



*Ideas & Chemistry*

# Presentation to Investors



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President

Toyobo Co., Ltd.

May 12, 2015  
(Analysts' Meeting)

# Highlights

## FY 3/15 Results

- Ordinary income declined, while implemented reforms in the polyester supply chain
- Although operating income improved in the fourth quarter, it declined slightly for the full fiscal year.
- In the films business, expenses increased due to the start-up of new production facilities and expansion of new product sales.
- In addition, conditions in the packaging films business were affected by unseasonable summer weather.
- Further progress was made in expanding sales of new products (including “COSMOSHINE SRF” and “Nerbridge”).
- Progress was also recorded for overseas sales of engineering plastics, “VYLON,” airbag fabrics, and reverse osmosis (RO) membrane elements

## FY 3/16 Forecasts

In addition to addressing issues in the films-related business, Toyobo will expand sales of new products and overseas sales.

Operating income of ¥24.0 billion is forecast due to lower raw material and fuel costs and other factors.

# Highlights

¥ bn.

	FY 3/14					FY 3/15				
	H1	H2		H2		H1	H2		H2	
		Q3	Q4				Q3	Q4		
<b>Net sales</b>	174.5	83.0	94.1	177.1	351.6	172.3	83.1	95.9	179.0	351.3
<b>Operating income</b>	11.3	4.1	5.7	9.7	21.0	9.0	3.5	8.1	11.5	20.6
<b>Net income</b>	5.2	1.3	1.7	3.0	8.2	2.6	3.3	2.2	5.5	8.1

