

Consolidated Financial Report for the First Quarter ended June 30, 2010

Toyobo Co., Ltd.

Listed on the First Section of both the TSE and OSE

Stock Code: 3101

URL <http://www.toyobo.co.jp/annai/zaimu/>

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Quarterly report filing date (Planned): August 12, 2010

Start of dividend payments (Planned): -

(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	%
2010	82,161	12.9	4,465	-	4,012	-	(2,478)	-
2009	72,792	(25.0)	(721)	-	(1,447)	-	(1,542)	-

	Net income per share	Net income per share after dilution
	Yen	Yen
2010	(3.32)	-
2009	(2.21)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
June 30, 2010	430,411	127,072	23.9	138.02
March 31, 2010	438,439	131,097	24.4	143.43

(Reference) Total shareholders' equity: June 30, 2010: ¥103,057 million, March 31, 2010: ¥107,095 million

2. Dividends

Record date	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 3/2010	-	0.00	-	3.50	3.50
FY 3/2011	-				
FY 3/2011 (Forecast)		0.00	-	3.50	3.50

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

3. Forecasts for Fiscal Year ending March 31, 2011

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim period	173,000	11.7	10,000	233.4	8,500	572.5
Fiscal year	350,000	9.8	22,000	91.8	19,000	155.3

	Net income		Net income per share
	Millions of yen	%	Yen
Interim period	(1,500)	—	(2.01)
Fiscal year	5,000	138.8	6.70

(Note) Revision of earnings forecast for this period: Yes

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: Yes
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: Yes
4. Number of shares issued and outstanding (common share)
 - 1) Number of shares outstanding (including treasury stock):

June 30, 2010: 750,487,922 shares	March 31, 2010: 750,487,922 shares
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 - 2) Number of treasury stock

June 30, 2010: 3,806,926 shares	March 31, 2010: 3,799,615 shares
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 - 3) Average number of shares outstanding for each period (cumulative term):

Three months ended June 30	2010: 746,684,027 shares
	2009: 697,872,384 shares

※ Implementaion status of Quarterly review

This Financial Results report for the First Quarter was exempt from Quartely review which was based on Financial Instruments and Exchange Law of Japan. As of the First Quarter disclosing, Quartely review for the quartely 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.

QUALITATIVE INFORMATION AND FINANCIAL STATEMENTS

(1) Qualitative Information on Consolidated Results

The business environment for the Toyobo Group continued to recover during the first quarter period of fiscal 2011 (the three-month period from April 1 to June 30, 2010). In the Japanese economy, the pace of recovery for domestic demand remained sluggish in such aspects as consumer spending and business investment, but driven by exports amid continued economic expansion in China and other areas of Asia, the economy was positive overall.

Under such circumstances, the Toyobo Group, aiming to become “The category leader for providing new value in the environment, life science, and high-function products fields,” worked to expand sales of high-function products such as materials related to LCDs, electronics components and automotive applications, to bring to market new products such as compact autoanalyzers and films for solar cell backsheets, and to achieve global business development in such areas as Chinese sales of the “VYLON” series of industrial adhesives.

As a result, net sales for the subject first quarter period rose ¥9.4 billion (12.9%) from the same period of the previous fiscal year to ¥82.2 billion, with operating income up ¥5.2 billion from a loss a year earlier to ¥4.5 billion. The net loss for the period increased ¥0.9 billion from the same period of the previous fiscal year to ¥2.5 billion.

Results by business segment were as follows.

Films and Functional Polymers

Sales and earnings both rose considerably in this segment from the same period of the previous fiscal year when the economy was just beginning to recover, due mainly to steadily expanding sales volume centered on the home electronics and automotive fields.

In the films business, demand for packaging films remained steady. For industrial films, revenue was up sharply, boosted by brisk movement of films for LCD and optical uses.

In the functional polymers business, revenue from the “VYLON” series of industrial adhesives increased, centered on electronics components applications to China. Sales volume for engineering plastics and the polyolefin adhesive promoter “HARDLEN” rose sharply, mainly from exports for mainstay automotive applications.

As a result, sales in this segment rose ¥5.8 billion (21.3%) from the same period of the previous fiscal year to ¥32.8 billion, with operating income up ¥4.2 billion from a loss a year earlier to ¥3.8 billion.

