

Annual Report 2015

Year Ended March 31, 2015

Interview with the President

The Toyobo Group believes that corporate, business and CSR activities should be part of an integrated whole

Special Feature

1. New Products and Overseas Expansion
2. Human Resources Strategies

Ideas & Chemistry

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Disclaimer

This report contains statements related to the future performance of the Toyobo Group. The reader should bear in mind that these statements are not guarantees of future performance, as they assume various risks and uncertainties. Furthermore, the purpose of this report is to provide information, and while such information could be referred to when making investment decisions, the report is not intended to encourage investment in the Company.

Cross Reference

On our investor relations site we publish a wide range of resources, including news releases, information for shareholders, our statements of accounts, and explanations of our business results, as well as videos and other materials related to business information meetings. The site also supports interactive communication, allowing investors to ask questions and offer opinions that will help us to improve the quality of our IR activities.

Website

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



Investor Relations

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



Sustainability

<http://www.toyobo-global.com/sustainability>

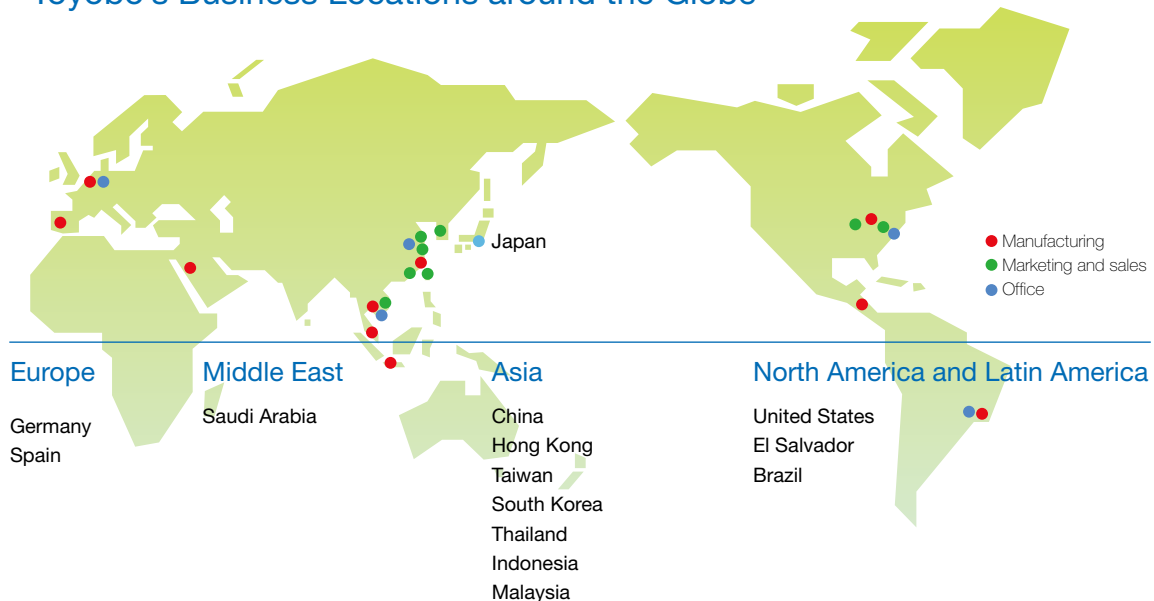


Profile

Toyobo was founded in 1882 as a textile company, when it began its spinning and textile business. We continued to adapt to the changing needs of the times, drawing on our core technologies in polymerization, modification, processing, and biotechnology to expand our business fields and develop high-performance products.

These product lines have been organized into three specialty business segments—films & functional polymers, industrial materials, and healthcare—in which we are prioritizing growth and expansion. We have further identified “priority businesses” within these specialty businesses in which Toyobo has a particular strength, and which we hope to nurture and develop into a core business. To accomplish this, we are concentrating business resources in order to accelerate growth. We also actively pursue business alliances and/or technology injections to further enhance already strong businesses.

Toyobo’s Business Locations around the Globe



Business Segments and Principal Products

Films & Functional Polymers



Principal Products

- Industrial films
- Packaging films
- Functional polymers
- Others

Industrial Materials



Principal Products

- Functional fibers
- High-Performance fibers
- Filters, non-woven fabrics

Healthcare



Principal Products

- Bioproducts
- Pharmaceuticals
- Medical membranes, equipment and devices
- Water treatment membranes

Textiles



Principal Products

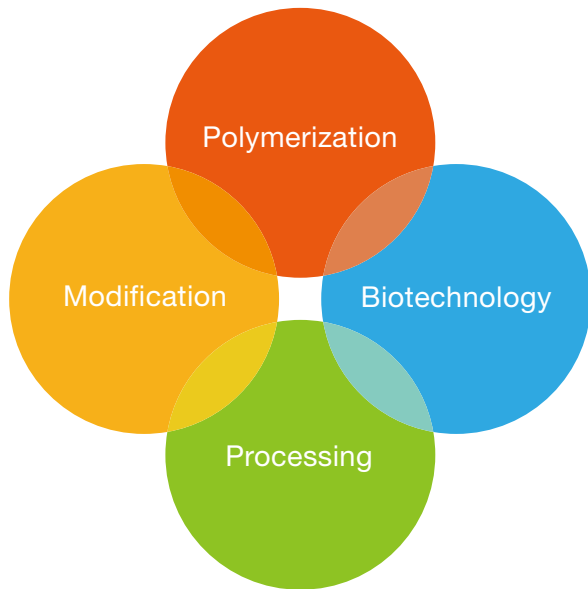
- Textiles
- Apparel
- Fibers for clothes
- Acrylic fibers
- Others

Toyobo's Competitiveness

Business diversity based on

4 core technologies

is our core competence to win as the "category leader" in various niche markets.



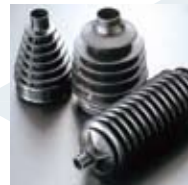
Food packaging films:

Sales of **¥57 billion** and overall top producer in Japan



Airbag fabrics:

40% market share and in the leading group internationally for airbag fabric yarn production



Engineering plastics:

Overseas sales rose **14% over** the previous fiscal year



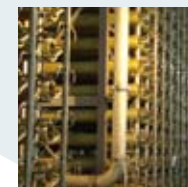
Enzymes for diagnostic reagents:

In the top **4** of the leading group internationally, specifically **No.1** for sales of enzymes for self-monitoring of blood glucose



Equipment for volatile organic compound (VOC) emissions treatment:

1,300 installed in Japan and other countries



Reverse osmosis (RO) membrane element for seawater desalination:

50% market share in the GCC* countries in the Middle East

* GCC: Gulf Cooperation Council

History

A Stronger Foundation for Growth

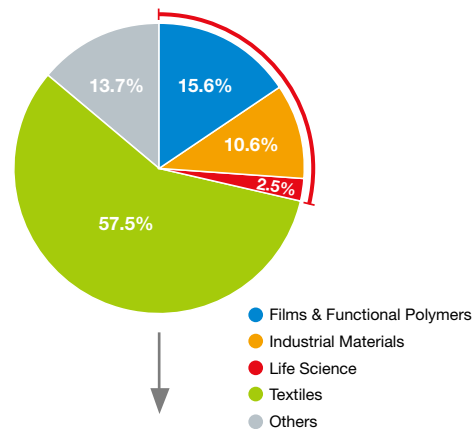
We have adopted 順理則裕 (*jun-ri-soku-yu*) as our basic philosophy. Here *junri* indicates not only “thinking and acting rationally and logically,” but also expresses the idea that “reason and ethics form one’s basic attitude as a human being, and ethical values must be respected.” This motto was a personal maxim of our founder, the Meiji Era industrialist Eiichi Shibusawa, and has been handed down as our company’s management philosophy unchanged to the present day.

