

Consolidated Financial Report for the First Quarter ended June 30, 2014

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 | | Net income | |
|------|-----------------|-------|------------------|--------|-----------------|--------|-----------------|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| 2014 | 82,906 | (2.8) | 4,008 | (22.9) | 3,501 | (31.7) | 2,101 | (29.0) |
| 2013 | 85,284 | 2.7 | 5,195 | 131.5 | 5,129 | 182.4 | 2,959 | 501.1 |

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

First quarter ended June 30, 2013: ¥ 5,800 million 434.7%

| | Net income per share | Net income per share after dilution |
|------|----------------------|-------------------------------------|
| | Yen | Yen |
| 2014 | 2.37 | — |
| 2013 | 3.33 | — |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|----------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| June 30, 2014 | 453,252 | 145,767 | 31.5 |
| March 31, 2014 | 456,256 | 145,115 | 31.2 |

(Reference) Total shareholders' equity: June 30, 2014: ¥142,937 million, March 31, 2014: ¥142,310 million

2. Dividends

| Record date | Dividends per share | | | | |
|-------------------------|---------------------|-------------|-------------|----------|-------|
| | 1st Quarter | 2nd Quarter | 3rd Quarter | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| FY 3/2014 | — | 0.00 | — | 3.50 | 3.50 |
| FY 3/2015 | — | | | | |
| FY 3/2015 (Forecast) | | 0.00 | — | 3.50 | 3.50 |

(Note) Revision of dividends forecast for this period: None

3. Forecasts for Fiscal Year ending March 31, 2015

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 | 0.3 | 11,000 | (2.4) | 10,000 | (7.3) |
| Fiscal year | 365,000 | 3.8 | 24,000 | 14.3 | 21,500 | 16.7 |

| | Net income | | Net income per share |
|----------------|-----------------|------|----------------------|
| | Millions of yen | % | Yen |
| Interim period | 5,200 | 0.8 | 5.86 |
| Fiscal year | 11,000 | 34.9 | 12.39 |

(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, 2014: 890,487,922 shares | March 31, 2014: 890,487,922 shares |
|-----------------------------------|------------------------------------|
 - 2) Number of treasury stock

| | |
|---------------------------------|----------------------------------|
| June 30, 2014: 2,628,515 shares | March 31, 2014: 2,623,596 shares |
|---------------------------------|----------------------------------|
 - 3) Average number of shares outstanding for each period (cumulative term):

| | | |
|----------------------------|--------------------------|--|
| Three months ended June 30 | 2014: 887,862,395 shares | |
| | 2013: 888,574,677 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, 2015, from April 1, 2014 through June 30, 2014, the business environment for the Toyobo Group was characterized by recovery trends in the economy against a background of continued monetary easing in the United States, improvement in the employment environment, and other developments. However, the emerging countries of Asia, including China, continued to experience sluggish conditions. Also, in Europe, although the economies of this region showed moderate recovery, such structural issues as excessive debt problems in some countries and geopolitical risk in Eastern Europe created uncertainties going forward. On the other hand, in Japan the economy experienced gradual recovery as a result of the government's economic and monetary policies, but the weakening of the positive impact of the depreciation of the yen and the reactionary decline in consumption following the increase in the consumption tax had an adverse impact on the conditions.

Amid this operating environment, the Toyobo Group continued its activities aimed at becoming "The category leader, continuing to create new value that contributes to society in the environment, life science, and high-function products fields." Accordingly, Toyobo is proceeding with activities targeted at further growth by expanding its businesses in Japan and overseas markets through developing specialty products and increasing their sales. During the first quarter of the fiscal year under review, Toyobo announced a new Medium-Term Management Plan for the four years covering the period through the fiscal year ending March 2018. This plan sets forth five action plans, 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." During the quarter, Toyobo implemented business activities in line with these objectives.

