

## Consolidated Financial Report for the First Quarter Ended June 30, 2009

### 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/>

Representative: Ryuzo Sakamoto, President &amp; Representative Director

Contact Person: Ikuo Takeuchi, Manager of IR Group, Corporate Planning Office

TEL: +81-6-6348-4210

Quarterly report filing date (Planned): August 11, 2009

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	%
2009	72,792	(25.0)	(721)	—	(1,447)	—	(1,542)	—
2008	97,057	—	4,170	—	2,925	—	(4,740)	—

	Net income per share	Net income per share after dilution
	Yen	Yen
2009	(2.21)	—
2008	(6.79)	—

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
June 30, 2009	440,805	132,479	21.9	138.63
March 31, 2009	443,816	133,967	22.1	140.79

(Reference) Total shareholders' equity: June 30, 2009: ¥96,748 million, March 31, 2009: ¥98,253 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
2009	—	0.00	—	3.50	3.50
2010	—				
2010 (Forecast)		0.00	—	3.50	3.50

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

### 3. Forecasts for Fiscal Year Ending March 31, 2010

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim period	164,000	(19.0)	4,800	(50.5)	1,800	(73.4)
Fiscal year	340,000	(7.4)	14,000	24.7	8,000	288.6

	Net income		Net income per share
	Millions of yen	%	Yen
Interim period	0	—	0.00
Fiscal year	3,000	—	4.30

(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 accounting practices and special accounting policy for quarterly financial reporting: Yes
3. Changes from accounting methods, procedures and the presentation of the quarterly consolidated financial statements:
  - 1) Changes based on revision of accounting standards: None
  - 2) Changes other than 1) above: None
4. Number of shares issued and outstanding (common share)
  - 1) Number of shares outstanding (including treasury stock):
 

June 30, 2009: 699,027,598 shares	March 31, 2009: 699,027,598 shares
-----------------------------------	------------------------------------
  - 2) Number of treasury stock
 

June 30, 2009: 1,160,712 shares	March 31, 2009: 1,149,171 shares
---------------------------------	----------------------------------
  - 3) Average number of shares outstanding for each period (cumulative term):
 

Three months ended June 30	2009: 697,872,384 shares
	2008: 697,924,419 shares

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 during the first quarter period of fiscal 2010 (the three-month period from April 1 to June 30, 2009) was marked by continued global recession, with the Japanese economy facing adjustments in the supply-demand gap. The economy remained stagnant, as capital expenditures declined in the automotive and many other industries in line with scaled-back production, while deterioration in employment conditions resulted in sluggish consumer spending. However, the economy began showing signs of recovery in the latter half of the first quarter period, as shipments of LCD and electronics materials began to return as a result of rapid growth in demand from China and other areas, together with improvement in inventory adjustments, and a recovery in exports.

Under such circumstances, the Toyobo Group, in line with its management policy of “reinforcing our foundations, laying the cornerstones for future growth,” implemented a total cost reduction program aimed at trimming ¥10 billion in expenses through such measures as the streamlining of fixed manufacturing costs, the lowering of variable unit costs, and far-reaching cuts in a wide range of expenditures. This program helped to halt the deterioration in earnings, improve earnings compared to the fourth quarter of the previous fiscal year, and secure cash flow.

As a result, net sales for the subject first quarter period decreased ¥24.3 billion (25.0%) from the same period of the previous fiscal year to ¥72.8 billion, with an operating loss of ¥0.7 billion, and a net loss of ¥1.5 billion.

Results by business segment were as follows.

#### Films and Functional Polymers

This segment steadily recovered from the difficulties of the previous quarter, but both revenue and earnings were down sharply from the same period of the previous fiscal year prior to the financial crisis.

In the films business, revenue from packaging films was down as a result of revised sales prices following a decline in the price of raw materials, with sales volume also down due to the commotion over the new influenza outbreak. Revenue from industrial films, despite an acute recovery in overseas demand and recovery in shipment volume to levels on a par with the same period of the previous fiscal year, declined sharply as a result of decreases in sales prices.

In the functional polymers business, sales of the “VYLON” series of industrial adhesives were down for the subject period, but demand steadily recovered centered on electronic and electric components applications in China. Revenue from engineering plastics was also down, despite steady improvement in inventory levels for mainstay automotive applications, and general recovery trends in demand from the previous quarter.

As a result, sales in this segment declined ¥7.5 billion (21.8%) from the same period of the previous fiscal year to ¥27.0 billion, with the segment posting an operating loss of ¥0.5 billion.

#### Industrial Materials

Both revenue and earnings were down sharply in this segment from the same period of the previous fiscal year, due to the impact of the global recession on automotive-related and other materials.

