

Consolidated Financial Report for the First Quarter ended June 30, 2015

Toyobo Co., Ltd.

Listed on the First Section of the TSE

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

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(Figures are rounded to the nearest million yen)

1. Consolidated Business Performance

(1) Consolidated Operating Results

First quarter ended June 30

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	89,454	7.9	4,464	11.4	4,337	23.9	2,299	9.5
2014	82,906	(2.8)	4,008	(22.9)	3,501	(31.7)	2,101	(29.0)

(Note) Comprehensive income: First quarter ended June 30, 2015: ¥ 2,934 million 2.49%,

First quarter ended June 30, 2014: ¥ 2,863 million (50.6%)

	Net income per share	Net income per share after dilution
	Yen	Yen
2015	2.59	—
2014	2.37	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
June 30, 2015	457,126	160,909	34.5
March 31, 2015	465,809	161,087	33.9

(Reference) Total shareholders' equity: June 30, 2015: ¥157,756 million, March 31, 2015: ¥157,988 million

2. Dividends

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	—				
FY 3/2016 (Forecast)		0.00	—	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	%
Interim period	175,000	1.6	11,000	21.8	10,000	90.1
Fiscal year	365,000	3.9	24,000	16.6	22,000	35.3

	Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Yen
Interim period	5,500	111.8	6.19
Fiscal year	12,000	47.8	13.52

(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):

June 30, 2015: 890,487,922 shares	March 31, 2015: 890,487,922 shares
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 - 2) Number of treasury stock

June 30, 2015: 2,662,547 shares	March 31, 2015: 2,653,322 shares
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 - 3) Average number of shares outstanding for each period (cumulative term):

Three months ended June 30	2015: 887,830,614 shares
	2014: 887,862,395 shares

※ Implementation status of Quarterly review

This Financial Results report for the first Quarter was exempt from Quarterly review which was based on Financial Instruments and Exchange Law of Japan. As of the first 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

During the first quarter of the fiscal year ending March 31, 2016, from April 1, 2015 through June 30, 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 due to the Greek debt problem, economic slowdown in China and other issues while the economy in the United States maintained a moderate recovery. Meanwhile, in Japan, the pace of economic recovery remained slow even with the appearance of positive developments in capital expenditure and personal consumption.

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 first 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 systems 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 stepped up marketing activities aimed at customers. Moreover, in the bioproducts business, the Group boosted production capacity to respond to increased demand for enzymes for diagnostic reagents in emerging countries as well as implementing activities aimed at expanding sales.

In the area of “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 conduits for nerve regeneration, and other products. While expanding the Japanese sales network for “Nerbridge”, the Group also proceeded with preparations for obtaining approval and securing sales routes in the United States with aim of achieving overseas sales. Furthermore, in the area of regeneration inducing materials, which is one the Group’s focus areas for future expansion, the Group launched new clinical trials of bone regeneration inducing materials and implemented activities aimed at commercialization.

As a result of these various activities, consolidated net sales for the first quarter increased ¥6.5 billion (7.9%) over the same quarter of the previous fiscal year, to ¥89.5 billion. Operating income increased ¥0.5 billion (11.4 %), to ¥4.5 billion, ordinary income increased ¥0.8 billion (23.9 %) to ¥4.3 billion, and profit attributable to owners of parent increased ¥0.2 billion (9.5 %), to ¥2.3 billion.

Films and Functional Polymers

Within this segment, sales and operating income increased from the same period of the previous fiscal year despite the impact of adjustments in the LCDs market and the slump in the Japanese automobile market because there was a decline in costs incurred in connection with the development of markets for new products and the start-up of new production facilities in the films business.

In the films business, while market conditions for packaging film were weak, sales volume rose due to sale promotions, and sales were in line with 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. Shipments of “COSMOSHINE SRF”, primarily to overseas users for use in TVs, remained steady.

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.

As a result, sales in this segment increased ¥2.8 billion (7.8%) from the same period of the previous fiscal year to ¥38.8 billion, and operating income rose ¥0.4 billion (24.1%) to ¥2.1 billion.

Industrial Materials

Sales increased but operating income declined in this segment from the same period of the previous fiscal year despite the impact from the downturn in the Japanese automobile industry because sales of high-performance fibers and products for consumer and industrial uses were favorable.

