

Consolidated Financial Report for the First Half ended September 30, 2011

Toyobo Co., Ltd.

Listed on the First Section of both the TSE and OSE

Stock Code: 3101

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

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Quarterly report filing date (Planned): November 7, 2011

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 3/2012	178,121	4.9	11,047	0.9	10,142	13.4	5,199	—
FY 3/2011	169,738	9.6	10,949	265.1	8,946	607.5	(1,916)	—

	Net income per share	Net income per share after dilution
	Yen	Yen
FY 3/2012	5.86	5.86
FY 3/2011	(2.57)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
September 30, 2011	437,863	144,692	29.1
March 31, 2011	443,516	149,773	28.4

(Reference) Total shareholders' equity: September 30, 2011: ¥127,535 million, March 31, 2011: ¥125,770 million

2. Dividends

Record date	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 3/2011	—	0.00	—	3.50	3.50
FY 3/2012	—	0.00			
FY 3/2012 (Forecast)			—	3.50	3.50

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

3. Forecasts for Fiscal Year Ending March 31, 2012

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 3/2012	355,000	4.2	22,000	5.3	19,000	11.5

	Net income		Net income per share
	Millions of yen	%	Yen
FY 3/2012	9,000	116.6	10.15

(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, 2011: 890,487,922 shares	March 31, 2011: 890,487,922 shares
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 - 2) Number of treasury stock

September 30, 2011: 3,840,059 shares	March 31, 2011: 3,833,088 shares
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 - 3) Average number of shares outstanding for each period (cumulative term):

Six months ended September 30	2011: 886,651,354 shares
	2010: 746,681,453 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 during the first half of fiscal 2012, ending March 31, 2012 (April 1, 2011, through September 30, 2011), in the domestic economy was characterized by signs of recovery, as a result of faster progress toward reconstruction and restoration following the Great East Japan Earthquake, which did major damage to supply chains. However, economic conditions remained challenging because of the decline in competitiveness due to the historically high value of the yen, weakness in consumer spending, and other factors. In overseas economies, growth overall was moderate, led by China and other Asian countries, but, as a result of the prolongation of the financial and monetary problems in EU, the feeling of deceleration in the U.S. economy, and other factors, uncertainty regarding economic trends increased substantially.

Amid this operating environment, the Toyobo Group aimed to become “The category leader for providing new value in the environment, life science, and high-function products fields.” Toyobo worked to expand sales of new products, including high-melting point polyamide resin made from biomass in the environment field and enzymes for the self-monitoring of blood glucose in the life sciences field. In the field of high-function products, Toyobo also focused on increasing sales of new products, including heat-shrink film for use in packaging PET bottles, films for touch panels, and films for the manufacturing process of ceramic capacitors. Also, Toyobo moved forward with the expansion of its specialty businesses. These initiatives included the decision to build hybrid-type production facilities of polyester films for both industrial films and packaging films and, in the contract manufacturing of pharmaceuticals business, the decision to expand its capacity for the production of injectable pharmaceuticals.

As a result, consolidated net sales during the first half of the fiscal year increased ¥8.4 billion (4.9%), from the same period of the previous fiscal year, to ¥178.1 billion, with operating income up ¥0.1 billion (0.9%), to ¥11.0 billion; ordinary income rising ¥1.2 billion (13.4%), to ¥10.1 billion; and net income increasing ¥7.1 billion, to ¥5.2 billion (versus a net loss of ¥1.9 billion for the same period of the previous fiscal year).

Results by business segment were as follows.

Films and Functional Polymers

This segment reported steady performance in packaging films for food, but sales increased and operating income decreased compared with the same period of the previous year, influenced by the effects of production adjustments among users in the LCD industry and the impact of the earthquake on users in the automotive industry.

In the films business, revenue from packaging films for food expanded. Revenue from industrial films held firm as the smartphone-related market expanded and films for use in touch panels and the manufacturing process of ceramic capacitors continued to be favorable. However, films for use in the flat panel display industry were influenced by production

adjustments by users in the industry.

