



*Ideas & Chemistry*

# Presentation to Investors



Seiji Narahara  
President

Toyobo Co., Ltd.

May 9, 2014  
(Analysts' Meeting)

# Highlights

## FY 3/14 Results

- **Operating income rose 23% due to contributions from the life science business, expansion in sales of new products, and recovery in textiles.**
  - Despite recovery in profitability of industrial films, packaging films experienced delays in passing on costs.
  - Super retarder films “SRF”, “Nerbridge”, and “Breathair” products contributed to performance.
  - Progress was recorded in accelerating overseas development in the automotive-related and bioproducts fields.

## FY 3/15 Forecasts

- **The start-up of new facilities for production of films will lead to higher fixed costs, but the outlook is for reporting operating income of ¥24.0 billion through the expansion in sales of new products, cost reductions, and other initiatives.**

	FY 3/13			FY 3/14			FY 3/15
	H1	H2		H1	H2		(Forecasts)
Net sales	171.1	167.9	339.0	174.5	177.1	351.6	365.0
Operating income	7.6	9.4	17.1	11.3	9.7	21.0	24.0
Net income	2.7	4.9	7.6	5.2	3.0	8.2	11.0

(¥ bn.)

# Contents

**I**

**Results for FY 3/14**

**II**

**Forecasts for FY 3/15**

## I. Results for FY 3/14

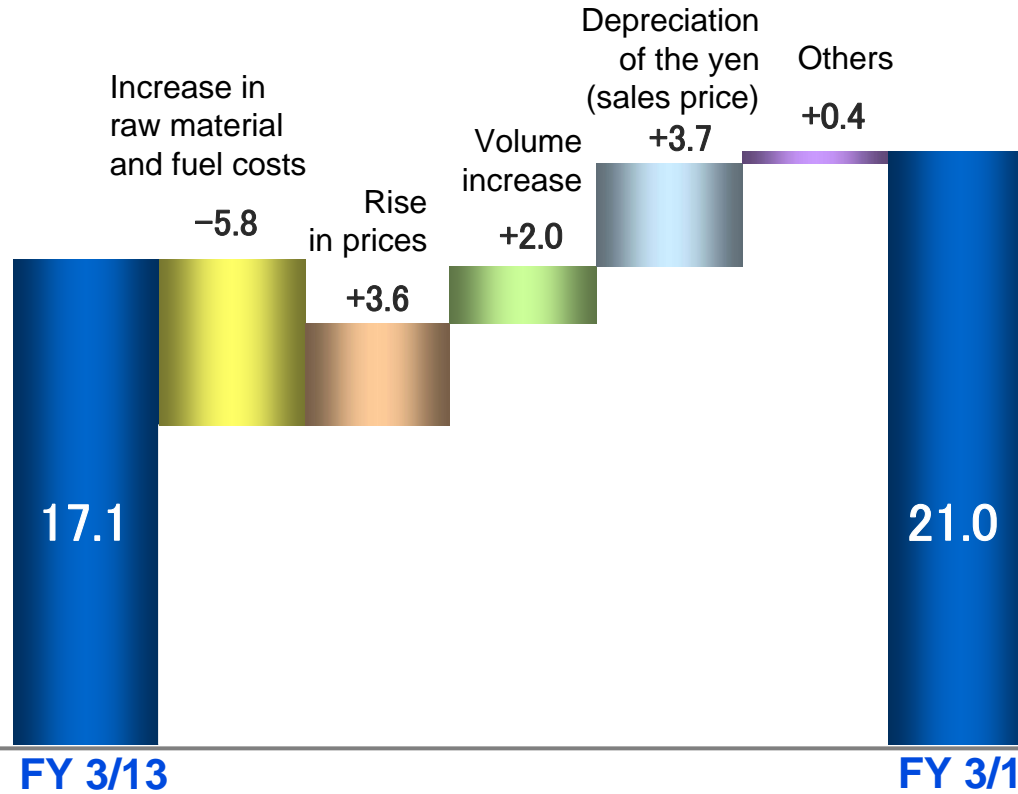
# (1) Results for FY 3/14 1) PL.CF

¥ bn.

