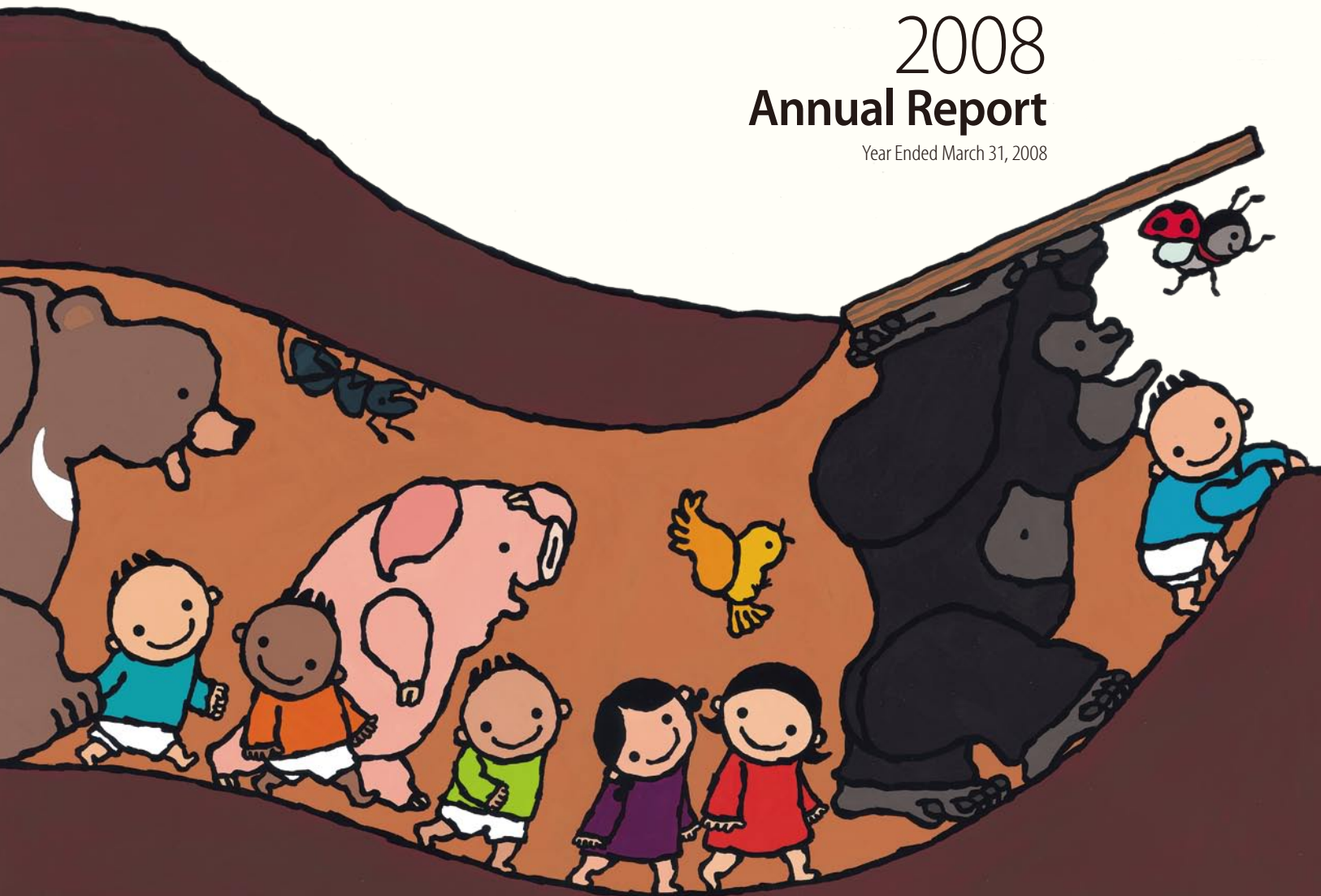




Discovering Growth Capabilities

2008
Annual Report

Year Ended March 31, 2008



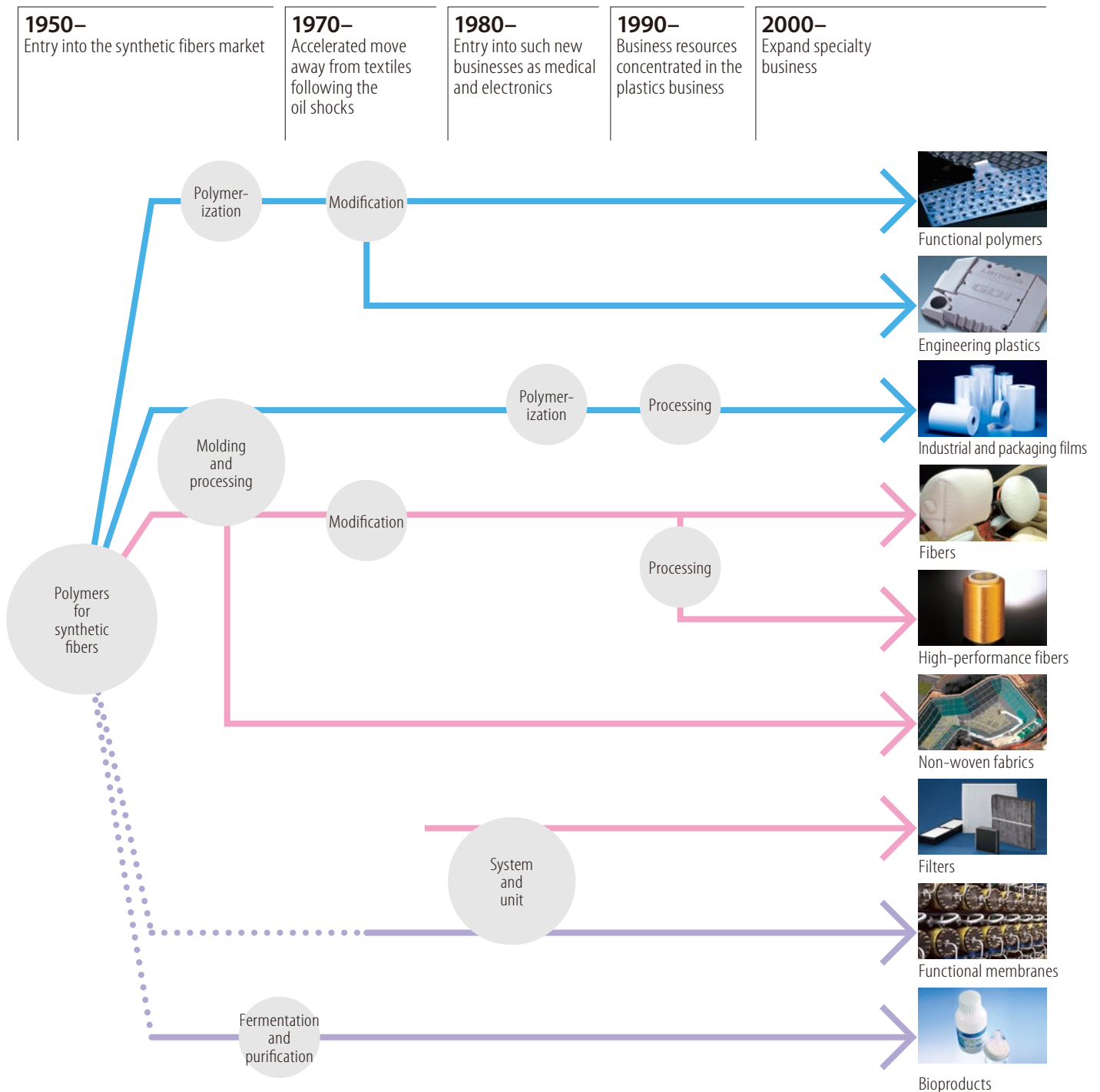
Profile

Toyobo Co., Ltd. was founded as a textile company in 1882. Over the years, the Company has adapted its business in accordance with the changing times. The most recent facet of this adaptation is a concentration of management resources in the fields of Films and Functional Polymers, Industrial Materials, and Life Science, specialty businesses that draw on Toyobo's unique core technologies in polymerization, modification, processing and biotechnology. With this focus, we have moved into an era of accelerating growth.

At the same time, Toyobo remains faithful to the personal motto of its founder: *Junri-Sokuyu* ("Adhering to Reason Leads to Prosperity"). This principle runs continuously through Toyobo's approach to corporate social responsibility (CSR), compliance, and corporate governance. It has remained a guiding spirit in Toyobo's transformation into a manufacturer of high-function products.

Toyobo recently formulated a new medium-term business plan based on the results of the previous plan, through which we are seeking further growth. Our aim is to become a manufacturer of high-function products that fuses together and deepens unique technologies, and continually generates new value.

Diversification into a Broad Range of Fields with the Changing Times





Ryuzo Sakamoto, President and Chief Operating Officer

The Toyobo Group continues to revise its business portfolio as it seeks to become a manufacturer of high-function products, continuously creating new value by enhancing its core technologies. The medium-term business plan for fiscal 2009 through fiscal 2011 (three-year plan from April 2008 through March 2011, the “new business plan”), based on a review of the issues raised by the previous plan, will focus on rebuilding growth capabilities, and a series of strategic moves aimed at strengthening earnings capacity and achieving growth.

Cover Caption

The cover was designed by illustrator Yoshihito Takeuchi. The children and animals represent the Toyobo Group utilizing its management resources—its technical, development, intellectual, management, and organizational capabilities—to pave the way to the future, working together to open a variety of doors, break down barriers, and unlock a brighter world.

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Review of Fiscal 2008

Toyobo achieved an increase in revenue during fiscal 2008 (ended March 31, 2008), with net sales of ¥431.4 billion (up 1.1% year on year). Earnings, however, declined from the previous fiscal year, to operating income of ¥27.1 billion (down 11.0%), and net income of ¥4.7 billion (down 65.1%), or basic net income of ¥6.7 per share (down ¥12.6).

FINANCIAL HIGHLIGHTS

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31

	Millions of yen		Thousands of U.S. dollars (Note)
	2008	2007	2008
Net sales	¥431,417	¥426,666	\$4,305,989
Operating income	27,075	30,435	270,237
Net income	4,698	13,472	46,891
Total assets	494,496	513,191	4,935,582
Total net assets	146,500	152,223	1,462,221
	Yen		U.S. dollars (Note)
Basic net income per share	¥6.73	¥19.32	\$0.067
Cash dividends	5.00	5.00	0.050

Note: The U.S. dollar amounts in this report represent translations of yen, for convenience only, at the rate of ¥ 100.19 to \$1.00.

Sales rose for the fourth consecutive period on the back of strong increases in sales volume for films for LCD and optical uses, functional polymers, and other priority growth businesses. However, this was insufficient to offset the impacts from rising prices for raw materials and fuel, an increase in residual book value depreciation stemming from a revision to the tax code, and other changes in the business environment. Operating income declined ¥3.4 billion year on year as a result.

At the same time, however, we moved forward with a restructuring program that included the transfer, scaling back or withdrawal from business with little prospect of improved earnings, such as the sewing business and the dyeing business. The considerable losses recorded from this restructuring led to a significant decline in net income. These losses stemmed from revaluation of assets, mainly equipment, inventories and accounts receivable in low-yield businesses. The reforms implemented significantly reduced the risk of future losses, while also improving the financial position by lowering the balance of interest-bearing debt to ¥178.8 billion (down ¥15.4 billion from a year earlier).

Toyobo recognizes that the return of profit to shareholders must be a priority issue for a company. Our basic policy regarding dividends is to maintain a stable payment, while setting an amount that takes full account of the level of earnings, the financial position (retained earnings), and investment necessary for growth. In accordance with this policy, we paid a year-end dividend for the subject fiscal year of ¥5.00 per share (a payout ratio of 74.3%).

A breakdown of operating income shows that negative factors totaled ¥14.1 billion, consisting of the fourth consecutive year of increases in costs for raw materials and fuel (¥7.7 billion, equivalent to 25% of last year's operating income); a ¥1.7 billion increase in residual book value depreciation due to revisions to the tax code; a ¥3.0 billion increase in fixed costs within capital expenditures, other variable costs and research and development; and a ¥1.7 billion appreciation on exchange rates and changing of product portfolio. This was offset by ¥10.8 billion in positive factors, comprising a ¥4.5 billion increase in the sales volume of industrial films, functional



polymers and other products; ¥4.1 billion from price revisions; and ¥2.2 billion from a series of cost reductions realized from production technology innovations. We were unable to fully absorb these declines, and operating income fell ¥3.4 billion from the previous fiscal year. The proportion of sales price increases to the rising costs for raw materials and fuel was just 53% overall.