Transformation of the Business Portfolio

FY1996

Net sales
¥461.0 billion

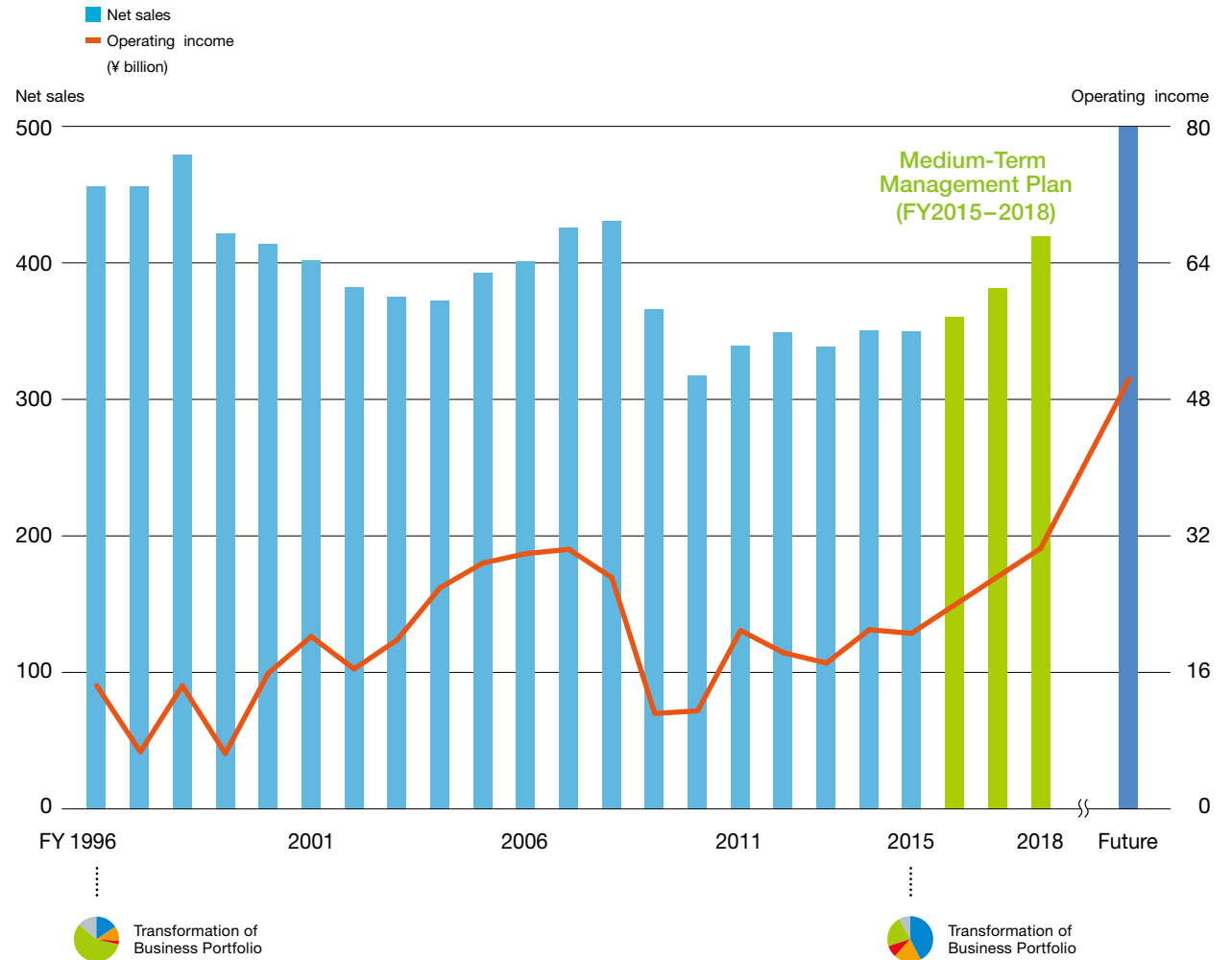
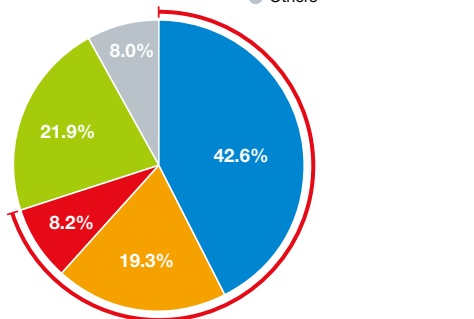
Specialty businesses
30%



FY2015

Net sales
¥351.3 billion

Specialty businesses
70%



Message from the President

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Reviewing Fiscal 2015, a Year for Challenge

This year, fiscal 2015 (ended March 31, 2015), marked the start of a new Medium-Term Management Plan that runs until fiscal 2018 (ending March 31, 2018). It was also my first year as president of Toyobo. Aiming to become the category leader, continuing to create new value that contributes to society in the environment, healthcare, and high-function products fields, Toyobo continues to make the shift to a new growth stage while further popularizing its growth drivers, notably “COSMOSHINE SRF,” a polyester-based protective film for liquid crystal displays (LCDs) and polarizing plates, and “Nerbridge” nerve bridging devices. Against this backdrop, we implemented a number of challenging actions in fiscal 2015 to further reinforce the Company's growth and expansion.

Specifically, we undertook challenging actions aimed at accelerating overseas business development and strengthening competitiveness of domestic businesses, which are Toyobo's management challenges. These included securing sites to expand the engineering plastics business in Latin America, establishing production sites for airbag fabrics in North America and Asia, and innovating the polyester chain and operating new equipment for large films in Japan.

In results for fiscal 2015, we fell short of initial targets for net sales, operating income, and net income. The primary factor behind the income results was a greater-than-expected rise in the cost of operating new equipment for films and in expenses for new product marketing. At the same time, actions that result in an increase in costs are deemed necessary today to drive growth tomorrow, and as such we have been resolute in implementing these actions. As a result, I believe we have succeeded in solidifying the foundations for growth going forward throughout the year.

Forecasting Fiscal 2016, a Year for Riding a Growth Trajectory


In fiscal 2016, we aim to post operating income of ¥24.0 billion. We intend to achieve this initial target mainly by utilizing new equipment for films that is now in full operation and also through new products that we continue to expand.

Our founder, Eiichi Shibusawa, left us with two important phrases. The first, 順理則裕 (*jun-ri-soku-yu*), expresses the idea that “adhering to reason leads to prosperity.” This ideal has been handed down for more than 130 years as the corporate philosophy of Toyobo and as the point of origin for our corporate social responsibility (CSR) activities.

The second phrase, 敬事而信 (*keiji-shin*) expresses the idea “Think carefully and follow through on decisions reached.” In fiscal 2016, we will execute an action plan in accordance with the words of our founder and seek to enhance the trust of shareholders and investors by riding a growth trajectory in the results as envisioned in our Medium-Term Management Plan.

I would like to offer my sincerest appreciation to our shareholders and investors, and ask for your continued support.

August 2015



Seiji Narahara

President & Chief Operating Officer

Management

As of June 26, 2015

Board of Directors



President
Seiji Narahara



Chairman
Ryuzo Sakamoto



Director
Hiroshi Takahashi



Director
Kazumasa Koyama



Director
Hiroshi Takabayashi



Director
Kunio Yano



Director
Shigeki Sano



Director
Shinichi Teshima



Director
Michio Ogimura*

* Outside Director



Director
Taketoshi Oka*

* Outside Director

Board of Corporate Auditors

Hisao Nishinaka
Morito Morita
Akio Ukai**
Yoshinori Sato**

** Outside Corporate Auditor

Corporate Officers

Chief Operating Officer

Seiji Narahara

Corporate Senior Executive Officer

Hiroshi Takahashi

Corporate Executive Officers

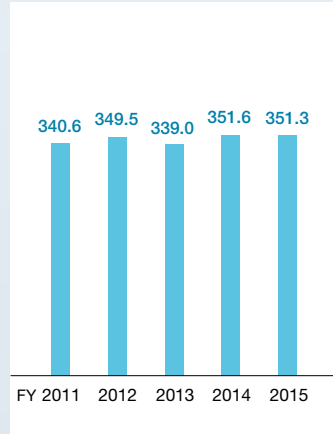
Kazumasa Koyama
Hiroshi Takabayashi
Kunio Yano
Shigeki Sano

Corporate Officers

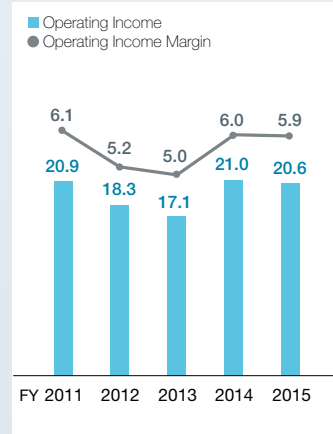
Shinichi Teshima	Shigeo Takenaka
Toshitake Suzuki	Masaru Watanabe
Hiroyuki Sato	Taneaki Nagata
Yuji Oita	Yasuo Ohta
Teruo Ohigashi	Yasuhiro Iizuka
Hitoshi Ueno	

Financial Highlights

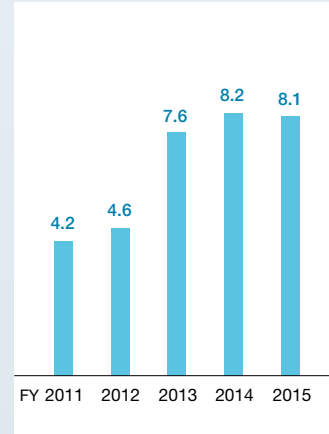
Net Sales
(¥ billion)



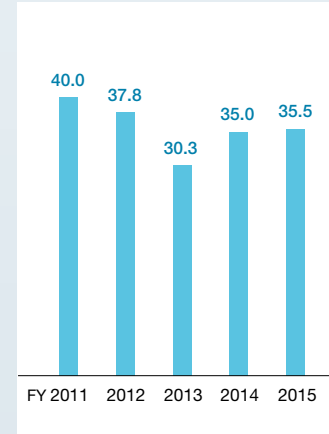
Operating Income and Operating Income Margin
(¥ billion, %)



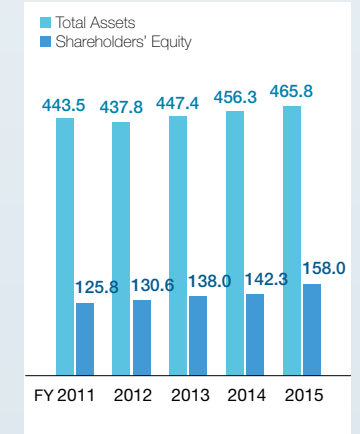
Net Income
(¥ billion)



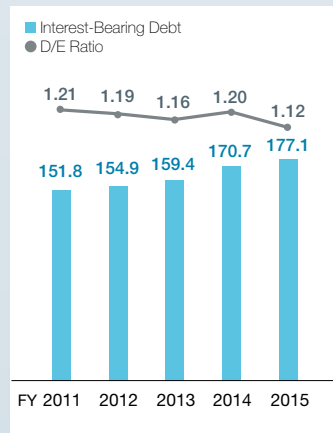
EBITDA
(¥ billion)



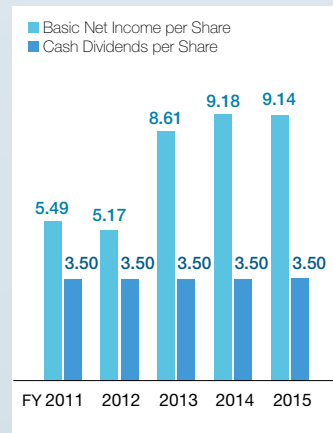
Total Assets and Shareholders' Equity
(¥ billion)



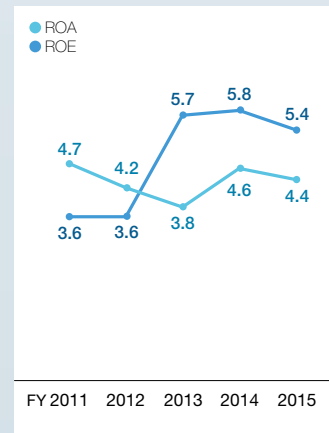
Interest-Bearing Debt and D/E Ratio
(¥ billion, times)



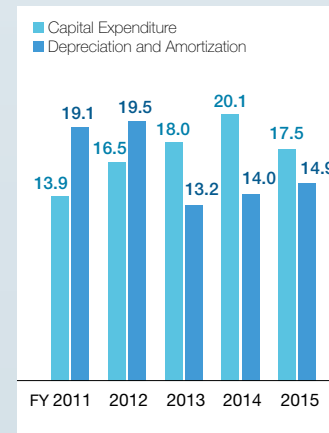
Basic Net Income per Share and Cash Dividends per Share
(¥)



ROA and ROE
(%)



Capital Expenditure and Depreciation and Amortization
(¥ billion)



Toyobo This Year

Snapshot

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Company Information

A May 29

A Ceremony Held to Open Additional Facilities to Produce Seawater Desalination Membranes in Saudi Arabia



B October 2

Suspension of Resin Production for PET Bottles and Withdrawal from the Polyester Raw Material Business Announced



C November 3

Sales and Marketing Office Established in Mexico for Expansion of Functional Polymers for the Automobile Parts Business



2014

Apr.

a

May

A

Jun.

b

Jul.

c

Aug.