In the Functional Polymers business, revenue from the “VYLON” series of industrial adhesives was influenced by inventory adjustments among some overseas electronic component manufacturers in the latter half of the period under review. However, demand for “VYLON” held firm and revenues of this business expanded. Engineering plastics experienced tough conditions due to production cutbacks among major users in the automotive field. Revenues from acrylic resins expanded because of their water absorbing and other functional properties, and PET resins for use in beverage bottles reported a favorable performance in volume terms.

As a result, sales in this segment increased ¥6.8 billion (10.6%) from the same period of the previous year, to ¥70.8 billion, and operating income decreased ¥0.4 billion (6.1%), to ¥6.5 billion.

Industrial Materials

In this segment, the volume of sales to the automotive industry decreased because of the effects of the Great East Japan Earthquake, but sales to the environment-related industries continued to be firm, and, as a consequence, this segment reported an overall increase decrease in sales and an increase in operating income.

Revenues from airbag fabrics recovered in volume terms in the second quarter, but remained below the level of the same period of the previous fiscal year. Sales of the high-performance fiber “Dyneema” were influenced to some degree by the earthquake, but sales in volume terms held firm. In the Functional Filters business, sales of filters for use in air conditioners continued to be favorable, and, accompanying the trend toward imposing environmental regulations in the Asian region, sales of VOC* emissions treatment equipment increased significantly. Moreover, demand for bag filters used in overseas thermal power plants for dust filtration remained strong.

*VOC: Volatile organic compounds

As a consequence, sales in this segment decreased ¥0.2 billion (0.7%) from the same period of the previous year, to ¥34.3 billion, and operating income rose ¥0.0 billion (1.6%), to ¥2.4 billion.

Life Science

Performance of the products and services of the businesses of this segment—which include bioproducts, the contract manufacturing of pharmaceuticals, and functional membranes—remained favorable. Sales increased and operating income decreased.

In the bioproducts business, sales of enzymes for diagnostic reagents, which are the principal product in this field, expanded, led mainly by exports. In medical business, orders for

the contract manufacturing of pharmaceuticals remained firm. In the functional membranes business, sales increased, mainly for membranes for medical use in the domestic market. Sales of water treatment membranes for replacement at existing plants in Japan and overseas were favorable, but were influenced by foreign currency fluctuations. In the fine chemical business, sales of intermediate medicines decreased in volume year on year.

As a result, sales in this segment increased ¥0.7 billion (4.4%) over the same period of the previous year, to ¥15.6 billion, and operating income declined ¥0.1 billion (4.3%), to ¥1.6 billion.

Textiles

In this segment, sales decreased and operating income increased compared with the same period of the previous year.

In the apparel business, Toyobo expanded sales of sports apparel, but products for sale in department stores experienced tough conditions because of the effects of the earthquake. In the inner wear field, sales mainly of functional textiles showed steady expansion in volume terms. In the textiles field, performance in the uniform business was steady, and, while demand for textile materials for traditional Arabic menswear of the Middle East grew in volume terms, the appreciation of the yen made market conditions difficult. Demand for acrylic fiber "EXLAN" as a unique fiber was strong in Japan and overseas, and sales in volume terms were firm.

As a consequence, sales in this segment declined ¥0.1 billion (0.1%) from the same period of the previous year, to ¥44.2 billion, but operating income showed a gain of ¥0.6 billion (218.4%), to ¥0.9 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 ¥1.2 billion (10.1%) from the same period of the previous fiscal year to ¥13.2 billion, with operating income down ¥0.1 billion (5.5%) to ¥1.1 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, 2011) decreased ¥5.7 billion (1.3%) from the end of the previous fiscal year (March 31, 2011) to ¥437.9 billion. This was due mainly to declines in Cash and deposits.

Total liabilities decreased ¥0.6 billion (0.2%) to ¥293.2 billion. This was due mainly to declines in current installments of long-term debt.

Total net assets decreased ¥5.1 billion (3.4%) to ¥144.7 billion. This was due mainly to an increase in retained earnings, which offset a decline in minority interests.

Cash Flows

Net cash provided by operating activities amounted to ¥9.6 billion in the subject first half period. This was due mainly to ¥8.7 billion in income before income taxes; ¥9.5 billion in depreciation and amortization; and a ¥8.0 billion increase in Inventory.

