

Consolidated Financial Report for the Third Quarter ended December 31, 2012

Toyobo Co., Ltd.

Listed on the First Section of both the TSE and OSE

Stock Code: 3101

URL <http://www.toyobo-global.com/ir/>

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Quarterly report filing date (Planned): February 14, 2012

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 | % |
| 2011 | 258,832 | 3.7 | 14,216 | (4.5) | 12,283 | (1.5) | 5,212 | 856.9 |
| 2010 | 249,561 | 7.5 | 14,887 | 155.9 | 12,473 | 352.5 | 545 | - |

| | Net income per share | Net income per share after dilution |
|------|----------------------|-------------------------------------|
| | Yen | Yen |
| 2011 | 5.88 | 5.87 |
| 2010 | 0.73 | 0.73 |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|-------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| December 30, 2011 | 434,931 | 146,709 | 29.8 |
| March 31, 2011 | 443,516 | 149,773 | 28.4 |

(Reference) Total shareholders' equity: December 30, 2011: ¥129,453 million, March 31, 2012: ¥125,770 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 |
| 2011 | - | 0.00 | - | 3.50 | 3.50 |
| 2012 | - | 0.00 | - | | |
| 2012 (Forecast) | | | | 3.50 | 3.50 |

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

3. Forecasts for Fiscal Year Ending March 31, 2012

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

| | Net sales | | Operating income | | Ordinary income | |
|-------------|-----------------|-----|------------------|-------|-----------------|-------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Fiscal Year | 350,000 | 2.8 | 20,000 | (4.3) | 17,000 | (0.3) |

| | Net income | | Net income per share |
|-------------|-----------------|------|----------------------|
| | Millions of yen | % | Yen |
| Fiscal Year | 6,500 | 56.4 | 7.33 |

(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 : None
 - 2) Changes other than 1) above : None
 - 3) Changes due to accounting estimation change : None
 - 4) Error correction : None
4. Number of shares issued and outstanding (common share)
 - 1) Number of shares outstanding (including treasury stock):

| | |
|---------------------------------------|------------------------------------|
| December 30, 2011: 890,487,922 shares | March 31, 2011: 890,487,922 shares |
|---------------------------------------|------------------------------------|
 - 2) Number of treasury stock

| | |
|-------------------------------------|----------------------------------|
| December 30, 2011: 3,819,234 shares | March 31, 2011: 3,833,088 shares |
|-------------------------------------|----------------------------------|
 - 3) Average number of shares outstanding for each period (cumulative term):

| | | |
|-------------------------------|--------------------------|--|
| Nine months ended December 30 | 2011: 886,649,872 shares | |
| | 2010: 746,677,467 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 through the end of the third quarter of fiscal 2012, ending March 31, 2012 (April 1, 2011, through December 31, 2011), in the domestic economy was characterized by a subsiding of the turmoil in supply chains caused by the Great East Japan Earthquake. However, economic conditions remained challenging because of the effects of the flooding in Thailand, the decline in competitiveness due to the historically high value of the yen, and other factors. In overseas economies, in China and the other countries of Asia, even though firm expansion continued in domestic demand, adjustments through the use of monetary policy and the slowing of exports to Europe and the United States caused rising concerns about a weakening of growth trends. In addition, as a result of the prolongation of the financial and monetary problems in the EU and other factors, uncertainty regarding economic trends increased.

Amid this operating environment, the Toyobo Group aimed to become “The category leader for providing new value in the environment, life science, and high-function products fields.” In the environment field, the Company worked to expand overseas sales of its volatile organic compounds (VOC) emission treatment equipment, while in the life science field, Toyobo endeavored to develop and increase sales of new products, including new types of medical membranes, an antithrombotic coating material that lessens the physical burden on patients during surgery, and other products. In the field of high-function products, the Company worked to expand sales of new products, such as films for the manufacturing process of ceramic capacitors, and, in December 2011, expanded its coating facilities for these films as well as the production capacity for HARDLEN, a chlorinated polypropylene paint used as an undercoating for automobile bumpers..

As a result, consolidated net sales during the third quarter of the fiscal year increased ¥9.3 billion (3.7%), from the same period of the previous fiscal year, to ¥258.8 billion, with operating income down ¥0.7 billion (4.5%), to ¥14.2 billion; ordinary income down ¥0.2 billion (1.5%), to ¥12.3 billion; and net income increasing ¥4.7 billion, to ¥5.2 billion (856.9%).

Results by business segment were as follows.

Films and Functional Polymers

This segment endeavored to expand sales of films for use in applications other than LCDs and other high-function products, but despite an increase in sales, operating income declined because of the effects of production cutbacks in the flat panel displays (FPDs) field and the adverse impact on users in the automotive industry of the Great East Japan Earthquake and flooding in Thailand.

