

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, 2013

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	%
2012	249,292	(3.7)	10,806	(24.0)	9,451	(23.1)	4,507	(13.5)
2011	258,832	3.7	14,216	(4.5)	12,283	(1.5)	5,212	856.9

(Note) Comprehensive income: Third Quarter ended December 31, 2012: ¥ 5,714 million (26.8%),

Third Quarter ended December 31, 2011: ¥ 7,807 million 282.7%

	Net income per share	Net income per share after dilution
	Yen	Yen
2012	5.08	-
2011	5.88	5.87

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
December 31, 2012	443,482	150,008	29.9
March 31, 2012	437,841	147,724	29.8

(Reference) Total shareholders' equity: December 31, 2012: ¥132,636 million, March 31, 2012: ¥130.572 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
2012	—	0.00	—	3.50	3.50
2013	—	0.00	—		
2013 (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	0.1	18,000	(1.7)	15,000	(4.6)

	Net income		Net income per share
	Millions of yen	%	Yen
Fiscal Year	6,400	39.5	7.22

(Note) Revision of earnings forecast for this period: No

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

December 31, 2012: 890,487,922 shares	March 31, 2012: 890,487,922 shares
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 - 2) Number of treasury stock

December 31, 2012: 3,840,197 shares	March 31, 2012: 3,822,973 shares
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 - 3) Average number of shares outstanding for each period (cumulative term):

Nine months ended December 31	2012: 886,659,057 shares	
	2011: 886,649,872 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 2013, ending March 31, 2013 (April 1, 2012, through December 31, 2012) was characterized by moderate recovery in the Japanese economy as reconstruction work progressed in the wake of the Great East Japan Earthquake and the positive effects emerged of policies to revitalize consumer spending through eco-car subsidies and other measures. However, future trends continued to be uncertain because of the effects of the prolonged appreciation of the yen, concerns about shortages of electric power, and other issues. Deceleration also became more pronounced in the world economy as Japanese-Chinese relations deteriorated along with the boycotts of Japanese products from the end of September, the slowing of economic growth in China and the emerging countries elsewhere in Asia, the prolonged debt issues faced by some European governments, and other issues.

Amid this operating environment, the Toyobo Group aims to become “The category leader for providing new value in the environment, life science, and high-function products fields.” Accordingly, Toyobo is proceeding with activities targeted at further expanding its businesses by developing specialty products and increasing their sales in domestic and overseas markets. In the environment field, Toyobo’s accomplishments have been recognized and its reverse osmosis membranes for seawater desalination have been selected for use in the largest desalination plants in Saudi Arabia. In the life science field, Toyobo has successfully developed a device for the regeneration of damaged nerves, the first medical treatment device in Japan, and has filed approval applications for its use in medical treatment. In the high-function product field, Toyobo’s facility in China for the manufacturing of airbag fabrics has gone into full production, and it is working to expand its overseas business through beginning to produce and sell in the United States. In addition, Toyobo has worked to develop and expand sales of new products, such as film for LCDs with new optical properties and shrink film for plastic bottles that are both thinner and stronger, and that contribute to increased productivity.

As previously mentioned, the Toyobo Group is addressing business issues as well as implementing measures and improvements that will lead to further growth and expansion. However, recovery was in progress in the second quarter, even after factoring in the effects of lower shipments in the first quarter, but deterioration of Japanese-Chinese relations emerged from the beginning of the third quarter.

As a result, consolidated net sales during the third quarter of the fiscal year decreased ¥9.5 billion (3.7%), from the same period of the previous fiscal year, to ¥249.3 billion, with operating income down ¥3.4 billion (24.0%), to ¥10.8 billion; ordinary income declined ¥2.8 billion (23.1%), to ¥9.5 billion; and net income was down ¥0.7 billion (13.5%), to ¥4.5 billion.

Results by business segments were as follows.

Films and Functional Polymers

Within this segment, in the functional polymers business, business performance proceeded steadily, especially in products sold to the automotive industry, through the second quarter, but in the third quarter, adverse effects were experienced because of the boycotting of Japanese products in China. In addition, in the films business, as a result of the weakening of sales prices of films used in LCDs and stagnation in demand for packaging films, sales declined and operating income decreased.

In the films business, although sales in the packaging films business are on a recovery trend at present because of expansion in sales of newly developed products and other factors, users are adjusting their inventories in the market because of the confusion and disruption caused by the Great East Japan Earthquake, and sales have declined substantially. In the industrial films business, Toyobo is directing its activities at expanding sales of materials for use in electronic components. In films for LCDs, which is the principal use of these products, we launched a new product with special optical properties not previously available in PET films in the latter half of the third quarter. In addition, with exports to Asia and domestic demand for smartphones and tablet PCs as driving forces, there were signs of recovery in unit volume, but sales in monetary terms were negatively affected by declines in market prices.