Industrial Materials

Sales and earnings both rose from the same period of the previous fiscal year on recovery in the automotive field, and a steady increase in shipments for environmental and safety applications.

Revenue from airbag fabrics and tire cords rose sharply with the recovery in automotive production in Japan and overseas. Sales of the high-performance fiber “Dyneema” expanded in a range of fields, including protective gloves, fishing line and mooring cables for ships. In the

filters field, sales were positive for the functional filters used in automobiles, office equipment and other products, while sales of solvent adsorption equipment rose with the recovery in corporate capital expenditure.

As a result, sales in this segment rose ¥3.7 billion (29.1%) from the same period of the previous fiscal year to ¥16.4 billion, with operating income up ¥1.0 billion from a loss a year earlier to ¥0.7 billion.

Life Science

Sales declined from the same period of the previous fiscal year while earnings rose on steady performance in the bioproducts business, and sluggish growth for the functional membranes business.

In the bioproducts business, sales of enzymes for diagnostic reagents rose steadily despite the impact from the appreciation of the yen. In diagnostic systems, we worked to expand sales of new products, including a diagnostic system for measuring kidney function. The contract manufacturing of pharmaceuticals business held steady.

In the functional membranes business, sales of medical membranes were sluggish due to the impact from drug price revision in Japan in April 2010. For water treatment membranes, shipments to overseas customers dipped temporarily with the completion of shipments for large-scale projects, but held steady in Japan.

As a result, sales in this segment declined ¥0.2 billion (2.3%) from the same period of the previous fiscal year to ¥6.8 billion, with operating income up ¥0.1 billion (12.2%) from a year earlier to ¥0.6 billion.

Textiles

The apparel products business declined sharply as a result of the slowdown in consumption. In the textiles business, products for sports applications were positive, while in underwear applications sales rose for functional materials to volume retailers. Revenue from exports of specialty fabrics to the Middle East region was down slightly due to the appreciation of the yen despite an increase in sales volume. Sales of the acrylic fiber “EXLAN” were severely impacted by rising prices for raw material.

As a result, sales in this segment declined ¥1.0 billion (4.8%) from the same period of the previous fiscal year to ¥20.7 billion, with operating income down ¥0.3 billion for an operating loss of ¥0.3 billion.

Real Estate and Other Businesses

These segments include infrastructure-related businesses such as real estate, engineering, information processing services, and logistics services. Results were essentially in line with plan.

As a result, sales in these segments increased ¥1.1 billion (25.9%) from the same period of the previous fiscal year to ¥5.5 billion, with operating income up ¥0.3 billion (189.5%) to ¥0.5 billion.

(2) Qualitative Information on the Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets at the end of the subject first quarter (June 30, 2010) decreased ¥8.0 billion (1.8%) from the end of the previous fiscal year (March 31, 2010) to ¥430.4 billion. This was due mainly to declines in notes and accounts receivable-trade; other property, plant and equipment; and other noncurrent assets.

Total liabilities decreased ¥4.0 billion (1.3%) to ¥303.3 billion. This was due mainly to declines in the provision for bonuses and long-term loans payable.

Total net assets decreased ¥4.0 billion (3.1%) to ¥127.1 billion. This was due mainly to an increase in valuation difference on available-for-sale securities, which offset a decline in retained earnings.

Cash Flows

Net cash provided by operating activities amounted to ¥8.8 billion in the subject first quarter. This was due mainly to ¥1.2 billion in loss before income taxes; ¥4.6 billion in depreciation and amortization; a ¥4.9 billion decrease in notes and accounts receivable-trade; and a ¥2.5 billion decrease in inventories.

Net cash used in investing activities amounted to ¥2.2 billion. This was due mainly to ¥2.2 billion in expenditures for the acquisition of property, plant and equipment.

Net cash used in financing activities amounted to ¥5.6 billion. This was due mainly to ¥7.2 billion in repayment of long-term loans payable; ¥1.8 billion in cash dividends paid; and ¥4.0 billion in proceeds from long-term loans payable.

