

Consolidated Financial Report for the First Half ended September 30, 2013

Toyobo Co., Ltd.

Listed on the First Section of the TSE

Stock Code: 3101

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

Representative: Ryuzo Sakamoto, President & Representative Director

Contact Person: Fuyuhiko Kubota, Manager of IR Group, Corporate Planning Office TEL: +81-6-6348-3044

Quarterly report filing date (Planned): November 14 2013

Start of dividend payments (Planned): -

(Figures are rounded to the nearest million yen)

1. Consolidated Business Performance

(1) Consolidated Operating Results

Six months ended September 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	%
FY 3/2014	174,485	2.0	11,268	47.6	10,785	66.5	5,157	90.8
FY 3/2013	171,117	(3.9)	7,633	(30.9)	6,477	(36.1)	2,703	(48.0)

(Note) Comprehensive income: First half ended September 30, 2013: ¥ 8,858 million (257.5%),

First half ended September 30, 2012: ¥ 2,478 million (-56.1%)

	Net income per share	Net income per share after dilution
	Yen	Yen
FY 3/2014	5.80	—
FY 3/2013	3.05	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
September 30, 2013	446,525	160,493	32.0
March 31, 2013	447,445	155,522	30.8

(Reference) Total shareholders' equity: September 30, 2013: ¥143,023 million, March 31, 2013: ¥138,024 million

2. Dividends

Record date	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 3/2013	—	0.00	—	3.50	3.50
FY 3/2014	—	0.00			
FY 3/2014 (Forecast)			—	3.50	3.50

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

3. Forecasts for Fiscal Year Ending March 31, 2014

Percentages indicate year-on-year increase/ (decrease)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 3/2014	350,000	3.2	22,000	28.8	19,500	25.6

	Net income		Net income per share
	Millions of yen	%	Yen
FY 3/2014	9,500	24.4	10.69

(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 : None
 - 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):

September 30, 2013: 890,487,922 shares	March 31, 2013: 890,487,922 shares
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 - 2) Number of treasury stock

September 30, 2013: 1,928,368 shares	March 31, 2013: 2,039,578 shares
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 - 3) Average number of shares outstanding for each period (cumulative term):

Six months ended September 30	2013: 888,569,696 shares	
	2012: 886,662,264 shares	

※ Implementation status of Quarterly review

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

The business environment for the Toyobo Group through the end of the second quarter (April 1, 2013 to September 30, 2013) was characterized by slowing of growth in the newly emerging countries of Asia, including China; the continuation of economic stagnation in the European region, the uncertainty regarding the future directions of the U.S. economy, which was rocked by the government debt ceiling issue; and other developments. As a result of these factors, future trends continued to be uncertain. On the other hand, in Japan, against a background of government-led economic policy initiatives, the economy showed gradual recovery, along with continued weakness in the yen and high stock prices.

Amid this operating environment, the Toyobo Group continued its activities aimed at becoming “The category leader that continues 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 expanding its businesses by developing specialty products and increasing their sales in domestic and overseas markets. Toyobo is implementing four strategic actions aimed at further expanding its businesses: “investing to expand capacity,” “accelerating overseas business development,” “developing new products,” and “improving asset efficiency.” During the quarters under review, Toyobo continued to implement these strategic actions.

Specific activities in the field of “investing to expand capacity” included proceeding with start-up of multi-functional polyester film facilities in the packaging and industrial film businesses that is capable of responding flexibly to changes in the market environment. In addition, in the pharmaceutical business, to respond to the growing needs in Japan for contract manufacturing of pharmaceuticals, Toyobo put new production facilities into operation. To “accelerate overseas business development,” Toyobo began production at its new plant in Germany for manufacturing “BREATHAIR,” a functional cushion material, and stepped up the development of this business in European markets. Moreover, in the bioproducts field, Toyobo acquired a company in Spain that is engaged in production and marketing of in vitro diagnostic (IVD) reagents and instruments, and moved ahead with building foundations for developing its business in the newly emerging country markets of Africa and South and Central America. In addition, to implement its strategic action of “developing new products,” Toyobo focused especially on expanding marketing of super retarder film (SRF), which has special optical properties and finds applications in LCDs. Similarly, beginning in July, Toyobo expanded marketing activities for “Nerbridge,” a medical device for the regeneration of damaged peripheral nerves that was recognized by the National Health Insurance and other products. Also, to improve asset efficiency, Toyobo exited the polyester tire cord business as previously planned.