In the functional polymers business, sales of industrial adhesive "VYLON" for electronic components to China and sales of engineering plastics, principally for automotive uses, were favorable through the second quarter. However, sales were adversely influenced by the deterioration of the Chinese market in the third quarter.

As a result, sales in this segment decreased ¥1.5 billion (1.4%) from the same period of the previous year, to ¥104.5 billion, and operating income declined ¥1.7billion (22.1%), to ¥5.9 billion.

Industrial Materials

Although the environment-related businesses in this segment were adversely affected by the stagnation of the conditions in the Chinese market, results of the airbag fabrics and high-performance fibers held strong. As a consequence, sales were down and operating income increased.

In the airbag fabrics business, performance held firm, in part because of the recovery in demand in the U.S. market. Conditions in the tire cord business were affected by the prolonged production adjustments among users. In the high-performance fiber business, sales of ultra-high-strength polyethylene fiber "Dyneema" were influenced by market stagnation, but sales of "ZYLON" for applications requiring a high level of heat resistance expanded. In China, however, recovery in sales of volatile organic compound emissions treatment equipment was delayed by the effects of the prolongation of the debt crises in Europe.

As a consequence, sales in this segment decreased ¥0.0 billion (0.0%) from the same period of the previous year, to ¥51.4 billion, and operating income rose ¥0.0 billion (0.6%), to ¥3.4 billion.

Life Science

Sales of this segment declined from the same period of the previous fiscal year, and operating income decreased, although sales of bioproducts, the contract manufacturing of pharmaceuticals, and sales of other products remained favorable, due to the effects of lower shipments in the first quarter.

In the bioproducts business, sales of mainstay enzymes for diagnostic reagents began to recover in the second quarter and performed favorably. In addition, performance of diagnostic systems was favorable. In the medical business, orders for the contract manufacturing of pharmaceuticals continued to be strong. In the functional membranes business, sales of membranes for medical use recovered in the second quarter, but, in the first quarter, unit sales were adversely affected by inventory adjustments among users. Shipments of replacement membrane units for seawater desalination plants were steady.

As a result, sales in this segment decreased ¥0.4 billion (1.9%) over the same period of the previous year, to ¥18.1 billion, and operating income declined ¥0.3 billion (10.9%), to ¥2.5 billion.

Textiles

Sales in this segment contracted in comparison with the same period of the previous year, while operating income decreased.

Sales of sports apparel were steady, but the nylon-related business experienced difficult conditions because of market weakness. Although sales of fabrics for traditional Arabic menswear expanded in volume terms, operating conditions were difficult because of the effects of yen appreciation. The acrylic fiber business is currently recovering, but sales in unit terms decreased because of stagnant demand in China through the second quarter. In addition, in the first quarter, some of the subsidiaries of the Toyobo Group began to review the life cycles of their products to take account of the weakness in domestic consumer spending on these items and reported inventory valuation losses.

As a result, sales in this segment decreased ¥6.5 billion (10.1%) from the same quarter of the previous year, to ¥57.4 billion, with an operating loss of ¥0.7 billion. (compared with operating income of ¥0.8 billion for the third quarter 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 contracted ¥1.2 billion (6.4%) from the same period of the previous fiscal year to ¥17.9 billion, with operating income up ¥0.2 billion (8.5%) to ¥2.0 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, 2012) improved ¥5.6 billion (1.3%) from the end of the previous fiscal year (March 31, 2012) to ¥443.5 billion. This was due mainly to increases in Cash and deposits.

Total liabilities increased ¥3.4 billion (1.2%) to ¥293.5 billion. This was due mainly to an increase in current liability.

Total net assets improved ¥2.3 billion (1.5%) to ¥150.0 billion. This was due mainly to an increase in retained earnings and valuation difference on available-for-sale securities.

(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, 2013, which we announced on November 5, 2012.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2012) (Condensed)	Current First Half (As of December 31, 2012)
Assets		
Current assets		
Cash and deposits	9,608	25,871
Notes and accounts receivable-trade	75,542	66,091
Merchandise and finished goods	47,963	45,490
Work in process	14,830	14,392
Raw materials and supplies	14,779	14,116
Other	15,210	11,656
Allowance for doubtful accounts	(196)	(178)
Total current assets	177,735	177,438
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	46,530	46,201
Machinery, equipment and vehicles, net	33,780	34,327
Land	106,631	103,233
Other, net	12,848	15,102
Total property, plant and equipment	199,789	201,863
Intangible assets	1,606	1,281
Investments and other assets		
Other	60,112	64,196
Allowance for doubtful accounts	(1,401)	(1,295)
Total investments and other assets	58,710	62,901
Total noncurrent assets	260,105	266,044
Total assets	437,841	443,482