Revenue from airbag fabrics and tire cords was down sharply as a result of the lingering effects of the rapid falloff in automobile production. Sales of the high-performance fiber “DYNEEMA,” despite strong sales for fishing line applications, declined for such applications as safety gloves and mooring cables due to the economic slowdown.

In the filters field, revenue was down due to slow sales of filters for automobile cabins and office equipment, as well as for solvent adsorption equipment in line with the scaling back of capital expenditures. Revenue from spunbond fell sharply due to a slowdown in automotive material applications and housing-related demand.

As a result, sales in this segment declined ¥7.4 billion (37.0%) from the same period of the previous fiscal year ¥12.7 billion, with the segment posting an operating loss of ¥0.3 billion.

## **Life Science**

Revenue in this segment was down, though earnings rose from the same period of the previous fiscal year.

In the bioproducts business, revenue was down overall, with strong sales in the diagnostic systems business offset by sluggishness in enzymes for diagnostic reagents—the mainstay product of the biochemical business—due to the impact from foreign exchange rates. The contract manufacturing of pharmaceuticals business recorded higher sales on the back of strong growth from injectable pharmaceuticals contracts. The medical membranes business increased revenue through overseas sales growth. Revenue was down slightly for water treatment membranes (reverse osmosis membrane modules for seawater desalination), as steady orders for replacement membranes at existing plants were offset by the completion of shipments to new plants.

As a result, sales in this segment declined ¥0.4 billion (5.5%) from the same period of the previous fiscal year to ¥7.0 billion, with operating income on a par with a year earlier at ¥0.6 billion.

## **Textiles**

Although business results improved from the previous quarter, both revenue and earnings were down year on year in this segment as we scaled back commodity products and less profitable business fields in line with our policy of emphasizing asset efficiency, and narrowed our focus to functional textiles that utilize Toyobo’s proprietary technologies.

In the textiles business, sales were up for sportswear and underwear applications, but revenue declined sharply overall compared to the same period of the previous fiscal year with a falloff in exports of thoub fabric to the Middle East due to slow demand and the appreciation of the yen. In the apparel business, revenue declined following withdrawal from the market for less profitable products. Sales of the acrylic fiber “EXLAN” declined, but the supply-demand balance improved considerably.

As a result, sales in this segment declined ¥7.1 billion (24.6%) from the same period of the previous fiscal year to ¥21.7 billion, with operating income down ¥0.5 billion (97.2%) to ¥15 million.

## **Real Estate and Other Businesses**

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

As a result, sales in these segments declined ¥1.8 billion (29.2%) from the same period of the previous fiscal year to ¥4.4 billion, with operating income on a par with a year earlier at ¥0.2 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, 2009) decreased ¥3.0 billion (0.7%) from March 31, 2009 (the end of the previous fiscal year) to ¥440.8 billion. This was due mainly to declines in notes and accounts receivable-trade and inventories.

Total liabilities decreased ¥1.5 billion (0.5%) to ¥308.3 billion. This was due mainly to a decline in the provision for bonuses.

Total net assets decreased ¥1.5 billion (1.1%) to ¥132.5 billion. This was due mainly to increases in valuation difference on available-for-sale securities and foreign currency translation adjustment, which offset a decline in retained earnings.

### Cash Flows

Net cash provided by operating activities amounted to ¥7.3 billion at the end of the subject first quarter. This was due mainly to a ¥2.2 billion loss before income taxes; ¥5.0 billion in depreciation and amortization; a ¥4.7 billion decrease in notes and accounts receivable-trade; and a ¥4.2 billion decrease in inventories.

Net cash used in investing activities amounted to ¥4.6 billion. This was due mainly to ¥4.4 billion in expenditures for the acquisition of property, plant and equipment.

Net cash used in financing activities amounted to ¥3.2 billion. This was due mainly to expenditures of ¥4.5 billion in repayment of long-term debt; ¥1.2 billion in repayment of short-term loans; and ¥1.9 billion in payment of dividends (including dividends to minority interests); against proceeds of ¥5.5 billion from long-term debt.

As a result, the balance of cash and cash equivalents at the end of the subject first quarter (June 30, 2009) stood at ¥9.4 billion, down ¥0.4 billion from the end of the previous fiscal year (March 31, 2009).

## 3. Qualitative Information on Consolidated Forecasts

Earnings are improving, with shipments of films for LCDs and optical use and functional resins for electronics components recovering, and steady improvement in inventory adjustments for automotive-related products. Meanwhile, life science businesses such as the contract manufacturing of pharmaceuticals and medical membranes, which are less affected by fluctuations in the economy, continue to grow steadily. In addition, the total cost reduction program has produced positive results, and Toyobo anticipates that earnings will grow steadily from the second quarter.