Sep.

Product Information

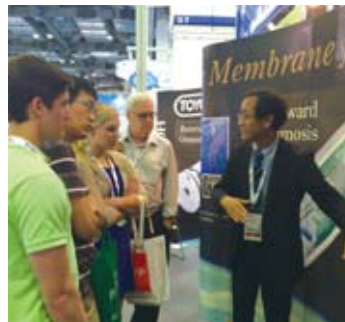
a April 1

Sales of Polyester Shrinkable Films Started for Book Wrapping



b June 2

Exhibition at Singapore International Water Week 2014



c July 24

Marketing of VOC Emission Treatment Systems Begun, Based on the Nitrogen Cycle Desorption Method



D January 1

Merger between a Subsidiary Company for Cast Film Production and Another Company in the DIC Group

E March 2

Idle Land at the Tsuruga Plant to Be Used for a Biomass Power Plant



F March 31

A New Facility for Enzyme Purification to Be Built to Boost Capacity by 50%



2015



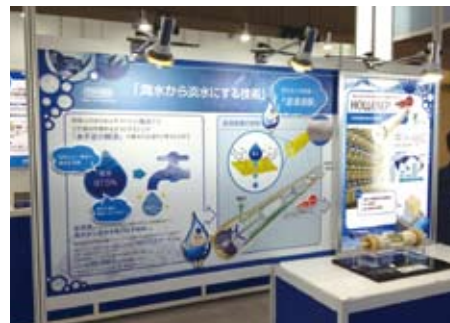
d October 9

Sales of Reagent Kits That Enable Full Automatic, Rapid and Accurate Analysis of Group A Streptococcus Pyogenes



e December 11

Exhibition at Eco-Products 2014



f February 21

Sales of Book Covers Made of UV-Cut Polyester Films Started



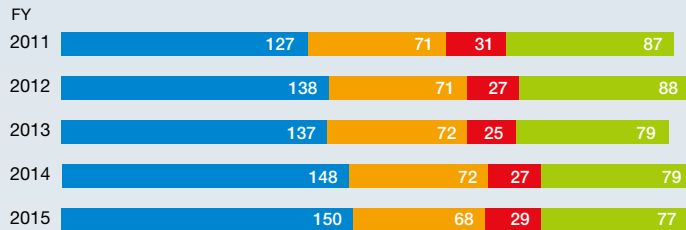
Business Segments and Fields

Operational Results

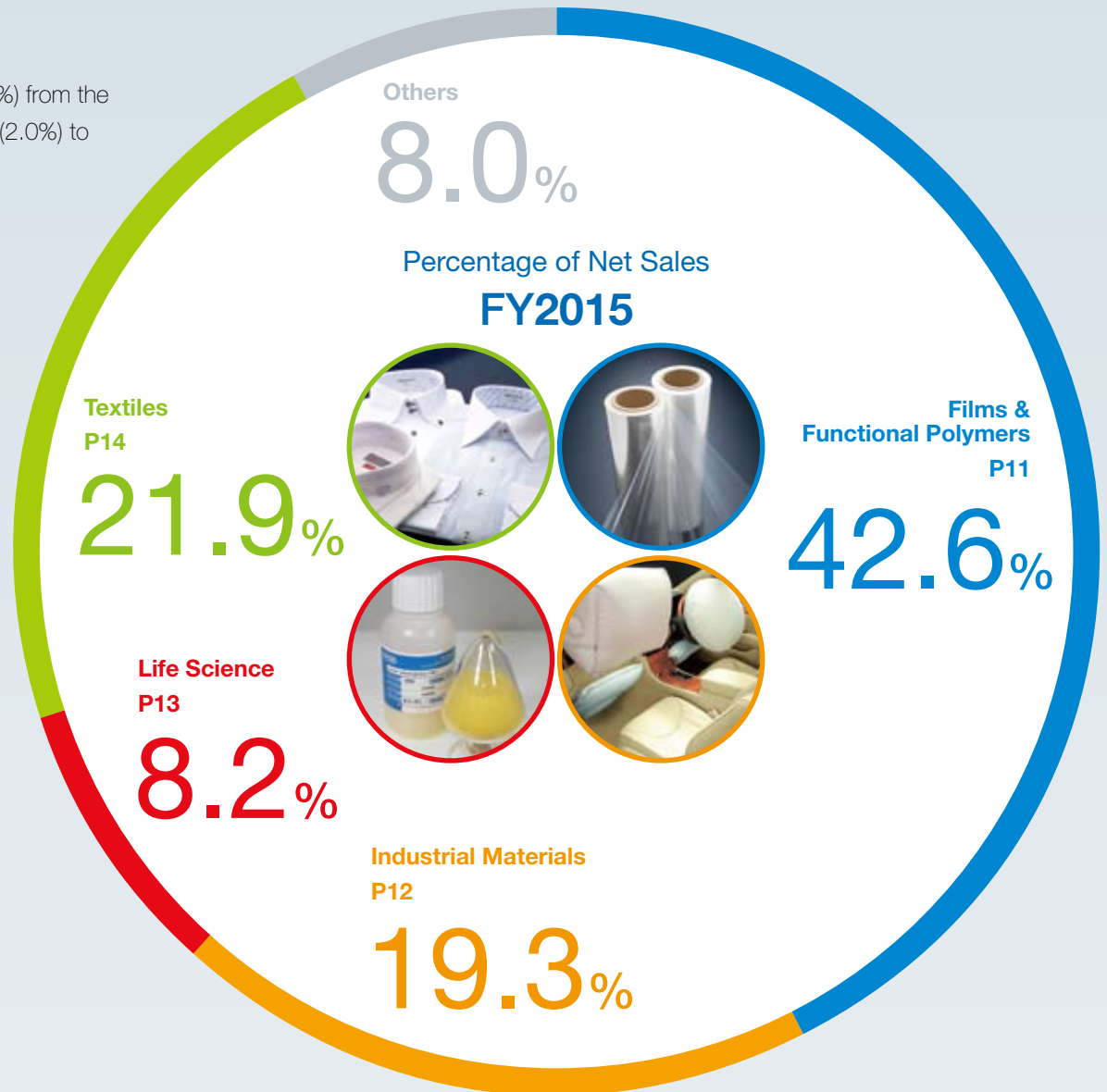
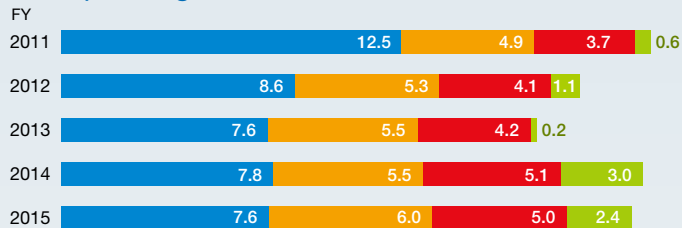
Consolidated net sales for the subject fiscal year decreased ¥0.3 billion (0.1%) from the previous fiscal year to ¥351.3 billion. Operating income declined ¥0.4 billion (2.0%) to ¥20.6 billion, and net income declined ¥0.0 billion (0.5%) to ¥8.1 billion.

- Films & Functional Polymers
- Industrial Materials
- Life Science
- Textiles

Net Sales (¥ billion)



Operating Income (¥ billion)



Films & Functional Polymers

Percentage of Net Sales in FY2015
42.6%

Net Sales (¥ billion)

2011	127
2012	138
2013	137
2014	148
2015	150

Operating Income (¥ billion)

2011	12.5
2012	8.6
2013	7.6
2014	7.8
2015	7.6



Operational Results

In the films business, although sales of both packaging and industrial films increased, costs incurred in connection with the development of markets for new products and the start-up of new production facilities caused a decline in income. In the functional polymers business, the performance of engineering plastics, principally in overseas markets, was favorable, and sales expanded. As a result, overall sales in the films & functional polymers segment rose, but income decreased compared with the previous fiscal year.

Strategies

In the industrial films business, the product portfolio will be restructured to give greater focus to high-value-added products, including “COSMOSHINE SRF.” In the packaging films business, we will enhance our competitive edge overseas in achieving growth by promoting shrinkable films and other high-function film products. In the functional polymers businesses, expanding overseas business is the key to our growth, especially in the engineering plastics and “VYLON” businesses, focused on growth markets in such areas as Central and South America as well as Asia.