	FY 3/13	FY 3/14			YoY		Previous forecasts (Feb. 2014)
		H1	H2		Amount	%	
<b>Net sales</b>	<b>339.0</b>	174.5	177.1	<b>351.6</b>	12.6	+3.7%	<b>350.0</b>
(Ratio of Overseas Sales)	23.4%	26.8%	26.4%	<b>26.6%</b>	–	–	
<b>Operating income</b>	<b>17.1</b>	11.3	9.7	<b>21.0</b>	3.9	+23.0%	<b>22.0</b>
Ratio to sales	5.0%	6.5%	5.5%	<b>6.0%</b>	–	–	<b>6.3%</b>
<b>Net income</b>	<b>7.6</b>	5.2	3.0	<b>8.2</b>	0.5	+6.7%	<b>9.5</b>
<b>EPS (¥)</b>	<b>8.61</b>	5.80	3.38	<b>9.18</b>	–	–	
<b>Depreciation</b>	<b>13.2</b>	6.8	7.3	<b>14.0</b>	0.8	+6.0%	
<b>CAPEX</b>	<b>18.0</b>	11.0	9.1	<b>20.1</b>	2.0	+11.3%	
<b>Operating CF</b>	<b>30.4</b>	17.0	7.0	<b>23.9</b>	–6.4	–21.2%	
Exchange rate (¥/US\$)	83	99	101	100			
Naphtha price in Japan (thousand ¥/kl)	58	65	70	67			

# Analysis of Changes in Operating Income

[FY 3/13 → FY 3/14]



FY 3/13

FY 3/14 (¥ bn.)

	FY 3/13			FY 3/14		
	H1	H2		H1	H2	
Exchange rate (¥/US\$)	79	87	83	99	101	100
Naphtha price in Japan (thousand ¥/kl)	55	60	58	65	70	67

## 2) BS

			Mar. 31, 2014	Change
			Mar. 31, 2013	Change
			447.4	+8.8
<b>Total assets</b>			447.4	+8.8
<b>Inventories</b>			71.0	+4.4
<b>Net assets</b>			155.5	-10.4
<b>Shareholders' equity</b>			138.0	+4.3
<b>(Equity ratio)</b>			30.8%	-
<b>Minority interests</b>			17.5	-14.7
<b>Interest-bearing debt</b>			159.4	+11.3
<b>D/E ratio</b>			1.16	-
<b>ROA</b>			3.8%	4.6%

\*on the same basis as for Mar. 31, 2014  
( for reference purpose only )

## (2) Results by Segment

¥ bn.

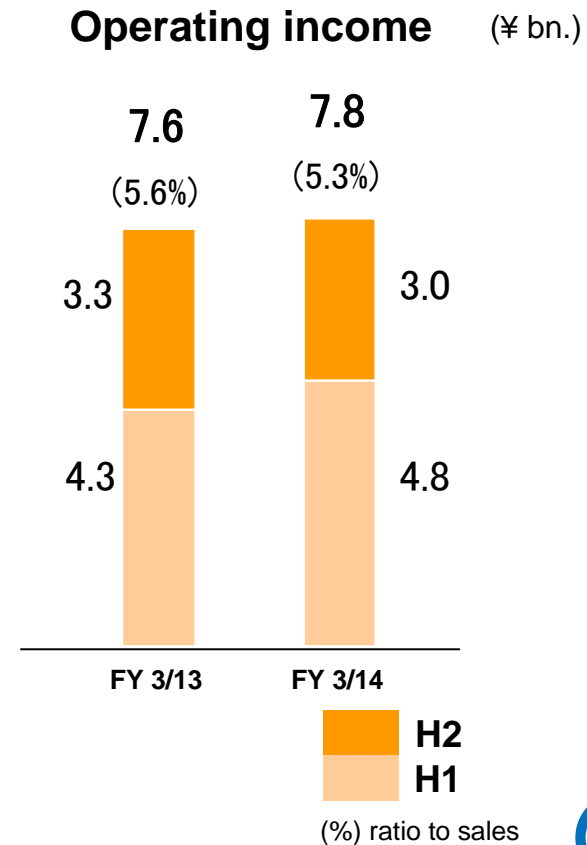
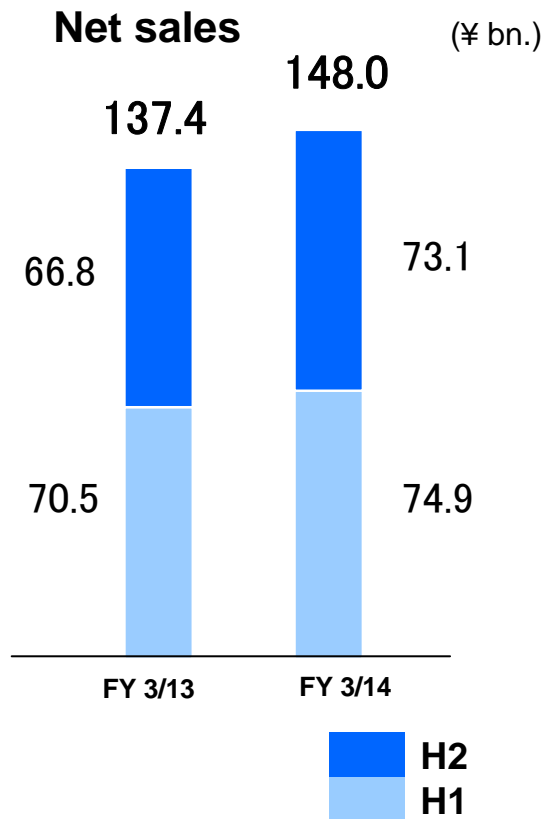
	Net Sales				Operating Income(Loss)				Previous forecasts (Nov. 2013)
	FY 3/13	FY 3/14			FY 3/13	FY 3/14			
		H1	H2			H1	H2		
Films & Functional Polymers	137.4	74.9	73.1	148.0	7.6	4.8	3.0	7.8	9.6
Industrial Materials	71.9	34.7	37.0	71.7	5.5	2.3	3.2	5.5	5.1
Life Science	24.8	13.1	14.3	27.3	4.2	2.6	2.5	5.1	5.4
Specialty Businesses	234.1	122.6	124.4	247.0	17.3	9.8	8.6	18.4	20.1
Operating income ratio (%)					7.4%	8.0%	6.9%	7.5%	
Textiles	79.2	39.7	39.4	79.1	0.2	1.8	1.2	3.0	2.6
Real Estate and Others	25.7	12.1	13.3	25.4	2.7	1.4	1.4	2.7	
Elimination & Corporate	-	-	-	-	-3.1	-1.7	-1.5	-3.1	
<b>Total</b>	<b>339.0</b>	<b>174.5</b>	<b>177.1</b>	<b>351.6</b>	<b>17.1</b>	<b>11.3</b>	<b>9.7</b>	<b>21.0</b>	<b>22.0</b>