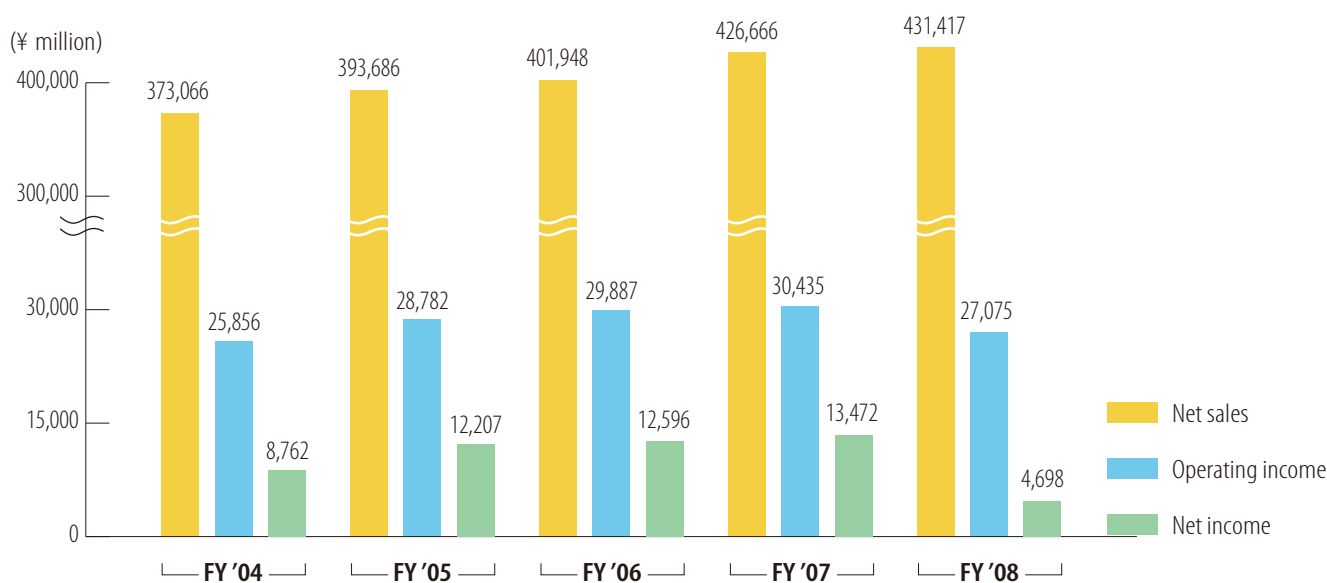
By segment, in the Films and Functional Polymers segment there was an increase in shipments of products including films for LCD and optical uses and engineering plastics. Earnings declined, however, as although costs for packaging films had been shifted to product prices from the second half of the previous fiscal year, this could not be accomplished for automotive plastics. In the Industrial Materials segment, sales of airbag fabrics, functional filters and the high-performance fiber "DYNEEMA" increased, but rising costs for raw materials continued to pose a challenge for tire cords. In the Life Science segment, the biochemical products and contract manufacturing of pharmaceuticals business performed well, but earnings from medical membranes declined due to increasing competition from within Japan and overseas. Toyobo also received new orders for desalination modules

for a large-scale project in the Middle East. In the Textiles and Other Businesses segments, sales declined in accordance with the systematic scaleback of certain businesses. Toyobo had taken steps to enhance the added value of the acrylic fiber "EXLAN," but margins deteriorated with the rising cost of raw materials and production was slimmed from the second half of the subject fiscal year, leading to a decline in profit.

Review of the Former Medium-Term Business Plan

The fiscal year ended March 31, 2008 (the subject fiscal year) was the final year of our medium-term business plan (three-year plan from April 2005 through March 2008, the "previous plan"). With the appreciation of raw materials and fuel (¥20.6 billion over three years), changes in the accounting treatment of depreciation (¥1.7 billion), and other shifts in the business environment, operating income in this final year amounted to just ¥27.1 billion, against a target of ¥38.0 billion. Of particular concern is the gap that has arisen in the specialty businesses between those areas that successfully expanded according to plan, and those unable to adapt to changes in the business environment. The restructuring of the textiles business, however, was accomplished on schedule. We also moved ahead with improvements to the financial position.

■ Current Performance



There were three main management issues addressed in the previous plan. The first of these was expansion of the specialty businesses. Sales rose 7% annually over the three years of the previous plan, but operating income increased by just ¥0.8 billion (compared to a forecast rise of ¥9.0 billion). Investment for growth in such businesses as industrial films and "DYNEEMA" produced increases in line with the plan, but there was a delay in realizing similar benefits in such areas as contract manufacturing of pharmaceuticals and overseas manufacturing plants. Growth in the medical membranes and packaging films businesses stalled due to shifts in competitive conditions. Based on these results, we intend to further stratify businesses according to market growth potential and Toyobo's competitive advantage, prioritizing investment of management resources in stronger businesses, and with greater potential for growth.

The second issue was restructuring of the textiles business, and the scaling back of non-core operations. We ceased in-house production of polyurethane yarn, and closed down or transferred seven affiliated companies. Employed capital in the textiles business has been reduced approximately ¥15.0 billion (10%) over the past two years, and we are close to eliminating unprofitable businesses. We will work to complete the final areas of restructuring during the current term.

The third issue is improving our financial position. We succeeded in lowering the debt/equity ratio to less than 1.5 times, and have improved the equity ratio from 21% in fiscal 2005 to 26%. We have also reduced the total amount of interest-bearing debt by ¥42.2 billion, from ¥221.0 billion at the end of fiscal 2005 to ¥178.8 billion at the end of fiscal 2008.



The New Medium-Term Business Plan

The Toyobo Group continues to revise its business portfolio as it seeks to become a manufacturer of high-function products, continuously creating new value by enhancing its core technologies. The medium-term business plan for fiscal 2009 through fiscal 2011 (the three-year plan from April 1, 2008 through March 31, 2011, the "new business plan"), based on a review of the issues raised by the previous plan, will focus on rebuilding growth capabilities, and a series of strategic moves aimed at strengthening earnings capacity and achieving growth.

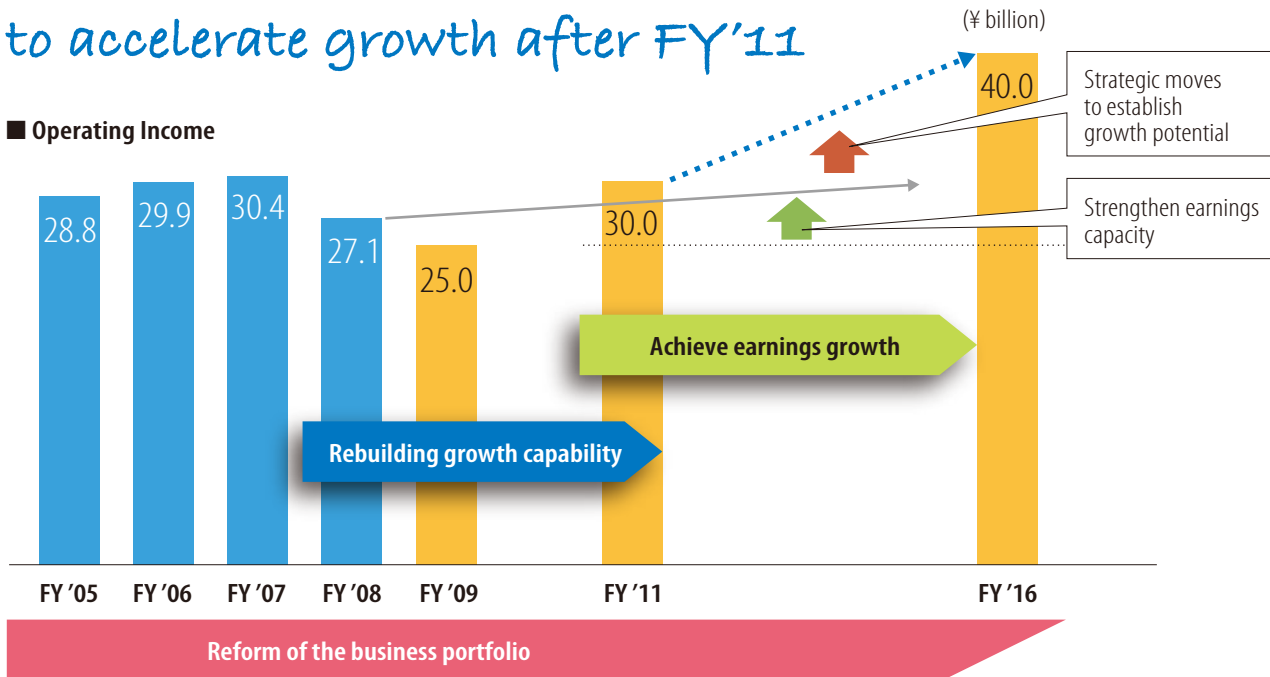
The main issues of the new business plan are as follows:

1. Strengthen earnings capacity

Toyobo will quickly achieve full production for new equipment in such priority growth businesses as industrial films and the high-performance fiber "DYNEEMA," and strengthen the foundation for earnings through such measures as establishing short-term development projects, shifting cost increases to product prices, and reducing costs through production improvements.

The New Medium-Term Business Plan

Focus on “Discovering growth capabilities”
to accelerate growth after FY'11



2. Make strategic moves for growth potential

Toyobo, to enhance growth potential from 2010 and beyond, will make investments to further increase production capacity for such products as high-performance fibers, industrial films and airbag fabrics, as well as make a concerted effort as a company to commercialize new specialty businesses such as next-generation electronics materials and medical diagnosis systems. Also, for engineering plastics and airbag fabrics, we will expand global production and sales in line with the globalization of the automotive industry.

3. Improve asset efficiency

Toyobo has restructured its Textiles and Other Businesses segments, including reduction in the scale of its facilities. Going forward, we will work together as a corporate group to stabilize earnings by narrowing business fields, and to improve asset efficiency through consolidation and reductions in employed capital.

4. Enhance the CSR structure

Toyobo recognizes that companies are also members of society, and should fulfill their social responsibilities, as well as contribute to the establishment of a sound, sustainable society. Specifically, we have formulated a basic CSR policy for the Toyobo Group and established a CSR Committee chaired by the President. This committee conducts unified assessment and monitoring of activities with regard to all stakeholders, including customers, shareholders and investors, business partners, local communities, employees and the global environment.

Toyobo will also take proactive measures to address global environmental issues. Based on our medium-term environmental plan fiscal 2007 to fiscal 2011, we will set targets for the development of environmentally friendly products, energy efficiency at production plants, waste reduction, and cuts in emissions of harmful substances.

Growth Strategy for Specialty Businesses

Growth Strategy for Specialty Businesses: Focusing and Prioritization

The new business plan prioritizes growth in specialty businesses. We intend to classify individual businesses as either a “priority growth business” or a “stable earnings business” based on our competitiveness and the growth potential of markets. For priority growth businesses such as industrial films, high-performance fibers and functional polymers, we plan to achieve 14% annual growth over the next three years through proactive expansion of production capacity, global expansion, and M&A. For stable earnings businesses such as packaging films and medical membranes, however, we will pursue production innovations, cost reductions and other measures to enhance competitiveness. We need to reform certain matured businesses, even in the specialty businesses.

Capital expenditure over the next three years is expected to total ¥60.0 billion, which is nearly equal to depreciation expense. We will concentrate our resources in priority growth fields, such as PET films for LCD and optical uses, the high-performance fiber “DYNEEMA” for which demand continues to grow, and airbag fabrics.

In terms of global development, Toyobo is anticipating that overseas sales in its specialty businesses will increase by more than ¥20.0 billion over the next three years. Thus, approximately one-third of the increase in net sales of specialty businesses during the new medium-term business plan will be derived from expansion overseas. We will pursue growth from engineering plastics and airbag fabrics in the automotive field, and functional filters and water treatment members in the environmental field.

Toyobo’s R&D program and new business generation is rooted in the concept that development is the source of growth potential, and we will revise our research projects across the entire company, and reallocate resources. R&D investment planned for the next three years is ¥35.0 billion (an increase of 10% over the previous three years). To further cultivate existing businesses, the progress of priority research projects will be monitored company-wide so that the results make a contribution to earnings as early as possible. At the same time, we will continue to generate and explore new businesses targeted for commercialization from 2010 and beyond. We will focus on the three fields of Automotive,

Expansion of Specialty Businesses

			Net Sales (¥ billion)		
Business			FY 2008	FY 2011 target	Measure
Priority growth business	Potential growth	<ul style="list-style-type: none"> • New electronic materials • Reverse osmosis membranes • Bioproducts • Others 	¥ 14	¥ 22	<ul style="list-style-type: none"> • Accelerate new businesses • Utilize external resources
	High growth	<ul style="list-style-type: none"> • Industrial films • “DYNEEMA” • Functional polymers • Others 	58	90	<ul style="list-style-type: none"> • Promptly start new plants • CAPEX • Accelerate overseas activities • Develop new technologies • Actively pursue alliances and M&A
	Expansion	<ul style="list-style-type: none"> • Airbag fabrics • Functional filters • Others 	48	63	
Stable earnings business		<ul style="list-style-type: none"> • Packaging films • Hollow fiber membrane for artificial kidneys • Others 	126	125	<ul style="list-style-type: none"> • Enhance competitiveness • Restructure business operations
Specialty total			¥245	¥300	

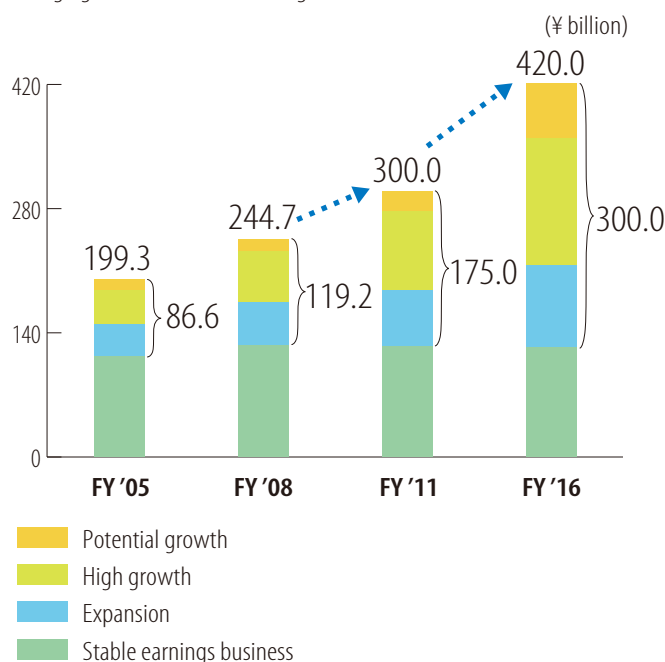


Electronics and Information Displays, and Environmental, and pursue initiatives with visionary customers that drive innovation in a range of fields. We will also seek to commercialize as quickly as possible the polyimide film "XENOMAX" with excellent thermally dimensional stability, a promising next-generation electronics material. In addition, we are developing fuel cell membranes, next-generation separating materials, and other products.