Products

Industrial films

- PET films for (1) FPD use, (2) photovoltaic backsheets, (3) touch screens, (4) ceramic capacitor process sheets, and (5) other industrial uses
- Synthetic paper

Packaging films

- PET, polyolefin, polyamide films for food packaging, and shrinkable films for labels

Functional polymers

- Engineering plastics
- For industrial adhesives, coatings: co-polyester and modified polyolefin
- Acrylate polymers

Industrial Materials

Percentage of Net Sales in FY2015
19.3%

Net Sales (¥ billion)

2011	71
2012	71
2013	72
2014	72
2015	68

Operating Income (¥ billion)

2011	4.9
2012	5.3
2013	5.5
2014	5.5
2015	6.0



Operational Results

Although performance in this segment was influenced by Toyobo's withdrawal from the tire cord business in the previous fiscal year, sales were favorable for high-performance fibers, products for consumer and industrial uses, and spunbounds. Overall, the segment showed a decrease in sales but a rise in income.

Strategies

We will expand the airbag business overseas by structuring sales channels to automobile parts manufacturers in Europe, the United States, and elsewhere, taking advantages of our strength as an airbag yarn supplier, with global supply systems that are integrated from yarn to fabric.

Further promotion of equipment and systems for VOC emissions treatment in Asia, global expansion of "BREATHAIR," and expansion of high-performance fibers business based on new applications will contribute to our performance.

Products

Functional fibers

- Airbag fabrics

High-performance fibers

- Ultra-high-strength polyethylene fiber
- PBO fiber: extremely heat-resistant, high-tenacity fiber

Functional filters, non-woven fabrics

- Filters for (1) automotive components, (2) office equipment, and (3) air purifiers
- VOC emissions treatment equipment and systems with activated carbon filters
- Functional cushion materials
- Non-woven fabrics for automotive parts and construction materials

Life Science

Percentage of Net Sales in FY2015
8.2%

Net Sales (¥ billion)

2011	31
2012	27
2013	25
2014	27
2015	29

Operating Income (¥ billion)

2011	3.7
2012	4.1
2013	4.2
2014	5.1
2015	5.0

Operational Results

Sales in the bioproducts and medical products businesses were firm, but conditions were difficult in the medical membrane business and the contract manufacturing business of pharmaceuticals. As a result, compared with the previous fiscal year, sales increased but operating income decreased.

Strategies

We will accelerate expansion into overseas markets for bioproducts through the acquisition of Spinreact, S.A.U. We will implement further strategies drawing on M&A and/or business alliances for our inorganic growth. "Nerbridge" is a growth driver, and we will accelerate its promotion in Japan and overseas. Several other new products will be launched in the high-function membrane and other life science businesses.

Products

Bioproducts

- Enzymes for diagnostics, diagnostic systems and reagents, research reagents, and cosmetic ingredients

Pharmaceuticals

- Contract manufacturing (injections, raw pharmaceuticals, and antibody drugs)

Medical membranes, equipment, and devices

- Hollow fiber membranes for artificial kidneys and anti-clotting materials
- Medical treatment devices

Water treatment membranes

- Reverse osmosis (RO) membranes for seawater desalination
- Ultra-filtration membranes for drinking water



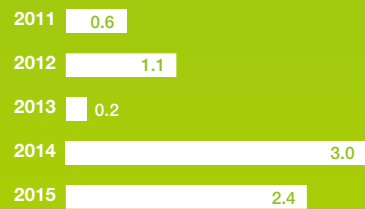
Textiles

Percentage of Net Sales in FY2015
21.9%

Net Sales (¥ billion)



Operating Income (¥ billion)



Operational Results

Sales of textiles continued to be strong, but conditions in acrylic fiber were difficult. As a result, segment sales and operating income decreased.

Strategies

The businesses will focus on expanding the range of uses of its functional textiles materials into sports apparel, innerwear, and other areas. Textiles for Arabic traditional menswear in the Middle East (*thoub*) are other strategic products.

Under the policy of improving asset efficiency, we will downsize businesses to be commoditized while further promoting high-value-added functional textiles.

Products

Textiles

- Functional textiles

Apparel products

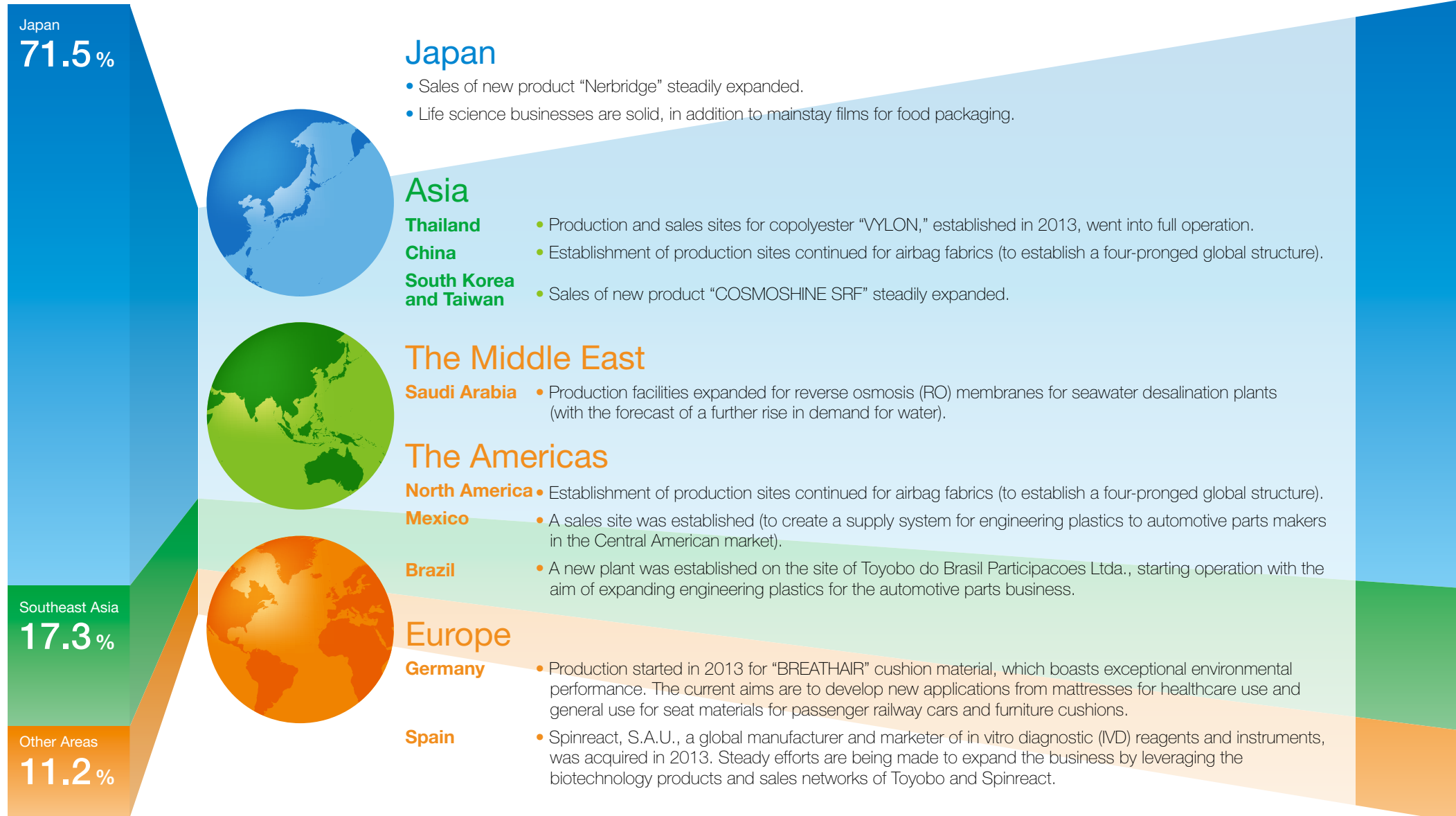
- "Munsingwear": sportswear

Acrylic fibers

- "EXLAN": acrylic fibers

Business Overview by Region

Composition of sales by region



Interview with the President

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Results and Medium-Term Management Plan

Q1 Can you review fiscal 2015, your first year as president?

A1 The year was one for implementing several challenging actions to realize future growth. We will also seriously review the fact that we were unable to generate certain results due to a greater-than-expected increase in costs associated with these actions, despite efforts to achieve initial targets.

Nonetheless, as a result of the actions we implemented, I believe we were able to solidify the foundations for future growth. We reduced costs in the fourth quarter that had ballooned up until the third quarter, and this contributed to higher profit in the fourth quarter.

We aim to make fiscal 2016 an extension of this performance and continue along this growth track in results as outlined in our Medium-Term Management Plan, while maintaining the momentum that was brought about with this significant rise in profit in the fourth quarter.

Q2 Can you tell us in concrete terms the challenging actions you executed?

A2 Specifically, we secured sites to expand the engineering plastics business in Latin America and established production sites for airbag fabrics in North America and Asia. In Japan, we innovated the polyester chain, launched new film products and operated new facilities for large films. Amid our management challenges of accelerating overseas business development and strengthening competitiveness of domestic businesses, we undertook actions expected to lead to future growth expansion, even if this meant a temporary increase in costs.

Q3 What is your outlook under the Medium-Term Management Plan until fiscal 2018, in light of results in fiscal 2015?

A3 In fiscal 2015, we prepared for growth expansion in the second half of the Medium-Term Management Plan, despite a downward swing in operating income relative to targets. In overseas developments, we forecast expansion in such areas as engineering plastics, "VYLON", airbag fabrics, bioproducts and reverse osmosis (RO) membranes for seawater desalination plants. In terms of new products, we expect expansion in "COSMOSHINE SRF" and "Nerbridge." We will aim to achieve operating income of ¥30 billion in fiscal 2018, which is the target set under our Medium-Term Management Plan, by traversing a growth track from fiscal 2016 onward.

We implemented a number of challenging actions in fiscal 2015 to further reinforce the Company's growth and expansion.