# 1) Films & Functional Polymers

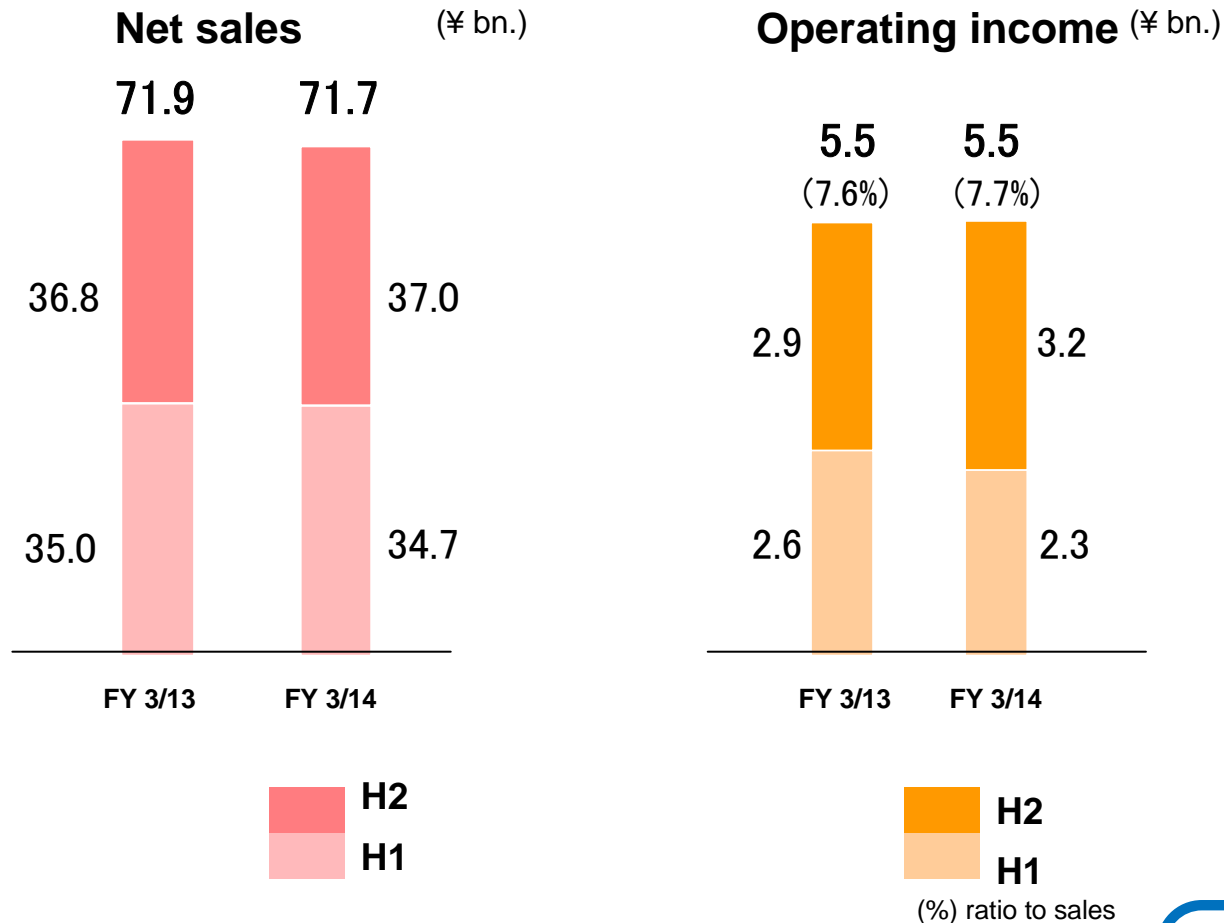
In the packaging films business, difficulties were experienced in passing on costs.

