February 8, 2016

# Consolidated Financial Report for the Third Quarter ended December 31, 2015

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

Stock Code: 3101 URL http://www.toyobo-global.com/ir/

Representative: Seiji Narahara, President & Representative Director

Contact Person: Fuyuhiko Kubota, General Manager, Corporate Communication Office TEL: +81-6-6348-3044

Quarterly report filing date (Planned): February 12, 2016

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 | | Profit attributable to owners of parent | |
|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| 2015 | 257,865 | 1.0 | 15,512 | 23.9 | 14,065 | 66.0 | 7,537 | 28.4 |
| 2014 | 255,419 | (0.8) | 12,524 | (18.3) | 8,471 | (41.0) | 5,870 | (9.0) |

(Note) Comprehensive income: Third Quarter ended December 31, 2015: ¥ 6,351 million (29.5%),

Third Quarter ended December 31, 2014: ¥ 9,008 million (17.7%),

| | Net income per share | Net income per share after dilution |
|---|---|---|
| | Yen | Yen |
| 2015 | 8.49 | — |
| 2014 | 6.61 | — |

### (2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|---|---|---|---|
| | Millions of yen | Millions of yen | % |
| December 31, 2015 | 449,124 | 164,309 | 35.9 |
| March 31, 2015 | 465,809 | 161,087 | 33.9 |

(Reference) Total shareholders' equity: December 31, 2015: ¥161,157 million, March 31, 2015: ¥157,988 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 |
| FY 3/2015 | — | 0.00 | — | 3.50 | 3.50 |
| FY 3/2016 | — | 0.00 | — | | |
| FY 3/2016 (Forecast) | | | | 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: 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 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):
      December 31, 2015: 890,487,922 shares　March 31, 2015: 890,487,922 shares
   2) Number of treasury stock
      December 31, 2015: 2,682,645 shares　March 31, 2015: 2,653,322 shares
   3) Average number of shares outstanding for each period (cumulative term):
      Nine months ended December 31　2015: 887,820,884 shares
      2014: 887,854,395 shares

※ Implementation status of Quarterly review

This Financial Results report for the Third Quarter was exempt from Quarterly review which was based on Financial Instruments and Exchange Law of Japan. As of the Third 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 third quarter of the fiscal year ending March 31, 2016, from April 1, 2015 through December 31, 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 and the slump in the crude oil prices while the economy in the United States maintained its recovery trend led by the expansion of domestic demand mainly related to personal consumption. Meanwhile, in Japan, the economy enjoyed a mild recovery backed by inbound demand.

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 third 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 focused on sales expansion targeting new users to promote the building of systems aimed at expansion in the second half of the Medium-Term Management Plan. Furthermore, in the "VYLON" business, the Group worked to strengthen its competitiveness in the Asian market by transferring the production of resin to the manufacturing and sales subsidiary established in Thailand.

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 sales of "COSMOSHINE SRF" for overseas customers, and the sales increased from the same period of the previous fiscal year. Furthermore, its evaluation by new users has been in progress as part of measures for sales expansion. 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. The Group also proceeded with clinical trials of bone regeneration inducing materials as a move aimed at future growth and expansion.

As a result of these various activities, consolidated net sales for the third quarter increased ¥2.4 billion (1.0%) over the same quarter of the previous fiscal year, to ¥257.9 billion. Operating income increased ¥3.0 billion (23.9%), to ¥15.5 billion, ordinary income increased ¥5.6 billion (66.0%), to ¥14.1 billion, and profit attributable to owners of parent increased ¥1.7 billion (28.4%), to ¥7.5 billion.

Results by business segment were as follows:

The Company changed its reporting segment classification from the first quarter of the fiscal year under review. Accordingly, in the following segment information, the figures for the third quarter of the previous fiscal year have been restated in accordance with the method of classification existing after the aforesaid change for the purpose of comparing them with those of the third quarter of this fiscal year.

### Films and Functional Polymers

Within this segment, sales decreased but operating income increased from the same period of the previous fiscal year despite the impact of adjustments in the LCDs market, the economic slowdown in China and the slump in the Japanese automobile market, etc. because there was a decline in costs incurred in connection with the sales promotion of 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 inbound demand as the volume of imported products declined with the yen depreciation, and sales increased from 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, while the sales of “COSMOSHINE SRF,” primarily to users in South Korea and Taiwan for use in LCD TVs, increased.

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 decreased ¥0.3 billion (0.3%) from the same period of the previous fiscal year to ¥108.3 billion, and operating income rose ¥2.4 billion (54.2%) to ¥6.9 billion.

### Industrial Materials

Sales declined but operating income increased in this segment from the same period of the previous fiscal year despite robust sales of high-performance fibers and functional filters because sales of the airbag fabrics were weak.

In the airbag fabrics business, sales declined sharply, 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 use in heat-resistant materials. In the functional filters business, sales increased because demand for volatile organic compound (VOC) emissions treatment equipment in the Asian Market held firm, although sales to the consumer electronics and energy industry were weak. Sales of products for consumer and industrial uses decreased, despite polyester staple fibers for use in hygiene products remained favorable, as sales of “Spunbond” declined due to a downturn in market conditions for civil engineering and construction applications.