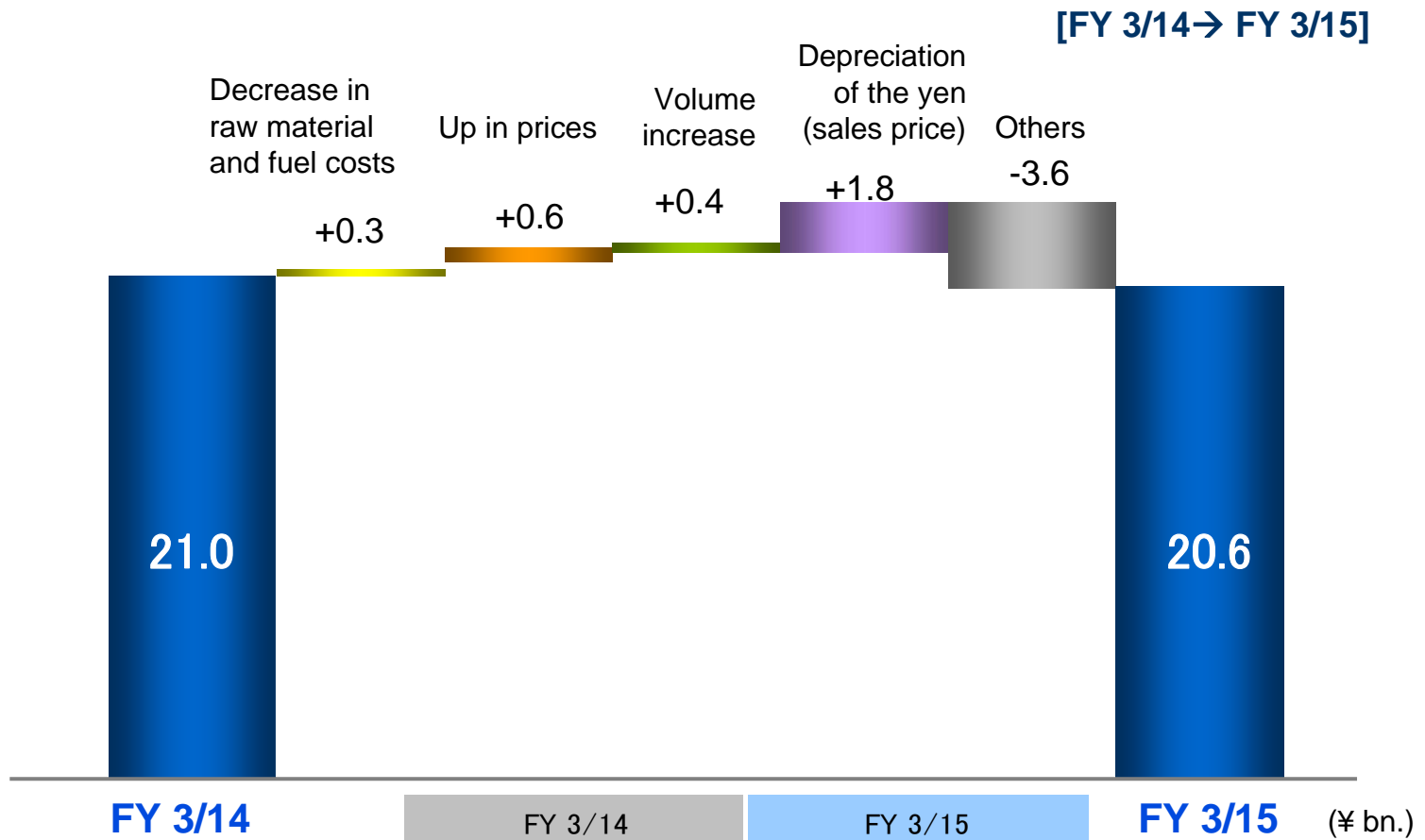
## I. Results for FY 3/15

# (1) Results for FY 3/15 1)PL.CF

¥ bn.

	FY 3/14	FY 3/15			増減	
		H1	H2		金額	%
<b>Net sales</b>	351.6	172.3	179.0	351.3	-0.3	-0.1%
<b>Operating income</b>	21.0	9.0	11.5	20.6	-0.4	-2.0%
<b>Ratio to sales</b>	6.0%	5.2%	6.5%	5.9%	-	-
<b>Net income</b>	8.2	2.6	5.5	8.1	0.0	-0.5%
<b>EPS (¥)</b>	9.18	2.92	6.22	9.14	-	-
<b>Depreciation</b>	14.0	7.5	7.4	14.9	0.9	+6.3%
<b>CAPEX</b>	20.1	8.0	9.5	17.5	-2.6	-12.9%
<b>Operating CF</b>	23.9	8.5	11.6	20.1	-3.8	-16.0%
Exchange rate (¥/US\$)	100	103	117	110		
Naphtha price in Japan (thousand ¥/kl)	67	71	57	64		

# Analysis of Changes in Operating Income



	FY 3/14			FY 3/15		
	H1	H2		H1	H2	
Exchange rate (¥/US\$)	99	102	100	103	117	110
Naphtha price in Japan (thousand ¥/kl)	65	70	67	71	57	64

## 2) BS

¥ bn.

	Mar. 31, 2014	Mar. 31, 2015
<b>Total assets</b>	456.3	465.8
<b>Inventories</b>	75.4	82.4