In the Films business, this segment increased its revenue from packaging films during the first half of the period ending March 31, 2012. However, in the third quarter, after the impact of the earthquake had subsided, users made inventory adjustments. Among industrial films, efforts

were made to expand sales of films for applications other than LCDs, but, from the second quarter onward, revenues were dealt a serious blow by production adjustments among users in the LCD panel related field in Japan and overseas.

In the Functional Polymers business, revenue from the “VYLON” series of industrial adhesives was influenced by production adjustments among users in the IT and electronic parts industries in China and South Korea in the latter half of the period through the end of the third quarter, but overall demand remained firm. In the engineering plastics business, demand from the automotive industry, which is the principal customer sector for this business, began to recover, and revenues were at about the same level as in the same period of the previous fiscal year. Revenues from acrylic resins expanded because of the water absorbing and other functional properties of their microparticles.

As a result, sales in this segment increased ¥6.8 billion (7.1%) from the same period of the previous year, to ¥102.5 billion, and operating income decreased ¥1.8 billion (18.2%), to ¥8.1 billion.

Industrial Materials

In this segment, users in the automotive industry were adversely affected by the Great East Japan Earthquake and the flooding in Thailand, but conditions in the environment-related industries continued to be firm. This segment reported a decline in sales and an increase in operating income.

Revenues from airbag fabrics began to recover in volume terms in the second quarter. Revenues from supplying polyester tire cords to domestic users were steady, but performance was influenced by the flooding in Thailand and foreign currency fluctuations. Sales of the high-performance fibers were influenced to some degree by the earthquake, but sales in volume terms held firm. In the Functional Filters business, sales of filters for use in air conditioners continued to be favorable, but sales of VOC emission treatment equipment were influenced by the postponement of investments in this equipment among customers.

As a consequence, sales in this segment decreased ¥0.3 billion (0.6%) from the same period of the previous year, to ¥51.4 billion, and operating income rose ¥0.2 billion (6.8%), to ¥3.4 billion.

Life Science

Performance of the products and services of the businesses of this segment—which include bioproducts, medical products, and functional membranes—continued to be favorable, but, as a result of foreign currency fluctuations and other factors, sales increased while operating income decreased.

In the bioproducts business, sales of enzymes for diagnostic reagents, which are the

principal product in this field, expanded, led mainly by exports, but performance was affected by foreign currency fluctuations. In the medical business, the contract manufacturing of pharmaceuticals remained firm. In addition, the Company developed an antithrombotic coating material that lessens the physical burden on patients during surgery and implemented marketing activities to expand sales of this material. In the functional membranes for medical-use business, performance, mainly in Japan, continued to be steady. In the water treatment membrane business, orders for the replacement of membranes at existing plants in Japan and overseas are continuing to be favorable, but were influenced by foreign currency fluctuations. In the fine chemical business, conditions in the intermediate medicines field continued to be difficult during the period under review.

As a result, sales in this segment increased ¥0.1 billion (0.3%) over the same period of the previous year, to ¥22.0 billion, and operating income declined ¥0.1 billion (3.4%), to ¥2.3 billion.

Textiles

In this segment, sales and operating income both increased compared with the same period of the previous fiscal year.

In the apparel business, Toyobo expanded sales of sports apparel, but products for sale in department stores experienced tough conditions. In the inner wear field, sales mainly of functional textiles showed steady expansion in volume terms. In the textiles field, sales in the uniform business increased, and, while demand for textile materials for traditional Arabic menswear in the Middle East grew in volume terms, the appreciation of the yen made market conditions difficult. Demand for acrylic fiber “EXLAN” as a unique, specialized fiber was strong in Japan and overseas, and sales in volume terms were firm.

As a consequence, sales in this segment increased ¥1.3 billion (2.1%) from the same period of the previous year, to ¥63.8 billion, and operating income showed up ¥0.8 billion, to ¥0.8 billion. (versus a net loss of ¥0 billion for the same period of the previous fiscal year)

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 ¥1.4 billion (7.6%) from the same period of the previous fiscal year to ¥19.1 billion, with operating income up ¥0.2 billion (13.6%) to ¥1.8 billion.

(2)Qualitative Information on the Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets at the end of the third quarter (December 31, 2011) decreased ¥8.6 billion (1.9%) from the end of the previous fiscal year (March 31, 2011) to ¥434.9 billion. This was due mainly

to declines in Cash and deposits.

Total liabilities decreased ¥5.5 billion (1.9%) to ¥288.2 billion. This was due mainly to a decline in deferred tax liability for revaluation reserve for land.

Total net assets decreased ¥3.1 billion (2.0%) to ¥146.7 billion. This was due mainly to an increase in retained earnings, which offset a decline in minority interests.

