Thailand.

As a result, sales in this segment increased ¥4.4 billion (6.1%) from the same period of the previous fiscal year to ¥76.5 billion, and operating income rose ¥0.9 billion (29.4%) to ¥4.0 billion.

Industrial Materials

Sales and operating income increased in this segment despite the impact from the downturn in the Japanese automobile industry because sales of high-performance fibers and functional filters were favorable.

In the airbag fabrics business, sales declined affected by the drop in Japanese automobile production. Sales of high-performance fibers grew despite difficult conditions for sales of "Dyneema" for fishing line applications as sales of "ZYLON" increased primarily for uses in heat-resistant materials. In the functional filters business, sales increased because demand for volatile organic compound (VOC) emissions treatment equipment held firm due to improved market conditions in Asia, although sales to the automobile industry remained weak. Sales of products for consumer and industrial uses rose as polyester staple fibers for use in hygiene products remained favorable. Sales of "Spunbond" declined due to a downturn in market conditions for civil engineering and construction applications.

As a result, sales in this segment increased ¥1.2 billion (3.5%) from the same period of the previous fiscal year to ¥35.3 billion, and operating income rose ¥0.3 billion (9.0%) to ¥3.2 billion.

Healthcare

In this segment, sales and operating income fell from the same period of the previous fiscal year because even though sales in the bioproducts business were steady, the medical devices business struggled.

In the bioproducts business, sales of reagents for life sciences were favorable, but sales of mainstay enzymes for diagnostic reagents declined affected by market conditions. In the medical devices business, operating conditions in the contract manufacturing business of pharmaceuticals were difficult because of the postponement of some projects. In the functional membrane business, RO membrane elements for seawater desalination plants witnessed slow replacement sales overseas.

As a result, sales in this segment decreased ¥0.7 billion (4.7%) from the same period of the previous fiscal year to ¥13.5 billion, and operating income declined ¥0.2 billion (7.4%) to ¥2.1 billion.

Textiles and Trading

In this segment, sales of textiles continued to be strong even though conditions for acrylic fiber were difficult. As a result, segment sales and operating income increased from the same period of the previous fiscal year.

Sales of sports apparel to large apparel manufacturers struggled, but sales of materials for uniforms remained firm overall. Among textile products, sales of materials for traditional Arabic menswear showed a major increase, due in part to the impact of exchange rates. Sales of acrylic fibers struggled, partly due to the deterioration in market conditions in China, despite the softening of raw material prices.

As a result, sales in this segment increased ¥1.1 billion (2.6%) from the same period of the previous fiscal year to ¥43.8 billion, and operating income rose ¥0.2 billion (26.2%) to ¥1.2 billion.

Real Estate and Other Business

This segment includes infrastructure-related businesses, such as real estate, engineering, information processing services and logistics services. Results in these businesses were in line with plans.

As a result, total sales in these businesses increased ¥1.4 billion (14.8%) from the same period of the previous year to ¥10.5 billion and operating income rose ¥0.3 billion (24.3%) to ¥1.5 billion.

(2) Qualitative Information on the Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets decreased ¥9.2 billion (2.0%) from the end of the previous fiscal year to ¥456.6 billion. This was mainly because of a decrease in notes and accounts receivable - trade.

Total liabilities decreased ¥10.9 billion (3.6%) to ¥293.8 billion. This was mainly because of a decrease in other non-current liabilities.

Total net assets increased ¥1.7 billion (1.1%) to ¥162.8 billion. This was due mainly because of a increase in retained earnings.

Cash Flows

Net cash provided by operating activities amounted to ¥12.9 billion in the subject first half period. This was due mainly to ¥8.6 billion in income before income taxes, ¥7.1 billion in depreciation and amortization, and ¥4.7 billion decrease in notes and accounts payable - trade.

Net cash used in investing activities amounted to ¥5.3 billion. This was due mainly to ¥7.6 billion in expenditures for the purchase of property, plant and equipment and intangible assets.