<b>Net assets</b>	145.1	161.1
<b>Shareholders' equity</b>	142.3	158.0
<b>(Equity ratio)</b>	31.2%	33.9%
<b>Minority interests</b>	2.8	3.1
<b>Interest-bearing debt</b>	170.7	177.1
<b>D/E ratio</b>	1.20	1.12

## (2) Results by Segment

¥ bn.

	Net Sales				Operating Income(Loss)			
	FY 3/14	FY 3/15			FY 3/14	FY 3/15		
		H1	H2			H1	H2	
Films & Functional Polymers	148.0	74.1	75.6	149.6	7.8	3.4	4.1	7.6
Industrial Materials	71.7	32.2	35.7	67.9	5.5	2.6	3.4	6.0
Life Science	27.3	14.1	14.6	28.7	5.1	2.3	2.7	5.0
Specialty Businesses	247.0	120.4	125.9	246.2	18.4	8.4	10.3	18.6
Operating income ratio (%)					7.5%	6.6%	8.2%	7.6%
Textiles	79.1	38.4	38.5	76.9	3.0	0.9	1.5	2.4
Real Estate and Others	25.4	13.6	14.6	28.2	2.7	1.2	1.5	2.7
Elimination & Corporate	-	-	-	-	-3.1	-1.4	-1.7	-3.1
<b>Total</b>	<b>351.6</b>	<b>172.3</b>	<b>179.0</b>	<b>351.3</b>	<b>21.0</b>	<b>9.0</b>	<b>11.5</b>	<b>20.6</b>