In "accelerating overseas business development," Toyobo expanded production capacity at its joint venture company in Saudi Arabia for the production of reverse osmosis membrane elements for seawater desalination, while also strengthening its systems for expanding business activities in the countries of the Middle East and North Africa. Also, in the airbag fabric business, under the collaboration with a yarn manufacturer based in Germany that Toyobo acquired jointly with another company, Toyobo is working to upgrade its four centers worldwide for production and sales as well as strengthening its global supply chain. Furthermore, in the bioproducts business, Toyobo is striving to expand its business activities in Africa, Latin America, and elsewhere, using the broad sales channels of a *in vitro* diagnostic (IVD) reagent and instruments manufacturing and sales company based in Spain that Toyobo acquired last year.

In the area of "developing new products and creating new businesses," Toyobo focused during the quarter under review on expanding sales of "Cosmoshine SRF" industrial film for LCDs and its "Nerbridge" conduits for nerve regeneration. Regarding "Cosmoshine SRF," a growing

number of overseas customers are adopting this new film for TV applications. Also, with regard to “Nerbridge,” the number of instances of successful treatment is growing.

On the other hand, as a policy for attaining the growth targets under Toyobo’s new Medium-Term Management Plan, which began during the current fiscal year, Toyobo is moving forward with realignments of its production systems as new capacity comes into use. These activities are bringing temporary increases in related expenditures.

As a result of these various activities, consolidated net sales for the first quarter decreased ¥2.4 billion (2.8%) over the same quarter of the previous fiscal year, to ¥82.9 billion. Operating income decreased ¥1.2 billion (22.9%), to ¥4.0 billion, ordinary income decreased ¥1.6 billion (31.7%), to ¥3.5 billion, and net income decreased ¥0.9 billion (29.0%), to ¥2.1 billion. The performance was generally as forecast.

Results by business segment were as follows:

Films and Functional Polymers

Within this segment, in the films business, sales of both packaging films and industrial films held generally firm, but Toyobo is making a full-scale start-up of new production facilities, and results were influenced by the increase in fixed costs. In the functional polymers business, sales in overseas markets were favorable, but overall sales decreased year on year and operating income decreased.

In the films business, sales of packaging films in the first half of the quarter were generally favorable and were only slightly influenced by the decline in sales following the increase in the consumption tax, which had been a source of concern. However, in the latter half of the quarter, shipments began to stagnate. In the industrial films business, the market for materials used in LCDs is on a recovery trend. In the functional polymers business, sales of the industrial adhesive “Vylon” for use in electronic component applications recovered mainly in China, and sales in overseas markets of engineering plastics to the mainstay auto parts market were favorable. However, conditions in the market for fine chemicals were tough.

As a result, sales in this segment decreased ¥0.9 billion (2.5%) over the same period of the previous year, to ¥36.9 billion, and operating income decreased ¥0.6 billion (22.7%), to ¥1.9 billion.

Industrial Materials

Within this segment, sales of products for consumer and industrial uses showed favorable performance; however, the Company withdrew from the tire cord business in the previous fiscal year. As a result, sales of this segment decreased year on year and operating income increased.

In the airbag fabrics business, conditions were lackluster because of the impact of higher raw material prices. Among high-performance fibers, sales of “Dyneema” were adversely affected by the weakening of the rope market, but sales of “Zylon” for use in heat-resistance materials recovered. Among products for consumer and industrial use, sales of “Breathair,” a functional cushion material, expanded, especially for bedding applications. Demand for Spunbond long-filament non-woven fabrics increased from the automobile and construction materials industries.

As a result, sales in this segment decreased ¥1.8 billion (10.7%) over the same period of the previous year, to ¥15.3 billion, and operating income rose ¥0 billion (1.7%), to ¥1.0 billion.

Life Science

In this segment, sales in the bioproducts and contract manufacturing of pharmaceutical business were favorable, but conditions in the medical membrane business were tough. As a consequence, segment sales increased year on year and operating income decreased.