■ Image of Growth for Specialty Businesses by FY 2016

Net Sales

- Specialty businesses: annual growth of 7% in net sales
- High growth business: annual growth of 14% in net sales



Through the implementation of these measures, we are targeting net sales of ¥460.0 billion in fiscal 2011 (ending March 31, 2011), with operating income of over ¥30.0 billion, and ROA of 7% or higher. In particular, for the specialty businesses we are looking to achieve a 7% annual rate of growth, from ¥244.7 billion in fiscal 2008 to ¥300.0 billion in fiscal 2011.

Forecast for Fiscal 2009

During fiscal 2009 (ending March 31, 2009), Toyobo is anticipating a boost in earnings from new production equipment for PET films for LCD and optical uses, the addition of equipment for protective films, and a full-year contribution from new production equipment for the high-performance fiber "DYNEEMA" that went online from January 2008. We will also continue to shift cost increases to prices for packaging films and other products, and realize cost reduction from production improvements. However, we expect the business environment to remain difficult, with further increases in prices for raw materials and fuel, a rise in depreciation following the installation of new equipment, and appreciation of the yen.

Toyobo is forecasting net sales for fiscal 2009 to increase ¥3.6 billion (0.8%) from the previous fiscal year to ¥435.0 billion, though operating income is expected to decline ¥2.1 billion (7.7%) to ¥25.0 billion. We also plan to complete all remaining restructuring of the textiles business and other operations where there is a risk of future losses. Incorporating these losses, we are forecasting net income to rise ¥5.3 billion year on year to ¥10.0 billion (EPS of ¥14.30). We plan to pay a dividend of ¥5.00 per share.

I would like to offer my most sincere appreciation to our shareholders and investors, and ask for your continued support.

June 2008

Ryuzo Sakamoto
President and Chief Operating Officer

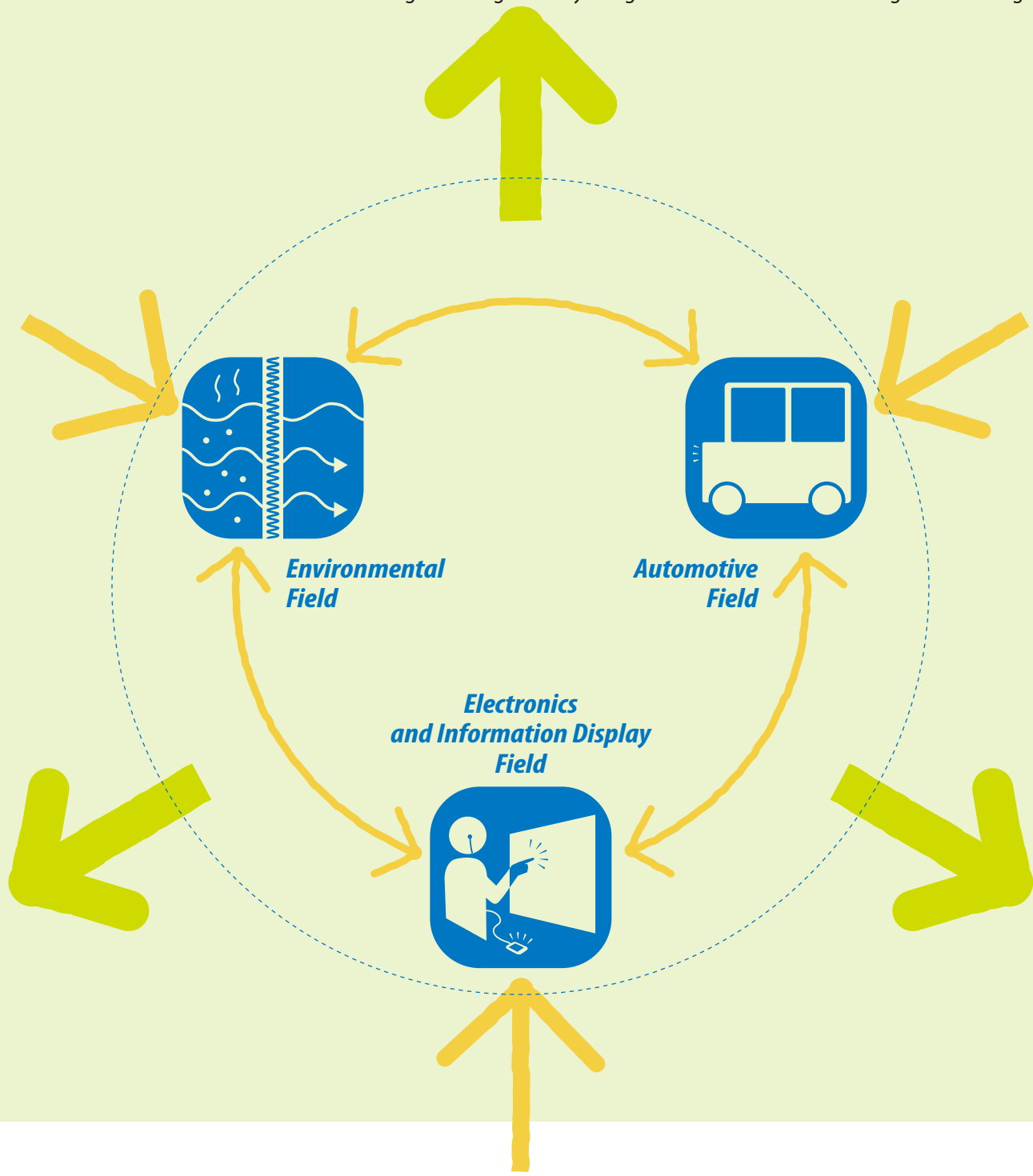


Three Promising Fields for Growth

Toyobo has identified five areas for growth:

- (1) Automotive, (2) Electronics and Information Displays, (3) Environmental, (4) Lifestyle and Safety, and (5) Life Science.
- We plan to expand these businesses by providing high-function products.

We are focusing particularly on the three promising fields for growth—Automotive, Electronics and Information Displays, and Environmental—where we can achieve a high rate of growth by using our numerous core technologies and strengths.





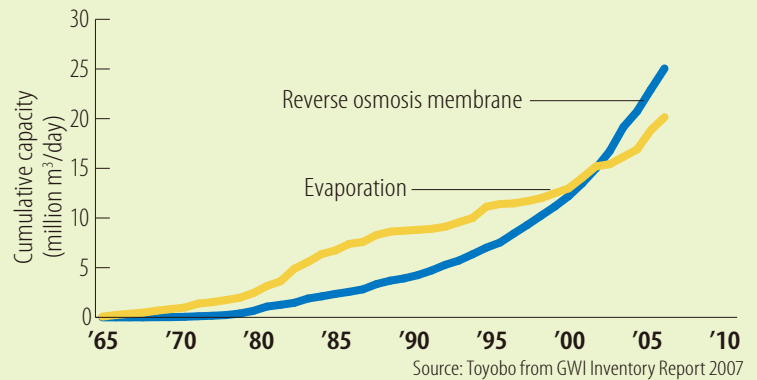
Environmental Field (Water treatment membranes)



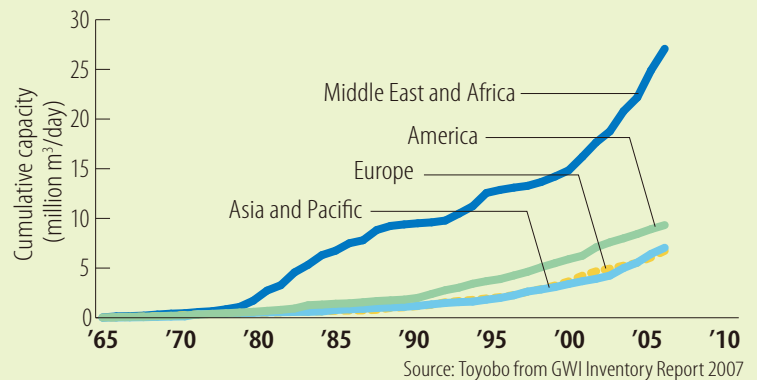
Predicted Future Water Shortage (Worldwide around 2025)

- ▶ According to an AFP BB News report, the United Nations warned just prior to World Water Day on March 22 that with the continued global population growth, by 2025 one-third of the world's population will be forced to seek desperately for safe, potable water.
- ▶ A total of 70% of the Earth's surface is covered with water, 97.5% of which is seawater. Desalination of this seawater is an effective way to resolve the water problem.
- ▶ The two main methods of desalination currently in use are evaporation and membrane process. Use of the reverse osmosis membrane method has grown considerably in recent years due to its energy efficiency.
- ▶ The market for reverse osmosis membranes is growing rapidly, led by rising global demand for seawater desalination, particularly in the Middle East.
- ▶ Toyobo's membranes are composed of hollow fiber membranes made of cellulose triacetate (CTA), which has superior resistance to chlorine. It is effective in preventing growth of microorganisms. This prevents membrane bio-fouling, and allows for the stable production of high-quality water.
- ▶ The superior performance of Toyobo membranes has been particularly recognized in the Middle East, the world's largest market for desalination, and Toyobo has about a 50% share in the Middle East.