However, the economic outlook, demand trends for Toyobo's main products, and other aspects of the business environment remain unclear, and at this time Toyobo is not revising its earnings forecast from that announced May 7, 2009.

## 4. Other Items

1. Significant changes in subsidiaries during the subject fiscal period (Transfer of particular subsidiaries following a change in the scope of consolidation)

None

2. Application of simplified accounting methods or special accounting methods for the preparation of consolidated quarterly statements

Calculation of the amount of income taxes paid at certain consolidated subsidiaries is limited to major items such as those that increase or decrease the amount, or tax credit items.

Also, the value of deferred income taxes includes income taxes.

3. Changes in accounting principles or procedures related to the preparation of consolidated quarterly statements, or style of presentation

None

(Additional Information)

#### Change in Service Life of Fixed Assets

Toyobo and its domestic subsidiaries made changes to the service life of certain tangible fixed assets in the previous fiscal year, resulting in a discrepancy in the service life of certain tangible fixed assets between the subject first quarter and the first quarter of the previous fiscal year. Calculating depreciation for the previous first quarter using the revised service life, in the subject period gross profit decreased by ¥87 million and operating income ¥91 million, while the net loss increased by ¥95 million.

#### Provision for Directors' Retirement Benefits

Toyobo, in anticipation of expenditures for retirement benefits for directors and executive officers, and in accordance with company regulations, has recorded the necessary year-end payment as a provision for directors' retirement benefits. However, it was decided at the General Meeting of Shareholders held on June 26, 2009, to abolish the retirement benefit system for directors and executive officers, and make a final payment of retirement benefits based on the period of service.

Accordingly, the provision for directors' retirement benefits will be fully reversed, and a final payment amount of ¥667 million recorded as long-term accounts payable under the "other" item in long-term liabilities.

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	Current First Quarter (As of June 30, 2009)	Previous Fiscal Year (As of March 31, 2009) (Condensed)
<b>Assets</b>		
Current assets		
Cash and deposits	9,600	9,956
Notes and accounts receivable-trade	56,152	60,978
Merchandise and finished goods	44,130	48,974
Work in process	14,320	13,241
Raw materials and supplies	13,377	13,584
Other	15,397	14,130
Allowance for doubtful accounts	(482)	(625)
Total current assets	152,493	160,238
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	47,801	47,198
Machinery, equipment and vehicles, net	52,208	53,546
Land	107,585	107,559
Other, net	9,436	8,050
Total property, plant and equipment	217,030	216,354
Intangible assets		
Total intangible assets	1,893	2,014
Investments and other assets		
Other	77,046	69,410
Allowance for doubtful accounts	(7,657)	(4,200)
Total investments and other assets	69,389	65,210
Total noncurrent assets	288,312	283,578
Total assets	440,805	443,816

(Millions of yen)

	Current First Quarter (As of June 30, 2009)	Previous Fiscal Year (As of March 31, 2009) (Condensed)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	36,270	37,072
Short-term loans payable	55,901	56,985
Current portion of long-term loans payable	27,833	25,572
Provision	2,129	4,024
Other	31,927	31,424
Total current liabilities	154,060	155,077
Noncurrent liabilities		
Bonds payable	15,000	15,000
Bonds with subscription rights to shares	20,000	20,000
Long-term loans payable	59,351	60,571
Provision for retirement benefits	14,080	13,941
Provision for directors' retirement benefits	472	1,373
Other	45,363	43,887
Total noncurrent liabilities	154,266	154,772
Total liabilities	308,326	309,849
<b>Net assets</b>		
Shareholders' equity		
Capital stock	43,341	43,341
Capital surplus	16,027	16,027
Retained earnings	9,588	13,573
Treasury stock	(271)	(270)
Total shareholders' equity	68,685	72,671
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	181	(1,623)
Deferred gains or losses on hedges	(157)	(159)
Revaluation reserve for land	39,301	39,301
Foreign currency translation adjustment	(11,263)	(11,938)
Total valuation and translation adjustments	28,063	25,581
Minority interests	35,730	35,714
Total net assets	132,479	133,967
Total liabilities and net assets	440,805	443,816



## (2) Consolidated Statements of Income

(Millions of yen)

	Previous First Quarter (From April 1, 2008 To June 30, 2008)	Current First Quarter (From April 1, 2009 To June 30, 2009)
Net sales	97,057	72,792
Cost of sales	77,097	60,099
Gross profit	19,961	12,693
Selling, general and administrative expenses	15,791	13,414
Operating income	4,170	(721)
Non-operating income		
Dividends income	378	400
Other	1,147	1,158
Total non-operating income	1,525	1,557
Non-operating expenses		
Interest expenses	767	710
Other	2,002	1,573
Total non-operating expenses	2,769	2,282
Ordinary income	2,925	(1,447)
Extraordinary income		
Gain on sales of noncurrent assets	71	7
Total extraordinary income	71	7
Extraordinary loss		
Loss on valuation of inventories	4,057	—
Loss on litigation	—	490
Other	3,040	231
Total extraordinary losses	7,097	721
Income before income taxes and minority interests	(4,101)	(2,161)
Total income taxes	786	(685)
Minority interests in income	(147)	66
Net income	(4,740)	(1,542)