New Products

Q4 Can you tell us the fiscal 2015 results and future growth outlook for the new products “COSMOSHINE SRF” and “Nerbridge”? Also, what is your sales plan for “Nerbridge” in the United States?

A4 Sales in fiscal 2015 doubled for “COSMOSHINE SRF” year on year and increased by 60% for “Nerbridge.” Despite falling short of targets for both, we still managed to post significant sales growth. Although it is taking longer than expected to penetrate the market with our new products, our customers are gradually starting to recognize the competitive advantages of each product. In fiscal 2016, we aim to more than double sales for both products in year-on-year terms and nurture these areas as growth drivers for the Company.

For developments for “Nerbridge” in the United States, we have been pushing ahead with preparations to achieve targets ahead of the initial schedule. Going forward, we will register with the Food and Drug Administration and look to secure sales partnerships. If we can achieve this quickly, we can aim to begin sales in fiscal 2017.

Q5 A news release in April concerning bone reconstruction material gained attention around the world. Do you have expectations for this to become a new growth driver?

A5 As stated in the release, we began clinical trials for use of this material in dental and oral surgery domains in June. We have experience in joint development with Tohoku University, and this latest endeavor will become a model for the open innovation Toyobo is actively promoting. The concept behind the development of this material is unique to Toyobo and cannot be found in the products of other companies, namely, that the material induces a person’s body to promote bone regeneration on its own before dissolving and being absorbed but not remaining in the body. This concept is similar to the one for “Nerbridge” nerve bridging devices.

Toyobo has identified three core growth fields for the future in regenerative materials, overseas developments for film and separation membrane. Bone reconstruction material has been commercialized as the next regenerative material following on from our development of “Nerbridge,” and we aim to start sales of this product in fiscal 2019.

Needs are high for bone reconstruction material in Japan and overseas, and we will seek to nurture this domain into a new growth driver for the Company.



Financial Strategy

Q6 What are the fundamentals of your financial strategy?

A6 In terms of management targets under our Medium-Term Management Plan, we aim to achieve ROA of 7.0% (4.4% in fiscal 2015 on an operating income base) and a debt-to-equity (D/E) ratio of 1.0 (1.12 in fiscal 2015) by fiscal 2018. Over the near term, a critical challenge will be to reduce interest-bearing debt, boost shareholders' equity and lower the debt-to-equity ratio to 1.0. We also plan to increase ROE to 8% (5.4% in fiscal 2015).

PTCA:

Positive Thinking and Challenging Action

Return to Shareholders

Q7 Can you explain your philosophy for the return to shareholders and future dividend policy?

A7 Toyobo considers providing returns to shareholders to be one of our highest priorities. The dividend amount is determined through a comprehensive consideration of such factors as improving profit levels and financial position, and retention of earnings for future investment. At present, Toyobo is in a favorable position and we are aware of expectations to boost the return to shareholders. Since we are still not entirely satisfied with our financial position, however, over the near term we would like to prioritize measures to enhance shareholders' equity and secure internal reserves for future investment.

In accordance with this policy, Toyobo paid a year-end dividend for the fiscal year of ¥3.50 per share. For fiscal 2016, we expect to pay a dividend of ¥3.50 per share based on our forecast of net income attributable to the shareholders of the parent company of ¥12 billion.

ZYLON Lawsuit

Q8 There has not been much change in the ZYLON lawsuit recently. What is your outlook for a conclusion?

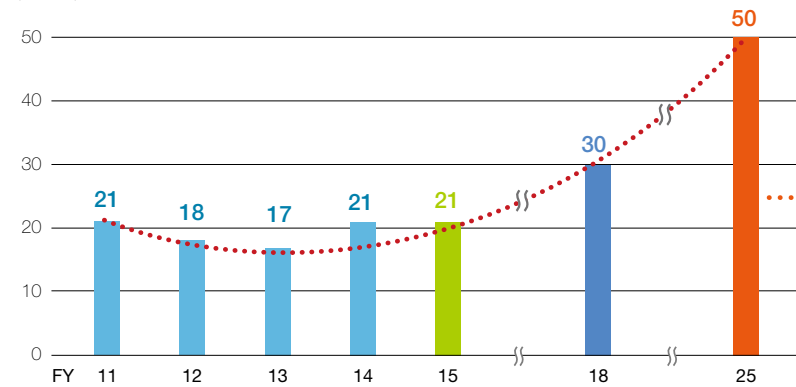
A8 Toyobo has completed all actions required of us, including discovery. The court recently granted in part, our written requests seeking early judgment and dismissed a number of claims. We aim to bring a swift resolution to the remaining claims in this drawn-out litigation, and will continue making maximum effort toward resolution, which will include requesting a speedy trial by the court on the remaining claims.



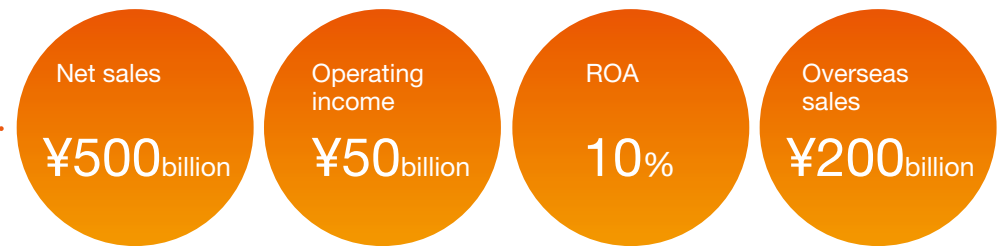
Medium-Term Management Plan

Aiming to become the category leader, continuing to create new value that contributes to society in the environment, healthcare, and high-function product fields

Operating Income
(¥ billion)



Targets for the Future (Consolidated)



Action Plan

1. Accelerating overseas business development (drawing on business alliances)
2. Developing new products and creating new businesses
3. Strengthening the competitiveness of domestic businesses
4. Improving asset efficiency
5. Strengthening global Group management

Total

	(¥ billion)	
	FY2014	FY2018
Net sales	351.6	420.0
Overseas sales (Overseas sales ratio)	93.6 (27%)	170.0 (40%)
Operating income	21.0	30.0
Operating income margin	6.0%	7.1%
Net income	8.2	14.0
Total assets	465.3	460.0
ROA	5%	7%
ROE	6%	8%
Interest-bearing debt	170.7	<150.0
Shareholders' equity	142.3	>150.0
D/E ratio	1.20	1.00
Depreciation and amortization	15.0	—

Segment

	(¥ billion)	
	FY2014	FY2018
	Sales	Sales
Films & Functional Polymers	148.0	180.0
Industrial Materials	71.7	90.0
Life Science	27.3	50.0
Textiles	79.1	75.0
Other Businesses	25.4	25.0
Total	351.6	420.0

Capital investment

Four years (including M&A) of ¥70 billion.
Capability increase of ¥35 billion.

“Developmental investment” of ¥50 billion.

Special Feature 1

Overseas Expansion

New Plant in Brazil Becomes Operational

To further the development of its functional polymers (engineering plastics) business for automotive parts in Brazil, the Toyobo Group established a new plant within the Americana Plant (in the state of São Paulo) of Toyobo do Brasil Participacoes Ltda., that became operational in 2015. In addition to producing in-house products, the plant will promote contract manufacturing that leverages the Group's compound technology to meet the procurement needs of local automotive parts manufacturers.



Overseas Expansion

Establishment of a New Company in Mexico

The Toyobo Group has established a new company in Mexico to create a supply system for functional polymers (engineering plastics) for automotive parts manufacturers in Central America. In Mexico, automobile manufacturers are setting up a series of local production plants and are substantially boosting production capacity. In line with this, Toyobo seeks to expand sales with the new site operating as a sales and marketing office for functional polymers (engineering plastics) in the near term. Toyobo plans to further develop this business, with the site serving as a strategically important hub for the Group in Central America.



Overseas Expansion

Additional Facilities for Production of Seawater Desalination Membranes in Saudi Arabia

In the Middle East and North Africa, demand for water is forecast to rise because of economic development and increases in population. Toyobo's affiliate Arabian Japanese Membrane Company, LLC (Saudi Arabia) increased the production capacity of "HOLLOSEP" reverse osmosis (RO) membrane elements for seawater desalination in May 2014, with the aim of expanding the seawater desalination business. "HOLLOSEP" employs hollow fiber membrane made of cellulose triacetate, which has superior resistance to the chlorine sterilization chemicals that are used to prevent the growth of microorganisms. This product has been highly rated in the Middle East, which has high temperatures and seawater with a high salt concentration—extremely tough conditions for RO membrane. Toyobo will look to expand sales even further by maximizing this competitive advantage.

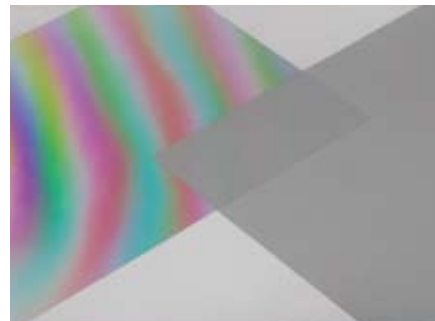


New Products

“COSMOSHINE SRF” Optical Film for LCDs

Toyobo has succeeded with the development of super-birefringent film that eliminates rainbow *mura* (color unevenness) that could not be accomplished by conventional polyester film. Full-scale sales and marketing operations got underway in 2013. The film is being developed mainly as protective film for polyvinyl alcohol (PVA) polarizers. In fiscal 2015, adoption of the film steadily increased, including use by leading polarization plate manufacturers in addition to such manufacturers in South Korea and Taiwan.

This film, which uses the general-purpose resin, polyester, boasts exceptional cost-competitiveness amid expectations of growth in demand for liquid crystal display (LCD) TVs, particularly in emerging countries. The product has received high praise from customers on account of its ability to keep moisture from penetrating, as it has a high barrier to moisture. Toyobo will strengthen sales and marketing of “COSMOSHINE SRF” as a new product that will lead the Company’s growth.