In the industrial films business, sales of films for LCDs slowed, but new products contributed to performance.



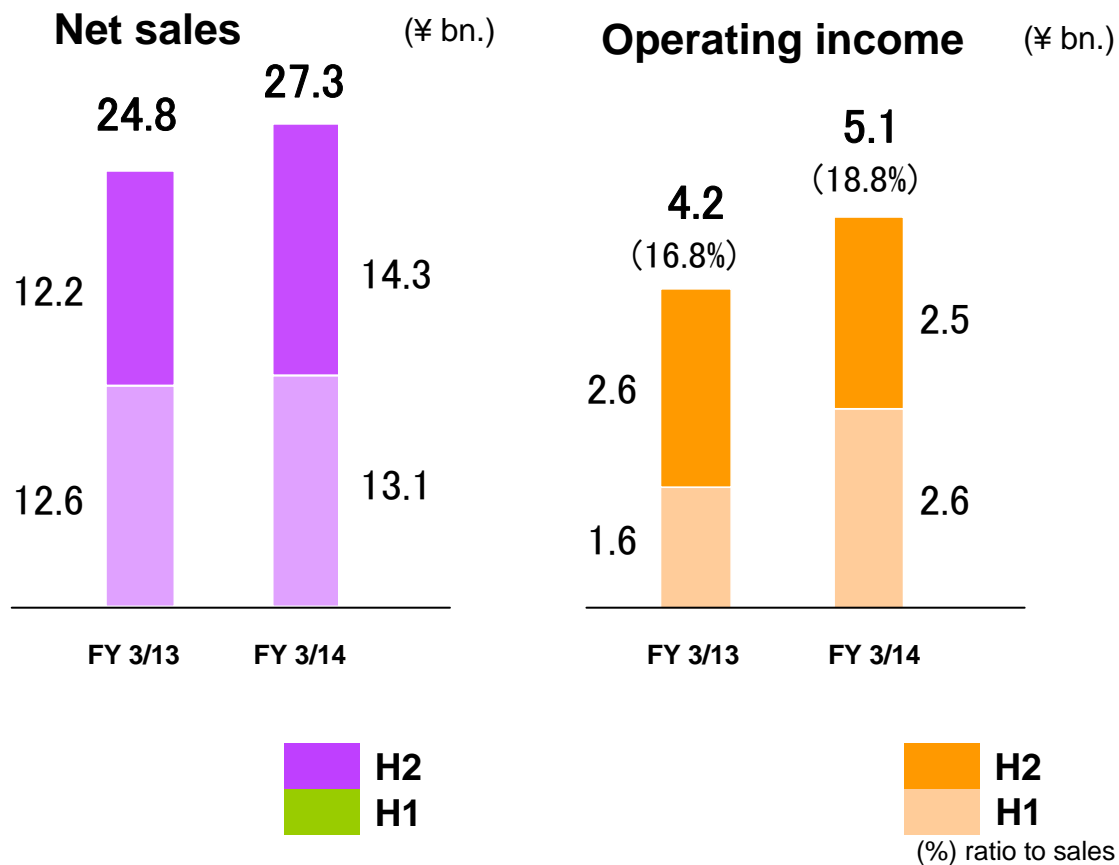
## 2) Industrial Materials

The results for high-performance fibers were firm and “Breathair” held strong. The Company withdrew from the tire cord business as planned.