As a result, sales in this segment decreased ¥0.2 billion (0.5%) from the same period of the previous fiscal year to ¥51.9 billion, and operating income rose ¥0.0 billion (0.7%) to ¥4.2 billion.

### Healthcare

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

In the bioproducts business, despite favorable sales of reagents for life sciences, sales decreased as sales of mainstay enzymes for diagnostic reagents and diagnostic systems remained sluggish. 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, sales increased because of steady replacement demand for RO membrane elements for seawater desalination plants in Japan and overseas, among others.

As a result, sales in this segment decreased ¥0.3 billion (1.5%) from the same period of the previous fiscal year to ¥20.3 billion, and operating income rose ¥0.1 billion (4.0%) to ¥3.5 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 were steady, but sales of nylon fabrics for export struggled, affected by market conditions. Meanwhile, sales of materials for uniforms, particularly for workwear and school uniform, remained firm overall. Among textile products, sales showed a major increase on account of not only robust exports of materials for traditional Arabic menswear, but also the impact of exchange rates. Sales of acrylic fibers struggled, reflecting the deterioration in market conditions of materials for winter clothing in China.

As a result, sales in this segment increased ¥1.3 billion (2.2%) from the same period of the previous fiscal year to ¥61.9 billion, and operating income rose ¥0.0 billion (1.7%) to ¥1.1 billion.

### Real Estate and Other Businesses

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, sales in this segment increased ¥2.0 billion (14.5%) from the same period of the previous fiscal year to ¥15.4 billion, and operating income rose ¥0.4 billion (27.2%) to ¥2.1 billion.

## (2)Qualitative Information on the Consolidated Financial Position

### Assets, Liabilities and Net Assets

Total assets decreased ¥16.7 billion (3.6%) over the same period of the previous year, to ¥449.1 billion. This was primarily owing to a decrease in notes and accounts receivable - trade.

Total liabilities decreased ¥19.9 billion (6.5%) over the same period of the previous year, to ¥284.8 billion. This was primarily due to other current liabilities.

Net assets increased ¥3.2 billion (2.0%) over the previous year, to ¥164.3 billion. This was primarily the result of additions to retained earnings.

## (3) Qualitative Information on Consolidated Forecasts

The Company’s consolidated performance through the third quarter is generally as initially forecast. We have made no revisions in the forecasts for the full fiscal year ending March 31, 2016, which we announced on November 5, 2015.

## 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 quarter ended June 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 Third Quarter (As of December 31, 2015) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 20,550 | 15,556 |
| Notes and accounts receivable - trade | 83,710 | 76,149 |
| Merchandise and finished goods | 50,576 | 46,667 |
| Work in process | 15,942 | 17,269 |
| Raw materials and supplies | 15,865 | 16,589 |
| Other | 10,355 | 9,074 |
| Allowance for doubtful accounts | (391) | (323) |
| Total current assets | 196,607 | 180,980 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 48,371 | 48,837 |
| Machinery, equipment and vehicles, net | 45,618 | 44,122 |
| Land | 106,248 | 106,043 |
| Other, net | 9,051 | 9,974 |
| Total property, plant and equipment | 209,289 | 208,976 |
| Intangible assets | 3,311 | 3,714 |
| Investments and other assets | | |
| Other | 57,479 | 56,338 |
| Allowance for doubtful accounts | (877) | (885) |
| Total investments and other assets | 56,602 | 55,454 |
| Total non-current assets | 269,202 | 268,144 |
| Total assets | 465,809 | 449,124 |

(Millions of yen)

| | Previous Fiscal Year (As of March 31, 2015) (Condensed) | Current Third Quarter (As of December 31, 2015) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 49,173 | 42,739 |
| Short-term loans payable | 40,949 | 40,346 |
| Current portion of long-term loans payable | 14,669 | 19,677 |
| Provision | 4,144 | 2,217 |
| Other | 37,314 | 26,811 |
| Total current liabilities | 146,250 | 131,790 |
| Non-current liabilities | | |
| Bonds payable | 25,000 | 25,000 |
| Long-term loans payable | 85,425 | 80,054 |
| Provision for directors' retirement benefits | 339 | 293 |
| Provision for environmental measures | 831 | 714 |
| Net defined benefit liability | 17,244 | 17,392 |
| Other | 29,634 | 29,571 |
| Total non-current liabilities | 158,472 | 153,024 |
| Total liabilities | 304,722 | 284,815 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 51,730 | 51,730 |
| Capital surplus | 32,239 | 32,239 |
| Retained earnings | 32,479 | 36,909 |
| Treasury shares | (383) | (388) |
| Total shareholders' equity | 116,065 | 120,490 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 7,126 | 8,490 |
| Deferred gains or losses on hedges | (34) | (81) |
| Revaluation reserve for land | 43,920 | 43,920 |
| Foreign currency translation adjustment | (7,460) | (10,664) |
| Remeasurements of defined benefit plans | (1,628) | (997) |
| Total accumulated other comprehensive income | 41,923 | 40,667 |
| Non-controlling interests | 3,098 | 3,152 |
| Total net assets | 161,087 | 164,309 |
| Total liabilities and net assets | 465,809 | 449,124 |

