



*Ideas & Chemistry*

# Presentation to Investors



Toyobo Co., Ltd.

May 10, 2013  
(Analysts' Meeting)

# Highlights

## FY 3/13 Results

- **Operating income declined, because of the delay in the recovery of profitability in the films business, meanwhile net income increased.**
  - Although the unit volume of films for LCDs recovered, unit prices were stagnant. Experienced delays in passing on costs of packaging films
  - Industrial materials and life science provided support for results.
  - In the latter half, launched new products in the films and life science businesses

## FY 3/14 Forecasts

- **Expecting operating income of ¥22.0 billion in FY 3/14, taking account of changes in the business environment, such as raw material prices**
- **Forecasting high income as a result of new growth plan “MG90 activities” (expansion in sales, including new products, and cost reductions)**

(¥ bn.)

	FY 3/12			FY 3/13			FY 3/14
	H1	H2		H1	H2		(Forecast)
Sales	178.1	171.4	349.5	171.1	167.9	339.0	350.0
Operating Income	11.0	7.3	18.3	7.6	9.4	17.1	22.0
Net Income	5.2	-0.6	4.6	2.7	4.9	7.6	9.5

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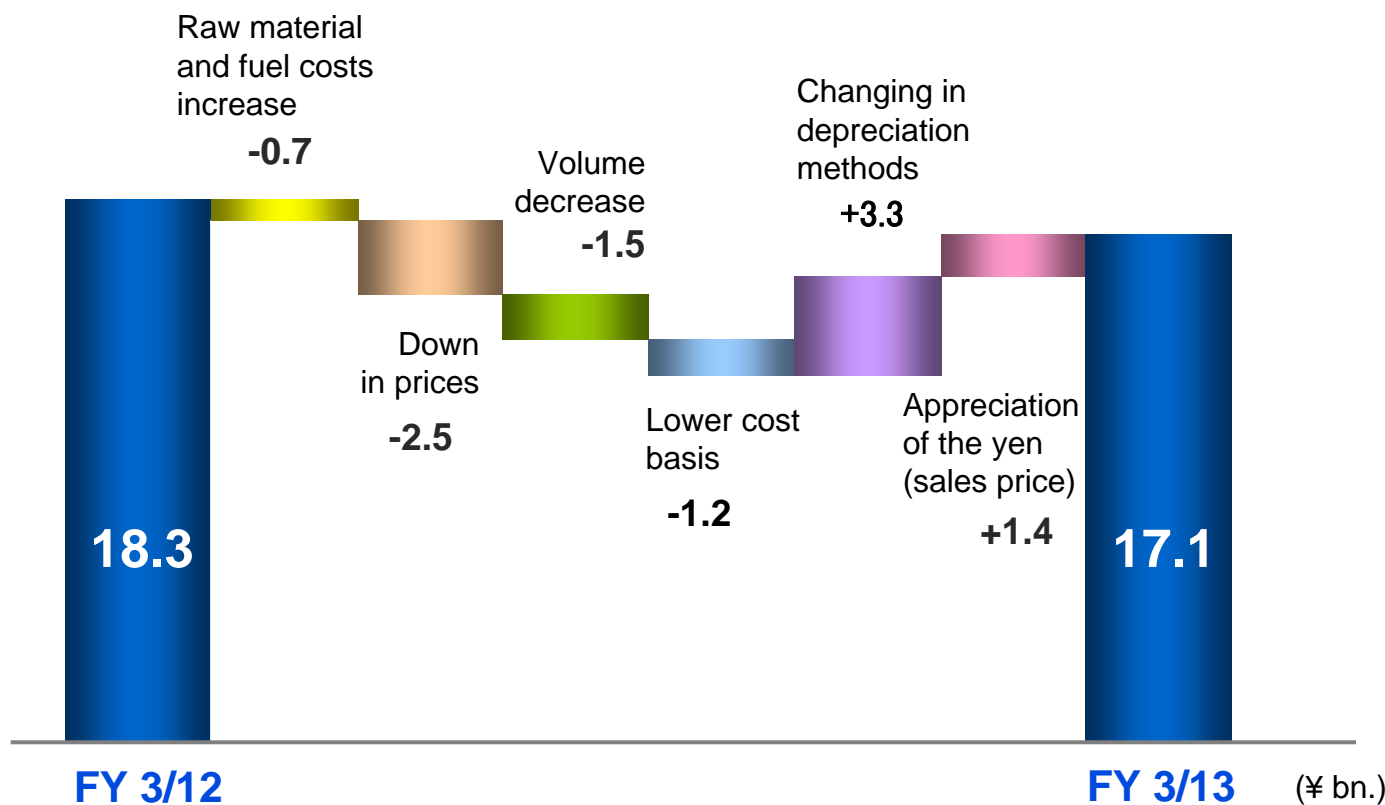
## I. Results of FY 3/13