As a result, the balance of cash and cash equivalents at the end of the subject first quarter (June 30, 2010) stood at ¥10.9 billion, an increase of ¥1.0 billion from the end of the previous fiscal year (March 31, 2010).

(3) Qualitative Information on Consolidated Forecasts

Toyobo's first quarter sales and operating income rose considerably from the same period of the previous fiscal year, due mainly to expanded sales in the electronics and information displays and automotive fields. However, the Company posted a net loss for the subject period, due to the recording of a loss on valuation of investment securities.

As a result of the impact from this extraordinary loss and other factors, net income for the first half of the subject fiscal year is expected to fall below initial forecasts. However, we anticipate that sales and operating income will exceed initial forecasts for both the first half and full year periods, due mainly to continued strong shipments of films for LCD and optical uses, functional polymers for electronic components and automotive applications, and to robust demand in functional materials for environmental and safety applications, and in the bioproducts business. Accordingly, results forecasts have been revised as follows.

Six months ending September 30, 2010

	Millions of Yen			
	Net Sales	Operating Income	Ordinary Income	Net Income
Previous Forecast (A) (Announced on May 10,2010)	167,000	9,000	7,000	2,000
Revised Forecast (B)	173,000	10,000	8,500	(1,500)
Change (B-A)	6,000	1,000	1,500	(3,500)
Percent Change (%)	3.6	11.1	21.4	---

Year ending March 31, 2011

	Millions of Yen			
	Net Sales	Operating Income	Ordinary Income	Net Income
Previous Forecast (A) (Announced on May 10,2010)	340,000	20,000	16,000	5,000
Revised Forecast (B)	350,000	22,000	19,000	5,000
Change (B-A)	10,000	2,000	3,000	---
Percent Change (%)	2.9	10.0	18.8	---

2. Other Information

(1) Summary of significant changes in subsidiaries

Not applicable

(2) Summary of simplified or special accounting practices

The calculation of income taxes paid at certain consolidated subsidiaries is limited to major items that increase or decrease the amount, and tax credit items.

The figure for income taxes-deferred includes income taxes

(3) Summary of changes in accounting principles, procedures, or presentation method

- (i) Application of “Accounting Standard for Equity Method of Accounting for Investments” and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method”

From the first quarter of the subject fiscal year, Toyobo has applied “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, March 10, 2008) and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (PITF No. 24, March 10, 2008).

There is no impact on loss before income taxes as a result of this change.

(ii) Application of accounting standard for asset retirement obligations

From the first quarter of the subject fiscal year, Toyobo has applied “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 10, 2008).

As a result, the impact on operating income was minimal, but the loss before income taxes for the period increased by ¥0.3 billion.

(iii) Change in the Accounting Classification of the Real Estate Leasing Business

Toyobo has until now recorded real estate-related revenue and expenses as non-operating income and non-operating expenses, respectively. However, real estate-related income increased following the absorption-type company split of Toyobo Real Estate Co., Ltd. on February 1, 2010, and the subject revenue is primarily the result of sales activities. To more properly reflect this situation, from the subject fiscal year the classification of real estate-related revenue and expenses has been changed to “Net sales” and “Cost of sales” in Toyobo’s non-consolidated financial statements.

The impact on gross profit and the operating loss in the first quarter period of the previous fiscal year prior to this change is minimal compared with that after the change. There is no impact on loss before income taxes.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Current First Quarter (As of June 30, 2010)	Previous Fiscal Year (As of March 31, 2010) (Condensed)
Assets		
Current assets		
Cash and deposits	11,079	10,110
Notes and accounts receivable-trade	68,325	72,931
Merchandise and finished goods	38,283	38,538
Work in process	14,384	12,312
Raw materials and supplies	12,438	11,663
Other	11,530	12,323
Allowance for doubtful accounts	(423)	(548)
Total current assets	155,616	157,329
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	48,766	48,872
Machinery, equipment and vehicles, net	39,840	40,569
Land	107,342	107,293
Other, net	11,080	13,517
Total property, plant and equipment	207,029	210,251
Intangible assets	1,998	1,603
Investments and other assets		
Other	67,316	70,793
Allowance for doubtful accounts	(1,548)	(1,538)
Total investments and other assets	65,768	69,255
Total noncurrent assets	274,795	281,110
Total assets	430,411	438,439