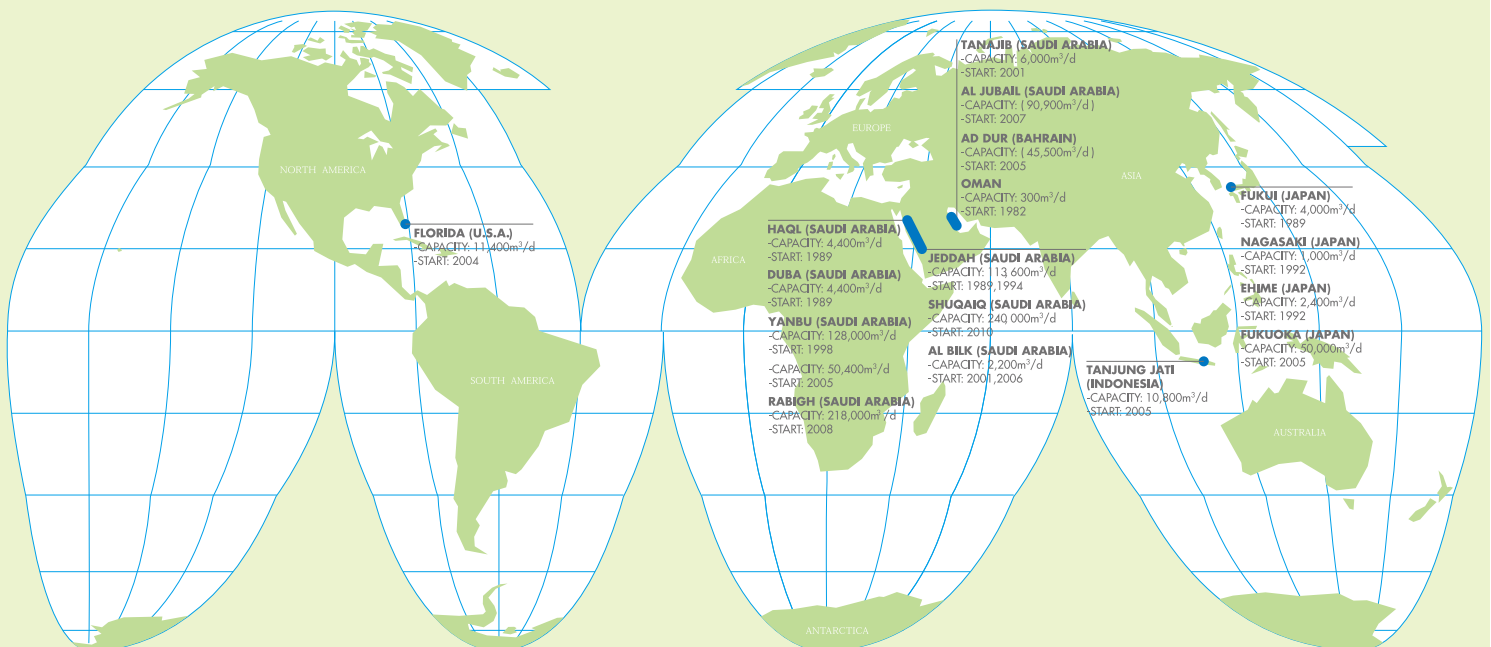
Seawater Desalination Facilities



Reverse Osmosis Desalination Facilities



Toyobo's Major Plant Delivery Record





Automotive Field



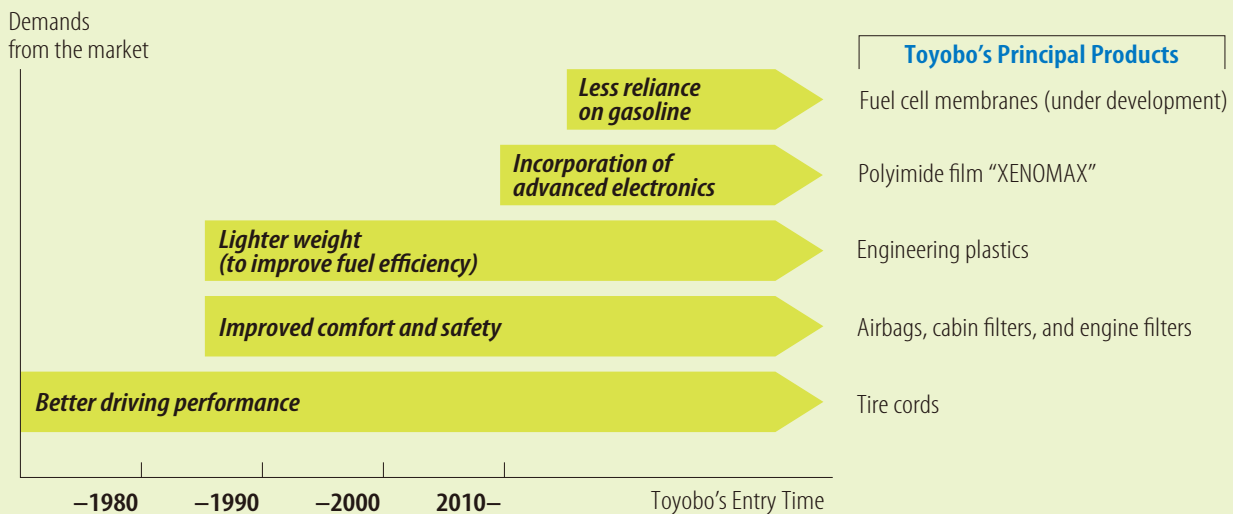
Forecast of the Automotive Market

- ▶ Automobile production is forecast to increase 4% on average globally between 2007 and 2010. Growth in developing countries, such as China, is expected to be especially strong at over 10%, and automakers and automotive part producers are accelerating their global production.
- ▶ Demands from the automotive market include better environmental efficiency and more sophisticated technology. Fuel efficiency standards are becoming tighter in developed nations, gasoline prices have risen considerably, and there has been rapid growth in the demand for small and mid-sized cars. At the same time, however, consumers are demanding in small cars the same level of safety performance and other quality standards found in larger vehicles.

Toyobo's Products in the Automotive Field

- ▶ Toyobo airbag fabrics have been well received by numerous automotive parts makers for the way they allow airbags to be made more lightweight and compact, as well as their reliability arising from good quality. Demand for our airbag fabrics is forecast to rise in the BRICs economies and other developing countries, and to increase in other areas as more cars are equipped with side and curtain airbags.
- ▶ Automakers have set a medium-term goal of making cars 10% to 15% lighter compared to 2005 models, in order to increase fuel efficiency through reduced weight. We anticipate one aspect of this to be an increase in application for engineering plastics, and expect the proportion of plastics use in automobiles to rise from 8% in 2000 to more than 12% by 2010.
- ▶ Toyobo will continue to enhance and expand its overseas production and sales network in accordance with the global expansion of its customers.
Automotive electronics are expected to become more sophisticated. Electronics and computers need to function in the harsh environment of an automobile, and to do so the surface-mounted components need to be more sophisticated and minute. Toyobo is responding to this need by developing the polyimide film "XENOMAX" with excellent thermally dimensional stability.
- ▶ Toyobo is also promoting development of fuel cell membranes to help drive new energy solutions. We are working to improve the efficiency and durability of these membranes compared to conventional products.

■ Demands from the Automotive Market and Toyobo's Products



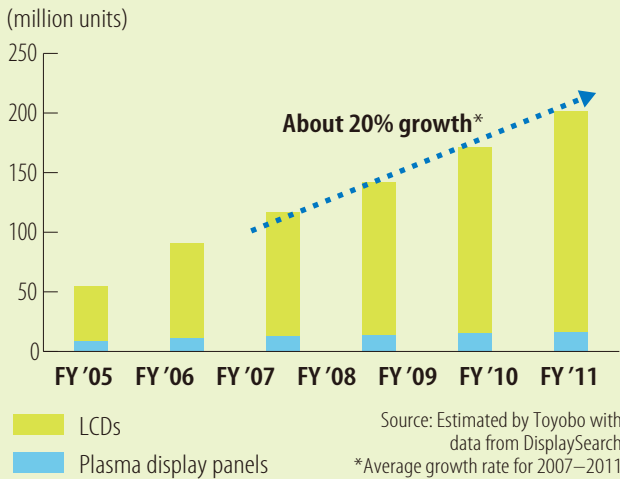


Electronics and Information Display Field



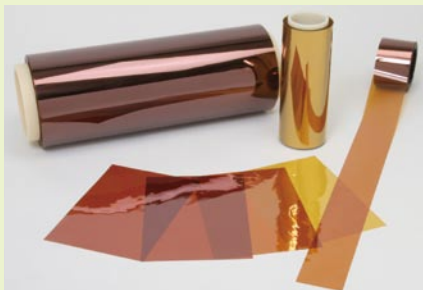
High Transparent PET Films for Flat-Panel Displays (FPDs)

Anticipated Demand for FPDs



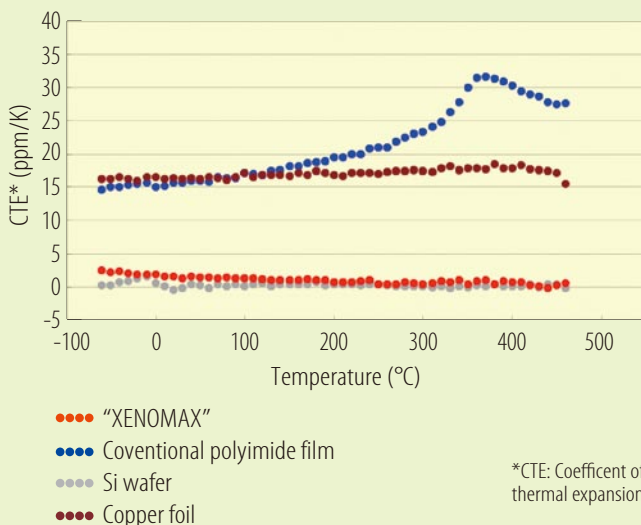
- ▶ Average annual rate of growth for LCDs between 2007 and 2011 is expected to be strong, at over 20%.
- ▶ Toyobo's transparent PET film "COSMOSHINE" offers high levels of both a slick film surface and transparency, opposing aspects that were a major problem in film manufacture. Toyobo has a large share of the market for films used in various parts of FPDs, particularly LCD backlight components.
- ▶ Toyobo will continue to make improvements to respond to growing demand and meet increasingly sophisticated needs.

Polyimide Film "XENOMAX" (Development Product)



Polyimide film "XENOMAX"

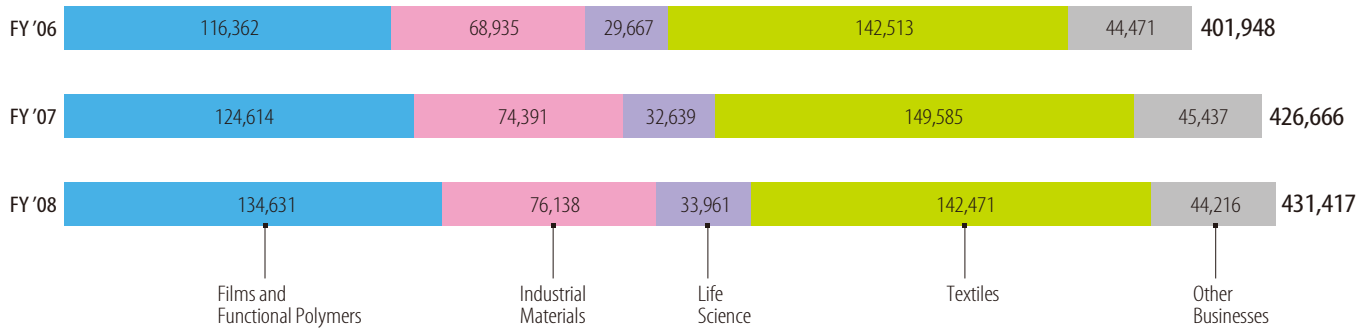
Temperature Dependence of CTE



- ▶ Greater congestion and extreme minuteness of surface-mounted components are increasing at a breakneck pace with the move toward realization of a ubiquitous society.
- ▶ There is a strong need for extremely small, heat-resistant insulator films in order to improve productivity and reliability of components in this field.
- ▶ The polyimide film "XENOMAX" newly developed by Toyobo has the same dimensional stability as a semiconductor silicon chip (linear expansion coefficient* of 0–3 ppm/K), which had not been possible for a polymer material before now. We have high expectations that it will be the insulator film essential for next-generation subcomposites and three-dimensional mounting substrates.

*Linear expansion coefficient: The indicator of dimensional change in a material due to temperature. Smaller numbers indicate greater dimensional stability.

Net Sales (¥ million)

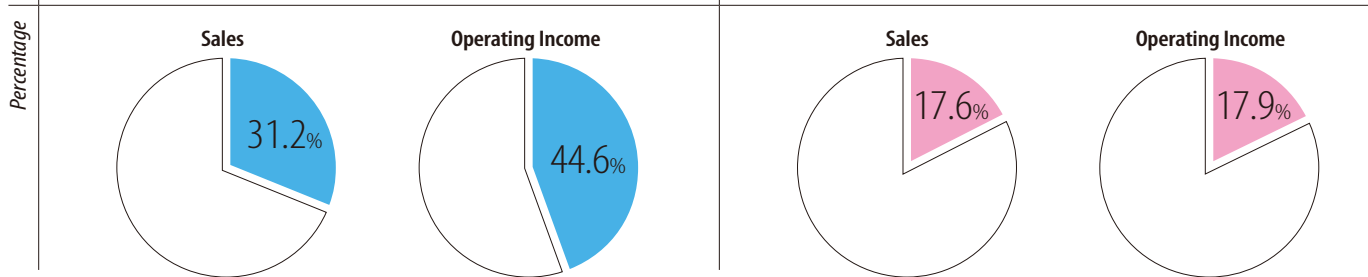


Films and Functional Polymers Page 14

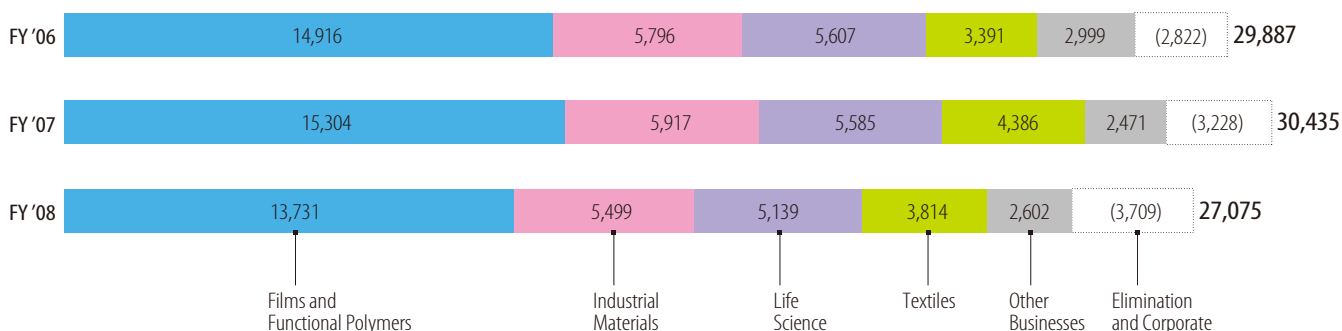
Industrial Materials Page 18

Principal Products	Films and Functional Polymers	Industrial Materials
	<p>Industrial Films</p> <ul style="list-style-type: none"> •For LCD and optical use (PET films), other industrial uses, synthetic paper <p>Packaging Films</p> <ul style="list-style-type: none"> •For food packaging use (PET, polyolefin, PA), heat-shrink PET films <p>Functional Polymers</p> <ul style="list-style-type: none"> •Engineering plastics •Industrial adhesives, coatings •Photo-sensitive printing plates •Acrylate polymers •Electronic materials <p>Others</p> <ul style="list-style-type: none"> •Rubber processing, coat processing 	<p>Functional Fibers</p> <ul style="list-style-type: none"> •Airbag fabrics, polyester for tire cords <p>High-Performance Fibers</p> <ul style="list-style-type: none"> •“DYNEEMA” (ultrahigh-molecular-weight polyethylene fiber) •“ZYLON” (PBO fiber): extreme heat-resistance, high tenacity <p>Functional Filters and Non-Woven Fabrics</p> <ul style="list-style-type: none"> •Functional filters for automobiles, indoor, anti-pollution •Solvent adsorption materials and units (activated carbon fibers) •Fiber materials for automobile parts