# (1) Results of FY 3/13

	FY 3/12	FY 3/13			Change		Previous forecasts Feb. 2013
		H1	H2		Amount	%	
<b>Net sales</b>	<b>349.5</b>	171.1	167.9	<b>339.0</b>	-10.5	-3.0%	350.0
<b>Operating income</b>	<b>18.3</b>	7.6	9.4	<b>17.1</b>	-1.2	-6.7%	18.0
<b>Ratio to sales</b>	<b>5.2%</b>	4.5%	5.6%	<b>5.0%</b>	-	-	5.1%
<b>Net income</b>	<b>4.6</b>	2.7	4.9	<b>7.6</b>	+3.1	+66.5%	6.4
<b>EPS (¥)</b>	<b>5.17</b>	3.05	5.56	<b>8.61</b>	-	-	
<b>Depreciation</b>	<b>19.5</b>	6.4	6.8	<b>13.2</b>	-6.2	-32.0%	
<b>Capital expenditures</b>	<b>16.5</b>	6.8	11.2	<b>18.0</b>	+1.5	+9.2%	
<b>Operating cash flow</b>	<b>14.2</b>	14.6	15.8	<b>30.4</b>	+16.2	+113.9%	
Exchange rate (¥/US\$)	79	79	87	83			
Naphtha price in Japan (thousand ¥/kl)	55	55	60	58			

# Analysis of Changes in Operating Income

[ FY 3/12 → FY 3/13 ]



	FY 3/12	FY 3/13				
		1Q	2Q	3Q	4Q	
Exchange rate (¥/US\$)	79	80	79	81	92	83
Naphtha price in Japan (thousand ¥/kl)	55	61	50	56	64	58

## (2) Financial Position

(¥ bn.)

	Mar. 31, 2012	Mar. 31, 2013	Change
<b>Total assets</b>	437.8	447.4	+9.6
<b>Cash and deposits</b>	9.6	26.6	+17.0
<b>Inventories</b>	77.6	71.0	-6.6
<b>Net assets</b>	147.7	155.5	+7.8
<b>Shareholders' equity</b>	130.6	138.0	+7.5
<b>(Equity ratio)</b>	29.8%	30.9%	-
<b>Interest-bearing debt</b>	154.9	159.4	+4.5
<b>D/E ratio</b>	1.19	1.15	-
<b>ROA: Operating income / Total assets</b>	4.2%	3.8%	

## (3) Results by Segment

(¥ bn.)

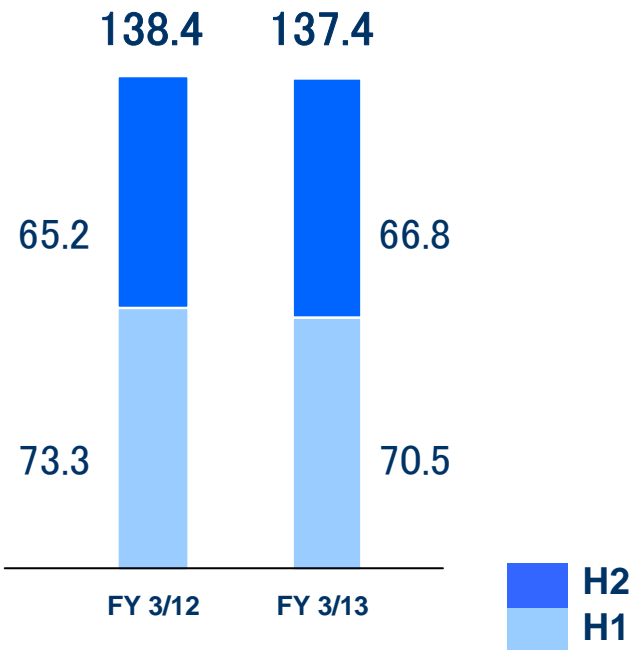
	Net sales				Operating income			
	FY 3/12	FY 3/13		FY 3/12	FY 3/13			
		H1	H2		H1	H2		
Films & Functional Polymers	138.4	70.5	66.8	137.4	8.6	4.3	3.3	7.6
Industrial Materials	71.2	35.0	36.8	71.9	5.3	2.6	2.9	5.5
Life Science	26.6	12.6	12.2	24.8	4.1	1.6	2.6	4.2
Specialty Businesses	236.2	118.2	115.9	234.1	18.0	8.5	8.8	17.3
Operating income ratio (%)					7.6	7.2	7.6	7.4
Textiles	88.0	40.8	38.4	79.2	1.1	-0.5	0.7	0.2
Real Estate and Others	25.3	12.1	13.6	25.7	2.5	1.2	1.5	2.7
Elimination & Corporate	-	-	-	-	-3.3	-1.6	-1.5	-3.1
<b>Total</b>	<b>349.5</b>	<b>171.1</b>	<b>167.9</b>	<b>339.0</b>	<b>18.3</b>	<b>7.6</b>	<b>9.4</b>	<b>17.1</b>