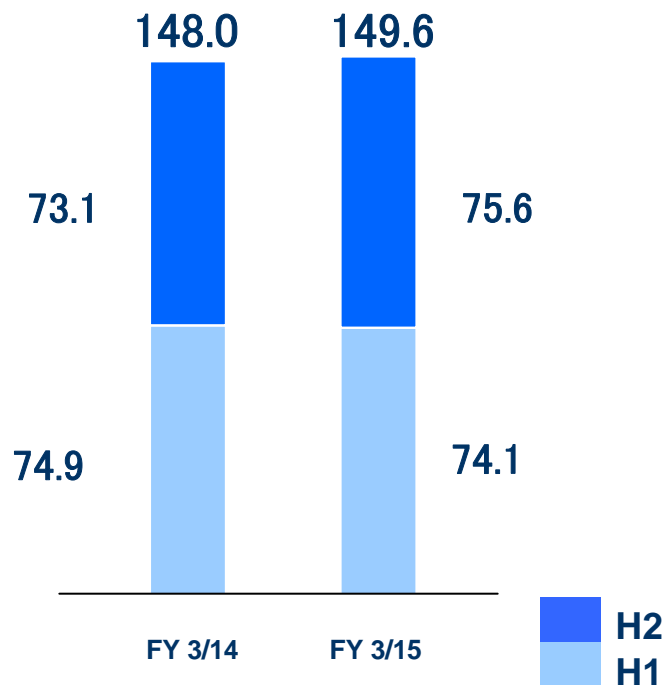


# 1) Films & Functional Polymers

- In the films business, sales of industrial films and packaging films increased, but operating income declined due to a temporary rise in expenses related to expansion of new product sales and the start-up of new production facilities. Sales of functional polymer “VYLON” and engineering plastics held firm, and progress was made in increasing overseas sales.

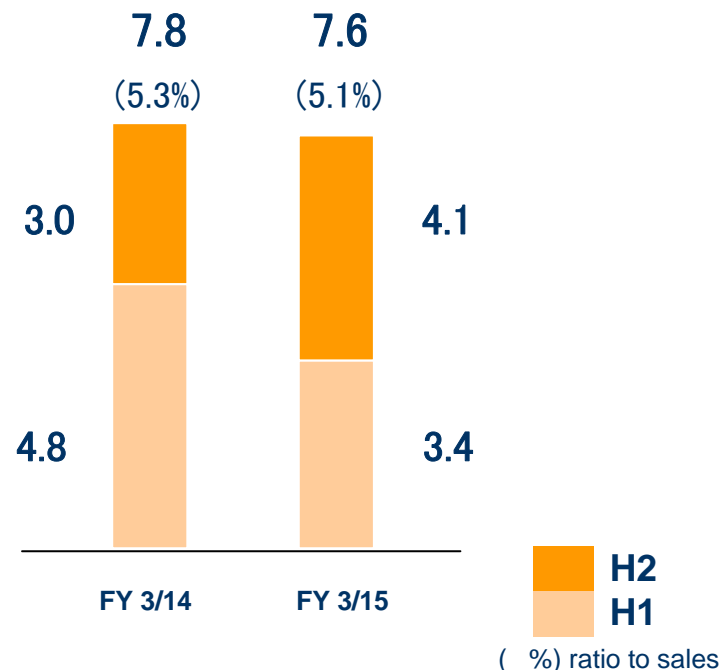
**Net sales**

(¥ bn.)