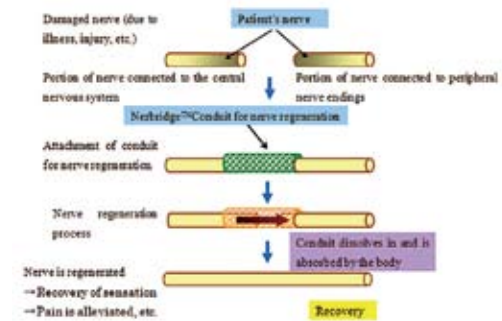


New Products

“Nerbridge” Nerve Bridging Devices

“Nerbridge” nerve bridging devices, which are the first medical devices of their kind to be developed in Japan, promote the regeneration of peripheral nerves that have been damaged by disease or accidents. “Nerbridge” has the same effectiveness as autologous nerve transplants, as well as the exceptional property of being absorbed into the body and dissolving following surgery. National Health Insurance coverage was approved in July 2013, and since then the number of instances of “Nerbridge” surgery has been steadily increasing, with more than 700 cases in Japan already. In fiscal 2015, Toyobo concluded a sales agreement with a new sales distributor, and in parallel with an existing distributor the two companies have commenced sales to accelerate business expansion.

In overseas development, Toyobo has initiated preparations for sales and marketing of the product in the United States.



Special Feature 2

Utilizing Diverse Human Resources

Toyobo evaluates and treats employees with a strong emphasis on their capabilities rather than based on gender, nationality or other irrelevant factors. At the same time, we are fostering a corporate culture that encourages diverse human resources to operate at their full potential while feeling satisfied and motivated at work. As an example, we have established an environment where female employees can participate actively at work and have steadily increased the proportion of women with managerial positions. We have also set up a women's empowerment promotion group within the Personnel & Labor Department to further advance the active role of women in the workplace, primarily by

conducting awareness-raising activities, lectures, training and human resources recruitment. In addition, senior employees who have reached the retirement age of 60 and have been rehired play active roles in nurturing younger employees, working as leaders who can pass on technology. Toyobo also maintains an employment rate for persons with disabilities that exceeds the nation's statutory employment rate.

Ratio of Women in Managerial Positions

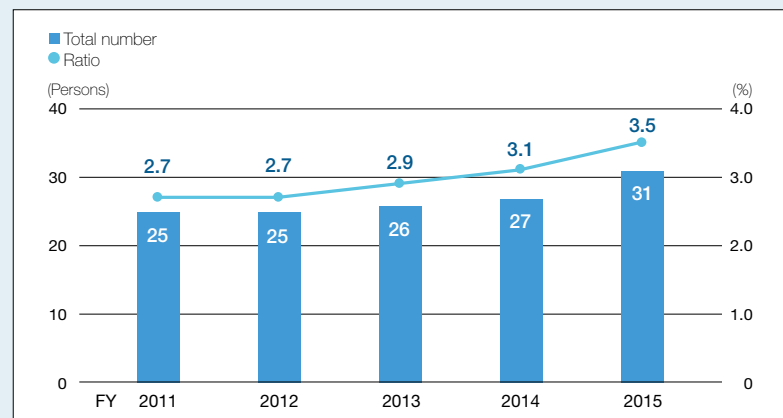
(up 1% in the past five years)

3.5%

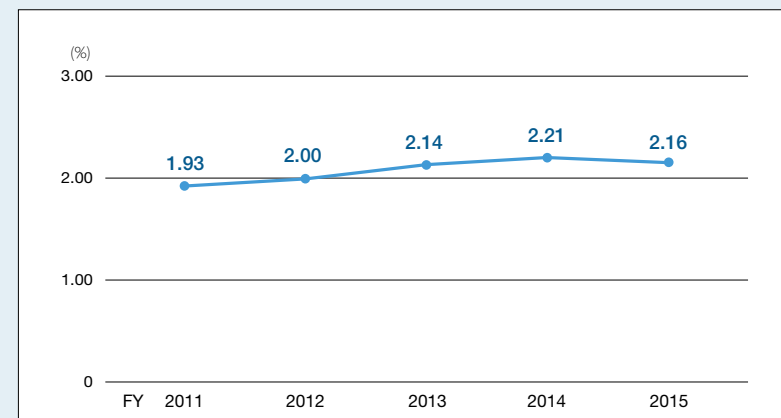
Ratio of Persons with Disabilities

2.16%

Number and Percentage of Women in Managerial Positions (Class 3 or Above)



Employment Rate of Persons with Disabilities*



*Statutory employment rate of persons with disabilities = 2.0%

Toward the Development of Global Human Resources

To promote the development of global human resources, Toyobo conducts activities in line with the dual perspectives of educating and fostering employees in Japan and educating and fostering local staff at affiliates overseas. We have set a certain TOEIC score as a precondition for the internal promotion of employees in Japan, with the aim of enhancing basic English competency. We have also established an intensive overseas on-the-job program that lasts about one year, to enable participants to build up work experience overseas. As opposed to language study abroad, employees are placed in local affiliates, Group companies and at business partners to plan and implement

missions directly linked to the Company's business. At least 10 personnel take part in such training each year, which serves to expand our base of global human resources. At the same time, executive-class personnel at respective local affiliates overseas are given selective training to spread awareness of Toyobo's corporate philosophy and management policy. The Company also provides the opportunity for discussion with Japanese candidates for executive positions, so that both parties can improve by learning from each other and promote interaction. This helps to foster a sense of belonging at Toyobo and boosts motivation.

Overseas on-the-job program

Over 10
employees



National Staff Training

This training is held on a regular basis each year to (1) further understanding of Toyobo, (2) deepen interaction with Japanese employees, and (3) help workers to apply what has been learned in their home country. Following a business course at the Head Office (Osaka), the training continues at the production site or other business location.

Interchange with Research Institutes Overseas

Toyobo promotes international technology exchange through interchange with educational and research institutes overseas, and looks into the possibility of exchange students and regular technology exchange sessions to develop global human resources.

Accepting Interns from Overseas

Toyobo accepts interns from overseas in addition to those from Japan, and provides them with guidance in accordance with their area of expertise.

Interaction and Training among Human Resources in Japan and Overseas

Research and Development

R&D Strategy

Combining Core Technologies to Accelerate New Business Creation

Developing new products and creating new businesses is one of the strategic actions that we have been taking to attain growth. As in the past, and into the future, R&D will play a key role in achieving new business creation. Recently, Toyobo has been spending more than ¥10 billion on R&D each year, and for fiscal 2016 such investment will be increased by 3.3% year on year. The number of employees working at the Toyobo Research Center in Otsu, Japan totaled 785 as of July 1, 2015.

During its long history of more than 130 years, Toyobo has introduced and acquired a wide range of technologies. The Company's current core technologies include polymerization, modification, processing, and biotechnology. By combining these four core technologies and conducting in-depth research to respond quickly to customer needs, we have succeeded in establishing our current diverse business portfolio. To achieve continuous reform of our business portfolio, as part of our management policy, we will further accelerate new business creation through our aggressive R&D.

R&D Framework for Efficient Creation of New Businesses

Essentially, Toyobo pursues two categories of R&D: Division Research and Corporate Research. In addition to these, as an organization supervising the two categories in technological terms, the Business Development Planning Office oversees Company-wide R&D management.

Division Research works to expand existing businesses under business departments' supervision. Concurrently, Corporate Research, comprising core technology research, projects and Company-wide infrastructure, works to create new businesses that will sustain and expand the Company, to achieve medium- to long-term growth.

The Company-wide infrastructure also serves to support Division Research and even production sites in new product development, as well as technical problem solving in trouble shooting. The technologies that we have accumulated thus far include analytical technologies, sensation measurement/comfort evaluation technologies, and simulation technologies. These technologies serve as powerful problem-solving tools in the expansion of our business.

Open Innovation as R&D Initiatives

To accelerate new business creation, Open Innovation—based on joint work outside of Toyobo—will become increasingly important. “COSMOSHINE SRF,” which we successfully launched last year, is one example of the fruit of Open Innovation in collaboration with academia.

One area that we will focus on to achieve future growth is regeneration inducing materials. As part of this, we have already launched “Nerbridge,” a nerve bridging device for peripheral nerve regeneration. In addition, we are developing a bone regeneration material, aiming for commercialization in 2018. This development is yet another example of Open Innovation based on joint work with academia.

We will reform and strengthen our R&D structure to aggressively promote Open Innovation as an R&D initiative.



Toyobo Research Center in Otsu, Shiga Prefecture

Intellectual Property Management

Intellectual Property Strategy

Playing a Key Role to Expand and Protect Our Businesses

To create new businesses, and maintain and expand them in tight markets, which other companies are also trying to enter, intellectual property (IP) strategy plays a key role. IP helps us to defend against other companies that are entering the market and maintain and expand our market share as well as our position as a “category leader.”

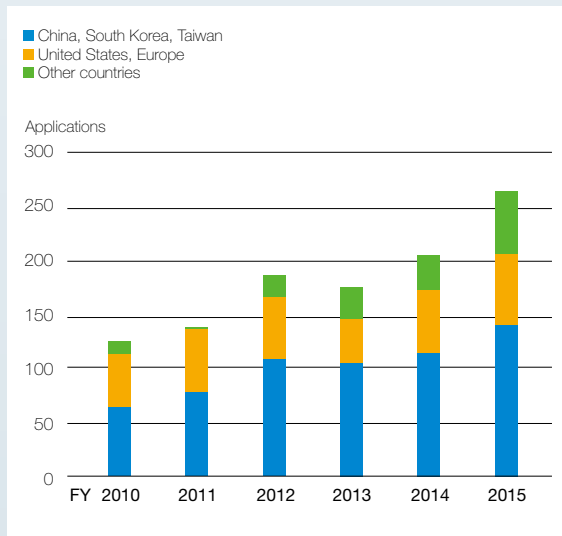
Strongly Supporting Acceleration of Overseas Business Development

One management challenge is to accelerate overseas business development. The overseas sales ratio for fiscal 2015 was about 30%, and we aim to boost this to 40% by fiscal 2018.