In the bioproducts business, sales of diagnostic enzymes, which are mainstay products in this business, were favorable in Japan and overseas. In the medical products business, sales on the contract manufacturing pharmaceutical business were steady as Toyobo won contracts for injections and solid drugs. In the functional membrane business, sales of reverse osmosis membrane elements for seawater desalination held firm as demand for element replacement continued to be favorable. However, conditions in the medical membrane field in Japan and overseas were challenging.

As a result, sales in this segment rose ¥ 0.4billion (7.2%) over the same period of the previous year, to ¥6.2 billion, and operating income decreased ¥0.1 billion (11.9%), to ¥1.0 billion.

Textiles

Sales in this segment were influenced by the recovery in the market for inner apparel, but the unit volume of sales of textile materials for traditional Arabic menswear decreased. As a result, total sales of this segment decreased year on year and operating income decreased.

Sales of sports apparel remained firm, and sales of functional fabrics for inner wear products to volume retailers increased. In addition, sales of materials for uniforms continued to be firm. On the other hand, among textiles, the sales volume of materials for traditional Arabic menswear decreased, while overseas sales of acrylic textiles declined.

As a result, sales in this segment decreased ¥0.5 billion (2.9%) over the same period of the previous year, to ¥18.1 billion, and operating income decreased ¥0.4 billion (53.3%), to ¥0.4 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 ¥0.5 billion (9.2%) over the same period of the previous year, to ¥6.2 billion, and operating income decreased ¥0.2 billion (28.1%), to ¥0.4 billion.

(2) Qualitative Information on the Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets decreased ¥3.0 billion (0.7%) over the end of the previous fiscal year, to ¥453.3 billion. This was due mainly to decrease in cash and deposits.

Total liabilities decreased ¥3.7 billion (1.2%), to ¥307.5 billion. This was mainly because of a decrease in the short-term loans payable.

Total net assets increased ¥0.7 billion (0.4%) to ¥145.8 billion. This was due mainly because of an increase in the valuation difference on available-for-sale securities, although retained earnings decreased by paying dividends.

(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 8, 2014.

2. Matters Concerning Summary Information (Notes to Financial Statements)

Changes in Accounting Principles, Change in Accounting Estimates, and Restatements and Corrections

Provisions stated in the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, issued May 17, 2012, and hereinafter referred to as the “Retirement Benefits Accounting Standard”), and the “Guidance on the Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, issued May 17, 2012, and hereinafter “Guidance on Retirement Benefits”), which are contained in Section 35 of the Retirement Benefits Accounting Standard and Section 67 of the Guidance on Retirement Benefits, have been applied from the first quarter of fiscal 2014. With this application, the Company has reviewed its method for calculating retirement benefit obligations and retirement benefit expenses. Following this review, the calculation method for the annual allocation of expenses for projected benefit obligations has been changed from the straight-line attribution standard, pro-rated on employees’ years of service, to a benefit formula standard, pro-rated on employees’ benefits. In addition, the Company has changed the method for determining the discount rate from the method based on the average remaining years of service for employees to a method that uses a single weighted average discount rate that reflects the expected periods for payment of retirement obligations and the amount for each payment period.

As a result, obligations for retirement benefits at the beginning of the first quarter under review declined ¥ 2,885 million, other investments reported in other assets decreased ¥ 1,452 million, and retained earnings increased ¥ 917 million. The impact of this change on consolidated operating income, ordinary income, and income before income tax and minority interests for the first quarter of fiscal 2014 was immaterial.