Net cash used in financing activities amounted to ¥8.3 billion. This was due mainly to ¥11.1 billion in proceeds from long-term loans payable, ¥9.8 billion in repayments of long-term loans payable, ¥5.0 billion in redemption of bonds and ¥3.1 billion in cash dividends paid.

As a result, the balance of cash and cash equivalents at the end of the subject first half (September 30, 2015) stood at ¥19.5 billion, a decrease of ¥0.9 billion from the end of the previous fiscal year (March 31, 2015).

(3) Qualitative Information on Consolidated Forecasts

Based on the result of performance through the second quarter, forecasts of performance for the full fiscal year ending March 31, 2016 has been revised as noted below.

Year ending March 31, 2016

	Millions of Yen			
	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent
Previous Forecast (A) (Announced on August 6, 2015)	365,000	24,000	22,000	12,000
Revised Forecast (B)	365,000	23,000	21,000	11,500
Change (B-A)	―	(1,000)	(1,000)	(500)
Percent Change (%)	―	(4.2)	(4.5)	(4.2)

2. Matters Concerning Summary Information (Notes to Financial Statements)

Changes in Accounting Principles, Changes in Accounting Estimates and Restatements Application of Accounting Standard for Business Combinations, etc.

The "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013, hereinafter referred to as the "Business Combinations Accounting Standard"), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013, hereinafter the "Consolidated Financial Statements Accounting Standard"), and the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013, hereinafter the "Business Divestitures Accounting Standard") have been applied from the first quarter of fiscal 2015. As a result, the method of recording the amount of difference caused by changes in the Company's ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the first quarter ended June 30, 2015, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the quarterly consolidated financial statements for the quarterly period to which the date of business combination belongs . In addition, the presentation method for "net income " and other related items was changed, and the presentation of "minority interests " was changed to "non-controlling interests." To reflect these changes, the Company has reclassified its quarterly and full-year consolidated financial statements for the first half of the previous fiscal year and the previous fiscal year.

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided for in paragraph 58-2 (4) of the Accounting Standard for Business Combinations, paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company is applying the said standard, etc. prospectively from the beginning of the first half ended September 30, 2015.

These changes in accounting policies have no impact on profit and loss.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets (Millions of yen)

	Previous Fiscal Year (As of March 31, 2015) (Condensed)	Current First Half (As of September 30, 2015)
Assets		
Current assets		
Cash and deposits	20,550	19,663
Notes and accounts receivable - trade	83,710	79,399
Merchandise and finished goods	50,576	46,867
Work in process	15,942	17,943
Raw materials and supplies	15,865	16,784
Other	10,355	9,410
Allowance for doubtful accounts	(391)	(349)
Total current assets	196,607	189,717
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	48,371	49,135
Machinery, equipment and vehicles, net	45,618	45,518
Land	106,248	106,081
Other, net	9,051	7,467
Total property, plant and equipment	209,289	208,201
Intangible assets	3,311	3,572
Investments and other assets		
Other	57,479	55,985
Allowance for doubtful accounts	(877)	(891)
Total investments and other assets	56,602	55,094
Total non-current assets	269,202	266,866
Total assets	465,809	456,583

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2015) (Condensed)	Current First Half (As of September 30, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	49,173	44,433
Short-term loans payable	40,949	40,211
Current portion of long-term loans payable	14,669	14,443
Provision	4,144	4,250
Other	37,314	30,348
Total current liabilities	146,250	133,685
Non-current liabilities		
Bonds payable	25,000	25,000
Long-term loans payable	85,425	86,921
Provision for directors' retirement benefits	339	266
Provision for environmental measures	831	793
Net defined benefit liability	17,244	17,390
Other	29,634	29,719
Total non-current liabilities	158,472	160,089
Total liabilities	304,722	293,773
Net assets		
Shareholders' equity		
Capital stock	51,730	51,730
Capital surplus	32,239	32,239
Retained earnings	32,479	34,731
Treasury shares	(383)	(386)
Total shareholders' equity	116,065	118,314
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,126	7,637
Deferred gains or losses on hedges	(34)	(84)
Revaluation reserve for land	43,920	43,920
Foreign currency translation adjustment	(7,460)	(8,941)
Remeasurements of defined benefit plans	(1,628)	(1,209)
Total accumulated other comprehensive income	41,923	41,323
Non-controlling interests	3,098	3,173
Total net assets	161,087	162,810
Total liabilities and net assets	465,809	456,583