As a result, consolidated net sales during the first half of the fiscal year increased ¥3.4 billion (2.0%), from the same period of the previous fiscal year, to ¥174.5 billion, with operating income up ¥3.6 billion (47.6%), to ¥11.3 billion; ordinary income rose ¥4.3 billion (66.5%), to ¥10.8 billion; and net income was increasing ¥2.5 billion (90.8%), to ¥5.2 billion.

Results by business segment were as follows.

Films and Functional Polymers

Within this segment, in the films business, sales in the packaging films business experienced tough conditions, but the performance of industrial films showed moderate recovery. In the functional polymers business, conditions in the markets for industrial adhesive “VYLON” were difficult, but sales for use in automotive components were favorable. Overall, this segment reported an increase in sales and higher operating income.

In the films business, sales of packaging films were influenced by difficult operating conditions due to sluggish shipments caused by unseasonable weather conditions and the delay in revising product prices to higher levels to offset the rise in raw materials prices. In the industrial films business, sales of films used in components for smartphones and tablet PCs held firm, and, as a result, industrial films overall reported moderate recovery. In the functional polymers business, conditions continued to be difficult, and sales of industrial adhesive “VYLON” were adversely affected by the weak demand for use in electronic components and other applications resulting from the stagnation in the Chinese market. However, sales performance of these products for use in automotive components, which are a major use of engineering plastics, was strong, mainly in the North American markets.

As a result, sales in this segment increased ¥4.4 billion (6.2%) from the same period of the previous year, to ¥74.9 billion, and operating income up ¥0.5 billion (12.2%), to ¥4.8 billion.

Industrial Materials

Within this segment, the fibers and materials for consumer and industrial uses showed favorable performances, but, environment-related businesses were adversely affected by the prolonged stagnation in the Chinese market and other factors. As a result, this segment as a whole showed a decline in sales and a decrease in operating income.

In the airbag fabrics business, performance, mainly in sales to North America, was firm. Toyobo decided to fully withdraw from the tire cord business by December 2013, and this resulted in a major decline in sales. Sales of high-performance fiber “Dyneema” for ropes used on ships, especially for producing protective gloves, were stable. However, sales of “ZYLON,” for use in heat-resistant materials and other applications, experienced weakness. In the functional filters business, operating conditions in VOC related equipment continued to be difficult as users in the rest of Asia postponed their investments. Among materials for consumer and industrial uses, sales of “BREATHAIR,” a functional cushion material, expanded in volume terms, principally to the bedding market, and overall sales increased.

As a consequence, sales in this segment decreased ¥0.4 billion (1.1%) from the same period of the previous year, to ¥34.7 billion, and operating income down ¥0.2 billion (9.3%), to ¥2.3 billion.

Life Science

In this segment, because of the favorable performance of the bioproducts business, sales of the “Nerbridge,” a new product, and other factors, sales of this segment increased and operating income rose.

In the bioproducts business, sales of diagnostic enzymes, which are mainstay products in this business, continued to be favorable in Japan and overseas. In the medical products business, sales increased because of the rise in demand for contract manufacturing of pharmaceuticals, steady performance in the injectable solutions project, and the start-up of new production facilities. In the medical devices business, the full-scale marketing of “Nerbridge” began after the National Health Insurance system declared “Nerbridge” eligible for insurance coverage. In the functional membrane business, although recovery in sales of membranes for medical use in the domestic market was delayed, the performance of overall shipments was favorable, supported by new, major orders of reverse osmosis membrane elements for seawater desalination plants in Saudi Arabia and firm shipments of replacement membranes for existing desalination plants in Japan and overseas.

As a result, sales in this segment decreased ¥0.5 billion (3.7%) over the same period of the previous year, to ¥13.1 billion, and operating income up ¥1.0 billion (63.8%), to ¥2.6 billion.

Textiles

Sales in this segment showed a decline and operating income increased.

Profitability of sports apparel deteriorated because of the decline in the value of the yen, which increased the cost of products manufactured overseas. However, among other textile products, sales of textile materials for traditional Arabic menswear held firm, and income improved because of the downward correction in the high values of the yen. Sales of acrylic fiber to China held firm.

As a result, sales in this segment decreased ¥1.1 billion (2.7%) from the same quarter of the previous year, to ¥39.7 billion, and operating income up ¥2.3 billion, to ¥1.8 billion.