3. Consolidated Financial Statements

(Millions of yen)

| | Previous Fiscal Year (As of March 31, 2014) (Condensed) | Current First Quarter (As of June 30, 2014) |
|---|---|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 19,330 | 15,143 |
| Notes and accounts receivable - trade | 76,826 | 72,825 |
| Merchandise and finished goods | 45,680 | 48,927 |
| Work in process | 14,816 | 16,493 |
| Raw materials and supplies | 14,891 | 15,676 |
| Other | 13,454 | 12,274 |
| Allowance for doubtful accounts | (367) | (358) |
| Total current assets | 184,630 | 180,979 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 47,612 | 47,557 |
| Machinery, equipment and vehicles, net | 45,480 | 45,872 |
| Land | 106,736 | 106,630 |
| Other, net | 9,792 | 9,281 |
| Total property, plant and equipment | 209,619 | 209,340 |
| Intangible assets | 3,029 | 2,867 |
| Investments and other assets | | |
| Other | 60,287 | 61,404 |
| Allowance for doubtful accounts | (1,310) | (1,339) |
| Total investments and other assets | 58,977 | 60,066 |
| Total non-current assets | 271,625 | 272,272 |
| Total assets | 456,256 | 453,252 |

(Millions of yen)

| | Previous Fiscal Year (As of March 31, 2014) (Condensed) | Current First Quarter (As of June 30, 2014) |
|---|---|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 50,106 | 50,460 |
| Short-term loans payable | 45,903 | 40,209 |
| Current portion of long-term loans payable | 31,180 | 32,696 |
| Provision | 4,502 | 2,327 |
| Other | 28,891 | 34,653 |
| Total current liabilities | 160,582 | 160,345 |
| Non-current liabilities | | |
| Bonds payable | 20,000 | 15,000 |
| Long-term loans payable | 70,831 | 76,352 |
| Provision for directors' retirement benefits | 344 | 270 |
| Provision for environmental measures | 1,577 | 1,544 |
| Net defined benefit liability | 25,227 | 21,500 |
| Other | 32,579 | 32,473 |
| Total non-current liabilities | 150,558 | 147,139 |
| Total liabilities | 311,141 | 307,484 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 51,730 | 51,730 |
| Capital surplus | 32,239 | 32,239 |
| Retained earnings | 26,425 | 26,319 |
| Treasury shares | (378) | (379) |
| Total shareholders' equity | 110,015 | 109,909 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 3,954 | 4,544 |
| Deferred gains or losses on hedges | (2) | (47) |
| Revaluation reserve for land | 41,409 | 41,409 |
| Foreign currency translation adjustment | (8,864) | (9,125) |
| Remeasurements of defined benefit plans | (4,203) | (3,752) |
| Total accumulated other comprehensive income | 32,295 | 33,028 |
| Minority interests | 2,805 | 2,831 |
| Total net assets | 145,115 | 145,767 |
| Total liabilities and net assets | 456,256 | 453,252 |

(Millions of yen)

| | Previous First Quarter (From April 1, 2013 To June 30, 2013) | Current First Quarter (From April 1, 2014 To June 30, 2014) |
|---|--|---|
| Net sales | 85,284 | 82,906 |
| Cost of sales | 66,599 | 64,877 |
| Gross profit | 18,685 | 18,029 |
| Selling, general and administrative expenses | 13,490 | 14,021 |
| Operating income | 5,195 | 4,008 |
| Non-operating income | | |
| Dividend income | 282 | 303 |
| Share of profit of entities accounted for using equity method | 57 | 273 |
| Foreign exchange gains | 463 | — |
| Other | 524 | 556 |
| Total non-operating income | 1,325 | 1,132 |
| Non-operating expenses | | |
| Interest expenses | 441 | 467 |
| Amortization of net retirement benefit obligation at transition | 392 | 392 |
| Other | 559 | 780 |
| Total non-operating expenses | 1,392 | 1,639 |
| Ordinary income | 5,129 | 3,501 |
| Extraordinary income | | |
| Gain on sales of non-current assets | — | 10 |
| Gain on bargain purchase | 595 | — |
| Other | 17 | — |
| Total extraordinary income | 612 | 10 |
| Extraordinary losses | | |
| Loss on disposal of non-current assets | 317 | 142 |
| Loss on sales of investment securities | 552 | — |
| Loss on litigation | 268 | 213 |
| Other | 101 | — |
| Total extraordinary losses | 1,238 | 355 |
| Income before income taxes and minority interests | 4,503 | 3,156 |
| Income taxes | 1,255 | 1,018 |
| Income before minority interests | 3,247 | 2,138 |
| Minority interests in income | 288 | 37 |
| Net income | 2,959 | 2,101 |