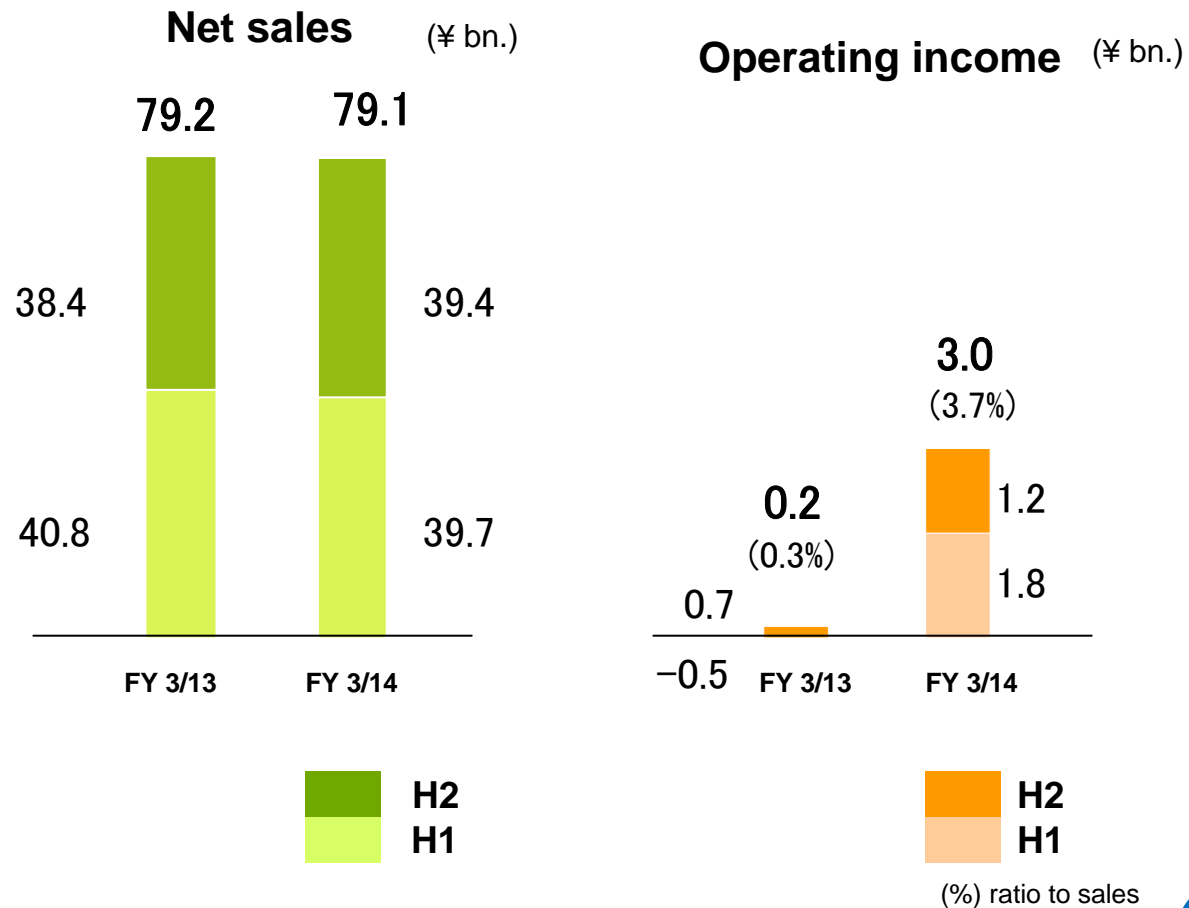
### 3) Life Science

The performance of bioproducts business and the contract manufacturing of pharmaceuticals was favorable.  
Sales of new product “Nerbridge” expanded steadily.



## 4) Textiles

Profitability of thoub (traditional menswear of the Middle East) textile materials improved due to foreign currency movements.  
Sales of acrylic fiber to China held firm.