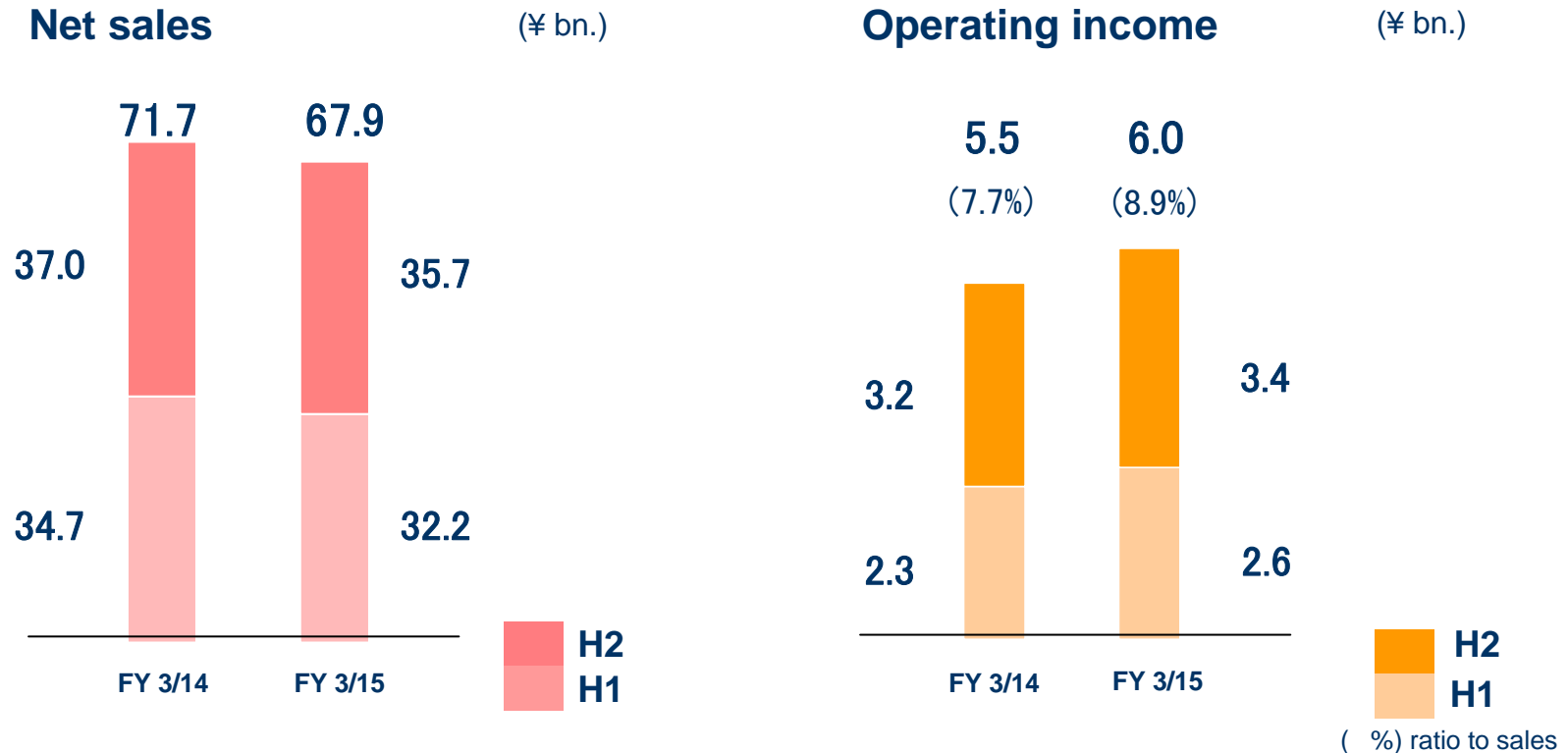
**Operating income**

(¥ bn.)



## 2) Industrial Materials

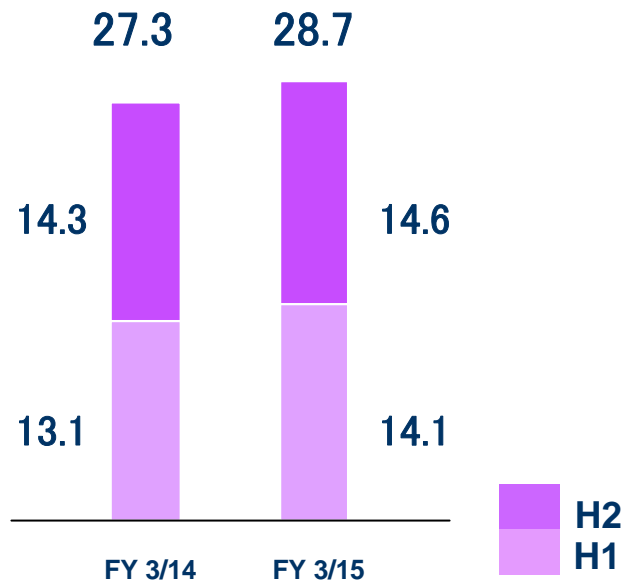
- Performance of airbag fabrics was adversely impacted by higher materials costs and expenses incurred in overseas expansion. Performance of high-performance fibers and Spunbond held strong.