Performance Review	Films and Functional Polymers	Industrial Materials
	<p>Sales rose ¥10.0 billion (8.0%) year on year to ¥134.6 billion, though operating income declined ¥1.6 billion (10.3%) to ¥13.7 billion.</p> <p>In the films business, revenue was up due to steady demand for packaging films and the revision of product prices. For industrial films, the user inventory adjustments that had continued since the previous fiscal year for flat-screen televisions, personal computers and other electronics devices with liquid crystal and other optical uses, came to a close during the first half of the subject period, and demand recovered substantially, centered on exports to East Asia.</p> <p>In the functional polymers business, revenue was up due to greater sales of engineering plastics centered on the automotive industry both in Japan and overseas. Sales of the industrial adhesive “VYLON” were strong for IT and recording devices and electronics components applications, while sales of photo-sensitive printing plates also increased, centered on North America, South America, and Asia.</p>	<p>Sales rose ¥1.7 billion (2.3%) year on year to ¥76.1 billion, though operating income declined ¥0.4 billion (7.1%) to ¥5.5 billion.</p> <p>Airbag fabric sales were up due to expanded production by Japanese automakers in Japan and overseas. Tire cords remained in strong demand, but were affected by rising prices for raw materials and fuel.</p> <p>Sales of the high-performance fiber “DYNEEMA” were boosted by new production equipment that was brought online in January 2008, rising in all application categories, including safety gloves, fishing line, and ropes for large ships.</p> <p>In the filters field, sales were up for the functional filters used in such products as automobiles, office equipment and household appliances, and also increased for “PROCON” that are effective in preventing airborne contaminants.</p> <p>Sales of spunbond were up slightly overall, with declines in construction applications offset by increases in the automotive field.</p>



Operating Income (¥ million)



Life Science ← Page 22

Bioproducts

- Enzymes for diagnostics, diagnostic systems, reagents for research

Pharmaceuticals

- Contract manufacturing (injection, pharmaceuticals intermediates, raw-pharmaceuticals)

Medical Membranes, Equipment and Devices

- Artificial kidney hollow fiber, anti-clotting materials

Water Treatment Membranes

- Seawater desalination modules

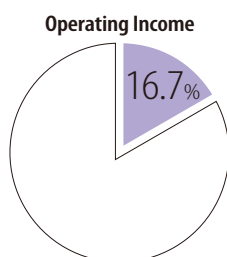
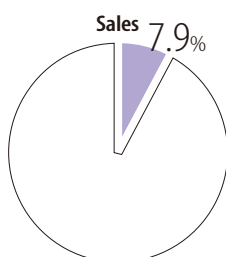
Sales rose ¥1.3 billion (4.0%) year on year to ¥34.0 billion, though operating income was down ¥0.4 billion (8.0%) to ¥5.1 billion.

In the bioproducts business, revenue was up due to continued strong sales of enzymes for blood glucose measuring applications, and greater sales of automatic analysis systems for urinary sediment and other diagnostic systems.

In contract manufacturing of pharmaceuticals, new equipment for production of injectable solutions was steadily brought online, and orders for contract development and clinical trials also increased.

In hollow fiber membranes for artificial kidneys, Toyobo introduced new products overseas and made strenuous efforts, but domestic shipments lagged.

In reverse osmosis membrane modules for desalination. Toyobo completed shipments to Rabigh (Saudi Arabia), and received its next order for a large-scale project.



Textiles ← Page 26

Textiles

- Functional textiles (for sportswear, underwear, thoub)

Apparel

- “Munsingwear,” apparel manufacturing

Fibers for Clothes

- Synthetic filaments (PET, PA, PU)

Acrylic Fibers

- “EXLAN”: acrylic fibers, “(eks)”: acrylate fibers

Others

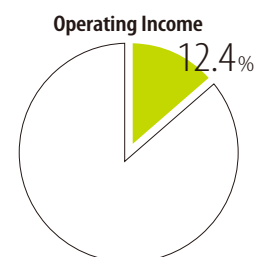
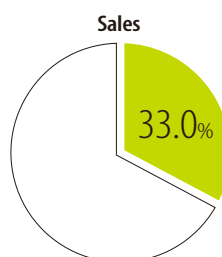
- Trading companies in textiles, overseas operations

Sales declined ¥7.1 billion (4.8%) year on year to ¥142.5 billion, with operating income down ¥0.6 billion (13.0%) to ¥3.8 billion.

In the textiles business, sales rose on the back of continued strong exports to the Middle East region, and the popularity of fine count, high-density textiles for sport applications. At the same time, the scale of the business for working uniform and bedding linen applications shrank, and revenue declined.

In apparel products, sales rose with the launch of a sub-brand of Munsingwear aimed at younger consumers.

In the wholesale original yarn business, the shifting to product prices of a portion of the increased cost for worsted yarn provided greater revenue, but sales were down due to contraction of less profitable businesses such as synthetic fiber and cotton yarn for commodity textiles. Sales of the acrylic fiber “EXLAN” were also sluggish due to a falloff in exports induced by the rising yen.





Masahiko Hachimaru
Corporate Senior Executive Officer,
in Charge of
the Films and Functional Polymers Segment

Films and Functional

	Business/Current Status	Planned Initiatives
Films	<ul style="list-style-type: none"> ▶ Industrial Films <ul style="list-style-type: none"> •PET films for LCD use (Market share about 30%) •Synthetic paper films and exfoliate films •Films for electric components ▶ Packaging Films <ul style="list-style-type: none"> •Mainly for food packaging, Japan's top supplier •Polyolefin, PET, PA, etc. •Heat-shrink PET films, barrier films 	<ul style="list-style-type: none"> •Start operation of new production line (+10 KT/Y) •Develop high functional films •Planning for next capital expenditures •Expand market share in food packaging •Start running the new production line for protective films of optical use
Functional Polymers	<ul style="list-style-type: none"> ▶ Engineering Plastics <ul style="list-style-type: none"> •Expanding from automotive appliances •Polyester elastomer, PET, PA ▶ Industrial Adhesive "VYLON" <ul style="list-style-type: none"> •Copolyester resins •Applications for coating, electronic materials ▶ Photo-Sensitive Printing Plates <ul style="list-style-type: none"> •Water-developed printing plates with non-organic solvent ▶ Electronics Materials <ul style="list-style-type: none"> •Polyamide-imide dual-layer FCL 	<ul style="list-style-type: none"> •Enhance domestic and overseas businesses •Enhance overseas business for electronic materials •Expand application for newspaper •Commercialization of the new polyimide film "XENOMAX"

Results for Fiscal 2008

This segment consists of the films and functional polymer business units. During the subject fiscal year, despite the harsh business conditions precipitated by continually rising prices of raw materials and fuel, Toyobo posted healthy shipment volumes of materials for display panels, electronics components, and automotive components both in Japan and overseas. Segment sales rose 8.0% year on year to ¥134.6 billion, though operating income declined 10.3% to ¥13.7 billion.

Product Review

Industrial films

The polyethylene terephthalate (PET) film "COSMOSHINE" has a favorable reputation in the market for its high transparency and adhesive ease, and has a large share of the PET film market for flat-panel

FY 2008—We shifted cost increases to product prices, but the continually rising cost of raw material and fuel made for a difficult year. Sales rose due to stepped-up marketing in the flat-panel display, automotive, and electronics components fields.

FY 2009—During the current year, we plan to increase production of films for LCD and optical uses to meet continually rising demand by bringing new equipment online, as well as aggressively expand sales of engineering plastics, focused on the automobile industry. We are also making a full-scale entry into the protective films field with the introduction of new equipment for polyolefin protective films.

Polymers

displays. Fluctuations in the supply and demand balance in the LCD and optical products field during the first few months of the subject fiscal year led to a rocky start, but demand recovered nicely midway through the period, focused on exports to the East Asia. Electronic components performed strongly, especially for the manufacturing process industry. Other industrial films such as synthetic paper for IC cards (smart cards) and films for manufacturing of electronics components also performed well.

Packaging films

Toyobo is the leading supplier of packaging films in Japan with a wide range of materials including polyolefin, PET and polyamide. Rising prices for raw materials and fuel over the past few years have led to harsh business conditions, but sales increased due to steady demand in the food packaging field. The price increases for raw materials and fuel were



Industrial films "COSMOSHINE"





An application of polyester engineering plastic "VILOPET"



An application of conductive paste industrial adhesive "VYLON"



An application of polyester elastomer "PELPRENE"

the dominant factor during the first half of the period, but we were able to gradually shift these costs to product prices during the latter half.

Functional polymers

Revenue from engineering plastics rose due to strong demand from automotive applications. Toyobo offers a range of PET, polyamide and polyester elastomers, which—combined with its blending, compounding and mold simulation technologies—has led to their adoption by Japanese auto part makers for such products as headlamp components, engine covers, and interior materials.

The thermoplastic polyester elastomer "PELPRENE," a material intended as a substitute for synthetic rubber, has a high durability and has been adopted mainly for automotive applications and electronic components.

The "VYLON" series of industrial adhesives posted greater sales, mainly for

applications for electronics materials and related devices. Toyobo's strengths in compositional design technologies for copolyester and its customer responsiveness have allowed it to retain the top share of the Japanese market.

Market Trends

Toyobo has identified electronics and information displays, automotive and the environment as growth fields. We anticipate that the demand in East Asia for films for liquid crystal and optical applications will grow by more than 20% annually over the medium term in accordance with the expanded production of flat-panel televisions. We will continue to adapt to meet this growing demand, and the increasingly sophisticated specification demands that will accompany it.

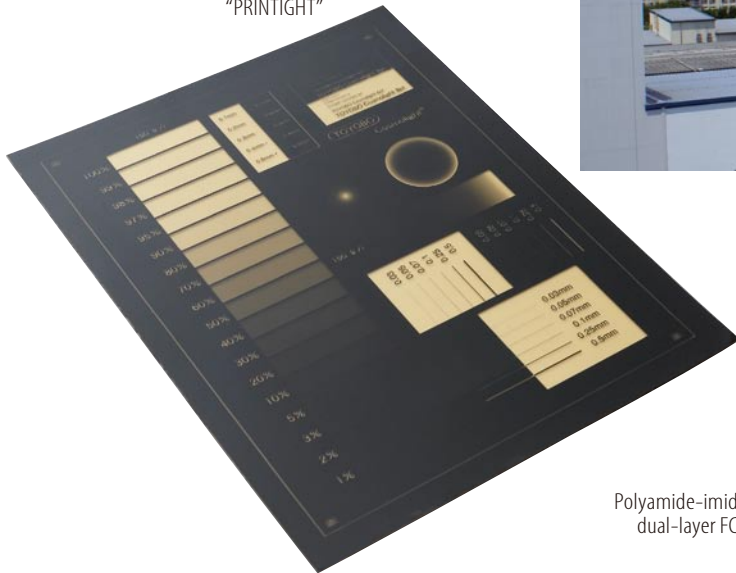
In the automotive field, we anticipate new business opportunities as automobile production increases in China and around

the world, and cars become lighter and incorporate more electronics devices. For engineering plastics we are working to accommodate increasingly elaborate automotive designs, and enhancing our marketing structure and product lineup. In response to the increasing use of automotive electronics, we will offer next-generation printed circuit board materials with superior thermal properties.

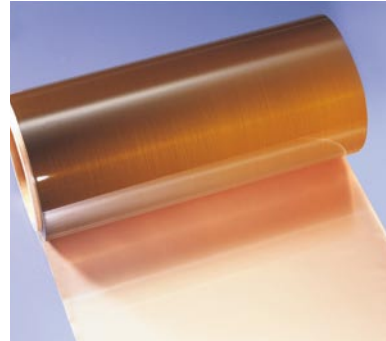
Overseas Business Development

In the engineering plastics business, specifically in the automotive field, we are enhancing our locations in China, Thailand and North America in accordance with the overseas expansion of our customers. In the United States, we have stationed engineers in Detroit as a means of bolstering our technical service, while in China and Thailand our local supply capacity is steadily increasing. For the "VYLON" series of industrial adhesives, we concentrated on expanding sales of

Photo-sensitive printing plates
"PRINTIGHT"



The Tsuruga Films Plant



Polyamide-imide
dual-layer FCL

hot-melt adhesives and polyamide-imides varnish to accommodate local production by electronics manufacturers. In the photo-sensitive printing plate business, water-developed flexographic printing is being increasingly adopted for newsprint, and we anticipate growth in the EU and North American markets. We are also expecting greater use of these plates in China, as they are environmentally friendly products that do not require the use of solvents.

New Product and Business Development

"SOFTSHINE"

The moldable polyester film "SOFTSHINE" is a new molding material created through a combination of Toyobo's film-forming and polymer-modification technologies. It combines heat and solvent resistance with three-dimensional moldability and printability. We intend to highlight the design benefits offered

by simultaneous processing to target the consumer electronics, automotive, and construction materials.

Polyamide-imide dual-layer FCL

As electrical circuit boards become smaller and manufacturing speeds increase, there is a greater need for heat resistance in the board material. The polyamide-imide resins being developed by Toyobo have superior heat-resistance properties. Direct coating of the resin acts as a base for the copper foil that forms the circuit. It is possible to omit the adhesive—which can cause deterioration in the performance of the circuit board—allowing the advantages of the board material to be fully utilized.

Major Capital Expenditures

A new line for PET films for liquid crystal and optical applications has been added to meet the continuing increase in demand for flat-panel displays. The new

equipment is expected to increase production capacity by 10,000 tonnes annually once it goes online in summer 2008 at the Tsuruga Films Plant.