(2) Consolidated Statements of Income (Millions of yen)

| | Previous Third Quarter (From April 1, 2014 To December 31, 2014) | Current Third Quarter (From April 1, 2015 To December 31, 2015) |
|---|---|---|
| Net sales | 255,419 | 257,865 |
| Cost of sales | 200,584 | 199,852 |
| Gross profit | 54,835 | 58,014 |
| Selling, general and administrative expenses | 42,311 | 42,502 |
| Operating income | 12,524 | 15,512 |
| Non-operating income | | |
| Dividend income | 536 | 607 |
| Other | 2,480 | 1,423 |
| Total non-operating income | 3,016 | 2,030 |
| Non-operating expenses | | |
| Interest expenses | 1,356 | 1,234 |
| Share of loss of entities accounted for using equity method | 1,990 | － |
| Other | 3,724 | 2,243 |
| Total non-operating expenses | 7,070 | 3,477 |
| Ordinary income | 8,471 | 14,065 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 27 | 23 |
| Gain on sales of investment securities | 331 | 37 |
| Reversal of provision for environmental measures | 798 | － |
| Total extraordinary income | 1,156 | 60 |
| Extraordinary losses | | |
| Loss on disposal of non-current assets | 600 | 728 |
| Loss on litigation | 596 | 490 |
| Loss on restructuring of Business | － | 666 |
| Impairment loss | 751 | － |
| Other | 77 | 99 |
| Total extraordinary losses | 2,024 | 1,983 |
| Income before income taxes and minority interests | 7,603 | 12,141 |
| Income taxes | 1,613 | 4,516 |
| Profit | 5,990 | 7,626 |
| Profit attributable to non-controlling interests | 120 | 89 |
| Profit attributable to owners of parent | 5,870 | 7,537 |

Consolidated Statements of Comprehensive Income (Millions of yen)

| | Previous Third Quarter (From April 1, 2014 To December 31, 2014) | Current Third Quarter (From April 1, 2015 To December 31, 2015) |
|---|---|---|
| Profit | 5,990 | 7,626 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,461 | 1,332 |
| Deferred gains or losses on hedges | (32) | (47) |
| Foreign currency translation adjustment | 264 | (2,907) |
| Remeasurements of defined benefit plans, net of tax | 1,378 | 632 |
| Share of other comprehensive income of entities accounted for using equity method | (53) | (285) |
| Total other comprehensive income | 3,018 | (1,275) |
| Comprehensive income | 9,008 | 6,351 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 8,862 | 6,281 |
| Comprehensive income attributable to non-controlling interests | 146 | 70 |

## (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 ) Nine months ended December 31, 2014 (from April 1, 2014 to December 31, 2014) (Millions of yen)

| | Segment to be reported | | | | | | Other Businesses (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 | 108,557 | 52,174 | 20,590 | 60,612 | 2,970 | 244,903 | 10,516 | 255,419 | ― | 255,419 |
| (2) Inter-segment sales and transfers | 14 | 295 | 60 | 36 | 854 | 1,259 | 7,536 | 8,795 | (8,795) | ― |
| Total | 108,571 | 52,469 | 20,650 | 60,648 | 3,824 | 246,161 | 18,052 | 264,213 | (8,795) | 255,419 |
| Operating Income (loss) | 4,486 | 4,187 | 3,357 | 1,057 | 1,649 | 14,735 | (5) | 14,731 | (2,206) | 12,524 |

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

2. Includes segment income adjustment of (¥2,206) million, eliminations of intersegment transactions of (¥129) million, and companywide expenses that are not allocated across reporting segments of (¥2,078) 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 ¥701 million. Impairment losses that were not allocated across reporting segment were ¥50 million.

( Ⅱ ) Nine months ended December 31, 2015 (from April 1, 2015 to December 31, 2015) (Millions of yen)

| | Segment to be reported | | | | | | Other Businesses (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 | 108,270 | 51,936 | 20,287 | 61,928 | 3,161 | 245,582 | 12,283 | 257,865 | ― | 257,865 |
| (2) Inter-segment sales and transfers | 0 | 201 | 59 | 63 | 849 | 1,172 | 8,105 | 9,277 | (9,277) | ― |
| Total | 108,271 | 52,137 | 20,346 | 61,911 | 4,010 | 246,754 | 20,388 | 267,142 | (9,277) | 257,865 |
| Operating Income (loss) | 6,915 | 4,216 | 3,493 | 1,075 | 1,764 | 17,462 | 327 | 17,789 | (2,277) | 15,512 |

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

5. Includes segment income adjustment of (¥2,277) million, eliminations of intersegment

transactions of (¥181) million, and companywide expenses that are not allocated across reporting segments of (¥2,097) 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 third quarter of the previous fiscal year has been prepared in accordance with the method of classification following the changes.