Net cash used in investing activities amounted to ¥6.2 billion. This was due mainly to ¥6.9 billion in expenditures for the purchase of property, plant and equipment and intangible assets.

Net cash used in financing activities amounted to ¥13.4 billion. This was due mainly to ¥12.8 billion in repayment of long-term loans payable.

As a result, the balance of cash and cash equivalents at the end of the subject first half (September 30, 2011) stood at ¥12.0 billion, a decrease of ¥9.9 billion from the end of the previous fiscal year (March 31, 2011).

(3) Qualitative Information on Consolidated Forecasts

Through the end of the second quarter under review, the decline in the volume of sales due to the effects of the Great East Japan Earthquake was limited to the automotive and certain other industries. As a result of strong conditions in the electronic components and environment-related fields, the Company's consolidated net sales and all indicators of consolidated profitability exceeded the previously issued forecast.

For fiscal 2012, we expect that demands of the environment-related industries will continue to be firm, and shipments which were confined by the effects of the earthquake will recover. However, there are still uncertainties regarding economic trends in developed countries, such as concern about the negative impact by continuation of the increase in the value of the yen against other currencies to historically high levels, weakness in consumer spending, a volatile economic situation in overseas, and other factors.

In view of these and other considerations, for its full-year results forecast, Toyobo is making no changes to the forecast announced on August 5, 2011.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2011) (Condensed)	Current First Half (As of September 30, 2011)
Assets		
Current assets		
Cash and deposits	22,014	12,163
Notes and accounts receivable-trade	72,647	73,455
Merchandise and finished goods	38,794	44,878
Work in process	13,803	14,663
Raw materials and supplies	13,391	14,462
Other	11,668	11,860
Allowance for doubtful accounts	(316)	(234)
Total current assets	172,001	171,246
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	47,510	47,068
Machinery, equipment and vehicles, net	37,026	36,233
Land	106,949	106,799
Other, net	12,267	11,064
Total property, plant and equipment	203,751	201,163
Intangible assets	1,872	1,716
Investments and other assets		
Other	67,341	65,158
Allowance for doubtful accounts	(1,450)	(1,421)
Total investments and other assets	65,892	63,737
Total noncurrent assets	271,515	266,617
Total assets	443,516	437,863

(Millions of yen)

	Previous Fiscal Year (As of March 31, 2011) (Condensed)	Current First Half (As of September 30, 2011)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	49,068	51,903
Short-term loans payable	49,870	51,011
Current portion of long-term loans payable	26,990	25,757
Provision	4,276	4,290
Other	33,239	31,407
Total current liabilities	163,444	164,369
Noncurrent liabilities		
Bonds payable	15,000	15,000
Long-term loans payable	52,990	52,708
Provision for retirement benefits	15,867	16,614
Provision for directors' retirement benefits	435	385
Provision for environmental measures	1,085	1,076
Other	44,923	43,020
Total noncurrent liabilities	130,299	128,802
Total liabilities	293,743	293,171
Net assets		
Shareholders' equity		
Capital stock	51,730	51,730
Capital surplus	32,227	32,227
Retained earnings	15,481	17,582
Treasury stock	(562)	(563)
Total shareholders' equity	98,876	100,976
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	305	(299)
Deferred gains or losses on hedges	(159)	(183)
Revaluation reserve for land	38,132	38,120
Foreign currency translation adjustment	(11,384)	(11,079)
Total accumulated other comprehensive income	26,894	26,559
Minority interests	24,003	17,157
Total net assets	149,773	144,692
Total liabilities and net assets	443,516	437,863

(2) Consolidated Statements of Income

(Millions of yen)

	Previous First Half (From April 1, 2010 To September 30, 2010)	Current First Half (From April 1, 2011 To September 30, 2011)
Net sales	169,738	178,121
Cost of sales	131,343	139,314
Gross profit	38,395	38,807
Selling, general and administrative expenses	27,445	27,760
Operating income	10,949	11,047
Non-operating income		
Other	2,351	2,575
Total non-operating income	2,351	2,575
Non-operating expenses		
Interest expenses	1,365	1,051
Amortization of net retirement benefit obligation at transition	785	786
Other	2,204	1,643
Total non-operating expenses	4,354	3,480
Ordinary income	8,946	10,142
Extraordinary income		
Gain on sales of noncurrent assets	9	97
Gain on sales of securities	-	34
Other	29	-
Total extraordinary income	38	131
Extraordinary loss		
Loss on litigation	961	1,124
Other	7,169	471
Total extraordinary losses	8,130	1,595
Income before income taxes and minority interests	854	8,678
Income taxes	2,307	2,711
Income (loss) before minority interests	(1,452)	5,967
Minority interests in income	464	768
Net income (loss)	(1,916)	5,199