(3) Qualitative Information on Consolidated Forecasts

During the third quarter ended December 31, 2011, (the three-month period from October 1 to December 31, 2011), the performance of the Toyobo Group came under pressure because of the spreading effects of the economic downturn triggered by financial and monetary problems in Europe, the adverse impact on supply chains from the flooding in Thailand, and the continuing historically high levels of the yen against other major currencies. In addition, as a result of the change in Japan's corporate income tax rate accompanying tax law revisions, the Company reversed a portion of its deferred tax assets and liabilities, resulting in an increase in income taxes.

Amid these conditions, during the fourth quarter, the temporary inventory adjustments among users of the products of the Films and Functional Polymers and other segments have run their course, and production is recovering. However, in view of the uncertainty about future trends because of the prolongation of the financial and monetary problems in Europe, concerns about a weakening of economic growth in Asian countries, and other factors, the Company has issued the following forecast for performance during the full fiscal year ending March 31, 2012.

Year ending March 31, 2012

| | Millions of Yen | | | |
|-----------------------|-----------------|------------------|-----------------|------------|
| | Net Sales | Operating Income | Ordinary Income | Net Income |
| Previous Forecast (A) | 355,000 | 22,000 | 19,000 | 9,000 |
| Revised Forecast (B) | 350,000 | 20,000 | 17,000 | 6,500 |
| Change (B-A) | (5,000) | (2,000) | (2,000) | (2,500) |
| Percent Change (%) | (1.4) | (9.1) | (10.5) | (27.8) |

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

| | Previous Fiscal Year (As of March 31, 2011) (Condensed) | Current Third Quarter (As of December 31, 2011) |
|--|---|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 22,014 | 9,914 |
| Notes and accounts receivable-trade | 72,647 | 67,111 |
| Merchandise and finished goods | 38,794 | 50,554 |
| Work in process | 13,803 | 15,935 |
| Raw materials and supplies | 13,391 | 15,724 |
| Other | 11,668 | 11,260 |
| Allowance for doubtful accounts | (316) | (214) |
| Total current assets | 172,001 | 170,283 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 47,510 | 46,826 |
| Machinery, equipment and vehicles, net | 37,026 | 35,407 |
| Land | 106,949 | 106,746 |
| Other, ne | 12,267 | 12,026 |
| Total property, plant and equipment | 203,751 | 201,005 |
| Intangible assets | 1,872 | 1,662 |
| Investments and other assets | | |
| Other | 67,341 | 63,420 |
| Allowance for doubtful accounts | (1,450) | (1,439) |
| Total investments and other assets | 65,892 | 61,980 |
| Total noncurrent assets | 271,515 | 264,648 |
| Total assets | 443,516 | 434,931 |

(Millions of yen)

| | Previous Fiscal Year (As of March 31, 2011) (Condensed) | Current Third Quarter (As of December 31, 2011) |
|---|---|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 49,068 | 50,553 |
| Short-term loans payable | 49,870 | 52,900 |
| Current portion of long-term loans payable | 26,990 | 23,883 |
| Provision | 4,276 | 2,108 |
| Other | 33,239 | 32,961 |
| Total current liabilities | 163,444 | 162,405 |
| Noncurrent liabilities | | |
| Bonds payable | 15,000 | 15,000 |
| Long-term loans payable | 52,990 | 54,101 |
| Provision for retirement benefits | 15,867 | 17,031 |
| Provision for directors' retirement benefits | 435 | 408 |
| Provision for environmental measures | 1,085 | 1,029 |
| Other | 44,923 | 38,249 |
| Total noncurrent liabilities | 130,299 | 125,817 |
| Total liabilities | 293,743 | 288,222 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 51,730 | 51,730 |
| Capital surplus | 32,227 | 32,227 |
| Retained earnings | 15,481 | 17,594 |
| Treasury stock | (562) | (559) |
| Total shareholders' equity | 98,876 | 100,991 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 305 | (672) |
| Deferred gains or losses on hedges | (159) | (174) |
| Revaluation reserve for land | 38,132 | 41,491 |
| Foreign currency translation adjustment | (11,384) | (12,183) |
| Total accumulated other comprehensive income | 26,894 | 28,462 |
| Minority interests | 24,003 | 17,256 |
| Total net assets | 149,773 | 146,709 |
| Total liabilities and net assets | 443,516 | 434,931 |