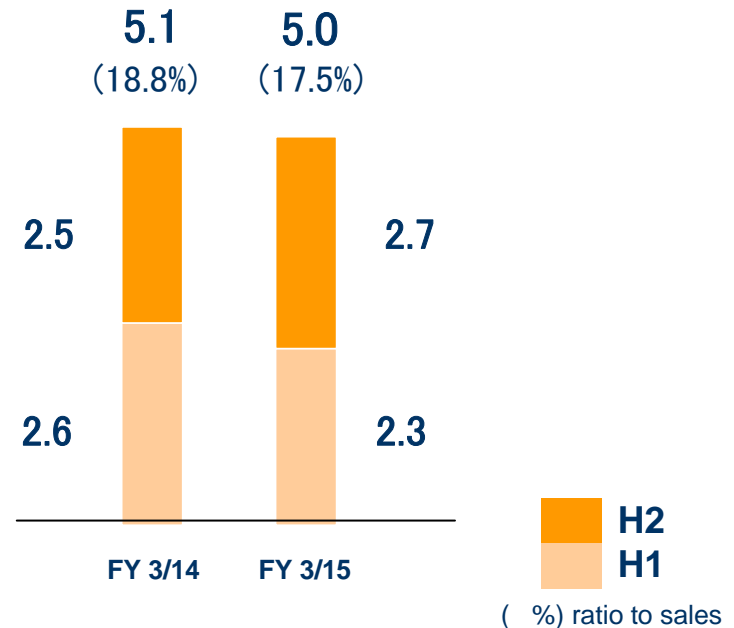
### 3) Life Science

- Sales of new product “Nerbridge” expanded steadily. Although performance of bioproducts was favorable, conditions in the medical membrane and contract manufacturing of pharmaceuticals were challenging.

**Net sales** (¥ bn.)

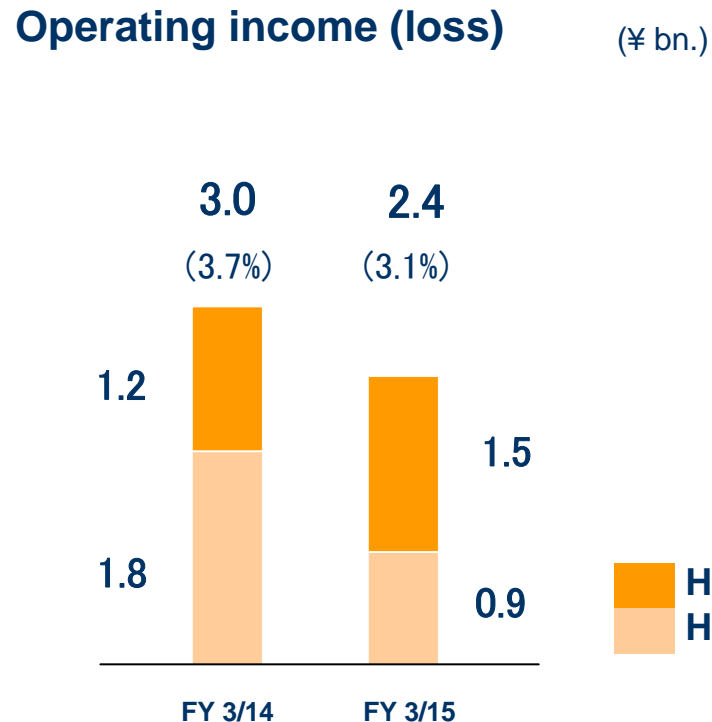
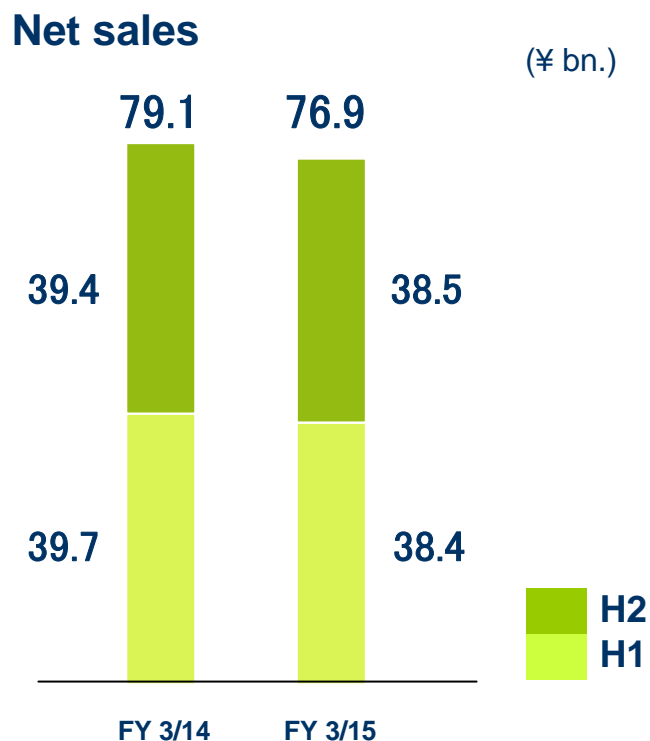