In the packaging films field, Toyobo is making capital investments in polyolefin film for the protective films used in the manufacturing process for flat-panel displays, which is expected to grow at a rate of 10% per year. This new equipment is anticipated to be online from summer 2008, and will help meet demand.

Outlook for Fiscal 2009

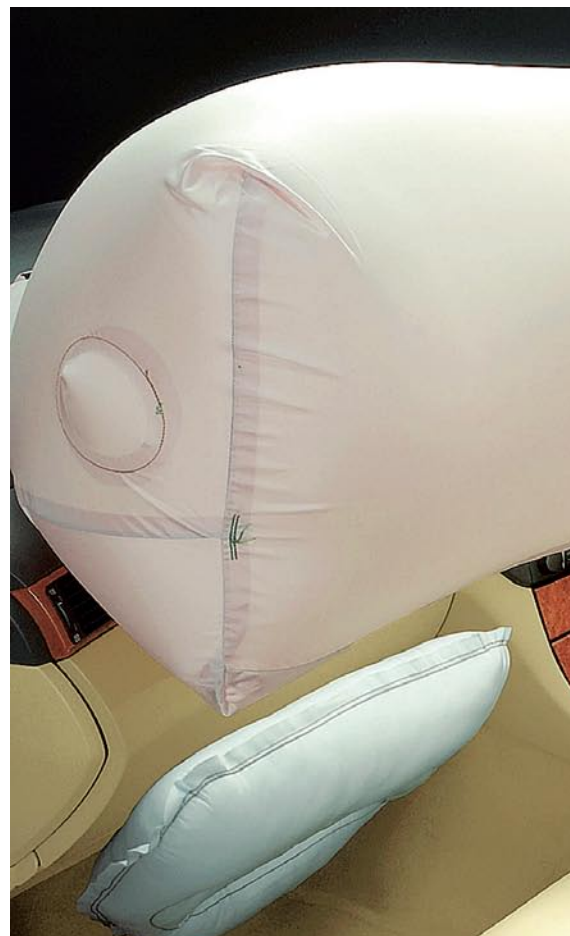
For fiscal 2009 (ending March 31, 2009), we forecast segment sales of ¥145.0 billion, with operating income of ¥13.0 billion. We expect demand to remain firm for films for LCD and optical applications, and functional polymers such as engineering plastics for automobiles, and will continue to revise prices for packaging films.

Fumiaki Miyoshi
Corporate Officer,
in Charge of
the Industrial Materials Segment



Industrial Materials

	Business/Current Status	Planned Initiatives
Functional Fibers	<ul style="list-style-type: none"> ▶ Airbag Fabrics <ul style="list-style-type: none"> •Strength in non-coated fabrics •A greater than 50% share of the market for Japanese manufacturers of airbags ▶ Tire Cords <ul style="list-style-type: none"> •Japanese market share about 40% 	<ul style="list-style-type: none"> •Expansion of capacity (domestic/overseas) •Enter the coated fabrics market (for side and curtain airbag uses) •Accelerate sales of dipped textiles
High-Performance Fibers	<ul style="list-style-type: none"> ▶ “DYNEEMA” (ultrahigh-molecular-weight polyethylene) <ul style="list-style-type: none"> •Lightest and high-tenacity fiber ▶ “ZYLON” (PBO Fiber) <ul style="list-style-type: none"> •The highest levels of strength, elasticity, heat resistance and flame retardancy among organic fibers (fireman uniform, heat-resistant bands, etc.) 	<ul style="list-style-type: none"> •Expansion of production capacity (Nippon Dyneema Co., Ltd.) •Explore new applications
Functional Filters and Non-Woven Fabrics	<ul style="list-style-type: none"> ▶ Activated Carbon Fibers <ul style="list-style-type: none"> •Solvent adsorption units for using at coating plants •Cabin air filters for automobiles ▶ Bag Filters for Incinerators (polyphenylene sulfide fiber: PPS) <ul style="list-style-type: none"> •Used at thermal power plants and preventing airborne contaminants ▶ Spunbond <ul style="list-style-type: none"> •Application for automotive interiors and spring bearings •Application for civil engineering and construction materials ▶ Non-Woven Staple Fabrics <ul style="list-style-type: none"> •Filters for automobile and others •Automotive interiors •Non-woven fabrics for disposable diapers 	<ul style="list-style-type: none"> •Respond to increasing demand for prevention of air pollution •Respond to the globalization of the automotive industry •Expansion of demand for reducing air pollution •Respond to increasing environmental concerns overseas as well as in Japan •Expand sales for automobiles •Production in Japan, Thailand and North America



FY 2008—We managed to increase sales despite the impact from continually rising prices for raw materials and fuel, due to positive results from automotive-related materials and high-performance fibers.

FY 2009—We will strengthen our supply structure for airbag fabrics both in Japan and overseas. For “DYNEEMA,” we will expand production volume with new equipment that went online in January 2008. For functional filters, along with automotive applications we will make a proactive expansion in fields related to environmental conservation, such as bag filters and solvent recovery equipment.

Airbag fabrics



Results for Fiscal 2008

The strengths of this segment lie in its spinning and processing technologies, non-woven fabrics manufacturing, and the quality assurance, through which it provides unique functional materials to the automotive, environmental, lifestyle and safety markets. Sales in this segment rose 2.3% year on year to ¥76.1 billion, boosted by growth in the automotive market, expansion due to rising environmental awareness, and lively demand for high-performance fibers. Operating income, however, declined 7.1% from a year earlier due to rising costs for raw materials and fuel, and exchange rate fluctuations.

Product Review

Airbag fabrics

The business has continued to expand, with growth deriving particularly from a “non-coat” processing technique that

allows airbag fabrics to be used in a product without coating, yarn manufacturing technologies to create highly flexible and strong filaments for more compact airbags, as well as our quality assurance systems to ensure safety. Toyobo now has a greater than 50% share of the market for Japanese manufacturers of airbags. Sales have risen on the back of growing automobile sales by Japanese automakers, greater demand stemming from a rise in the number of cars equipped with airbags, an increase in fiber production capacity in Japan, and expanded processing capacity for airbag fabrics overseas.

Tire cords

Tire cord sales rose slightly from the previous fiscal year, but pressure on earnings intensified due to rising prices for raw materials and fuel, and the impact from exchange rates. We are working to improve profitability through further cost reductions, and shifting to higher-value-added products such as dipped textiles.



Ultrahigh-strength polyethylene fiber "DYNEEMA" and its applications



An application of PBO fiber "ZYLON"



Mooring cable made of ultrahigh-strength polyethylene fiber "DYNEEMA"



Three-dimensional spring-structured fiber "Breathair"

High-performance fibers

"DYNEEMA" is an ultra-strong polyethylene fiber that combines exceptional strength with light weight (a relative density of 0.97). Sales have risen in all application categories, including fishing line, safety gloves, rope and netting. To meet this robust demand, in January 2008 Nippon Dyneema Co., Ltd., a joint venture with the Dutch firm Royal DSM N.V., increased production capacity 1.6 times.

The poly-benzobisoxazole (PBO) fiber "ZYLON" possesses some of the highest levels of strength, elasticity, heat resistance (650°C) and flame retardancy among organic fibers. We are currently cultivating demand in fields where the fiber's flame resistance and strength compared to alternatives can be fully utilized.

Functional filters and non-woven fabrics

Toyobo offers a range of non-woven fabrics that draw on its expertise with flame-retardant materials, adsorbent materials, and non-woven fabric and filter

manufacturing technology. These include products to aid environmental conservation, a variety of filters for automotive and home electronics use, automotive interiors and components, and construction materials.

Greater awareness of global environmental preservation has also led to a focus on reductions in volatile organic compounds (VOCs). Solvent adsorption equipment incorporating the activated carbon fiber "K-FILTER" helps to prevent emissions of solvents into the atmosphere, as well as conserve resources by allowing their recovery and reuse. Such equipment is widely used in coating factories and semiconductor manufacturing plants, and sales have risen. We expect this strong growth to continue.

"PROCON," a polyphenylene sulfide (PPS) fiber for bag filters, is increasingly being used at thermal power plants and waste processing centers, where it is effective in preventing airborne contaminants. Sales

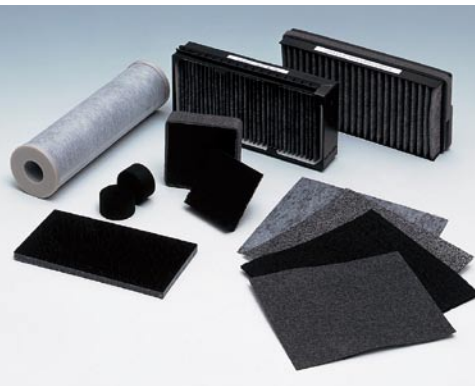
have risen on the back of a sharp increase in demand in China in recent years. We expect sales to remain strong in overseas markets.

Spunbond (non-woven filament fabrics) are used in automotive interiors, spring bearings, and "KATENA" tonneau covers, with sales steadily growing. Our subsidiary, Kureha Ltd., manufactures automotive filters using non-woven staple fabrics both in Japan and overseas.

"Breathair"

"Breathair" is a three-dimensional spring structure formed from random coil configuration elastomeric resin. The market for this product is growing rapidly, mainly for railcar seats and cushioning material for healthcare products. It is gaining prominence in the industry as an environmentally friendly alternative to urethane foam and metal spring cushioning material.

Solvent adsorption equipment



Activated carbon fibers
"K-FILTER"



Tonneau covers made of spunbond
"KATENA"



Bag filters made of "PROCON" and
"Toyobo P84"

New Product and Business Development

High-strength melt spinning polyethylene fiber

Toyobo's high-performance fibers are used in a variety of industries. We recently developed for this product lineup "Tsunoooga," a high-strength melt spinning polyethylene fiber made possible by Toyobo's unique technologies. This new fiber is also expected to open up new markets.

Coated airbag fabrics

In addition to the non-coat airbag fabrics where the focus is on compactness, Toyobo has begun full-scale development and production of coated fabrics, which feature low air permeability. Coated fabrics are expected to be widely adopted for use in side, curtain and knee airbags, where low permeability and flame resistance is necessary.

Major Capital Expenditures

Toyobo is considering a number of investments to meet growth in demand. For airbag fabrics, fiber production and airbag fabric processing capacity will be enhanced both in Japan and overseas. For "DYNEEMA," production capacity will be further increased at Nippon Dyneema Co., Ltd.

Trends in Overseas Markets

Automotive-related products account for a high proportion of sales in this segment, and Toyobo is actively working to respond to the trend toward overseas procurement of parts by Japanese auto makers. Demand is also increasing overseas in the market for environmental products, and Toyobo is considering the best overseas sales business model to allow it to maintain stable earnings.

Outlook for Fiscal 2009

For fiscal 2009 (ending March 31, 2009), we forecast segment sales of ¥82.0 billion, with operating income of ¥5.5 billion. We will prioritize the growing automotive and environmental markets, and actively pursue overseas development (responding to the increase in local purchasing) for airbags, filters, and non-woven fabrics, as well as launch new product materials. We plan to increase earnings with proactive capital expenditures to expand production capacity for "DYNEEMA."



Kazuo Kurita
Corporate Officer,
in Charge of
the Life Science Segment

Life Science

	Business/Current Status	Planned Initiatives
Bioproducts	<ul style="list-style-type: none"> ▶ Biochemicals <ul style="list-style-type: none"> •Sales of enzymes for diagnostics reagents rose for blood glucose measuring •Advanced culturing and refinement technologies ▶ Diagnostic Reagents and Diagnostic Systems <ul style="list-style-type: none"> •Diagnostic systems that measure kidney functions quickly and in a short period of time 	<ul style="list-style-type: none"> •Enter into such new businesses as high-performance proteins •Develop genetic diagnostic systems
Pharmaceuticals	<ul style="list-style-type: none"> ▶ Contract Manufacturing of Pharmaceuticals <ul style="list-style-type: none"> •GMP-standard production line •Cohesive support structure through marketing of products and INDs ▶ Contract manufacturing of antibody drugs <ul style="list-style-type: none"> •Toyobo Biologics Inc. 	<ul style="list-style-type: none"> •Increase contract orders
Water Treatment Membranes	<ul style="list-style-type: none"> ▶ Seawater Desalination Reverse Osmosis <ul style="list-style-type: none"> •Top share in the Middle East (a share of about 50%) •Highly chlorine-resistant CTA membranes 	<ul style="list-style-type: none"> •Enhance sales activities in the Middle East •Full-scale entry into the drinking water UF membranes market
Medical Membranes	<ul style="list-style-type: none"> ▶ Leading Manufacturer of Artificial Kidney Hollow Fiber Membranes <ul style="list-style-type: none"> •CA/Cellulose triacetate (CTA) •20% share worldwide 	<ul style="list-style-type: none"> •5–10% growth in the worldwide market •Increase productivity, strengthen cost-competitiveness, and exploit new applications

Results for Fiscal 2008

This segment comprises the medical and water treatment membranes businesses developed from Toyobo's spinning technologies, as well as the bioproducts and pharmaceuticals business developed from our fermentation and purification technologies. It targets markets related to medical services, healthcare and well-being.