## II. Forecasts for FY 3/15

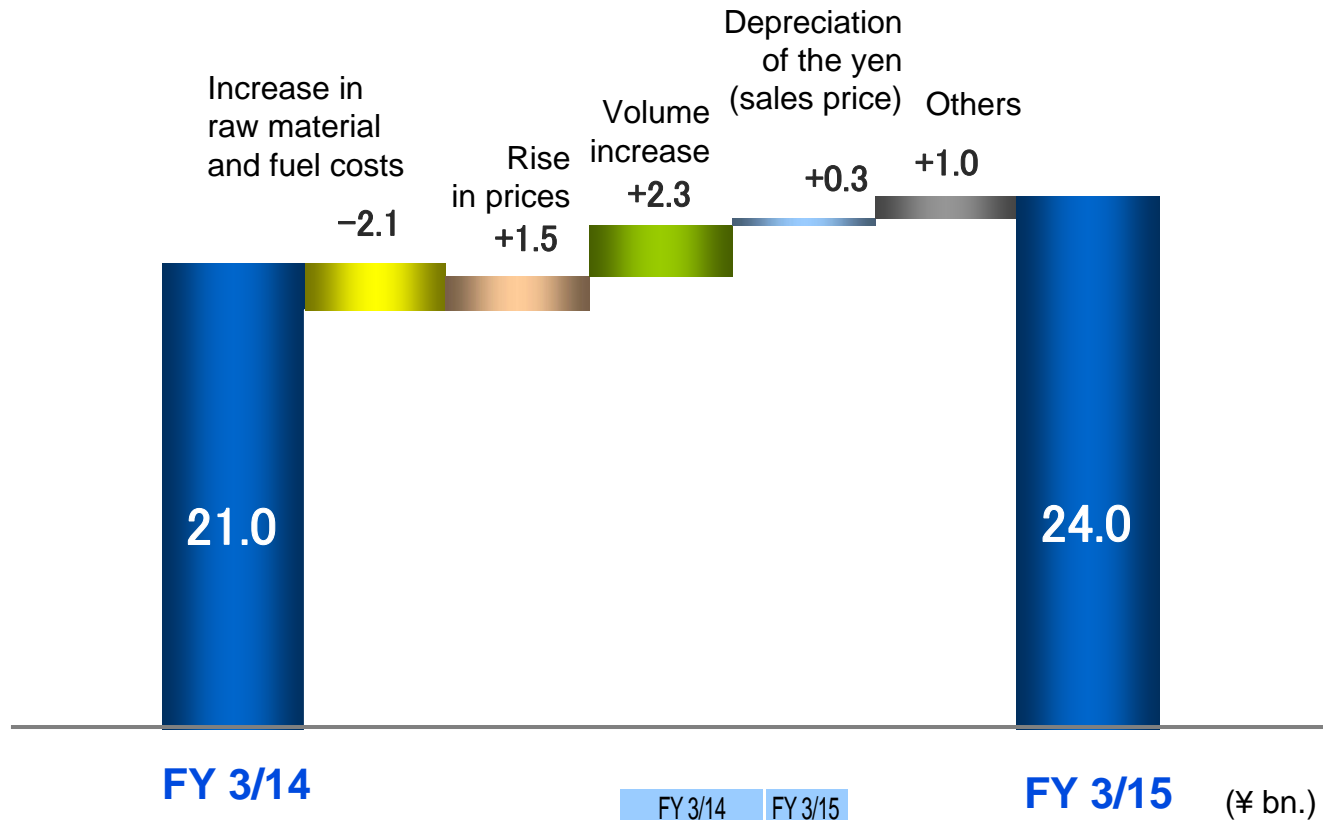
## (1) Forecasts for FY 3/15

¥ bn.

	FY 3/14	FY 3/15 (Forecasts)	Change	
			Amount	%
<b>Net sales</b>	351.6	365.0	+13.4	+3.8%
<b>Operating income</b>	21.0	24.0	+3.0	+14.3%
<b>Ratio to sales</b>	6.0%	6.6%	–	–
<b>Net income</b>	8.2	11.0	+2.8	+34.9%
<b>EPS (¥)</b>	9.18	12.39	–	–
<b>Depreciation</b>	14.0	15.0	+1.0	–
<b>Capital expenditures</b>	20.1	18.0	–2.1	–
<b>Exchange rate (¥/US\$)</b>	100	101		
<b>Naphtha price in Japan (thousand ¥/kl)</b>	67	71		

# Analysis of Changes in Operating Income

[Forecasts: FY 3/14→ FY 3/15]



	FY 3/14	FY 3/15
Exchange rate (¥/US\$)	100	101
Naphtha price in Japan (thousand ¥/kl)	67	71

(¥ bn.)

## (2) Forecasts by Segment

¥ bn.