(2) Consolidated Statements of Income

(Millions of yen)

	Previous First Half (From April 1, 2014 To September 30, 2014)	Current First Half (From April 1, 2015 To September 30, 2015)
Net sales	172,321	179,683
Cost of sales	135,267	140,436
Gross profit	37,053	39,247
Selling, general and administrative expenses	28,021	28,736
Operating income	9,033	10,511
Non-operating income		
Dividend income	348	402
Amortization of negative goodwill	419	―
Other	940	1,196
Total non-operating income	1,708	1,598
Non-operating expenses		
Interest expenses	922	849
Share of loss of entities accounted for using equity method	2,246	―
Other	2,312	1,607
Total non-operating expenses	5,480	2,457
Ordinary income	5,260	9,652
Extraordinary income		
Gain on sales of non-current assets	21	23
Gain on sales of investment securities	303	30
Total extraordinary income	324	53
Extraordinary losses		
Loss on disposal of non-current assets	493	541
Loss on litigation	373	315
Impairment loss	596	―
Other	76	247
Total extraordinary losses	1,538	1,104
Income before income taxes and minority interests	4,046	8,602
Income taxes	1,374	3,144
Profit	2,672	5,457
Profit attributable to non-controlling interests	75	98
Profit attributable to owners of parent	2,597	5,359

Consolidated Statements of Comprehensive Income (Millions of yen)

	Previous First Half (From April 1, 2014 To September 30, 2014)	Current First Half (From April 1, 2015 To September 30, 2015)
Profit	2,672	5,457
Other comprehensive income		
Valuation difference on available-for-sale securities	606	452
Deferred gains or losses on hedges	(24)	(50)
Foreign currency translation adjustment	(376)	(1,252)
Remeasurements of defined benefit plans, net of tax	919	420
Share of other comprehensive income of entities accounted for using equity method	(99)	(178)
Total other comprehensive income	1,026	(608)
Comprehensive income	3,697	4,849
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,650	4,758
Comprehensive income attributable to non-controlling interests	48	91

(3) Consolidated Statements of Cash Flows (Millions of yen)

	Previous First Half (From April 1, 2014 To September 30, 2014)	Current First Half (From April 1, 2015 To September 30, 2015)
Cash flows from operating activities		
Income before income taxes and minority interests	4,046	8,602
Depreciation	7,493	7,105
Interest expenses	922	849
Decrease (increase) in notes and accounts receivable - trade	(2,441)	3,831
Decrease (increase) in inventories	(3,032)	220
Increase (decrease) in notes and accounts payable - trade	(1,497)	(4,653)
Other, net	4,393	(1,130)
Subtotal	9,883	14,825
Income taxes (paid) refund	(1,400)	(1,877)
Net cash provided by (used in) operating activities	8,483	12,948
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(9,104)	(7,553)
Collection of long-term loans receivable	201	1,136
Other, net	(2,019)	1,166
Net cash provided by (used in) investing activities	(10,922)	(5,251)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(5,328)	(421)
Proceeds from long-term loans payable	33,629	11,100
Repayments of long-term loans payable	(25,464)	(9,782)
Redemption of bonds	―	(5,000)
Cash dividends paid	(3,108)	(3,105)
Interest expenses paid	(886)	(863)
Other, net	(1,730)	(229)
Net cash provided by (used in) financing activities	(2,886)	(8,300)
Effect of exchange rate change on cash and cash equivalents	(104)	(289)
Net increase (decrease) in cash and cash equivalents	(5,429)	(892)
Cash and cash equivalents at beginning of period	19,177	20,389
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	41	―
Cash and cash equivalents at end of period	13,789	19,497