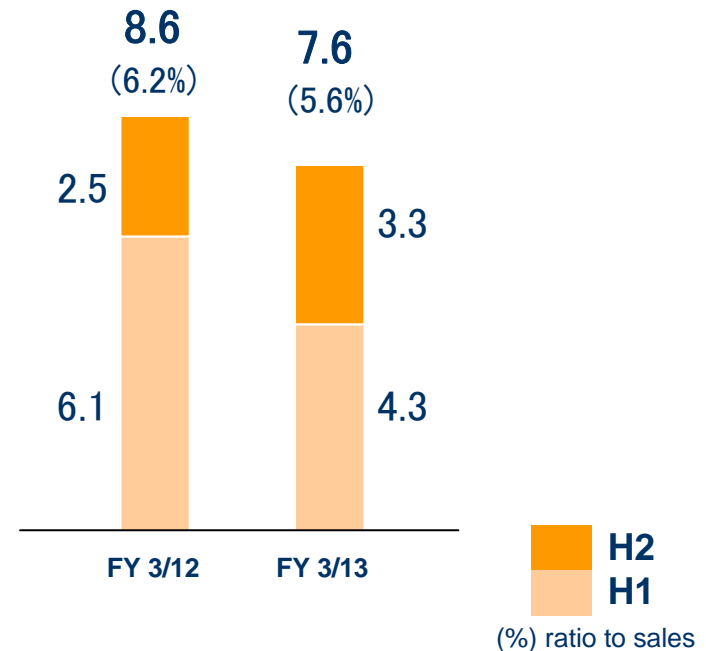
# 1) Films & Functional Polymers

- Packaging films: Conditions difficult because of delay in revising prices
- Industrial films: Unit volume for LCD use recovered and launched new products

**Net sales** (¥ bn.)



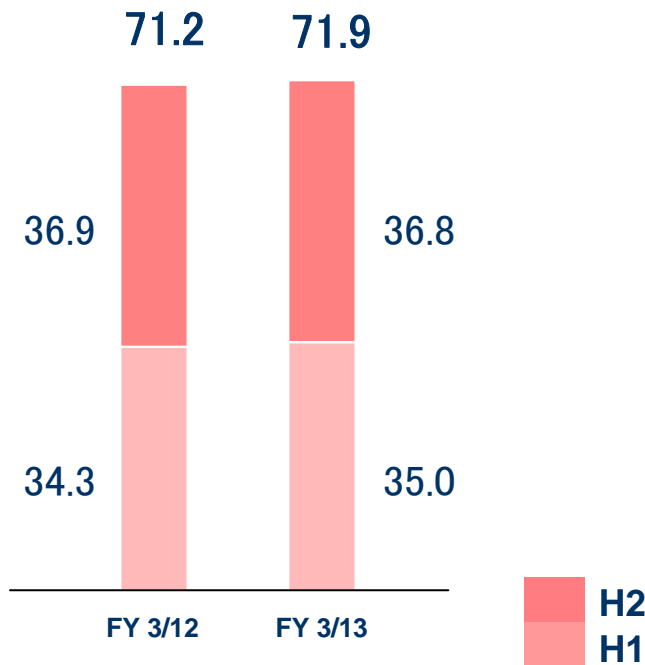
**Operating income** (¥ bn.)



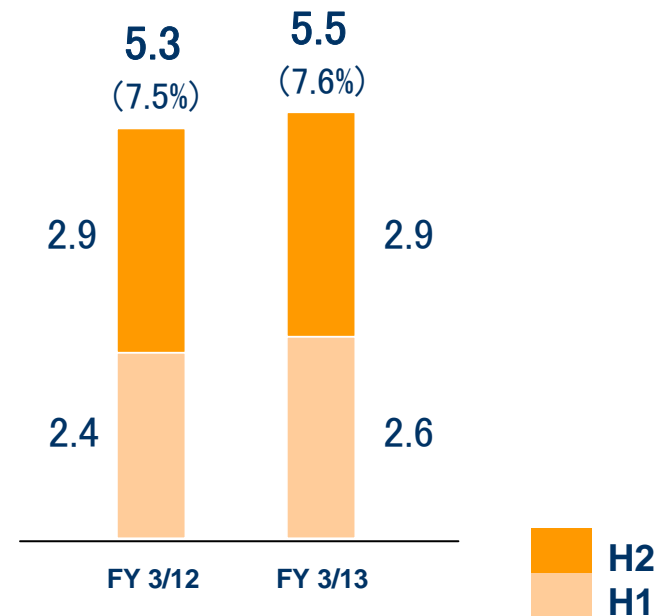
## 2) Industrial Materials

- Airbag fabrics and high-performance fibers holding firm
- Substantial decline in tire cord sales due to changes in user procurement strategies