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

As a result, sales in this segment increased ¥1.5 billion (9.2%) from the same period of the previous fiscal year to ¥17.8 billion, and operating income declined ¥0 billion (2.0%) to ¥1.1 billion.

Healthcare

In this segment, sales increased but operating income declined from the same period of the previous fiscal year even though sales remained steady for both medical membranes and reverse osmosis membranes in the functional membranes business, sales fell in the bioproducts business.

In the bioproducts business, sales of mainstay enzymes for diagnostic reagents declined, affected by market conditions. In the medical devices business, the number of applications of “Nerbridge” a nerve bridging device in Japan steadily increased. In the contract manufacturing business of

pharmaceuticals, operating conditions were difficult because of the postponement of some projects. In the functional membrane business, sales of RO membrane elements for seawater desalination plants were firm due to stable replacement demand overseas. Sales of medical membranes remained firm amid a recovery in domestic sales volume.

As a result, sales in this segment increased ¥0.5 billion (8.1%) from the same period of the previous fiscal year to ¥6.6 billion, but operating income declined ¥0.1 billion (9.9%) to ¥0.9 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 struggled, but sales of materials for uniforms remained firm overall. Among textile products, sales of materials for traditional Arabic menswear increased, due in part to the impact of exchange rates. Sales of acrylic fibers struggled, partly due to the deterioration in market conditions in China, despite the softening of raw material prices.

As a result, sales in this segment increased ¥0.8 billion (3.7%) from the same period of the previous fiscal year to ¥21.2 billion, and operating income rose ¥0.1 billion (33.6%) to ¥0.5 billion.

Real Estate and Other Business

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, total sales in these businesses rose ¥1.0 billion (24.2%) over the same period of the previous year, to ¥5.0 billion, and operating income increased ¥0.1 billion (16.1%), to ¥0.5 billion.

(2) Qualitative Information on the Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets decreased ¥8.7 billion (1.9%) over the end of the previous fiscal year, to ¥457.1 billion. This was due mainly to decrease in notes and accounts receivable - trade.

Total liabilities decreased ¥8.5 billion (2.8%), to ¥296.2 billion. This was mainly because of a decrease in other non-current liabilities.

Total net assets decreased ¥0.2 billion (0.1%) to ¥160.9 billion. This was due mainly because of a decrease in retained earnings by paying dividends, although the valuation difference on available-for-sale securities increased.

(3) Qualitative Information on Consolidated Forecasts

The performance of the Toyobo Group during the first quarter was generally as forecast. Regarding the outlook for performance through the end of the second quarter (interim period) and the forecast for the full fiscal year, no changes have been made in the outlook announced on May 11, 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 three months 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

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2015) (Condensed)	Current First Quarter (As of June 30, 2015)
Assets		
Current assets		
Cash and deposits	20,550	16,178
Notes and accounts receivable - trade	83,710	76,853
Merchandise and finished goods	50,576	50,776
Work in process	15,942	16,912
Raw materials and supplies	15,865	16,830
Other	10,355	10,070
Allowance for doubtful accounts	(391)	(337)
Total current assets	196,607	187,282
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	48,371	49,177
Machinery, equipment and vehicles, net	45,618	45,861
Land	106,248	106,087
Other, net	9,051	7,294
Total property, plant and equipment	209,289	208,418
Intangible assets	3,311	3,326
Investments and other assets		
Other	57,479	59,002
Allowance for doubtful accounts	(877)	(902)
Total investments and other assets	56,602	58,100
Total non-current assets	269,202	269,844
Total assets	465,809	457,126

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2015) (Condensed)	Current First Quarter (As of June 30, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	49,173	45,713
Short-term loans payable	40,949	40,257
Current portion of long-term loans payable	14,669	14,075
Provision	4,144	2,176
Other	37,314	33,016
Total current liabilities	146,250	135,237
Non-current liabilities		
Bonds payable	25,000	25,000
Long-term loans payable	85,425	87,673
Provision for directors' retirement benefits	339	253
Provision for environmental measures	831	825
Net defined benefit liability	17,244	17,226
Other	29,634	30,002
Total non-current liabilities	158,472	160,980
Total liabilities	304,722	296,217
Net assets		
Shareholders' equity		
Capital stock	51,730	51,730
Capital surplus	32,239	32,239
Retained earnings	32,479	31,672
Treasury shares	(383)	(385)
Total shareholders' equity	116,065	115,255
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,126	9,364
Deferred gains or losses on hedges	(34)	(42)
Revaluation reserve for land	43,920	43,920
Foreign currency translation adjustment	(7,460)	(9,323)
Remeasurements of defined benefit plans	(1,628)	(1,418)
Total accumulated other comprehensive income	41,923	42,501
Non-controlling interests	3,098	3,153
Total net assets	161,087	160,909
Total liabilities and net assets	465,809	457,126