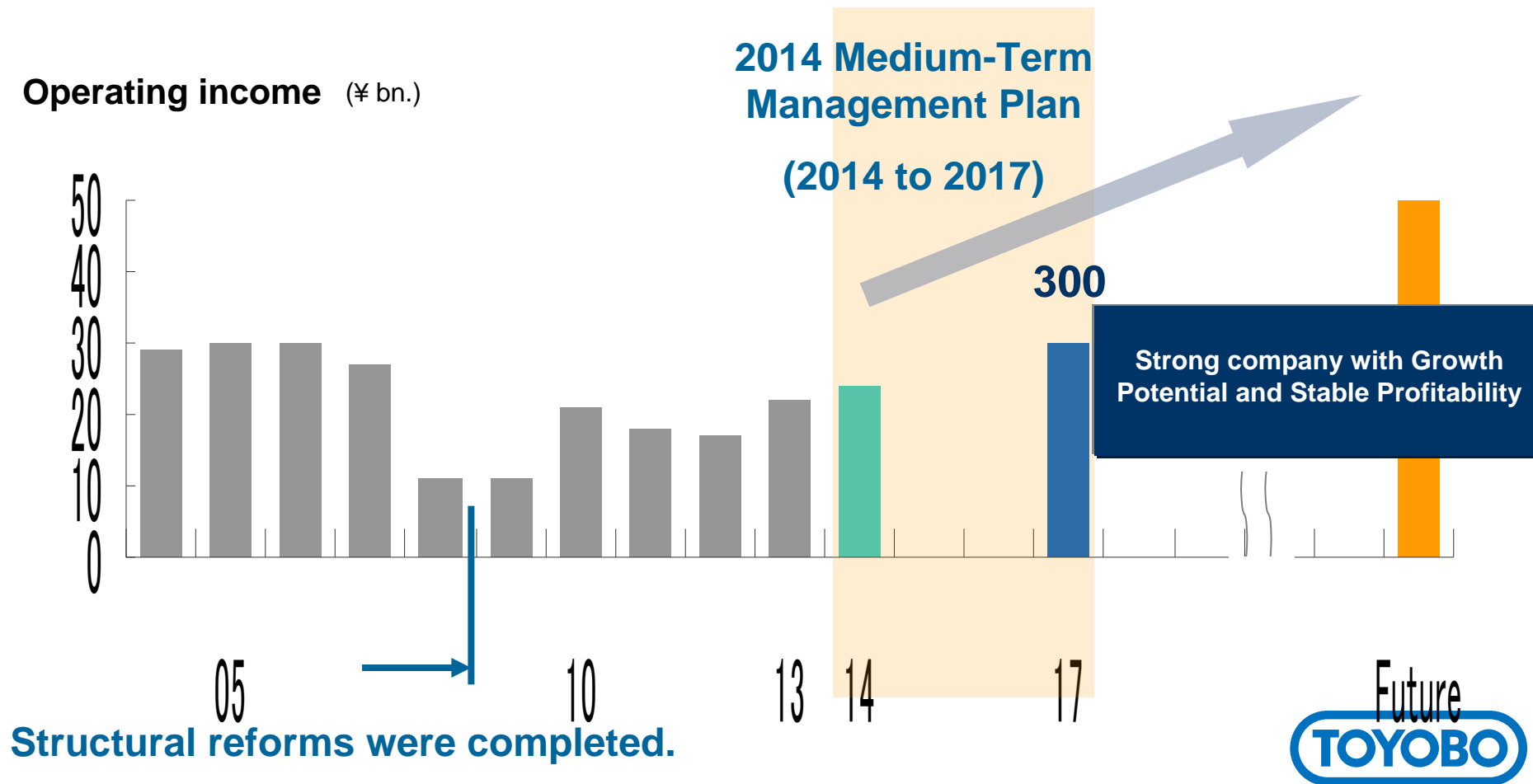
	Net sales		Operating income	
	FY 3/14	FY 3/15	FY 3/14	FY 3/15
<b>Films &amp; Functional Polymers</b>	148.0	155.0	7.8	9.0
<b>Industrial Materials</b>	71.7	73.0	5.5	6.5
<b>Life Science</b>	27.3	31.0	5.1	6.0
<b>Specialty Businesses</b>	247.0	259.0	18.4	21.5
			7.5%	8.3%
<b>Textiles</b>	79.1	80.0	3.0	3.5
<b>Real Estate and Others</b>	25.4	26.0	2.7	2.5
<b>Elimination &amp; Corporate</b>	–	–	–3.1	–3.5
<b>Total</b>	<b>351.6</b>	<b>365.0</b>	<b>21.0</b>	<b>24.0</b>



### **III. Medium-Term Management Plan**

# 1. Positioning of the 2014 Medium-Term Management Plan

Toyobo's medium-term plan for setting the Company on a growth path aims for net sales of ¥500 billion and operating income of ¥50 billion in the future.