**Net sales** (¥ bn.)



**Operating income** (¥ bn.)



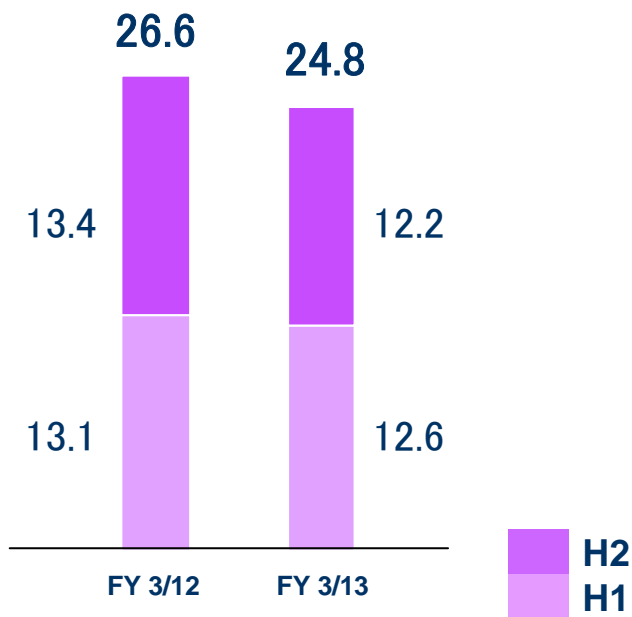
(%) ratio to sales

### 3) Life Science

- Recovery in diagnostic reagents and medical membranes began in second quarter
- Commenced marketing of Nerbridge™, a device for the regeneration of damaged peripheral nerves

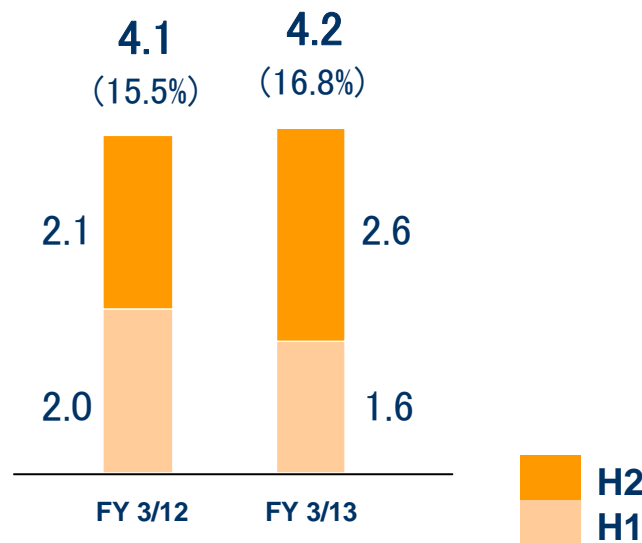
**Net sales**

(¥ bn.)



**Operating income**

(¥ bn.)



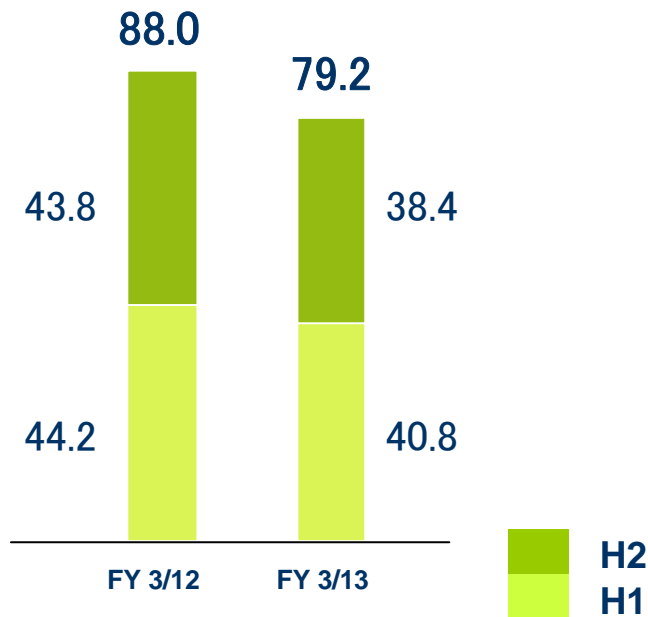
(%) ratio to sales

## 4) Textiles

- Substantial decline in income due to inventory valuation losses in the first quarter
- Sales of sports apparel steady, profitability of sales for Arabic traditional men's wear of the Middle East improves

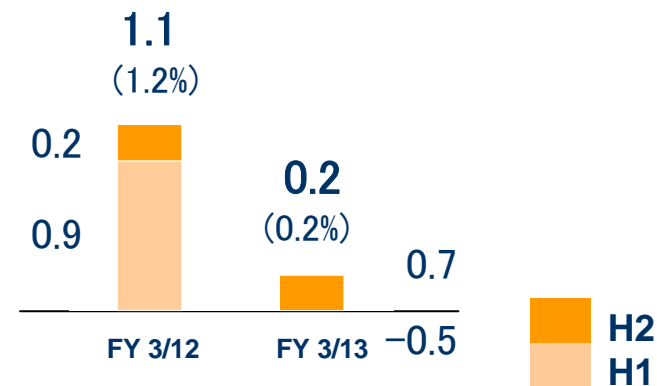
**Net sales**

(¥ bn.)