(2) Consolidated Statements of Income

(Millions of yen)

| | Nine Months Ended December 31, 201 (From April 1, 2010 To December 31, 2010) | Nine Months Ended December 31, 2011 (From April 1, 2011 To December 31, 2011) |
|---|---|--|
| Net sales | 249,561 | 258,832 |
| Cost of sales | 193,513 | 202,763 |
| Gross profit | 56,049 | 56,068 |
| Selling, general and administrative expenses | 41,162 | 41,853 |
| Operating income | 14,887 | 14,216 |
| Non-operating income | | |
| Amortization of negative goodwill | 734 | 734 |
| Other | 2,504 | 2,604 |
| Total non-operating income | 3,239 | 3,339 |
| Non-operating expenses | | |
| Interest expenses | 1,975 | 1,557 |
| Amortization of net retirement benefit obligation at transition | 1,181 | 1,179 |
| Other | 2,496 | 2,536 |
| Total non-operating expenses | 5,653 | 5,272 |
| Ordinary income | 12,473 | 12,283 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 139 | 133 |
| Gain on sales of securities | - | 53 |
| Other | 29 | - |
| Total extraordinary income | 168 | 186 |
| Extraordinary loss | | |
| Loss on litigation | 1,386 | 1,358 |
| Other | 6,811 | 781 |
| Total extraordinary losses | 8,196 | 2,139 |
| Income before income taxes and minority interests | 4,445 | 10,330 |
| Income taxes | 3,226 | 4,124 |
| Income before minority interests | 1,219 | 6,205 |
| Minority interests in income | 675 | 993 |
| Net income | 545 | 5,212 |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | Nine Months Ended December 31, 2010 (From April 1, 2010 To December 31, 2010) | Nine Months Ended December 31, 2011 (From April 1, 2011 To December 31, 2011) |
|--|--|--|
| Income before minority interests | 1,219 | 6,205 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,230 | (1,018) |
| Deferred gains or losses on hedges | (28) | (15) |
| Revaluation reserve for land | - | 3,434 |
| Foreign currency translation adjustment | (333) | (821) |
| Share of other comprehensive income of associates accounted for using equity method | (47) | 21 |
| Total other comprehensive income | 821 | 1,601 |
| Comprehensive income | 2,040 | 7,807 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | 1,382 | 6,792 |
| Comprehensive income attributable to minority interests | 658 | 1,015 |

(3) Note to Going Concern

Not applicable

(4) Segment Information

Segment sales and operating income

1) Nine months ended December 31, 2010 (from April 1, 2010 to December 31, 2010)

(Millions of yen)

| | Segment to be reported | | | | | | Other Businesses | Total | Adjustment | Consolidated Statements of Income |
|---------------------------------------|-------------------------------|----------------------|--------------|----------|-------------|---------|------------------|---------|------------|-----------------------------------|
| | Films and Functional Polymers | Industrial Materials | Life Science | Textiles | Real Estate | Total | | | | |
| Net Sales | | | | | | | | | | |
| (1) Outside customers | 95,655 | 51,695 | 21,948 | 62,502 | 2,707 | 234,505 | 15,056 | 249,561 | — | 249,561 |
| (2) Inter-segment sales and transfers | 403 | 185 | 86 | 563 | 961 | 2,199 | 6,008 | 8,207 | (8,207) | - |
| Total | 96,058 | 51,880 | 22,034 | 63,064 | 3,668 | 236,704 | 21,064 | 257,768 | (8,207) | 249,561 |
| Operating Income (loss) | 9,949 | 3,209 | 2,344 | (5) | 1,228 | 16,726 | 381 | 17,107 | (2,220) | 14,887 |

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

2. Includes segment income adjustment of (¥2,220) million, eliminations of inter segment transactions of (¥ 52) million, and companywide expenses that are not allocated across reporting segments of (¥2,167) 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.

2) Nine months ended December 31, 2011 (from April 1, 2011 to December 31, 2011)

(Millions of yen)

| | Segment to be reported | | | | | | Other Businesses | Total | Adjustment | Consolidated Statements of Income |
|---------------------------------------|-------------------------------|----------------------|--------------|----------|-------------|---------|------------------|---------|------------|-----------------------------------|
| | Films and Functional Polymers | Industrial Materials | Life Science | Textiles | Real Estate | Total | | | | |
| Net Sales | | | | | | | | | | |
| (1) Outside customers | 102,494 | 51,394 | 22,004 | 63,823 | 2,851 | 242,566 | 16,265 | 258,832 | — | 258,832 |
| (2) Inter-segment sales and transfers | 155 | 50 | 28 | 893 | 944 | 2,070 | 7,902 | 9,972 | (9,972) | — |
| Total | 102,649 | 51,444 | 22,032 | 64,716 | 3,795 | 244,637 | 24,167 | 268,804 | (9,972) | 258,832 |
| Operating Income (loss) | 8,134 | 3,427 | 2,263 | 831 | 1,070 | 15,726 | 758 | 16,484 | (2,268) | 14,216 |

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

2. Includes segment income adjustment of (¥2,268) million, eliminations of inter segment transactions of (¥ 67) million, and companywide expenses that are not allocated across reporting segments of (¥2,201) 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.

(5) Note to Significant Changes in Shareholders' Equity

Not applicable