The chart at left shows the number of patents that have been applied for overseas during the past six years. Between fiscal 2010 and fiscal 2015, the overall total has been up, and for fiscal 2015 it was twice as much as that of fiscal 2011. These numbers clearly show that Toyobo has been working all-out in applying for patents in foreign countries. In regional terms, we have been applying for more patents in Asian countries, mainly in China, South Korea and Taiwan, while maintaining our efforts in the United States and Europe.

The Intellectual Property Operating Office, which is in charge of company-wide IP strategies, will serve as a reliable staff division supporting our overseas business development. It will promote application and filing of “strong patents” overseas, and manage patent portfolio efficiently in each country, to contribute to the Company's growth.

Number of Patent Applications Overseas



Corporate Social Responsibility

Snapshot

Performance

Strategies

Sustainability

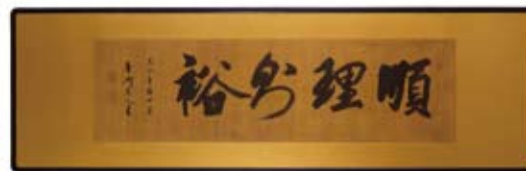
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Contributing to Society through CSR Activities Integrated with Business Activities

The Toyobo Group believes that corporate business and CSR activities should be integrated. Proactively integrating CSR measures into management strategies is important for attaining sustainable development.

順理則裕 (*Jun-ri-soku-yu*): The Basis of Our CSR Activity

In 2012, Toyobo celebrated its 130th anniversary. The Company was founded in 1882 by Eiichi Shibusawa, who is widely known today as the father of Japanese capitalism. His personal motto was 順理則裕 (*Jun-ri-soku-yu*) which expresses the idea that “adhering to reason leads to prosperity.” This forms the basis of our corporate philosophy, which Toyobo has handed down from the time of its establishment. Under this corporate philosophy, the Company has succeeded in operating its business over a lengthy period of 130 years, always responding flexibly to changing times. 順理則裕 (*Jun-ri-soku-yu*) also forms the basis of our activities in CSR. We will continue to follow our corporate philosophy, as we pass the baton to future generations.



Contributing to a Sound and Sustainable Society with the Awareness That Companies Are Members of Society

To implement its CSR activities, Toyobo has established the CSR Committee, chaired by the President. The mission of this committee is to fully comprehend and monitor overall activities related to all stakeholders, including shareholders and investors, suppliers, the community, employees, and the earth's environment.

The basis for these activities is Toyobo's CSR Charter, which states the Company's awareness that companies are members of society and calls for the Toyobo Group to actively fulfill its social responsibilities and contribute to the creation of a sound and sustainable society.

The CSR initiatives implemented by the Toyobo Group include the following. First, Toyobo has put in place a corporate governance system that enhances checking and monitoring functions and raises the transparency of decision making and the execution of business activities. In addition, to create a compliance framework and raise awareness among employees of the necessity to maintain high standards of compliance with laws and regulations, the Company has issued a Compliance Manual containing the Toyobo Group Employee Guidelines for Action, which serves as the code of conduct. Moreover, the Toyobo Group conducts compliance training not only in Japan but also at Group companies overseas.

Regarding risk management, each of the committees is developing systems that can cope effectively with risks. To deal with environmental issues, based on its Basic Environmental Policy, Toyobo works to reduce the burden that its activities place on the natural environment, develop products that contribute to protecting the earth, conduct environmental preservation activities in the community, and respond affirmatively to biodiversity.

Green Procurement

Aiming to create a sustainable society, Toyobo is taking initiatives to protect the natural environment through its products and manufacturing activities.

Toyobo places priority on procuring raw materials that have a minimum impact on the environment and strives to contribute to creating a sustainable society. As part of these activities, the Company pursues "green procurement" policies. Toyobo asks its business partners to supply information on the chemical substance content of the raw materials they use to ensure that (1) none of the substances forbidden by Toyobo regulations are contained in the products they supply and (2) the amounts of harmful substances specified by Toyobo are indicated.

In addition, for other items in general, the Company promotes the green procurement of products that bear the "Environment Label."

Labor Safety and Health Safety as Major Prerequisites

Toyobo's basic stance is that ensuring safety is a major prerequisite for the conduct of corporate activities. Accordingly, the Company has worked to achieve a goal of zero accidents. Toyobo's safety management systems are based on its Safety and Security Promotion Committee. In addition, the Toyobo Group Environmental Safety Committee is responsible for implementing safety measures. During the fiscal year under review, there were four incidents of lost time due to accidents at Toyobo and six such incidents at other Toyobo Group companies. The Group as a whole continues to aim for zero lost time due to accidents.

Topics

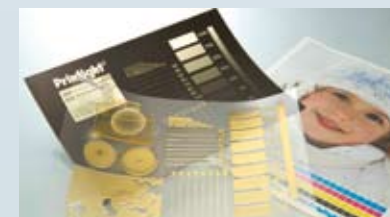
Water-Washable Printing Plates: Friendly to Earth's Environment

Toyobo has been a pioneer in water-washable printing plates since 1977, when it launched "Printight" for letterpress printing. For many years, "Printight" has been well accepted by our customers for its excellent printing properties and durability. In 1992, Toyobo launched sales of "Cosmolight," the world's first water plate for flexo-printing. "Cosmolight" is unique in that it is water-washable as well as highly durable to water-based ink. Water-washable printing plates are safe to use and friendly to the earth's environment, as no organic solvent is used in the washing process.

Toyobo will continue to lead the market as a pioneer in water-washable printing plates, contributing to sustainable societies worldwide.



Cosmolight



Printight

Corporate Governance

Basic Policy

The Toyobo Group, to respond to the changing times and enhance sustainable corporate value, has established the following three policies:

- (1) ensure timeliness and accuracy in decision making,
- (2) ensure transparency in management, and
- (3) emphasize fairness.

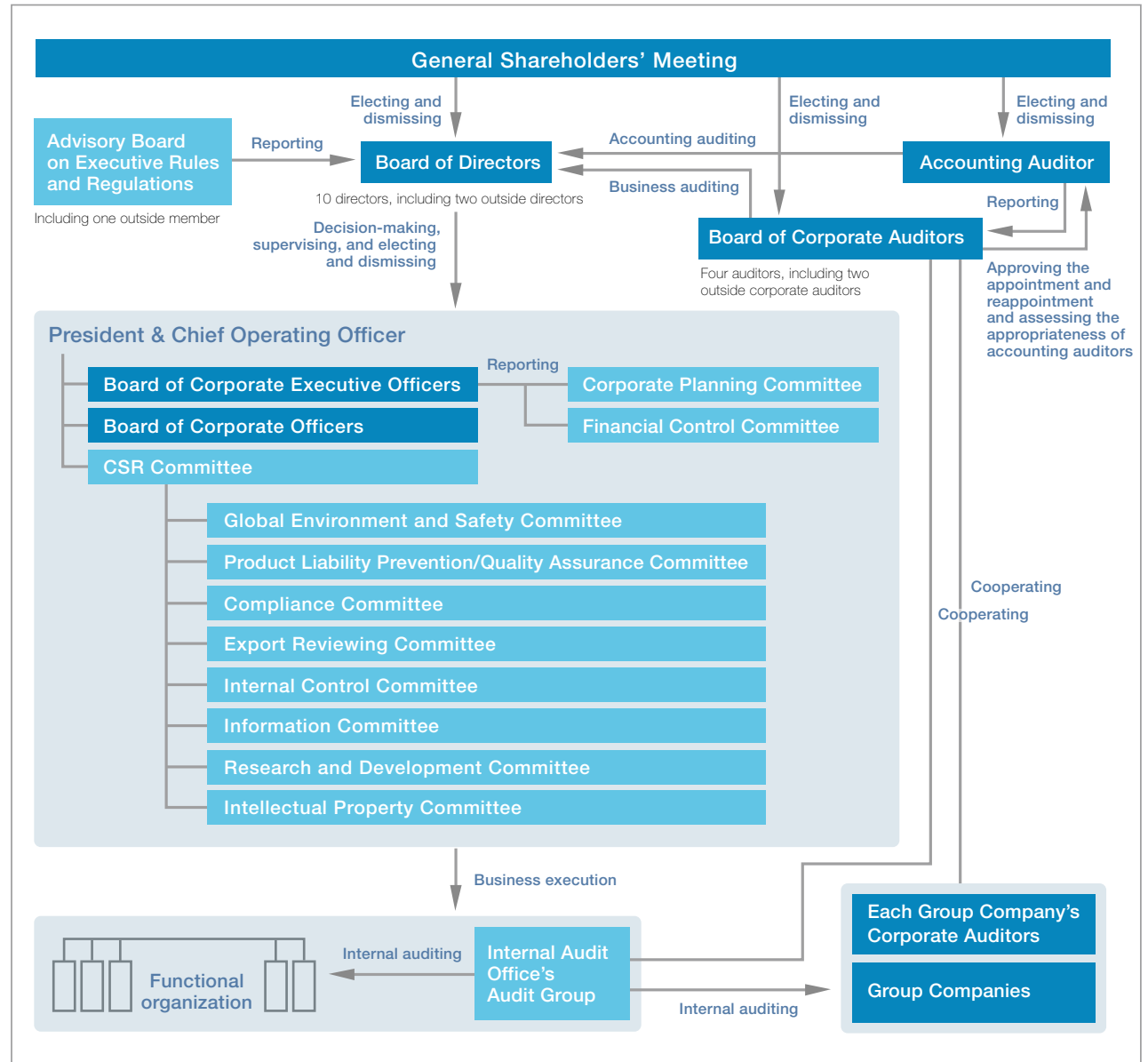
Based on these principles, we are working to create and strengthen our corporate governance structure.