**Operating income**

(¥ bn.)



(%) ratio to sales

## II. Forecasts for FY 3/14

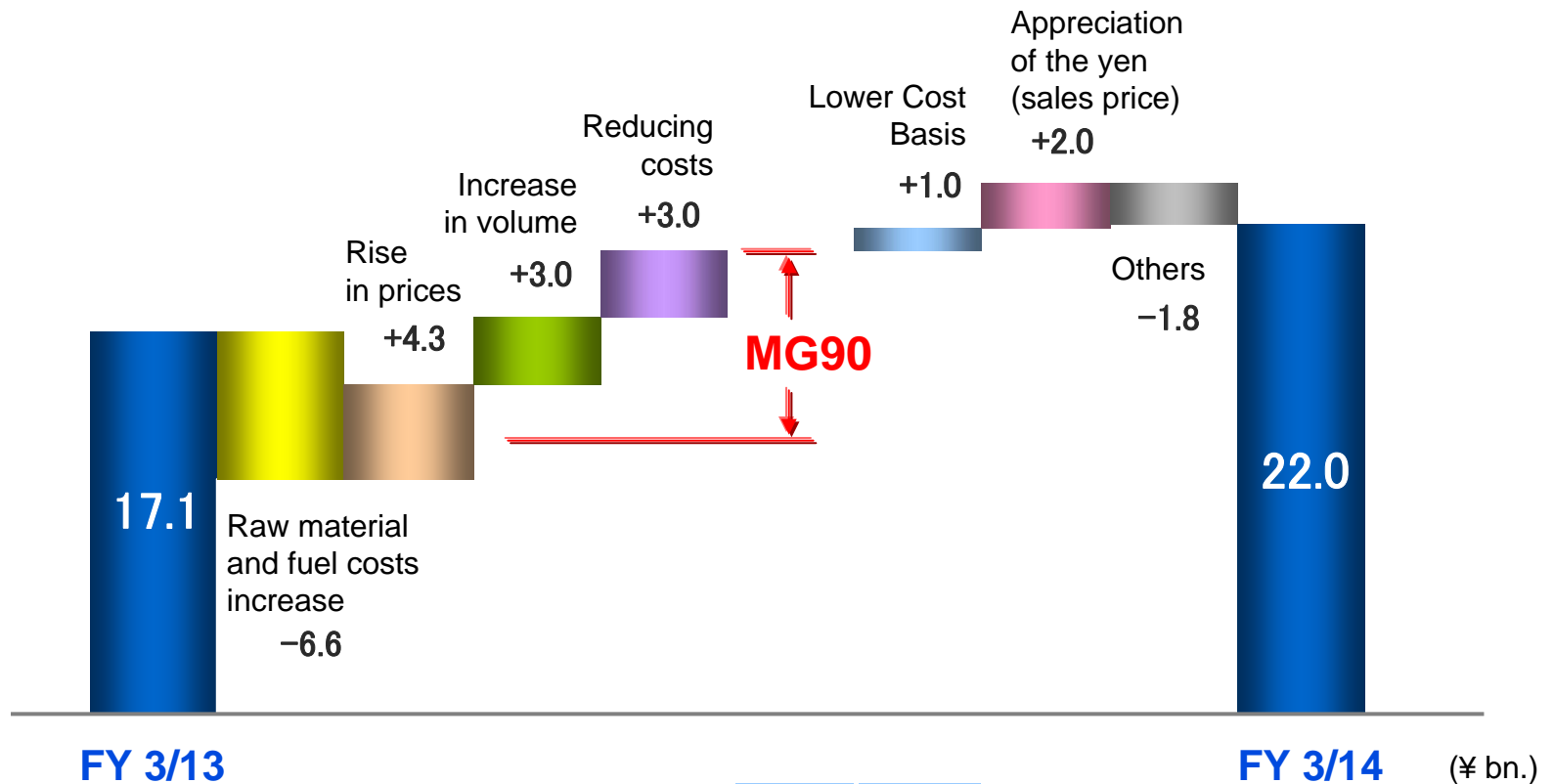
# (1) Forecasts for FY 3/14

(¥ bn.)