## 2. A Review of the 2010 Medium-Term Management Plan: Toyobo's Strengths and Issues to Address

### Review of the 2010 Plan

- Income did not reach the targets, in part because of changes in the operating environment.
- Financial position improved (Debt/equity ratio: From 1.60 to 1.20)
- Company's positioning improved through structural reforms

### Strengths

- Businesses well balanced among multiple profitable fields  
Five markets: Environment, Life science, Automotive, Electronics and information display, Lifestyle and safety
- Advanced and differentiated technologies and products
- Business locations in growth areas  
E.g., Southeast Asia, China, Europe/United States + Central and South America, Middle East

### Issues to address

- Relatively longer period for launching new products
- Businesses are concentrated in Japan
- Moderate overseas sales ratio : 27% (FY2014)

### 3.Changes Anticipated in the Business Environment

- Business environment : Major changes, Simultaneous, and Discontinuous

- Domestic market : Shrinking

Decline in population, shifting to overseas on supply chains

- Overseas markets : Expanding

Increase in populations, resource constraints → Requirements for sustainability

Especially expanding in Asia and the emerging countries (growing size of the middle class and maturing of economies. Competition and collaboration)

- Petrochemical raw materials prices : Major changes

Declining margins on commodity products

- Progress in information technology (IT)

Differences in performance among companies will depend on their use of IT.

## 4.The Kind of Company Toyobo Aims to Be

**“The category leader that continues to create new value that contributes to society in the environment, life science, and high-function products fields”**

### **Strong company with Growth Potential and Stable Profitability**

- **Growth Potential** : Development of overseas businesses / Developing new products and entering new businesses
- **Stable Profitability** : Multiple sources of earnings well balanced between domestic and overseas markets / Financial stability

**Evolution to global group management**

## 5.Management Policy

### Build a strong Company through “Continual Reform of the Business Portfolio”

- Stratification of our business responding to changes in the operating environment
- Acceleration of creation of the “new”: Development of overseas businesses/ developing new products and entering new businesses

### Five Action Plans

- (1) Accelerating Overseas Business Development  
(including business alliances)
- (2) Developing New Products and Creating New Businesses
- (3) Strengthening Competiveness in Domestic Businesses
- (4) Improving Asset Efficiency
- (5) Strengthening Global Group Management

#### Four-Year Investment Plans

- Capital investment (including M&A): ¥70 billion (including ¥35 billion in capacity increases)
- Development investments (including market development): ¥50 billion

## 6. Numerical Targets

【Total】	¥ bn.	
	FY 3/14	FY 3/18
Net sales	351.6	420.0
Overseas Sales	93.6	170.0
(Ratio of Overseas Sales)	27%	40%
Operating income	21.0	30.0
Ratio to sales	6.0%	7.1%
Net income	8.2	14.0
Net assets	456.3	460.0
ROA	5%	7%
Interest-bearing debt	170.7	<150.0
Shareholders' equity	142.3	>150.0
D/E ratio	1.20	1.00

【Segment】	¥ bn.	
	FY 3/14	FY 3/18
Net sales	Net sales	Net sales
Films & Functional Polymers	148.0	180.0
Industrial Materials	71.7	90.0
Life Science	27.3	50.0
Textiles	79.1	75.0
Others	25.4	25.0
Total	351.6	420.0

## IV. Litigation



## Progress of Litigation regarding Body Armor Using ZYLON Fiber

- 1) In June 2003, an accident with body armor (BA) using Zylon fiber occurred in Pennsylvania, USA.  
(This is the only accident in which a bullet penetrated BA.)
- 2) The injured/deceased persons and purchasers of the same type of BA sued the BA manufacturer and Toyobo for damages.
- 3) An ex-director of the BA manufacturer filed a lawsuit based on the U.S. False Claims Act.  
The U.S. Government Dept. of Justice (DOJ) participated as a plaintiff in this lawsuit.
- 4) The DOJ also filed a lawsuit relating to BA other than the BA mentioned above.

<Settled Litigation: date of settlement – All cases were settled by agreement>

- The class action by the purchasers: October 2005
- Actions by the injured/deceased persons (product liability cases): 2006 to 2007
- A lawsuit filed by German state governments: February 2009
- Lawsuits filed by manufacturer of bulletproof vests: July 2011 (2) and March 2012

<Progress of litigation>

(As of May 8, 2014)

	Class action	Product liability	Government-related		BA manufacturer			Government-related
Plaintiff	Purchasers	Pennsylvania policeman, etc.	State of Arkansas	U.S. DOJ, et al.	Second Chance Body Armor	Point Blank Solutions	First Choice Armor & Equipment	Two German states
Status	Settled (Oct. 2005)	Settled (Jan. and Nov. 2006, Jan. 2007)	No progress after receipt of claims	Discovery was completed.	Settled (July 2011)	Settled (July 2011)	Settled (March 2012)	Settled (Feb. 2009)
Number of cases	10	4	1	2	1	1	1	1

## Please Note

The business performance forecasts and targets included in the business plans contained in this presentation are based on information known to the Company's management as of the day of presentation. Please be aware that the content of the future forecasts may differ significantly from actual results, due to a number of unforeseeable factors.