(Millions of yen)

	Current First Quarter (As of June 30, 2010)	Previous Fiscal Year (As of March 31, 2010) (Condensed)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	46,018	45,360
Short-term loans payable	54,907	54,528
Current portion of long-term loans payable	28,931	30,660
Provision	2,153	3,888
Other	30,001	29,119
Total current liabilities	162,009	163,554
Noncurrent liabilities		
Bonds payable	15,225	15,225
Long-term loans payable	61,614	63,060
Provision for retirement benefits	15,435	15,248
Provision for directors' retirement benefits	419	486
Other	48,637	49,769
Total noncurrent liabilities	141,329	143,787
Total liabilities	303,339	307,341
Net assets		
Shareholders' equity		
Capital stock	43,341	43,341
Capital surplus	23,839	23,839
Retained earnings	8,783	13,881
Treasury stock	(559)	(558)
Total shareholders' equity	75,404	80,503
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	366	(584)
Deferred gains or losses on hedges	(223)	(182)
Revaluation reserve for land	38,197	38,197
Foreign currency translation adjustment	(10,688)	(10,839)
Total valuation and translation adjustments	27,653	26,592
Minority interests	24,015	24,002
Total net assets	127,072	131,097
Total liabilities and net assets	430,411	438,439

(2) Consolidated Statements of Income

(Millions of yen)

	Previous First Quarter (From April 1, 2009 To June 30, 2009)	Current First Quarter (From April 1, 2010 To June 30, 2010)
Net sales	72,792	82,161
Cost of sales	60,099	64,025
Gross profit	12,693	18,135
Selling, general and administrative expenses	13,414	13,670
Operating income (loss)	(721)	4,465
Non-operating income		
Dividends income	400	422
Other	1,158	1,048
Total non-operating income	1,557	1,470
Non-operating expenses		
Interest expenses	710	712
Amortization of net retirement benefit obligation at transition	-	393
Other	1,573	818
Total non-operating expenses	2,282	1,923
Ordinary income (loss)	(1,447)	4,012
Extraordinary income		
Gain on sales of noncurrent assets	7	6
Total extraordinary income	7	6
Extraordinary loss		
Loss on valuation of investment securities	-	4,242
Loss on litigation	490	-
Other	231	943
Total extraordinary losses	721	5,185
Income (loss) before income taxes and minority interests	(2,161)	(1,167)
Total income taxes	(685)	1,088
Income before minority interests	-	(2,255)
Minority interests in income	66	223
Net income (loss)	(1,542)	(2,478)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous First Quarter (From April 1, 2009 To June 30, 2009)	Current First Quarter (From April 1, 2010 To June 30, 2010)
Net cash provided by (used in) operating activities		
(Loss) before income taxes and minority interests	(2,161)	(1,167)
Depreciation and amortization	5,011	4,556
Interest expenses	710	712
Loss on valuation of investment securities	-	4,242
Decrease in notes and accounts receivable-trade	4,705	4,876
Decrease (increase) in inventories	4,177	(2,466)
Increase (decrease) in notes and accounts payable-trade	(343)	671
Other, net	(3,390)	(2,116)
Subtotal	8,710	9,308
Income taxes paid	(1,443)	(504)
Net cash provided by (used in) operating activities	7,267	8,804
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment and intangible assets	(4,392)	(2,157)
Other, net	(172)	(52)
Net cash provided by (used in) investing activities	(4,563)	(2,209)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(1,156)	440
Proceeds from long-term loans payable	5,500	4,023
Repayment of long-term loans payable	(4,499)	(7,198)
Cash dividends paid	(1,774)	(1,778)
Interest expenses paid	(879)	(547)
Other, net	(371)	(555)
Net cash provided by (used in) financing activities	(3,179)	(5,615)
Effect of exchange rate change on cash and cash equivalents	181	(17)
Net increase (decrease) in cash and cash equivalents	(294)	963
Cash and cash equivalents at beginning of period	9,802	9,953
Decrease in cash and cash equivalents resulting from change of scope of consolidation	(69)	-
Cash and cash equivalents at end of period	9,438	10,916