During the subject fiscal year, the biotechnology business grew steadily as new equipment for drug production was brought online, but growth was sluggish for hollow fiber membranes for artificial kidneys. As a result, segment sales rose 4.0% year on year to ¥34.0 billion, though operating income declined 8.0% to ¥5.1 billion.

FY 2008—The bioproducts business grew as we steadily brought new equipment online for the contract manufacturing of pharmaceuticals, but performance lagged overall due to slow growth in hollow fiber membranes for artificial kidneys in the face of fierce competition.

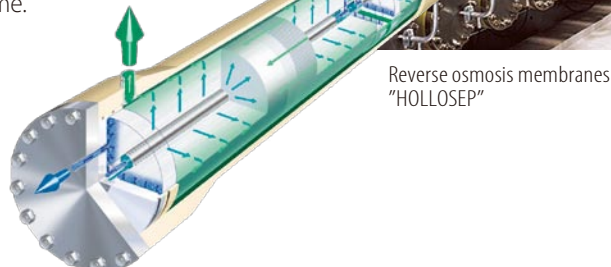
FY 2009—In the bioproducts business, we will further develop the diagnostic systems business, while generating new businesses such as production of functional substances for fields other than diagnostic reagents. In the water treatment membranes businesses, we will continue to increase sales of hollow fiber reverse osmosis membranes, focusing on the Middle East, and expand sales of ultrafiltration membranes for drinking water.

Product Review

Bioproducts (enzymes for diagnostic reagents, and diagnostic systems)

In enzymes for diagnostic reagents, sales rose on the back of expansion of enzymes for blood glucose measuring applications both in Japan and overseas.

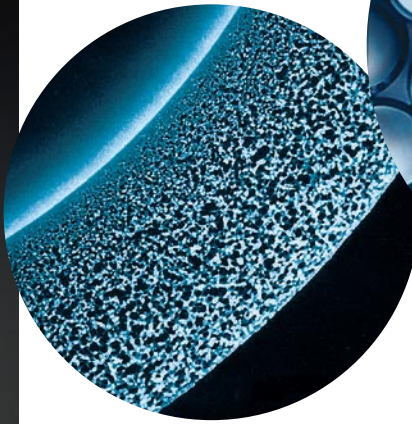
In diagnostic systems, Toyobo is opening new markets through systemization, in addition to more conventional sales of enzymes and diagnostic reagents. Revenue was up during the subject fiscal year from such diagnostic systems as the automatic urinary sediment analysis system, which measures kidney functions quickly and in a short period of time.



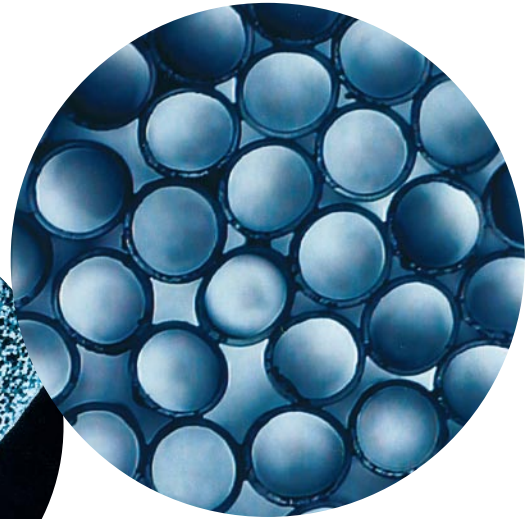
Reverse osmosis membranes
"HOLLOSEP"



Inside a desalination plant



Hollow fiber membranes for artificial kidneys



Contract manufacturing of pharmaceuticals

Revision to the Pharmaceutical Affairs Law in Japan is accelerating the usual procedures for contract manufacturing of pharmaceuticals. Toyobo completed and brought online a new production and packaging line for injectable pharmaceuticals that conforms to overseas Good Manufacturing Practice (GMP) standards, resulting in a rise in sales. Orders also increased in the development and contracted clinical trials field.

Toyobo Biologics Inc., a firm for contract manufacturing of raw biopharmaceuticals like antibodies, growth factors and other recombinant proteins, also increased orders due to proactive development of biotechnology-based medical products among Japanese pharmaceutical companies. Toyobo is now able to provide total solutions of biopharmaceuticals manufacturing for the global market.

Medical membranes

Toyobo manufactures hollow fiber membranes for artificial kidneys, by which renal failure patients are treated. Our hollow fiber membranes, made of cellulose triacetate, have been well accepted in clinics for their high performance and high biocompatibility, and are used for treating more than 20% of patients globally.

The market for artificial kidneys is growing by 5%–10% annually in developing countries and 3% in developed countries. At present, however, the supply is higher than the demand globally, due to the acute expansion of production capacity by major manufacturers, thereby resulting in serious price competition. Though Toyobo has launched new products in market, sales remain flat.

As one of the new applications in food industry, Toyobo will begin supplying wine filtration membranes for wineries in Europe.

Water treatment membranes

With the global shortage of water, much attention is being focused on desalination of seawater. In the Middle East, where Toyobo has about a 50% share of the market (by volume, for a desalination plant using the reverse osmosis method), we anticipate annual growth of 10%.

During the subject fiscal year, despite the impact from the appreciation of yen in the second half of the period, sales rose as a result of new delivery of membranes for a plant in Rabigh, Saudi Arabia (the largest by water production capacity in the Gulf Cooperation Council [GCC]) and strong demand for replacement membranes both in Japan and overseas. Toyobo products have also been adopted for use at the country's next large-scale seawater desalination project in Shuqaiq, Saudi Arabia.



“U-SCANNER” diagnostic system for measuring kidney functions



Enzymes for diagnostic reagents



Otsu Pharmaceuticals Plant

New Product and Business Development

In the bioproducts business, Toyobo is drawing on its fermentation and purification technologies to expand beyond the medical field and enter the new markets of health care. We are currently developing high-performance proteins for use in health foods and other products.

In the water treatment membranes business, Toyobo is drawing on its expertise in functional membranes and water purification to develop ultrafiltration membranes for drinking water that remove chlorine-resistant protozoan and provide superior fouling and chemical resistance. Toyobo plans to bring these to market within fiscal 2009. We are also developing new reverse osmosis membranes for the increasingly promising wastewater reuse market.

Planned Capital Expenditures and Overseas Business Development

In the bioproducts business, we plan to increase fermentation capacity.

In contract manufacturing of pharmaceuticals, we will install packaging equipment for injectable solutions during fiscal 2009.

In water treatment membranes, we will make capital investments to begin producing ultrafiltration membranes for drinking water. We also plan to increase production capacity for reverse osmosis membranes.

Outlook for Fiscal 2009

For fiscal 2009 (ending March 31, 2009), we forecast segment sales of ¥36.0 billion, with operating income of ¥4.8 billion. In bioproducts, we anticipate a negative

impact from the rising yen and the effect that drug price revisions will have on hollow fiber membranes for artificial kidneys, but plan to expand the diagnostic systems business, and create new businesses, such as production of functional substances for fields other than diagnostic reagents. In contract manufacturing of pharmaceuticals, we are increasing the number of production contracts. For hollow fiber membranes for artificial kidneys, we are enhancing cost-competitiveness to secure earnings. In water treatment membranes, demand for fresh water production is robust, and we will expand sales, mainly to the Middle East, of cellulose triacetate (CTA) hollow filter reverse osmosis membranes, which have superior fouling and chemical resistance and a strong track record for stable plant operation over several years. We will also make a full-scale entry into the market of ultrafiltration membranes for drinking water.



Hiroyuki Kagawa

Corporate Officer,
in Charge of
the Textile Segment

Textiles

Results for Fiscal 2008

This segment is composed mainly of the apparel fibers business, which includes synthetic fiber for apparel, spinning, weaving and dyeing in Japan and overseas, sewing, and the wholesaling and trading of textiles.

The current main driver for this business is functional apparel, including fabric for Arabic traditional men's wear of the Middle East (thoub), underwear, and sportswear.

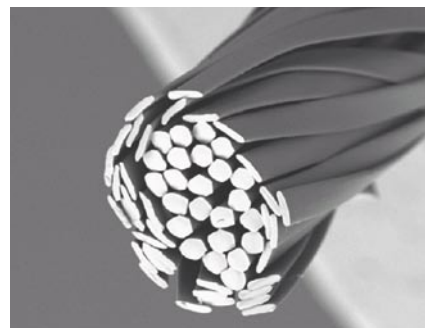
During the subject fiscal year, we continued to scale back less profitable and commodity business fields, and narrow our focus on functional and specialty apparel. As a result, segment sales fell 4.8% year on year to ¥142.5 billion, while operating income was down 13.0% to ¥3.8 billion. Total capital employed declined ¥6.8 billion, further improving asset efficiency.

Product Review

In the textiles field, Toyobo's high-quality, distinctive fabrics for traditional costumes of the Middle East (thoub) have been well received locally, and sales continue to rise. Sportswear fabric sales also expanded on the popularity of Toyobo's fine count, high-density fabric utilizing our unique technologies. At the same time, the scale of the business for working uniforms, casual wear and bedding linens applications shrunk, and revenue declined. In apparel products, sales rose with the launch of a sub-brand of "Musingwear" aimed at younger consumers.



Distinctive fabrics for
traditional costumes
of the Middle East (thoub)



"DRYUCUBE" sophisticated yarn



Comfort evaluation
technology

FY 2008—*We continued to scale back business in less profitable and commodity products fields, and narrow our focus on functional materials that utilize our unique technologies.*

FY 2009—*Centered on the newly established subsidiary Toyobo Specialties Trading Co. Ltd., we will further tighten the focus of the entire group on functional textiles, while also stabilizing earnings and improving asset efficiency.*

The group company Japan Exlan Co., Ltd., which manufactures and sells acrylic fiber, continued to shift toward specialized products and increase prices to cover higher costs amid rising prices for the raw material acrylonitrile. However, the falloff in exports stemming from the rising yen resulted in sluggish sales.

New Products and R&D

We will pursue product development centered on functional apparel, including fabric for traditional costumes of the Middle East (thoub), underwear and sportswear, combining our core business of sophisticated spinning technology compounding filament and spun yarn, with techniques to evaluate and quantify the “comfort” that people feel.

For traditional costumes of the Middle East (thoub), we will strengthen product development targeting high-end products. In underwear, for autumn and winter

we will continue to develop products based on micro acrylic fiber, while for spring and summer we will utilize high-order compound spun yarn to develop products that make people feel cool. In sportswear, we will develop products that organically combine synthetic specialty materials with functional processing.

Business Restructuring Overview

In August 2006, Toyobo formulated a “master plan” for the Textiles segment that sets a goal of operating income ROA of 5% or higher for the entire segment, including Group companies.

During fiscal 2009, business restructuring will be accelerated in order to accomplish the “master plan” ahead of schedule. In April 2008, the textile trading company Shinko Sangyo Co., Ltd. merged with the development and sales divisions of Toyobo’s textile business to form Toyobo Specialties Trading Co., Ltd. This new

company will help establish a consultative-type textile business that fully utilizes Toyobo’s apparel fiber development capabilities. We are also restructuring affiliated companies, including business transfers or withdrawals at dyeing and finishing, and other subsidiaries.

Outlook for Fiscal 2009

For fiscal 2009 (ending March 31, 2009), we forecast segment sales of ¥132.0 billion, with operating income of ¥3.2 billion. We will continue to narrow our focus to high-value-added functional textiles that utilize Toyobo’s proprietary technologies, such as fabric for export to the Middle East, underwear and sportswear, as well as pursue business restructuring of the entire Group and constriction of less profitable businesses in order to improve asset efficiency and stabilize earnings.



Kazuyuki Yabuki
Corporate Executive Officer,
in Charge of
Research and Development

Research and Development Activities

The Toyobo Research Center Is the Engine for Our R&D

Toyobo began researching synthetic fibers in the 1940s, entering the acrylic, polyurethane, polyester and nylon fiber businesses in the 1950-60s. In the 1970s and 1980s we broke away from textiles, branching out into the new fields of plastics and biotechnology. The driving force for our growth has been the Toyobo Research Center, the forerunner of which was established in the town of Katata on the western shore of Lake Biwa, Shiga Prefecture, in 1959. Our core technologies of condensation, modification, and processing for polymers and biotechnology have produced many specialty product businesses.

Strengthening Our Business and Development Structures

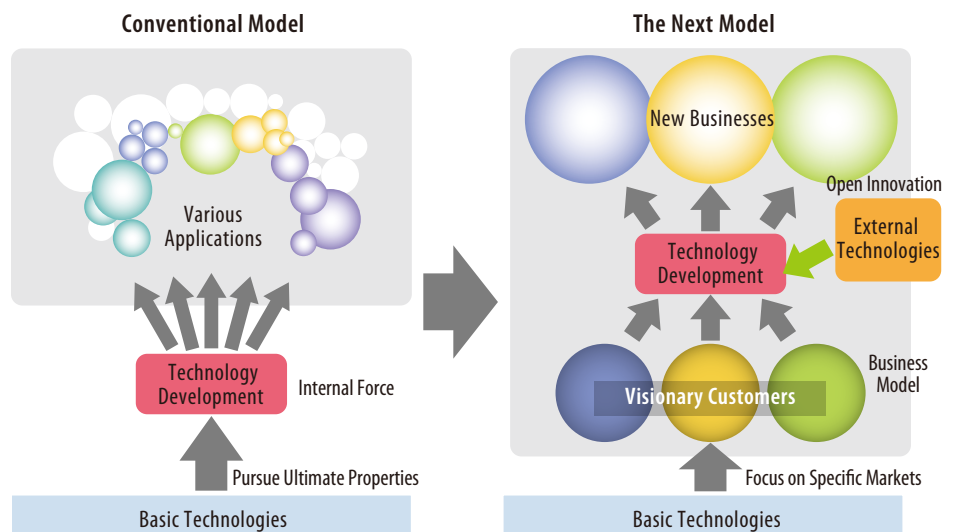
Toyobo's R&D activities consist of two components, the Divisional R&D Department, which handles research

themes specific to each business division to generate products in relatively short periods of time, and the Corporate R&D Department, which develops next-generation products and technologies from a medium- to long-term perspective. Toyobo has identified five areas for growth for the Company: (1) Automotive, (2) Electronics and Information Displays, (3) Environmental, (4) Lifestyle and Safety,

and (5) Life Science. We seek to expand business in these fields by offering highly functional products.

