

Consolidated Financial Report for the Third Quarter ended December 31, 2013

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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Quarterly report filing date (Planned): February 14, 2014

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	%
2013	257,478	3.3	15,327	41.8	14,360	51.9	6,451	43.1
2012	249,292	(3.7)	10,806	(24.0)	9,451	(23.1)	4,507	(13.5)

(Note) Comprehensive income: Third Quarter ended December 31, 2013: ¥ 10,945 million 91.6%,

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

	Net income per share	Net income per share after dilution
	Yen	Yen
2013	7.26	-
2012	5.08	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
December 31, 2013	452,717	162,440	32.0
March 31, 2013	447,445	155,522	30.8

(Reference) Total shareholders' equity: December 31, 2013: ¥144,893 million, March 31, 2013: ¥138,024 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
2013	—	0.00	—	3.50	3.50
2014	—	0.00	—		
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	%
Fiscal Year	350,000	3.2	22,000	28.8	19,500	25.6

	Net income		Net income per share
	Millions of yen	%	Yen
Fiscal Year	9,500	24.4	10.69

(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 : 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):

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

December 31, 2013: 1,944,246 shares	March 31, 2013: 2,039,578 shares
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 - 3) Average number of shares outstanding for each period (cumulative term):

Nine months ended December 31	2013: 888,564,261 shares
	2012: 886,659,057 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 (April 1, 2013 to December 31, 2013) was characterized overseas by a slowing of growth in the newly emerging countries of Asia, including China; the continuation of economic stagnation in the European region; and concerns about the scaling back of quantitative easing in the United States. As a result of these factors, future trends continued to be uncertain. On the other hand, in Japan, the economy continued to recover at a moderate pace against a background of higher stock prices and firm consumer spending supported by the surge in demand prior to the scheduled increase in the consumption tax and other factors.

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 growth by expanding its businesses in Japan and overseas markets through developing specialty products and increasing their sales. During the period under review, Toyobo continued to implement strategic actions aimed at further expanding its businesses according to plan. These were “investing to expand capacity,” “accelerating overseas business development,” “developing new products,” and “improving asset efficiency.”

Specific activities in the field of “investing to expand capacity” included proceeding with the start-up of multi-functional polyester film facilities in the packaging and industrial film businesses that are capable of responding flexibly to changes in the market environment. At present, Toyobo has begun to ship out-put of these facilities to users for assessment. In the area of “accelerating overseas business development,” Toyobo began the production of copolyester “VYLON” in the facilities of its joint venture company in Thailand and worked to strengthen its business base in Asian markets. In addition, in Brazil, Toyobo began construction work on a new engineering plastic production facility in response to the expansion of the automobile market and the shift of its main customers to local procurement. In the field of “developing new products,” Toyobo focused on expanding sales of its super retarder film (SRF) for LCDs, which has special optical properties, and “NERBRIDGE,” its conduit for nerve regeneration. In the case of “NERBRIDGE,” Toyobo reported steady increases in the number of successful applications for hand and leg treatment cases, and in some areas began application to facial areas. In the area of “improving asset efficiency,” Toyobo exited the polyester tire cord business as planned and had completely suspended sales in December 2013.

As a result, consolidated net sales during the third quarter of the fiscal year increased ¥8.2 billion (3.3%), from the same period of the previous fiscal year, to ¥257.5 billion, with operating income up ¥4.5 billion (41.8%), to ¥15.3 billion; ordinary income increased ¥4.9 billion (51.9%), to ¥14.4 billion; and net income was up ¥1.9 billion (43.1%), to ¥6.5 billion.

Results by business segments were as follows.

Films and Functional Polymers

Within this segment, in the films business, sales in the packaging films business experienced tough conditions, but sales of industrial films held firm, despite a sense of deceleration in demand for LCD-related uses. In the functional polymers business, conditions in the markets for industrial adhesive “VYLON” were difficult, but sales of engineering plastics and other products for use in automotive components were favorable. As a result, this segment reported an overall increase in sales and higher operating income compared with the same period of the previous fiscal year.