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 increased ¥0.0 billion (0.2%) from the same period of the previous fiscal year to ¥12.1 billion, with operating income up ¥0.1 billion (8.6%) to ¥1.4 billion.

(2) Qualitative Information on the Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets at the end of the subject first half (September 30, 2013) decreased ¥0.9 billion (0.2%) from the end of the previous fiscal year (March 31, 2013) to ¥446.5 billion. This was due mainly to declines in cash and deposits.

Total liabilities decreased ¥5.9 billion (2.0%) to ¥286.0 billion. This was due mainly to declines in long-term loans payable and other in noncurrent liabilities.

Total net assets increased ¥5.0 billion (3.2%) to ¥160.5 billion. This was due mainly to an increase in retained earnings, valuation difference on available-for-sale securities and foreign currency translation adjustment.

Cash Flows

Net cash provided by operating activities amounted to ¥17.0 billion in the subject first half period. This was due mainly to ¥8.2 billion in income before income taxes; ¥6.8 billion in depreciation and amortization; and a ¥3.5 billion decrease in notes and accounts receivable-trade.

Net cash used in investing activities amounted to ¥14.0 billion. This was due mainly to ¥12.2 billion in expenditures for the purchase of property, plant and equipment and intangible assets.

Net cash used in financing activities amounted to ¥11.9 billion. This was due mainly to ¥10.0 billion in redemption of bonds.

As a result, the balance of cash and cash equivalents at the end of the subject first half (September 30, 2013) stood at ¥19.1 billion, a decrease of ¥7.4 billion from the end of the previous fiscal year (March 31, 2013).

(3) Qualitative Information on Consolidated Forecasts

The performance of the Toyobo Group during the first half was generally as forecast. Regarding the outlook for performance for the full fiscal year, no changes have been made in the previous outlook announced.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2013) (Condensed)	Current First Half (As of September 30, 2013)
Assets		
Current assets		
Cash and deposits	26,600	19,210
Notes and accounts receivable-trade	74,598	73,038
Merchandise and finished goods	43,073	43,315
Work in process	14,179	15,126
Raw materials and supplies	13,757	14,192
Other	12,729	11,630
Allowance for doubtful accounts	(198)	(353)
Total current assets	184,739	176,158
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	46,239	46,428
Machinery, equipment and vehicles, net	33,876	36,729
Land	106,202	106,790
Other, net	15,956	18,576
Total property, plant and equipment	202,273	208,523
Intangible assets	1,242	2,720
Investments and other assets		
Other	60,417	60,449
Allowance for doubtful accounts	(1,226)	(1,325)
Total investments and other assets	59,191	59,124
Total noncurrent assets	262,707	270,367
Total assets	447,445	446,525

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2013) (Condensed)	Current First Half (As of September 30, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	48,452	50,383
Short-term loans payable	51,211	50,536
Current portion of long-term loans payable	21,815	29,372
Provision	4,036	4,148
Other	39,316	28,720
Total current liabilities	164,831	163,159
Noncurrent liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	52,278	49,149
Provision for retirement benefits	17,576	18,182
Provision for directors' retirement benefits	379	300
Provision for environmental measures	1,771	1,670
Other	35,088	33,572
Total noncurrent liabilities	127,093	122,873
Total liabilities	291,923	286,031
Net assets		
Shareholders' equity		
Capital stock	51,730	51,730
Capital surplus	32,239	32,239
Retained earnings	21,568	23,428
Treasury stock	(295)	(266)
Total shareholders' equity	105,242	107,130
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,815	4,106
Deferred gains or losses on hedges	(72)	(56)
Revaluation reserve for land	41,422	41,422
Foreign currency translation adjustment	(11,384)	(9,580)
Total accumulated other comprehensive income	32,782	35,892
Minority interests	17,498	17,470
Total net assets	155,522	160,493
Total liabilities and net assets	447,445	446,525

(2) Consolidated Statements of Income

(Millions of yen)