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous First Half (From April 1, 2010 To September 30, 2010)	Current First Half (From April 1, 2011 To September 30, 2011)
Income (loss) before minority interests	(1,452)	5,967
Other comprehensive income		
Valuation difference on available-for-sale securities	804	(594)
Deferred gains or losses on hedges	(54)	(24)
Foreign currency translation adjustment	(254)	299
Share of other comprehensive income of associates accounted for using equity method	(78)	(5)
Total other comprehensive income	417	(324)
Comprehensive income	(1,035)	5,643
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(1,487)	4,876
Comprehensive income attributable to minority interests	452	767

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous First Half (From April 1, 2010 To September 30, 2010)	Current First Half (From April 1, 2011 To September 30, 2011)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	854	8,678
Depreciation and amortization	9,193	9,460
Interest expenses	1,365	1,051
Decrease (increase) in notes and accounts receivable-trade	2,392	(930)
Increase in inventories	(876)	(7,975)
Increase (decrease) in notes and accounts payable-trade	(641)	3,069
Other, net	5,375	(2,861)
Subtotal	17,663	10,493
Income taxes (paid) refund	223	(896)
Net cash provided by operating activities	17,886	9,597
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment and intangible assets	(5,734)	(6,942)
Other, net	1,072	788
Net cash used in investing activities	(4,662)	(6,154)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(3,127)	1,141
Proceeds from long-term loans payable	12,528	11,300
Repayment of long-term loans payable	(18,936)	(12,818)
Payments for retirement by preferred securities	-	(7,242)
Cash dividends paid	(2,596)	(3,085)
Interest expenses paid	(1,338)	(1,119)
Other, net	(1,559)	(1,607)
Net cash used in financing activities	(15,027)	(13,430)
Effect of exchange rate change on cash and cash equivalents	(187)	65
Net decrease in cash and cash equivalents	(1,990)	(9,921)
Cash and cash equivalents at beginning of period	9,953	21,927
Cash and cash equivalents at end of period	7,963	12,006

(4) Note to Going Concern

Not applicable

(5) Segment Information

Segment sales and operating income

1) Six months ended September 30, 2010 (from April 1, 2010 to September 30, 2010)

(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	64,037	34,544	14,927	44,266	1,813	159,586	10,152	169,738	—	169,738
(2) Inter-segment sales and transfers	367	180	20	210	634	1,411	3,808	5,219	(5,219)	-
Total	64,404	34,724	14,947	44,476	2,447	160,997	13,959	174,957	(5,219)	169,738
Operating Income (loss)	6,917	2,380	1,699	267	814	12,078	400	12,478	(1,528)	10,949

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

2. Includes segment income adjustment of (¥1,528) million, eliminations of inter segment transactions of (¥ 7.9) million, and companywide expenses that are not allocated across reporting segments of (¥1,449) 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, 2011 (from April 1, 2011 to September 30, 2011)

(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	70,834	34,317	15,586	44,206	1,903	166,846	11,275	178,121	—	178,121
(2) Inter-segment sales and transfers	126	43	25	716	626	1,536	4,410	5,946	(5,946)	—
Total	70,960	34,360	15,611	44,922	2,529	168,382	15,685	184,067	(5,946)	178,121
Operating Income (loss)	6,493	2,419	1,626	851	703	12,092	445	12,537	(1,490)	11,047

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

2. Includes segment income adjustment of (¥1,490) million, eliminations of inter segment transactions of (¥ 2.7) million, and companywide expenses that are not allocated across reporting segments of (¥1,463) 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

6) Note to Significant Changes in Shareholders' Equity

Not applicable