	FY 3/12	FY 3/13 (Forecasts)	Change	
			Amount	%
Net sales	339.0	350.0	+11.0	+3.2%
Operating income	17.1	22.0	+4.9	+28.7%
Ratio to sales	5.0%	6.3%	-	-
Net income	7.6	9.5	+1.9	+25.0%
EPS (¥)	8.61	10.69	-	-
Depreciation	13.2	14.0	+0.8	-
Capital expenditures	18.0	18.0	-0.0	-
Exchange rate (¥/US\$)	83	95		
Naphtha price in Japan (thousand ¥/kl)	58	65		

# Analysis of Changes in Operating Income

[Forecasts: FY 3/13 → FY 3/14]



	FY 3/13	FY 3/14
Exchange rate (¥/US\$)	83	95
Naphtha price in Japan (thousand ¥/kl)	58	65

## (2) Forecasts by Segment

(¥ bn.)

	Net sales		Operating income	
	FY 3/13	FY 3/14 Forecasts	FY 3/13	FY 3/14 Forecasts
Films & Functional Polymers	137.4	<b>144.0</b>	7.6	<b>9.6</b>
Industrial Materials	71.9	<b>73.0</b>	5.5	<b>6.5</b>
Life Science	24.8	<b>28.0</b>	4.2	<b>5.3</b>
Specialty Businesses	234.1	<b>245.0</b>	17.3	<b>21.4</b>
Operating income ratio (%)			7.4	<b>8.7</b>
Textiles	79.2	<b>80.0</b>	0.2	<b>1.1</b>
Real Estate and Others	25.7	<b>25.0</b>	2.7	<b>2.5</b>
Elimination & Corporate	-	-	-3.1	<b>-3.0</b>
<b>Total</b>	339.0	<b>350.0</b>	17.1	<b>22.0</b>



## **III. Medium-Term Management Plan**

**(FY 3/11-FY 3/14)**

# Action Plan

- 1) Capital investment  
(including Alliances and M&A)**
- 2) Overseas business development**
- 3) Improvement in the product portfolio**
- 4) Improving asset efficiency**