Board of Directors and Executive Officers

Toyobo is a “Company with Auditors” as defined by Japan’s Companies Act and, under this governance system, has appointed two outside directors and adopted the Corporate Executive Officer System. Under Toyobo’s governance framework, a clear distinction is made between the roles of the Board of Directors, who concentrate on decision making as they perform management oversight functions, and the Corporate Officers, who are in charge of business execution.

This corporate governance system increases the transparency and fairness of management and makes it possible to make prompt decisions as well as conduct business efficiently.

The Board of Directors has 10 members, two of whom are outside directors, whose role is to ensure transparency and fairness in Toyobo’s management. In addition, in view of the diverse and specialized nature of Toyobo’s businesses, and



to make decisions accurately and quickly, there are seven members of the Board of Directors, after exclusion of the chairman and the outside directors.

Regarding “business execution,” the President & Chief Operating Officer calls meetings of the Board of Corporate Executive Officers and the Board of Corporate Officers.

These meetings make decisions regarding the items for business execution assigned to them by the Board of Directors, make reports on Companywide projects, and perform certain other duties.

Corporate Auditor System

The Board of Auditors has four members, two of whom are outside auditors. Their responsibilities include attending meetings of the Board of Directors and other important meetings, stating their opinions as necessary, and auditing the performance of duties by the Board of Directors based on audits of operations in the various divisions.

KPMG AZSA LLC has been appointed to conduct the independent audits required under Japan's Companies Act. The Board of Auditors receives plans for auditing and audit reports from the independent auditor and meets with the independent auditor periodically to exchange information.

The Internal Audit Department has been working as a function to monitor the effectiveness of internal governance. As of July 1, 2014, it was reorganized into the Internal Audit Office, which conducts the internal audit under the direct supervision of the President. The staff of the Internal Audit Office exchange information with the auditors periodically.

Perspectives of Outside Directors

Expectations of an Outside Director

The fundamental mission of an outside director revolves around an obligation to monitor such areas as compliance with laws, regulations and the Articles of Incorporation at a company and to ensure transparency in management. I believe that another core responsibility is to give a variety of advice to top management on ways to bring vitality to the entire organization as a way to enhance corporate value.

Breathing New Life into Toyobo's Corporate Culture

Throughout its long history, Toyobo has had a serious corporate culture based on its corporate philosophy, 順理則裕 (*jun-ri-soku-yu*), which expresses the idea “adhering to reason leads to prosperity.” While this is indeed a valuable asset for us to have, going forward it is essential that we foster a climate that encourages all employees to think on a large scale and boldly take on challenges to survive the current era of ongoing globalization. Another critical management task is for us to eliminate divisional walls and build a structure that is more like a “spiderweb” within a flat organization that is not vertically divided. In this way, we can create an atmosphere where everyone is free to voice an opinion to their superiors or other divisions.

Toward globalization: Starting with Human Resources Development

Part of Toyobo's growth strategy calls for accelerating overseas business development. This requires us to build a framework to both ensure that each overseas site is rooted in the local community and enable us to promote business with a sense of independence as we target genuine globalization. Although not solely confined to matters related to overseas business, we must remember that it is people who are the cornerstones of business, and as such, the development of human resources is the starting point for all we do. In this context, it is vital that we nurture diverse human resources, including local staff, and truly make the most of each person's strengths. In addition, a corporate culture in which employees can learn from one another without regard to rank would be extremely beneficial. Personally, I aim to leverage my wealth of overseas experience to provide advice from a range of perspectives as Toyobo heads toward further globalization in its operations.



August 2015

Michio Ogimura

Outside Director

Investor Information

(As of March 31, 2015)

Stock Listing

Tokyo

Stock Code

3101

Transfer Agent

Sumitomo Mitsui Trust Bank, Ltd.
1-4-1, Marunouchi, Chiyoda-ku,
Tokyo 100-8233, Japan

Independent Auditors

KPMG AZSA LLC
3-6-5, Kawara-machi, Chuo-ku,
Osaka 541-0048, Japan

Common Stock

Authorized: 2,000,000,000 shares
Issued: 890,487,922 shares

Paid-in Capital

¥51,730 million

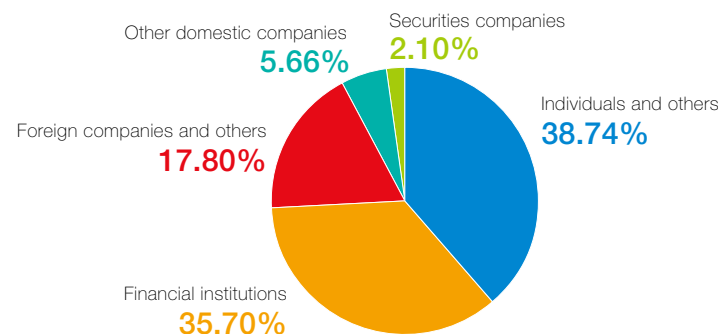
Number of Stockholders

78,495

Major Shareholders

	Number of shares held (thousands)	Percentage of voting rights (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	56,330	6.34
Japan Trustee Services Bank, Ltd. (Trust Account)	41,147	4.63
JUNIPER	21,359	2.41
National Mutual Insurance Federation of Agricultural Cooperatives	19,250	2.17
Nippon Life Insurance Company	17,508	1.97
Toyukai (Contractor Share Holding)	16,731	1.88
Toyobo Employee Stockholders' Association	13,514	1.52
Mizuho Bank, Ltd.	13,393	1.51
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,214	1.49
Sumitomo Mitsui Banking Corporation	13,034	1.47

Composition of Stockholders



Stock Prices

Highest/Lowest stock prices by term for the past five years

FY	2011	2012	2013	2014	2015
Highest (yen)	¥164	¥131	¥208	¥199	¥180
Lowest (yen)	91	98	80	142	145

Stock prices are Tokyo Stock Exchange (1st Section) market quotations.
Fiscal 2015 ended on March 31, 2015

Corporate Data

(As of March 31, 2015)

Head Office

2-8, Dojima Hama 2-chome, Kita-ku,
Osaka 530-8230, Japan
Telephone: +81-6-6348-3111

Established

May 1882

Number of Employees

3,035 (Nonconsolidated)

10,101 (Consolidated)

Branches

Tokyo Branch

Sumitomo Corporation Kyobashi Building,
17-10, Kyobashi 1-chome, Chuo-ku,
Tokyo 104-8345, Japan
Telephone: +81-3-6887-8800

Nagoya Branch

Miyuki Building, 390-Ichibagi-cho, Nishi-ku,
Nagoya 452-0805, Japan
Telephone: +81-52-856-1631

Research Center

1-1, Katata 2-chome, Otsu, Shiga 520-0292, Japan

Overseas

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No. 500 Hongbaoshi Road, Shanghai, China
Telephone: +86-21-6208-3030

TOYOBO U.S.A., INC.

1540 Broadway, 25th Floor, New York, NY 10036, U.S.A.
Telephone: +1-212-398-0550

TOYOBO Europe GmbH

Berliner Allee 22, 40212 Düsseldorf, Germany
Telephone: +49-211-976229-0

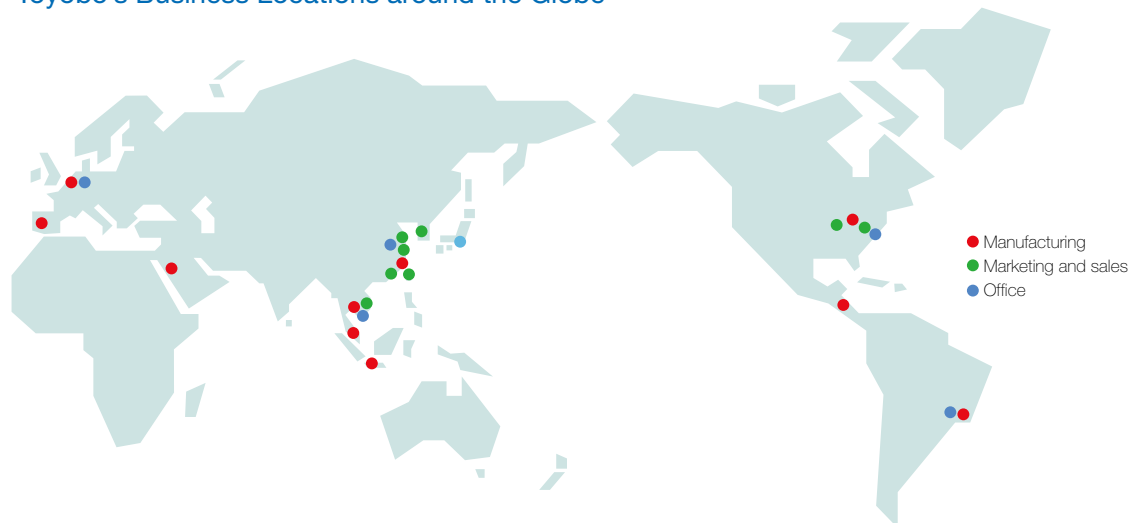
TOYOBO (THAILAND) CO., LTD.

1Q House Lumpini Building, 28th Floor,
Room 2801/1, South Sathorn Road,
Thungmahamek, Sathorn, Bangkok 10120, Thailand
Telephone: +66-2285-6318~6324

TOYOBO DO BRASIL PARTICIPACOES LTDA.

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CEP 13471-579
Telephone: +55-11-5509-7801 (São Paulo Office)

Toyobo's Business Locations around the Globe



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Telephone: +81-6-6348-3111

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

INVESTOR RELATIONS

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

Telephone: +81-6-6348-3044

E-mail: ir_g@toyobo.jp