In the films business, although sales of packaging films showed growth in volume terms, conditions were severe, in part because of the rise in raw material prices. In the industrial films business, performance was influenced by the weakening of the LCD market from the second quarter onward, but due in part to the contribution of SRF, a new product, sales were firm. In the functional plastics business, although there were signs of recovery in sales of industrial adhesive “VYLON,” conditions continued to be tough for electronic component applications in China. Sales of engineering plastics, which are used principally in automotive parts and materials, were favorable, mainly in the North American market.

As a result, sales in this segment increased ¥7.1 billion (6.8%) from the same period of the previous year, to ¥111.6 billion, and operating income increased ¥0.2billion (3.5%), to ¥6.1 billion.

Industrial Materials

Within this segment, the environment-related businesses were adversely affected by weakness in the Chinese market, but sales of products for consumer and industrial uses showed favorable performances. In addition, Toyobo completed its withdrawal from the tire cord business, and this segment reported an overall increase in sales and higher operating income compared with the same period of the previous fiscal year.

In the airbag fabrics business, although sales expanded in volume terms, mainly to North America, performance was influenced by the rise in raw material prices. Sales in the tire cord business dropped sharply because of Toyobo’s withdrawal from this business. Sales of high-performance fiber “Dyneema,” which is a product mainly for ropes used on ships, expanded in volume terms and were favorable, but sales of “ZYLON,” for use in heat-resistant materials and other applications, experienced weakness. In the functional filters business, operating conditions in volatile organic compound (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, resulting in an overall increase in sales.

As a consequence, sales in this segment increased ¥0.1 billion (0.1%) from the same

period of the previous year, to ¥51.5 billion, and operating income rose ¥0.3 billion (7.5%), to ¥3.7 billion.

Life Science

In this segment, conditions for sales of membranes for medical applications were difficult, but sales in the bioproducts business and the contract manufacturing of pharmaceuticals held firm. As a result, this segment reported an overall increase in sales and higher operating income compared with the same period of the previous fiscal year.

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 the contract manufacturing of pharmaceuticals, steady performance in the injectable solutions field, and the full-scale start-up of new production facilities. These positive developments led to an increase in sales in this business. In the medical devices business, the marketing of “NERBRIDGE,” a conduit for nerve regeneration, began after it received approval for health insurance coverage, and the number of successful applications rose steadily. In the functional membrane business, conditions were difficult in the medical membrane field both in Japan and overseas. However, shipments of reverse osmosis membrane elements for seawater desalination were favorable, supported by major new projects for desalination facilities in Saudi Arabia and demand for the replacement of membranes at existing plants.

As a result, sales in this segment increased ¥1.5 billion (8.1%) over the same period of the previous year, to ¥19.6 billion, and operating income increased ¥1.3 billion (53.2%), to ¥3.8 billion.

Textiles

Sales in this segment showed a decrease and operating was higher than during the same period of the previous fiscal year.

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 ¥0.6 billion (1.1%) from the same period of the previous year, to ¥56.7 billion, and operating income showed a turn for the better, moving from a loss of ¥0.7 billion in the same period of the previous year to operating income of ¥2.2 billion for the period under review.

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 ¥0.2 billion (1.1%) from the same period of the previous fiscal year to ¥18.1 billion, with operating income down ¥0.0 billion (1.9%) to ¥1.9 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, 2013) improved ¥5.3 billion (1.2%) from the end of the previous fiscal year (March 31, 2013) to ¥452.7 billion. This was due mainly to increases in merchandise and finished goods and other property, plant and equipment.

Total liabilities decreased ¥1.6 billion (0.6%) to ¥290.3 billion. This was due mainly to a decrease in other current liability and other noncurrent liability.

Total net assets improved ¥6.9 billion (4.4%) to ¥162.4 billion. This was due mainly to an increase in retained earnings, valuation difference on available-for-sale securities and foreign currency translation adjustment.