(Millions of yen)

| | Previous First Quarter (From April 1, 2013 To June 30, 2013) | Current First Quarter (From April 1, 2014 To June 30, 2014) |
|---|--|---|
| Income before minority interests | 3,247 | 2,138 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 784 | 587 |
| Deferred gains or losses on hedges | (1) | (45) |
| Foreign currency translation adjustment | 1,745 | (263) |
| Remeasurements of defined benefit plans, net of tax | — | 458 |
| Share of other comprehensive income of entities accounted for using equity method | 24 | (12) |
| Total other comprehensive income | 2,552 | 725 |
| Comprehensive income | 5,800 | 2,863 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 5,484 | 2,834 |
| Comprehensive income attributable to minority interests | 315 | 29 |

(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, 2013 to June 30, 2013)

(Millions of yen)

| | Segment to be reported | | | | | | Other Business- ses (Note 1) | Total | Adjustm ent (Note 2) | Consolidated Statements of Income (Note 3) |
|--|-------------------------------------|-------------------------|-----------------|----------|----------------|--------|------------------------------------|--------|----------------------------|---|
| | Films and Functional Polymers | Industrial Materials | Life Science | Textiles | Real Estate | Total | | | | |
| Net Sales | | | | | | | | | | |
| (1) Outside customers | 37,878 | 17,197 | 5,808 | 18,684 | 1,025 | 80,591 | 4,693 | 85,284 | — | 85,284 |
| (2) Inter-segment sales and transfers | 11 | 12 | 28 | 36 | 279 | 366 | 3,120 | 3,485 | (3,485) | — |
| Total | 37,889 | 17,209 | 5,836 | 18,719 | 1,304 | 80,957 | 7,813 | 88,770 | (3,485) | 85,284 |
| Operating Income | 2,443 | 980 | 1,171 | 843 | 475 | 5,911 | 70 | 5,982 | (786) | 5,195 |

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

2. Includes segment income adjustment of ¥-786 million, eliminations of intersegment transactions of ¥-117 million, and companywide expenses that are not allocated across reporting segments of ¥-670 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, 2014 to June 30, 2014)

(Millions of yen)

| | Segment to be reported | | | | | | Other Business- ses (Note 4) | Total | Adjustm ent (Note 5) | Consolidated Statements of Income (Note 6) |
|--|-------------------------------------|-------------------------|-----------------|----------|----------------|--------|------------------------------------|--------|----------------------------|---|
| | Films and Functional Polymers | Industrial Materials | Life Science | Textiles | Real Estate | Total | | | | |
| Net Sales | | | | | | | | | | |
| (1) Outside customers | 36,943 | 15,348 | 6,228 | 18,143 | 953 | 77,616 | 5,290 | 82,906 | — | 82,906 |
| (2) Inter-segment sales and transfers | — | 38 | 26 | 14 | 244 | 322 | 2,639 | 2,961 | (2,961) | — |
| Total | 36,943 | 15,386 | 6,254 | 18,158 | 1,197 | 77,938 | 7,929 | 85,867 | (2,961) | 82,906 |
| Operating Income (loss) | 1,887 | 996 | 1,032 | 394 | 437 | 4,746 | (45) | 4,701 | (693) | 4,008 |

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

5. Includes segment income adjustment of ¥-693 million, eliminations of intersegment transactions of ¥-34 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.

6. Segment income has been adjusted with operating income on the consolidated financial statements.