(4) Note to Going Concern

None

(5) Segment Information

a. Segment information by business type

Previous first quarter (from April 1, 2009 to June 30, 2009)

(Millions of yen)

	Films and Functional Polymers	Industrial Materials	Life Science	Textiles	Real Estate	Other Businesses	Total	Elimination or Corporate	Consolidated
Net sales									
(1) Net sales to external customers	27,043	12,679	6,973	21,747	1,179	3,172	72,792	—	72,792
(2) Intersegment net sales or transfer amounts	54	20	1	39	326	1,659	2,099	(2,099)	—
Total	27,097	12,699	6,974	21,786	1,505	4,831	74,891	(2,099)	72,792
Operating Income (loss)	(493)	(266)	569	15	360	(194)	(9)	(713)	(721)

(Reference) The main products and services of each business are as follows.

Films and Functional Polymers:	Packaging films, industrial films, industrial adhesives, engineering plastics, photo-sensitive printing plates, etc.
Industrial Materials:	Functional fibers for automotives, high-performance fibers, functional filters, non-woven fabrics, etc.
Life Science:	Bioproducts such as diagnostic enzymes, contract manufacturing of pharmaceuticals, medical equipment and devices, medical membranes, water treatment membranes, etc.
Textiles	Functional textiles, apparel products, apparel textiles, apparel fibers, etc.
Real Estate:	Lease and maintenance of real estate, etc.
Other Businesses:	Design and construction of buildings and machinery, information processing services, logistics services, etc.

b. Geographic Segments

This information is omitted because sales generated in Japan accounted for more than 90% of sales generated in all geographic segments.

c. Overseas Sales

Previous first quarter (from April 1, 2009 to June 30, 2009)

	Southeast Asia	Other Regions	Total
I. Overseas sales (Millions of yen)	7,006	6,196	13,202
II. Consolidated sales (Millions of yen)			72,792
III. Percentage of overseas sales to total consolidated sales (%)	9.6	8.5	18.1

Notes

- Country and regional segments are based on geographic proximity.
- Main countries and regions included in each segment:
South East Asia: China, South Korea, Taiwan, Malaysia, Indonesia, Thailand
Other: United States, Germany, Brazil, Saudi Arabia, etc.
- Overseas sales indicate the sales of the Company and its consolidated subsidiaries made to customers located in countries or regions outside Japan.

d. Business Segments Reported

(i) Overview of Reportable Segments

Toyobo's reportable segments allow it to acquire financial data separated into the various components of the corporate group. The scope of the segments is reviewed on a regular basis in order to allow the highest decision-making body to determine the allocation of management resources, and evaluate earnings performance.

Toyobo's basic organization comprises business headquarters and business divisions within the head office, separated by the type, nature and market for products and services. Each business headquarters and business division formulates comprehensive strategies for its domestic and overseas operations, and conducts business activities.

Accordingly, Toyobo comprises business segments by product and service. Its five reportable segments are "Films and Functional Polymers," "Industrial Materials," "Life Science," "Textiles" and "Real Estate." The "Films and Functional Polymers" segment manufactures and sells packaging films, industrial films, industrial adhesives, engineering plastics, photo-sensitive printing plates and other products. The "Industrial Materials" segment manufactures and sells fiber materials for automotive applications, high-performance fibers, functional filters, non-woven fabrics and other products. The "Life Science" segment manufactures and sells diagnostic enzymes and other bioproducts, pharmaceuticals, medical membranes, medical devices, water treatment membranes, and other products. The "Textiles" segment manufactures and sells functional textiles, apparel products, apparel textiles, apparel fibers, and other products. The "Real Estate" segment leases and manages real estate properties.

(ii) Segment sales and operating income

Current first quarter (from April 1, 2010 to June 30, 2010)

(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	32,796	16,369	6,810	20,707	1,253	77,936	4,225	82,161	—	82,161
(2) Inter-segment sales and transfers	106	172	4	72	289	644	1,343	1,987	(1,987)	—
Total	32,902	16,541	6,814	20,779	1,543	78,580	5,568	84,147	(1,987)	82,161
Operating Income (loss)	3,754	698	639	(332)	444	5,202	37	5,239	(774)	4,465

6) Note to Significant Changes in Shareholders' Equity

None