**Operating income** (¥ bn.)



## 4) Textiles

- Sales to the Middle East held firm because of the lower value of the yen. Performance of acrylic fiber was adversely affected by the weakening of market conditions in China and increases in materials costs.



( %) ratio to sales

## II. Forecasts for FY 3/16

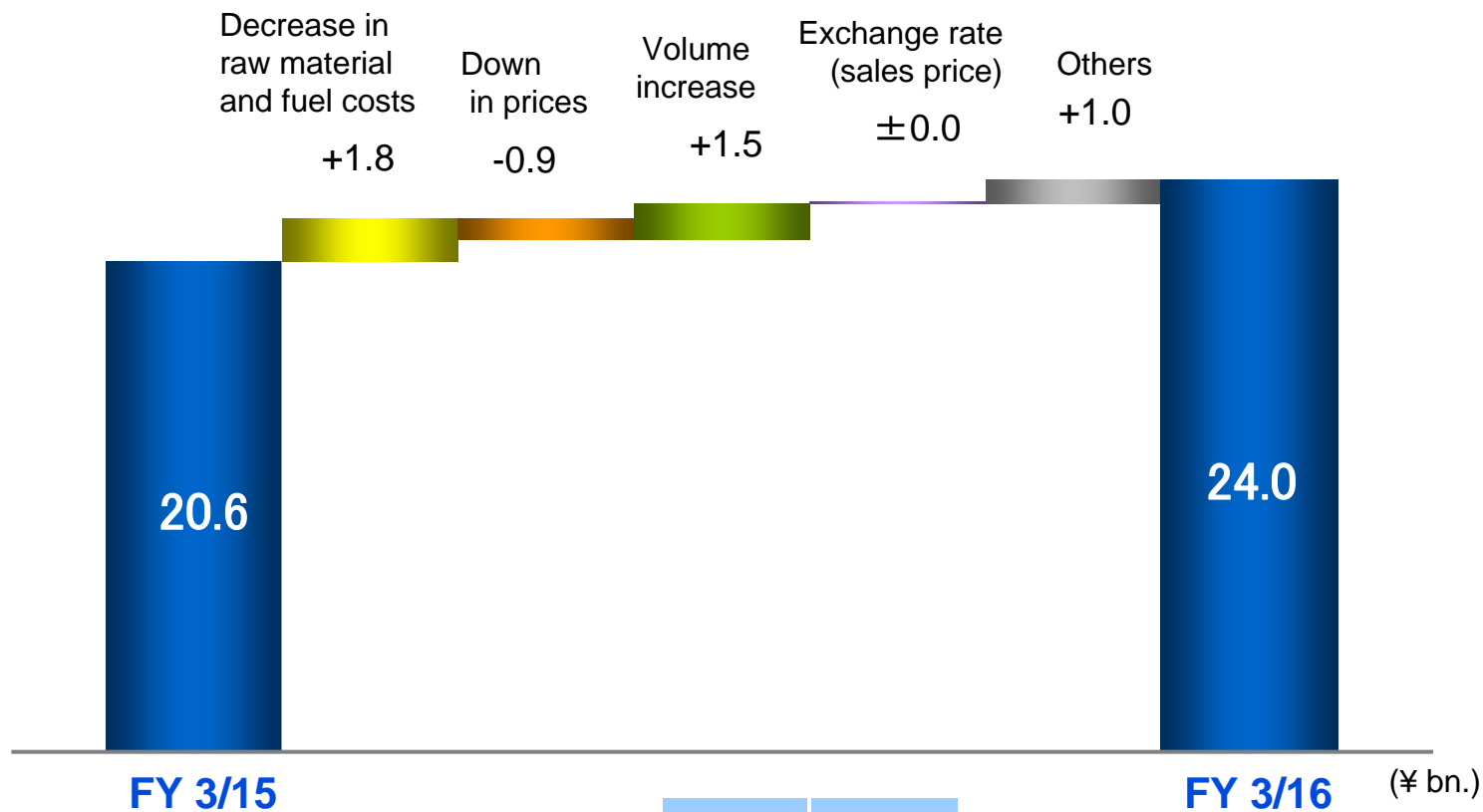
# (1) Forecasts for FY 3/16

¥ bn.

	FY 3/15	FY 3/16 (Forecasts)	Change	
			Amount	%
<b>Net sales</b>	<b>351.3</b>	<b>365.0</b>	+13.7	+3.9%
<b>Operating income</b>	<b>20.6</b>	<b>24.0</b>	+3.4	+16.6%
<b>Ratio to sales</b>	<b>5.9%</b>	<b>6.6%</b>	–	–
<b>Profit attributable to owners of parent</b>	<b>8.1</b>	<b>12.0</b>	+3.9	+47.8%
<b>EPS (¥)</b>	<b>9.14</b>	<b>13.52</b>	–	–
<b>Depreciation</b>	<b>14.9</b>	<b>15.5</b>	+0.6	–
<b>Capital expenditures</b>	<b>17.5</b>	<b>18.0</b>	+0.5	–
<b>Exchange rate (¥/US\$)</b>	<b>110</b>	<b>118</b>		
<b>Naphtha price in Japan (thousand ¥/kl)</b>	<b>64</b>	<b>60</b>		

# Analysis of Changes in Operating Income

[Forecasts: FY 3/15→ FY 3/16]



	FY 3/15	FY 3/16
Naphtha price in Japan (thousand ¥/kl)	64	60
Exchange rate (¥/US\$)	110	118

## (2) Forecasts by Segment

¥ bn.

	Net sales		Operating income	
	FY 3/15	FY 3/16	FY 3/15	FY 3/16
Films & Functional Polymers	149.6	156.0	7.6	9.4
Industrial Materials	67.9	73.5	6.0	6.4
Life Science	28.7	31.5	5.0	5.8
Specialty Businesses	246.2	261.0	18.6	21.6
Operating income ratio (%)			7.6%	8.3%
Textiles	76.9	79.0	2.4	2.8
Real Estate and Others	28.2	25.0	2.7	2.7
Elimination & Corporate	—	—	−3.1	−3.1
<b>Total</b>	<b>351.3</b>	<b>365.0</b>	<b>20.6</b>	<b>24.0</b>