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2012) (Condensed)	Current First Half (As of December 31, 2012)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	47,741	45,367
Short-term loans payable	51,432	50,564
Current portion of long-term loans payable	28,132	27,636
Provision	4,263	1,947
Other	31,282	42,935
Total current liabilities	162,850	168,449
Noncurrent liabilities		
Bonds payable	15,000	20,000
Long-term loans payable	54,833	49,838
Provision for retirement benefits	17,302	17,363
Provision for directors' retirement benefits	444	357
Provision for environmental measures	1,931	1,789
Other	37,758	35,678
Total noncurrent liabilities	127,267	125,025
Total liabilities	290,116	293,474
Net assets		
Shareholders' equity		
Capital stock	51,730	51,730
Capital surplus	32,227	32,227
Retained earnings	17,042	18,446
Treasury stock	(559)	(561)
Total shareholders' equity	100,440	101,842
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,038	1,954
Deferred gains or losses on hedges	(117)	(93)
Revaluation reserve for land	41,412	41,412
Foreign currency translation adjustment	(12,201)	(12,478)
Total accumulated other comprehensive income	30,132	30,795
Minority interests	17,153	17,372
Total net assets	147,724	150,008
Total liabilities and net assets	437,841	443,482

(2) Consolidated Statements of Income

(Millions of yen)

	Previous First Half (From April 1, 2011 To December 31, 2011)	Current First Half (From April 1, 2012 To December 31, 2012)
Net sales	258,832	249,292
Cost of sales	202,763	197,440
Gross profit	56,068	51,852
Selling, general and administrative expenses	41,853	41,046
Operating income	14,216	10,806
Non-operating income		
Amortization of negative goodwill	734	710
Equity in earnings of affiliates	578	737
Other	2,027	1,820
Total non-operating income	3,339	3,267
Non-operating expenses		
Interest expenses	1,557	1,442
Amortization of net retirement benefit obligation at transition	1,179	1,179
Other	2,536	2,001
Total non-operating expenses	5,272	4,622
Ordinary income	12,283	9,451
Extraordinary income		
Gain on sales of noncurrent assets	133	208
Gain on sales of securities	53	138
Total extraordinary income	186	345
Extraordinary loss		
Loss on disposal of noncurrent assets	427	651
Loss on valuation of investment securities	94	601
Loss on litigation	1,358	1,036
Other	260	227
Total extraordinary losses	2,139	2,515
Income before income taxes and minority interests	10,330	7,282
Income taxes	4,124	2,241
Income before minority interests	6,205	5,041
Minority interests in income	993	534
Net income	5,212	4,507

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous First Half (From April 1, 2011 To December 31, 2011)	Current First Half (From April 1, 2012 To December 31, 2012)
Income (loss) before minority interests	6,205	5,041
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,018)	907
Deferred gains or losses on hedges	(15)	23
Revaluation reserve for land	3,434	-
Foreign currency translation adjustment	(821)	(268)
Share of other comprehensive income of associates accounted for using equity method	21	10
Total other comprehensive income	1,601	673
Comprehensive income	7,807	5,714
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	6,792	5,170
Comprehensive income attributable to minority interests	1,015	544

(3) Note to Going Concern

Not applicable

(4) Notes on Significant Changes in Shareholders' Equity

Not applicable

(5) Segment Information

Segment sales and operating income

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

(Millions of yen)

	Segment to be reported						Other Business- ses	Total	Adjustm ent	Consolidated Statements of Income
	Films and Functional Polymers	Industrial Materials	Life Science	Textiles	Real Estate	Total				
Net Sales										
(1) Outside customers	106,045	51,394	18,453	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	106,200	51,444	18,481	64,716	3,795	244,637	24,167	268,804	(9,972)	258,832
Operating Income (loss)	7,599	3,427	2,798	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.

2) Nine months ended December 31, 2012 (from April 1, 2012 to December 31, 2012)

(Millions of yen)

	Segment to be reported						Other Business- ses	Total	Adjustment	Consolidated Statements of Income
	Films and Functional Polymers	Industrial Materials	Life Science	Textiles	Real Estate	Total				
Net Sales										
(1) Outside customers	104,540	51,391	18,097	57,372	2,818	234,218	15,074	249,292	—	249,292
(2) Inter-segment sales and transfers	-	131	65	144	957	1,297	8,482	9,779	(9,779)	—
Total	104,540	51,522	18,162	57,516	3,775	235,515	23,557	259,072	(9,779)	249,292
Operating Income (loss)	5,919	3,450	2,495	(686)	1,240	12,417	743	13,160	(2,353)	10,806

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

2. Includes segment income adjustment of (¥2,353) million, eliminations of inter segment transactions of (¥ 215) million, and companywide expenses that are not allocated across reporting segments of (¥2,138) 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.