(4) Note to Going Concern:

Not applicable

(5) Notes on Significant Changes in Shareholders' Equity

Not applicable

(6) Segment Information

a. Segment information by business type

(Ⅰ) Six months ended September 30, 2014 (from April 1, 2014 to September 30, 2014) (Millions of yen)

	Segment to be reported						Other Business-ses (Note 1)	Total	Adjustment (Note 2)	Consolidated Statements of Income (Note 3)
	Films and Functional Polymers	Industrial Materials	Health care	Textiles and Trading	Real Estate	Total				
Net Sales										
(1) Outside customers	72,163	34,109	14,114	42,752	1,970	165,108	7,213	172,321	―	172,321
(2) Inter-segment sales and transfers	―	276	49	19	559	903	5,191	6,094	(6,094)	―
Total	72,163	34,385	14,163	42,771	2,529	166,011	12,404	178,415	(6,094)	172,321
Operating Income (loss)	3,096	2,973	2,309	912	1,097	10,387	73	10,460	(1,427)	9,033

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

2. Includes segment income adjustment of (¥1,427) million, eliminations of intersegment transactions of (¥70) million, and companywide expenses that are not allocated across reporting segments of (¥1,357) 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.

Impairment Losses on Fixed Assets and Changes in Goodwill by Reporting Segment

Material Impairment Losses on Fixed Assets

In the Films and Functional Polymers segment, impairment losses amounted to ¥546 million. Impairment losses that were not allocated across reporting segment were ¥50 million.

(Ⅱ) Six months ended September 30, 2015 (from April 1, 2015 to September 30, 2015) (Millions of yen)

	Segment to be reported						Other Business-ses (Note 4)	Total	Adjustment (Note 5)	Consolidated Statements of Income (Note 6)
	Films and Functional Polymers	Industrial Materials	Health care	Textiles and Trading	Real Estate	Total				
Net Sales										
(1) Outside customers	76,540	35,304	13,455	43,845	2,100	171,243	8,440	179,683	―	179,683
(2) Inter-segment sales and transfers	―	170	50	58	561	839	5,053	5,892	(5,892)	―
Total	76,540	35,474	13,505	43,904	2,661	172,082	13,493	185,575	(5,892)	179,683
Operating Income (loss)	4,006	3,241	2,138	1,151	1,168	11,703	287	11,990	(1,479)	10,511

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

5. Includes segment income adjustment of (¥1,479) million, eliminations of intersegment

transactions of (¥72) million, and companywide expenses that are not allocated across reporting segments of (¥1,406) million. The principal components of company wide expenses are those related to basic research and development.

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

b. Matters Concerning Changes to Reporting Segments

From the first quarter of fiscal 2015, the Company has renamed the former “Life Science” segment and “Textiles” segment as the “Healthcare” segment and the “Textiles & Trading” segment respectively in conjunction with organizational restructuring.

Furthermore, the Company has implemented organizational changes in order to reinforce business synergies and has moved the AP business, which was previously included in the “Films & Functional Polymers” business, into the “Industrial Materials” business segment.

The Company also reviewed its management structure in line with business expansion and moved some business segments of the consolidated subsidiaries, which were previously included in the “Other Businesses” segment into “Textiles & Trading” and some business segments of the consolidated subsidiaries, which were previously included in “Textiles” into “Films & Functional Polymers,” “Healthcare,” “Textiles & Trading” and “Real Estate” respectively. Segment information for the first half of the previous fiscal year has been prepared in accordance with the method of classification following the changes.