	Previous First Half (From April 1, 2012 To September 30, 2012)	Current First Half (From April 1, 2013 To September 30, 2013)
Net sales	171,117	174,485
Cost of sales	135,792	136,032
Gross profit	35,325	38,454
Selling, general and administrative expenses	27,692	27,186
Operating income	7,633	11,268
Non-operating income		
Foreign exchange gains	-	558
Other	2,149	1,887
Total non-operating income	2,149	2,445
Non-operating expenses		
Interest expenses	964	852
Amortization of net retirement benefit obligation at transition	786	785
Other	1,555	1,291
Total non-operating expenses	3,305	2,927
Ordinary income	6,477	10,785
Extraordinary income		
Gain on sales of noncurrent assets	204	-
Gain on bargain purchase	-	595
Other	141	17
Total extraordinary income	345	612
Extraordinary loss		
Loss on disposal of noncurrent assets	484	764
Loss on valuation of investment securities	849	-
Loss on restructuring of business	-	1,138
Other	907	1,255
Total extraordinary losses	2,239	3,157
Income before income taxes and minority interests	4,582	8,240
Income taxes	1,522	2,552
Income before minority interests	3,060	5,688
Minority interests in income	357	531
Net income	2,703	5,157

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous First Half (From April 1, 2012 To September 30, 2012)	Current First Half (From April 1, 2013 To September 30, 2013)
Income before minority interests	3,060	5,688
Other comprehensive income		
Valuation difference on available-for-sale securities	(485)	1,297
Deferred gains or losses on hedges	0	16
Foreign currency translation adjustment	(62)	1,805
Share of other comprehensive income of associates accounted for using equity method	(35)	51
Total other comprehensive income	(582)	3,170
Comprehensive income	2,478	8,858
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,112	8,278
Comprehensive income attributable to minority interests	366	579

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous First Half (From April 1, 2012 To September 30, 2012)	Current First Half (From April 1, 2013 To September 30, 2013)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	4,582	8,240
Depreciation and amortization	6,403	6,767
Interest expenses	964	852
Decrease (increase) in notes and accounts receivable-trade	3,498	3,541
Decrease (Increase) in inventories	5,601	182
Increase (decrease) in notes and accounts payable-trade	(4,099)	812
Other, net	(1,769)	(1,674)
Subtotal	15,181	18,719
Income taxes (paid) refund	(614)	(1,764)
Net cash provided by (used in) operating activities	14,567	16,955
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment and intangible assets	(7,289)	(12,200)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(3,093)
Proceeds from demerger	-	739
Other, net	1,140	569
Net cash provided by (used in) investing activities	(6,149)	(13,985)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(697)	(1,048)
Proceeds from long-term loans payable	13,950	13,735
Repayment of long-term loans payable	(13,071)	(9,718)
Redemption of bonds	-	(10,000)
Cash dividends paid	(3,089)	(3,102)
Interest expenses paid	(938)	(900)
Other, net	(1,548)	(839)
Net cash provided by (used in) financing activities	(5,394)	(11,872)
Effect of exchange rate change on cash and cash equivalents	(34)	356
Net increase(decrease) in cash and cash equivalents	2,989	(8,545)
Cash and cash equivalents at beginning of period	9,481	26,467
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	334	1,103
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	-	40
Cash and cash equivalents at end of period	12,804	19,064

(4) Note to Going Concern

Not applicable

(5) Notes on Significant Changes in Shareholders' Equity

Not applicable

(6) Segment Information

Segment sales and operating income

1) Six months ended September 30, 2012 (from April 1, 2012 to September 30, 2012)

(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	70,549	35,047	12,591	40,832	1,887	160,906	10,211	171,117	—	171,117
(2) Inter-segment sales and transfers	-	107	46	96	627	876	5,438	6,314	(6,314)	—
Total	70,549	35,154	12,638	40,927	2,514	161,782	15,649	177,431	(6,314)	171,117
Operating Income (loss)	4,310	2,590	1,600	(535)	808	8,774	440	9,213	(1,580)	7,633

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

2. Includes segment income adjustment of (¥1,580) million, eliminations of inter segment transactions of (¥ 101) million, and companywide expenses that are not allocated across reporting segments of (¥1,479) 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) Six months ended September 30, 2013 (from April 1, 2013 to September 30, 2013)

(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	74,902	34,674	13,056	39,729	1,947	164,308	10,177	174,485	—	174,485
(2) Inter-segment sales and transfers	28	95	50	89	611	873	8,027	8,900	(8,900)	—
Total	74,930	34,769	13,106	39,817	2,558	165,181	18,204	183,385	(8,900)	174,485
Operating Income (loss)	4,834	2,348	2,621	1,767	906	12,476	449	12,925	(1,658)	11,268

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

2. Includes segment income adjustment of (¥1,658) million, eliminations of inter segment transactions of (¥ 285) million, and companywide expenses that are not allocated across reporting segments of (¥1,372) 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.