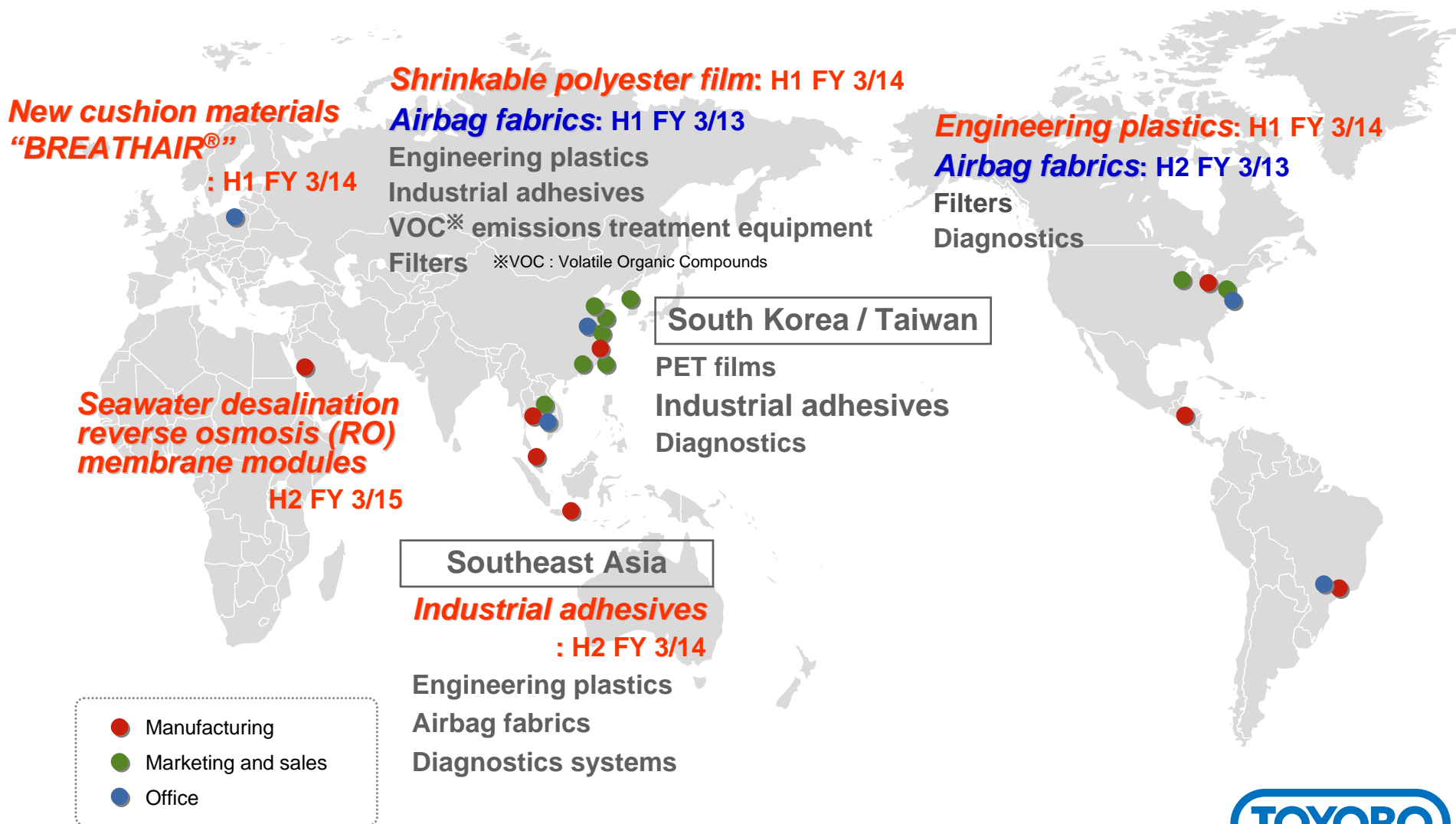
# Progress of Action Plan

## 1) Capital investment (including Alliances and M&A)

- Hybrid-type equipment for the production of PET film for industrial and packaging use (H2 FY 3/14)
- Contract manufacturing pharmaceuticals (H1 FY 3/14)
- Manufacturing and marketing bases for new cushion materials “BREATHAIR®” in Europe (H2 FY 3/14)

# Progress of Action Plan

## 2) Overseas business development



# Progress of Action Plan

## 3) Improvement in the product portfolio

### 【Industrial film】

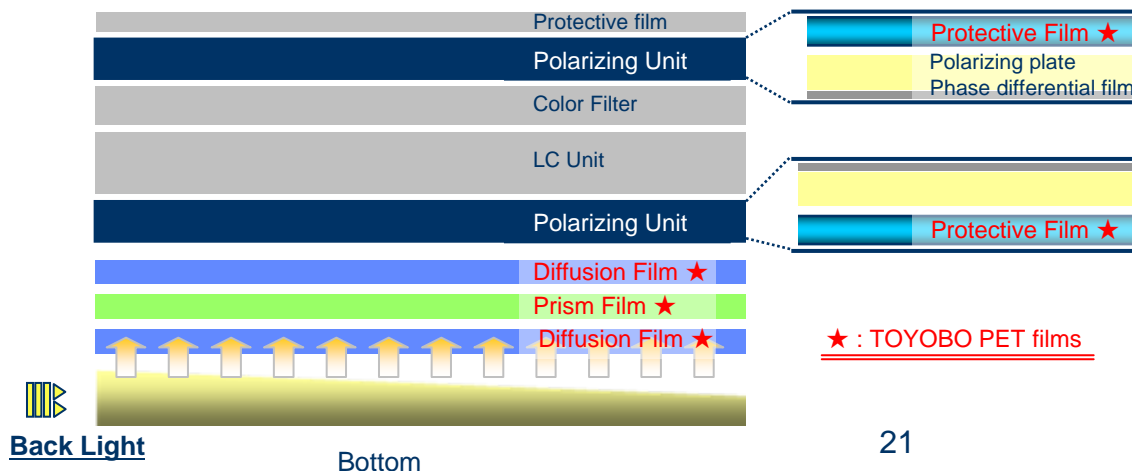
New polyester film for LCD and optical layers  
(Super retarder film: SRF)



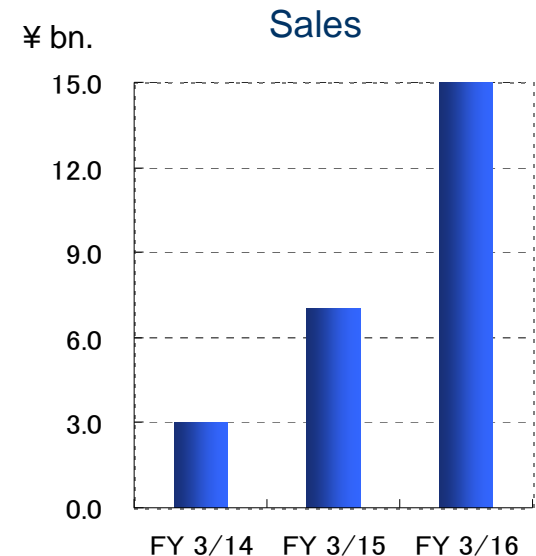
- Principal uses:  
As protective film for polarizing plates
- Began to sell them to a Korean manufacturer from December 2012
- Switched existing production lines