(Millions of yen)

	Previous First Quarter (From April 1, 2014 To June 30, 2014)	Current First Quarter (From April 1, 2015 To June 30, 2015)
Net sales	82,906	89,454
Cost of sales	64,877	70,485
Gross profit	18,029	18,969
Selling, general and administrative expenses	14,021	14,505
Operating income	4,008	4,464
Non-operating income		
Dividend income	303	340
Foreign exchange gains	—	279
Other	829	430
Total non-operating income	1,132	1,049
Non-operating expenses		
Interest expenses	467	459
Amortization of net retirement benefit obligation at transition	392	—
Other	780	717
Total non-operating expenses	1,639	1,177
Ordinary income	3,501	4,337
Extraordinary income		
Gain on sales of non-current assets	10	18
Gain on sales of investment securities	—	18
Total extraordinary income	10	36
Extraordinary losses		
Loss on valuation of investment securities	—	64
Loss on litigation	213	152
Other	142	46
Total extraordinary losses	355	262
Income before income taxes and non-controlling interests	3,156	4,111
Income taxes	1,018	1,750
Profit	2,138	2,361
Profit attributable to non-controlling interests	37	62
Profit attributable to owners of parent	2,101	2,299

(Millions of yen)

	Previous First Quarter (From April 1, 2014 To June 30, 2014)	Current First Quarter (From April 1, 2015 To June 30, 2015)
Profit	2,138	2,361
Other comprehensive income		
Valuation difference on available-for-sale securities	587	2,189
Deferred gains or losses on hedges	(45)	(8)
Foreign currency translation adjustment	(263)	(1,423)
Remeasurements of defined benefit plans, net of tax	458	211
Share of other comprehensive income of entities accounted for using equity method	(12)	(396)
Total other comprehensive income	725	573
Comprehensive income	2,863	2,934
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,834	2,877
Comprehensive income attributable to non-controlling interests	29	57

(3) Note to Going Concern:

Not applicable

(4) Notes on Significant Changes in Shareholders' Equity

Not applicable

(5) Segment Information**a. Segment information by business type**

(i) Previous first quarter (from April 1, 2014 to June 30, 2014)

(Millions of yen)

	Segment to be reported						Other Business- ses (Note 1)	Total	Adjust ment (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	36,004	16,284	6,123	20,474	1,038	79,923	2,983	82,906	—	82,906
(2) Inter-segment sales and transfers	—	38	23	9	244	314	2,633	2,947	(2,947)	—
Total	36,004	16,322	6,146	20,483	1,281	80,237	5,616	85,853	(2,947)	82,906
Operating Income (loss)	1,709	1,172	1,017	408	573	4,878	(167)	4,711	(703)	4,008

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

2. Includes segment income adjustment of (¥703) million, eliminations of intersegment transactions of (¥44) million, and companywide expenses that are not allocated across reporting segments of (¥659) 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.

(ii) Current first quarter (from April 1, 2015 to June 30, 2015)

(Millions of yen)

	Segment to be reported						Other Business- ses (Note 4)	Total	Adjust ment (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	38,827	17,778	6,619	21,235	1,075	85,533	3,921	89,454	—	89,454
(2) Inter-segment sales and transfers	0	22	26	66	253	368	2,076	2,444	(2,444)	—
Total	38,827	17,800	6,645	21,301	1,328	85,901	5,997	91,898	(2,444)	89,454
Operating Income (loss)	2,120	1,148	916	545	585	5,315	(114)	5,201	(737)	4,464

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

5. Includes segment income adjustment of (¥737) million, eliminations of intersegment transactions of (¥29) million, and companywide expenses that are not allocated across reporting segments of (¥707) million. The principal components of companywide 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 first quarter of the previous fiscal year has been prepared in accordance with the method of classification following the changes.