### (3) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous First Quarter (From April 1, 2008 To June 30, 2008)	Current First Quarter (From April 1, 2009 To June 30, 2009)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	(4,101)	(2,161)
Depreciation and amortization	4,648	5,011
Interest expenses	—	710
Gain on sales of property, plant and equipment	(53)	—
Decrease (increase) in notes and accounts receivable-trade	(1,756)	4,705
Decrease (increase) in inventories	(473)	4,177
Decrease in notes and accounts payable-trade	(3,063)	(343)
Other, net	1,423	(3,390)
Subtotal	(3,374)	8,710
Income taxes paid	(4,842)	(1,443)
Net cash provided by (used in) operating activities	(8,216)	7,267
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(5,681)	(4,392)
Other, net	872	(172)
Net cash used in investing activities	(4,809)	(4,563)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	9,697	(1,156)
Proceeds from long-term loans payable	4,600	5,500
Repayment of long-term loans payable	(4,292)	(4,499)
Proceeds from issuance of bonds	14,908	—
Redemption of bonds	(10,000)	—
Cash dividends paid	(2,525)	(1,774)
Interest expenses paid	—	(879)
Other, net	(1,060)	(371)
Net cash provided by (used in) financing activities	11,328	(3,179)
Effect of exchange rate change on cash and cash equivalents	(311)	181
Net decrease in cash and cash equivalents	(2,009)	(294)
Cash and cash equivalents at beginning of period	9,749	9,802
Decrease in cash and cash equivalents resulting from change of scope of consolidation	—	(69)
Cash and cash equivalents at end of period	7,739	9,438

#### (4) Note to going concern

None

#### (5) Segment information

##### Segment information by business type

Previous first quarter (from April 1, 2008 to June 30, 2008)

(Millions of yen)

	Films and functional polymers	Industrial materials	Life science	Textiles	Other businesses	Total	Elimination or corporate	Consolidated
Net sales and operating income								
(1) Net sales to external customers	34,570	20,113	7,376	28,852	6,146	97,057	—	97,057
(2) Intersegment net sales and transfer amounts	21	10	43	49	3,353	3,476	(3,476)	—
Net sales	34,591	20,123	7,419	28,901	9,499	100,533	(3,476)	97,057
Operating income	2,439	1,292	536	529	220	5,017	(847)	4,170

(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 automobiles, 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.
Other Businesses:	Design and construction of buildings and machinery, lease and maintenance of real estate, information processing services, logistics services, etc.

Current 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 and Operating Income									
(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)	—
Net Sales	27,097	12,699	6,974	21,786	1,505	4,831	74,891	(2,099)	72,792
Operating Income	(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 automobiles, 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.

### Change in Classification of Business Segments

The real estate leasing business was previously included as part of the Other Businesses segment, but since the value of the assets in this business exceeded more than 10% of the total value of assets in the segment, from the fiscal year ended March 2009, the segment classification was changed to include the Real Estate segment. Segment data for the first quarter period of the previous fiscal year, following the segment classifications used in the subject first quarter period, is as follows.

Previous first quarter (from April 1, 2008 to June 30, 2008)

(Millions of yen)

	Films and Functional Polymers	Industrial Materials	Life Science	Textiles	Real Estate	Other Businesses	Total	Elimination or Corporate	Consolidated
Net Sales and Operating Income									
(1) Net sales to external customers	34,570	20,113	7,376	28,852	1,170	4,975	97,057	—	97,057
(2) Intersegment net sales or transfer amounts	21	10	43	49	365	2,988	3,476	(3,476)	—
Net Sales	34,591	20,123	7,419	28,901	1,536	7,963	100,533	(3,476)	97,057
Operating Income	2,439	1,292	536	529	394	(174)	5,017	(847)	4,170

### **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, 2008 to June 30, 2008)

(Millions of yen)

	Southeast Asia	Other Regions	Total
I. Overseas sales	10,629	9,379	20,008
II. Consolidated sales			97,057
III. Percentage of overseas sales to total consolidated sales	11.0%	9.7%	20.6%

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

(Millions of yen)

	Southeast Asia	Other Regions	Total
I. Overseas sales	7,006	6,196	13,202
II. Consolidated sales			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.

### **(6) Note to significant changes in shareholders' equity**

None