### 【Film Applications of LCD】

TOP



Sales target for FY3/16:  
¥15 billion



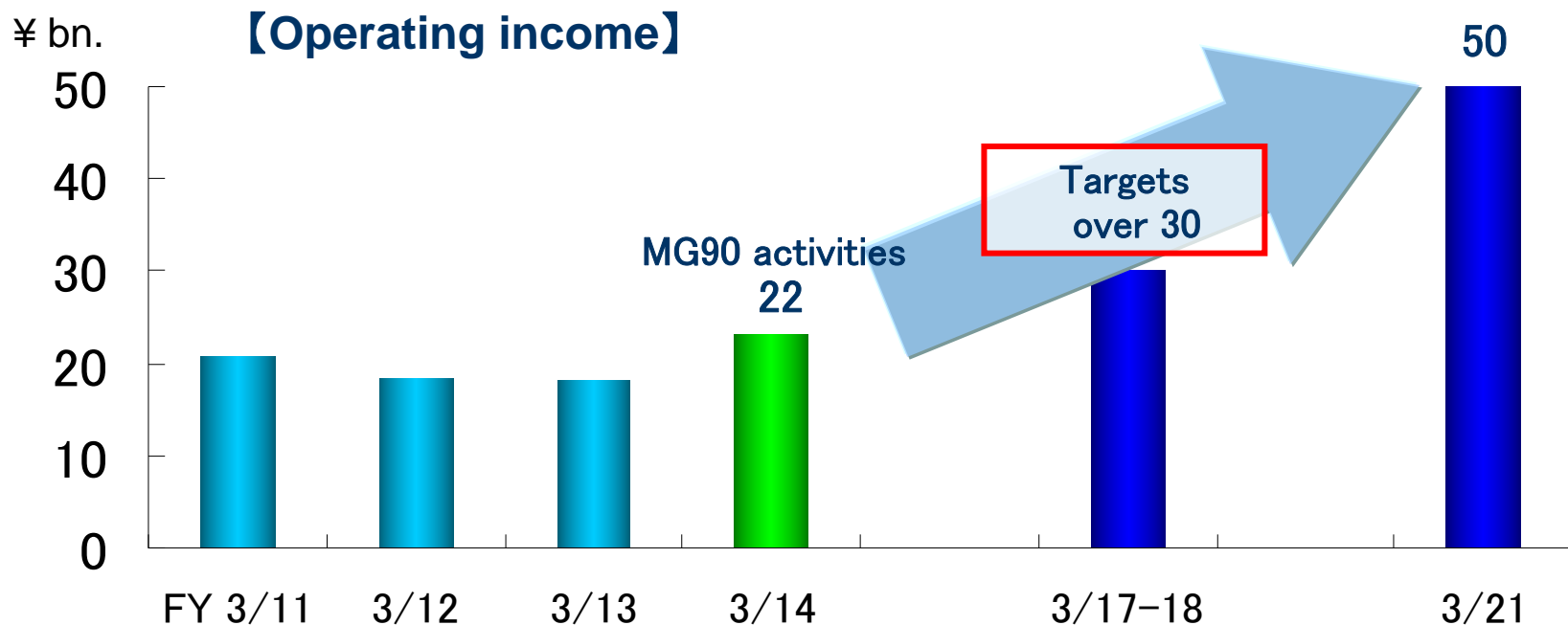
# Our Vision

Become “the category leader that continues to create new value that contributes to society in the environment, life science, and high-function products fields.”

- Company that combines both growth potential and stability

## 【Targets for FY 3/21】

Sales: ¥500 bn. Operating income: ¥50 bn. ROA: over 10%. D/E=1.0



## IV. Litigation

## Progress of Litigation regarding Body Armor Using ZYLON Fiber

- 1) In June 2003, an accident with body armor (BA) using Zylon fiber occurred in Pennsylvania, USA.  
(This is the only accident in which a bullet penetrated BA.)
- 2) The injured/deceased persons and purchasers of the same type of BA sued the BA manufacturer and Toyobo for damages.
- 3) An ex-director of the BA manufacturer filed a lawsuit based on the U.S. False Claims Act.  
The U.S. Government Dept. of Justice (DOJ) participated as a plaintiff in this lawsuit.
- 4) The DOJ also filed a lawsuit relating to BA other than the BA mentioned above.

<Settled Litigation: date of settlement – All cases were settled by agreement>

- The class action by the purchasers: October 2005
- Actions by the injured/deceased persons (product liability cases): 2006 to 2007
- A lawsuit filed by German state governments: February 2009
- Lawsuits filed by manufacturer of bulletproof vests: July 2011 (2) and March 2012

<Progress of litigation>

(As of May 9, 2013)

	Class action	Product liability	Government-related		BA manufacturer			Government-related
	Purchasers	Pennsylvania policeman, etc.	State of Arkansas	U.S. DOJ, et al.	Second Chance Body Armor	Point Blank Solutions	First Choice Armor & Equipment	Two German states
Status	Settled (Oct. 2005)	Settled (Jan. and Nov. 2006, Jan. 2007)	No progress after receipt of claims	Discovery is proceeding.	Settled (July 2011)	Settled (July 2011)	Settled (March 2012)	Settled (Feb. 2009)
Number of cases	10	4	1	2	1	1	1	1



## Please Note

The business performance forecasts and targets included in the business plans contained in this presentation are based on information known to the Company's management as of the day of presentation. Please be aware that the content of the future forecasts may differ significantly from actual results, due to a number of unforeseeable factors.