(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 Third Quarter (As of December 31, 2013)
Assets		
Current assets		
Cash and deposits	26,600	18,620
Notes and accounts receivable-trade	74,598	72,595
Merchandise and finished goods	43,073	46,675
Work in process	14,179	16,090
Raw materials and supplies	13,757	15,201
Other	12,729	11,411
Allowance for doubtful accounts	(198)	(341)
Total current assets	184,739	180,252
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	46,239	46,582
Machinery, equipment and vehicles, net	33,876	36,638
Land	106,202	106,768
Other, net	15,956	19,077
Total property, plant and equipment	202,273	209,066
Intangible assets	1,242	2,744
Investments and other assets		
Other	60,417	62,304
Allowance for doubtful accounts	(1,226)	(1,650)
Total investments and other assets	59,191	60,654
Total noncurrent assets	262,707	272,465
Total assets	447,445	452,717

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2013) (Condensed)	Current Third Quarter (As of December 31, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	48,452	52,571
Short-term loans payable	51,211	50,277
Current portion of long-term loans payable	21,815	24,531
Provision	4,036	2,010
Other	39,316	37,161
Total current liabilities	164,831	166,550
Noncurrent liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	52,278	50,480
Provision for retirement benefits	17,576	18,490
Provision for directors' retirement benefits	379	322
Provision for environmental measures	1,771	1,579
Other	35,088	32,855
Total noncurrent liabilities	127,093	123,726
Total liabilities	291,923	290,277
Net assets		
Shareholders' equity		
Capital stock	51,730	51,730
Capital surplus	32,239	32,239
Retained earnings	21,568	24,721
Treasury stock	(295)	(269)
Total shareholders' equity	105,242	108,420
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,815	4,830
Deferred gains or losses on hedges	(72)	(17)
Revaluation reserve for land	41,422	41,422
Foreign currency translation adjustment	(11,384)	(9,762)
Total accumulated other comprehensive income	32,782	36,473
Minority interests	17,498	17,547
Total net assets	155,522	162,440
Total liabilities and net assets	447,445	452,717

(2) Consolidated Statements of Income

(Millions of yen)

	Previous Third Quarter (From April 1, 2012 To December 31, 2012)	Current Third Quarter (From April 1, 2013 To December 31, 2013)
Net sales	249,292	257,478
Cost of sales	197,440	200,267
Gross profit	51,852	57,211
Selling, general and administrative expenses	41,046	41,884
Operating income	10,806	15,327
Non-operating income		
Foreign Exchange Gain	220	981
Other	3,046	2,770
Total non-operating income	3,267	3,751
Non-operating expenses		
Interest expenses	1,442	1,235
Amortization of net retirement benefit obligation at transition	1,179	1,179
Other	2,001	2,303
Total non-operating expenses	4,622	4,717
Ordinary income	9,451	14,360
Extraordinary income		
Gain on sales of noncurrent assets	0	595
Gain on sales of securities	345	80
Total extraordinary income	345	675
Extraordinary loss		
Loss on disposal of noncurrent assets	651	1,116
Loss on valuation of investment securities	601	0
Loss on restructuring of business	0	1,138
Loss on litigation	1,036	1,292
Other	227	719
Total extraordinary losses	2,515	4,265
Income before income taxes and minority interests	7,282	10,770
Income taxes	2,241	3,558
Income before minority interests	5,041	7,212
Minority interests in income	534	761
Net income	4,507	6,451

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous Third Quarter (From April 1, 2012 To December 31, 2012)	Current Third Quarter (From April 1, 2013 To December 31, 2013)
Income (loss) before minority interests	5,041	7,212
Other comprehensive income		
Valuation difference on available-for-sale securities	907	2,016
Deferred gains or losses on hedges	23	55
Foreign currency translation adjustment	(268)	1,608
Share of other comprehensive income of associates accounted	10	55
Total other comprehensive income	673	3,733
Comprehensive income	5,714	10,945
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	5,170	10,143
Comprehensive income attributable to minority interests	544	803

(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, 2012 (from April 1, 2012 to December 31, 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	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.

2) Nine months ended December 31, 2013 (from April 1, 2013 to December 31, 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	111,623	51,456	19,563	56,743	2,877	242,262	15,216	257,478	—	257,478
(2) Inter-segment sales and transfers	29	122	74	153	914	1,292	10,934	12,226	(12,226)	—
Total	111,652	51,578	19,637	56,896	3,791	243,555	26,150	269,705	(12,226)	257,478
Operating Income (loss)	6,129	3,710	3,821	2,203	1,347	17,210	599	17,808	(2,482)	15,327

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

2. Includes segment income adjustment of (¥2,482) million, eliminations of inter segment transactions of (¥ 350) million, and companywide expenses that are not allocated across reporting segments of (¥2,132) 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.