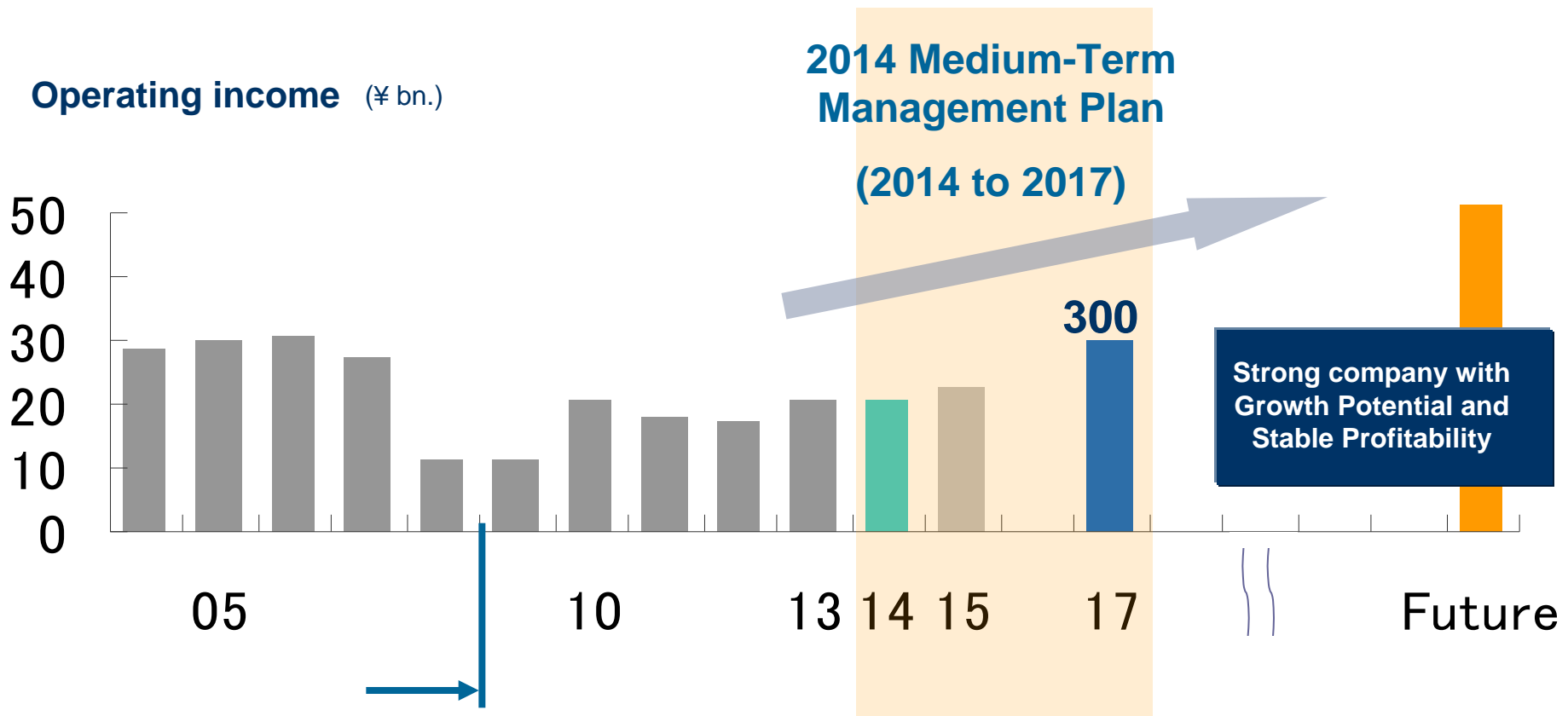


## **III. Progress of Medium-Term Plan**

**(FY 3/15-FY 3/18)**

# Positioning of the 2014 Medium-Term Management Plan

Positioned as a time for putting Toyobo on track for reaching its future annual goals of ¥500 billion in net sales and ¥50 billion in operating income



Structural reforms were completed.

# Strategic Actions

## 1. Accelerating overseas business development

- Expanded production capacity for supplying reverse osmosis (RO) membranes to desalination plants in Saudi Arabia
- Upgraded airbag fabric production plants in Thailand, China, and the United States : Obtaining certification from overseas users
- Established an engineering plastics subsidiary in Mexico: Accelerated sales drive in Central America
- Production of engineering plastics began in Brazil

## 2. Creating and Expanding Sales of New Products

- “COSMOSHINE SRF”  
super retarder polyester film
- “Nerbridge”  
conduits for nerve regeneration

3. Strengthening competitiveness in domestic businesses

4. Improving asset efficiency

5. Strengthening global management functions

# New Products

## “COSMOSHINE SRF”

- Develop Sales of Super Retarder Polyester Film “COSMOSHINE SRF,” Mainly for Use as a Polarizer Protective Film for LCDs

- Strengths:

- Price competitiveness
- Facilities usable without equipment enhancements
- Low moisture permeability

- One company in South Korea and two in Taiwan, have adopted and are expanding usage. One leading company has also begun to use the product.

- Sales doubled over the previous year, and uses expanding beyond TVs



# New Products

## “Nerbridge”

- Expanding sales as Japan’s first nerve regeneration conduit

- Features

Efficacy on the same level as nerve autografts

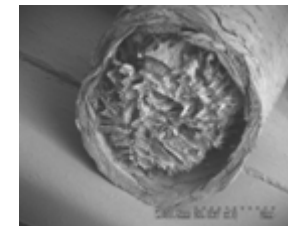
Usable length (5cm) longest in the world

(vs. 2cm in the United States)

Materials dissolve and are absorbed in the body.



- Number of medical facilities using and instances of applications are growing steadily



- Selling through multiple channels in Japan

- Accelerating activities to develop sales in the United States, including responding to U.S. FDA requirements

## 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 12, 2015)

	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 is proceeding.	Settled (Feb 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.