The Business Development Planning Office has been established at the Head Office and consists of the Corporate R&D Planning Department and New Business Planning Department. The former coordinates R&D strategies for the entire

Evolution of Toyobo's Development Model

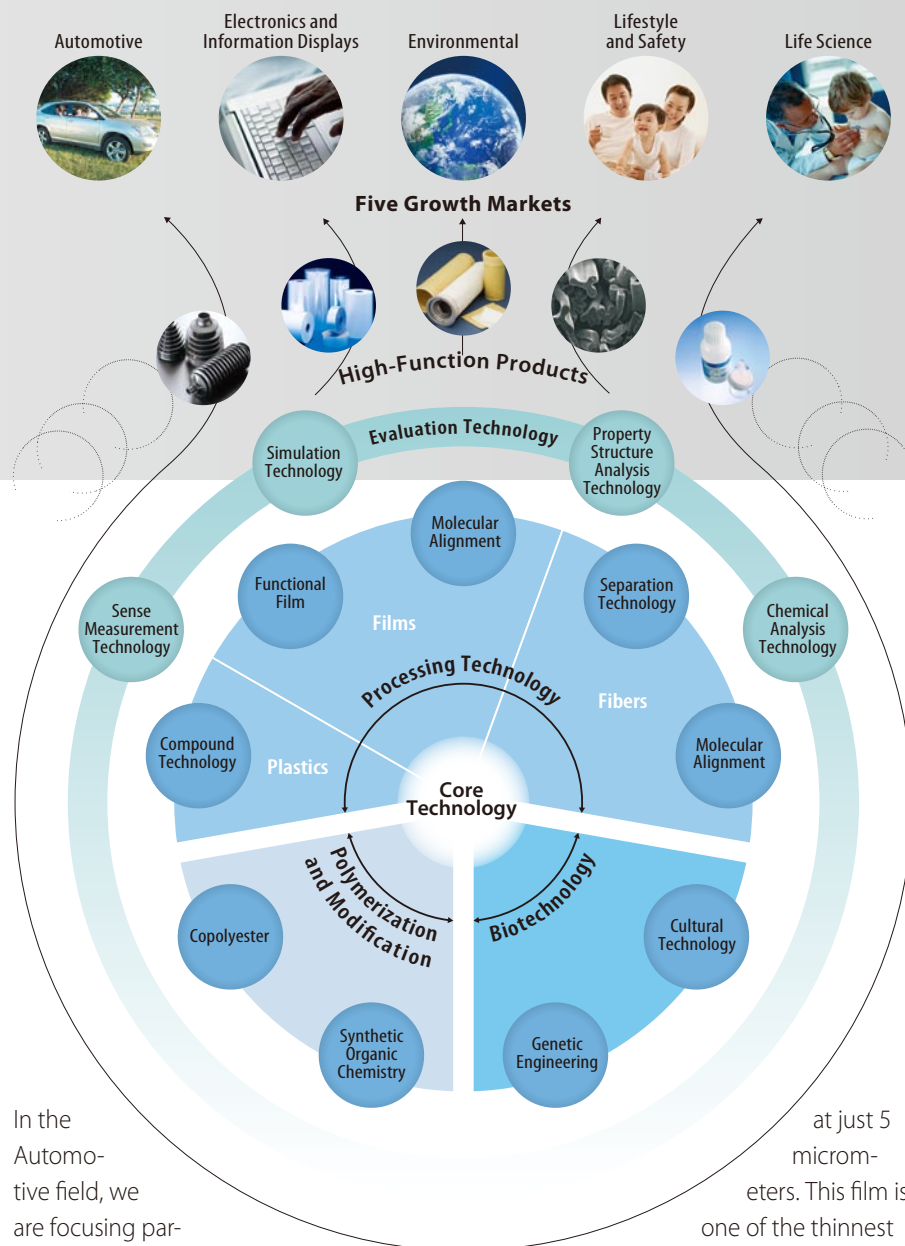


Development

company, including consolidating and evaluating research themes throughout the firm, determining the best allocation of R&D resources for each. The latter manages important projects and plans strategies to accelerate development through M&A, technology transfer, or other means.

R&D Policy for Fiscal 2009

Toyobo's R&D policy for fiscal 2009 (ending March 2009) is to further advance the "core technology management" concept. We aim to shift from technology- to market-oriented development through open innovation with visionary customers. Visionary customers are those that have excellent foresight, create new products and lead the market. We also intend to focus on themes in the three promising growth fields of "Automotive," "Electronics and Information Displays" and "Environmental," and concentrate our resources in these fields.



In the Automotive field, we are focusing particularly on polymer electrolyte membranes for fuel cells, developing these in specified relationships. Our membranes made of hydrocarbon polymers currently in development have become popular also in the field of portable and mobile applications since the permeability of methanol is significantly lower than that of conventional membranes, and they have satisfactory durability. Moreover, we are conducting research to make vehicles safe, reliable and lightweight.

In the Electronics and Information Display field, we are now engaged in early commercialization for the new polyimide film "XENOMAX" with excellent thermal dimensional stability nearly equivalent to that of a silicon chip. We have now succeeded in producing the dielectric film

at just 5 micrometers. This film is one of the thinnest class films in the world, and certified by UL (Underwriters Laboratories Inc.). We plan to place the film on the market as a material for next-generation electronics packaging in two years.

In the Environmental field, we expect water treatment to be a growth area, and have newly developed a polyether sulfone ultrafiltration membrane for drinking water. This membrane is steadily gaining sales in Japan, and we will seek to develop our business in the large North American market as well. We are also making efforts to further improve the performance of our popular reverse osmosis membranes for seawater desalination, and to develop low-pressure reverse osmosis membranes for wastewater reuse.

Toyobo and its group companies possess an extensive range of technology and know-how acquired through many years of research and technological development in such fields as films, functional polymers, industrial materials, life science products and textiles. In accordance with our policy of accumulating technologies so as to be able to utilize them as a management resource, we work to maintain our patent rights, and utilize them to develop businesses. We are particularly committed to securing the superiority of products in our specialty businesses—built on our unique products and technologies, and which are the source of our earnings—by building patent portfolios of mainly basic patents, but which also include peripheral technology patents. In addition to patents, we effectively utilize such intangible assets as trademarks and design rights to enhance our corporate brand value.

While Toyobo exercises the utmost care with regard to the intellectual property of other companies in the course of development of its products and technology, the results of such development could be considered as infringing upon the intellectual property of others. Conversely, there are also cases where the intellectual property of Toyobo and its group companies could be considered to have been infringed upon. We make a constant effort to establish a structure able to respond quickly in such situations.

Intellectual property is managed through the sharing of information among the Intellectual Property Department, and members appointed in each business and R&D department. Intellectual property strategies are formulated by the Patent Review Conference and Intellectual Property Strategy Conference, while ensuring consistency with business and R&D strategies. In particular, members of the Intellectual Property Department actively participate in meetings and other activities of business and R&D departments, provide and share information on intellectual property, and compile information on business and R&D in an effort improve the quality of intellectual property strategies.

For inventions by corporate researchers, Toyobo established an internal patent award system in fiscal 1993 aimed at inspiring employees—one of the first companies to do so. This system was revised from April 2005 based on guidelines from the Japan Patent Office. We also established a patent application award system for especially important patent applications (published and not granted yet) in fiscal 2001 to provide employees with incentives to propose patent applications. Following the repeal of the opposition system in the Japan Patent Office in fiscal 2005, we further established an intellectual property activity award system for employees who actively provide information concerning patents of other companies which may be obstacles for our company. The aim of these systems is to raise the overall level of intellectual property management. We are also responding to recent trends within the Patent Office, particularly the remarkable speed at which information is being digitized, with efforts to enhance operational precision, and improve efficiency and effectiveness.

“The Factory Floor Plays the Leading Role”

Toyobo adheres to the basic idea of a manufacturer in its focus on the production floor as the starting point for creation. Our commitment to and passion for technology is an invisible yet distinct asset, and the source of our competitiveness. It is the factory floor where problems are discovered and resolved, and the main source of results. By pursuing innovation in production technology across the entire company, we strengthen our production capabilities.

The Role of the Production Technology Office

The Production Technology Office coordinates manufacturing, sales and development activities on a business department basis to eliminate waste in production plants, reform the manufacturing process, and help develop new products. Staff divisions work together to support technological innovation and improvement by promoting these activities, and sharing technology and expertise. The Production Technology Office was established on April 1, 2006. Through its company-wide production technology innovations, it fuses the unique technologies of each business and strengthens such common technologies as engineering, quality management, and other technologies.

Production technology innovations and improvement implemented at factories and affiliated companies on a business department basis during the subject fiscal year resulted in a year-on-year cost reduction benefit of ¥4.5 billion. Such quantifying of the contributions realized from the factory floor help to inspire further efforts. Despite the impact on the earnings structure of rising prices for raw materials and fuel during the subject fiscal year, the innovations made in production technology allowed Toyobo to overcome the increases in cost.

We anticipate ¥2.8 billion in further cost reductions for fiscal 2009. A stronger capability on the factory floor realized through innovations in production technology is the foundation for the continued growth of specialty businesses.

Innovations in cost, loss and quality are realized through daily steady efforts. We will continue to pursue such daily efforts under the slogan “The Factory Floor Plays the Leading Role.”

Ensuring High Quality

Toyobo prioritizes quality and safety in its development high-function products. In accordance with our Product Safety Charter, formulated in 1994, we perform rigorous product safety checks to ensure that customers can trust our products, as well as provide sufficient information so that they can be used safely. As part of our commitment to continually raising the level of quality management, we have obtained ISO9000 series certification for many of our products, and guarantee quality to our customers.



CSR Policy

The Toyobo Group, recognizing that companies are members of society, actively should fulfill its social responsibilities in order to continue to be a trusted corporation. We contribute to the creation of a sound, sustainable society by providing it with useful products and services.

Toyobo's fundamental principle for CSR lies in the ancient proverb, *Junri-Sokuyu* ("Adhering to Reason Leads to Prosperity"). The maxim was a favorite of Toyobo's founder, Eiichi Shibusawa, and to this day remains our fundamental principle. *Junri* ("Adhering to Reason") means thinking and acting rationally and logically, and expresses the need to have respect for morality and ethics, the core of human beings, and an ethical sense of values.

"Adhering to Reason Leads to Prosperity" is our starting point for CSR, from which our management vision and policies are derived. We have formulated a CSR Charter based on this principle, and set corporate action guidelines to establish the scope of specific activities. Toyobo strives to constantly act responsibly in all its interactions with stakeholders.

CSR Structure

Toyobo established a CSR Committee, chaired by the president, in March 2008. This committee formulated the Toyobo Group CSR Charter to outline the fundamental CSR policy for the Group, and seeks to understand and oversee in an integrated way activities toward all stakeholders (including customers, shareholders and investors, business partners, local communities, employees and the global environment).



CSR Initiatives

CSR through business activities

Throughout its 126-year history, Toyobo has developed a wide range of businesses in the Films and Functional Polymers, Industrial Materials, Life Science, and Textiles fields, rooted in its core technologies of polymerization and modification, processing, and biotechnology. We seek to be a respected company now and in the

years ahead, contributing to the future of people, lifestyles and the world through high functionality.

Toyobo products are used in a variety of applications found in everyday life. We believe that actively contributing to environmental conservation through these products is part of our corporate social responsibility.

Links with customers

Toyobo considers customer feedback to be a valuable asset, and through its daily corporate activities works to improve product safety and enhance customer service.

Toyobo formulated its Basic Policy on Product Safety in 1994. One of the objectives of this charter was to ensure the safety of products and technologies that Toyobo develops, manufactures and sells. The second is to protect customers from both direct and indirect harm, as well as maintain and enhance social credibility while ensuring smooth operation of corporate activities. We undertake a variety of product safety activities under these charter objectives.

Links with shareholders and investors

Toyobo discloses appropriate information regarding management and business activities in a fair and timely manner, and works to provide avenues for communication with shareholders and investors. We strive to reflect in the management of the Company the opinions of shareholders and investors, through the general shareholders' meetings and other means, in order to improve shareholder and corporate value.

Links with business partners

Toyobo continues to developed a unified structure that integrates its manufacturing, sales and development divisions with its customers, to achieve mutual prosperity. We have established a basic policy regarding procurement, and under regulatory compliance and environmental conservation guidelines provide equal opportunities for all companies, both

domestic and foreign, to conduct fair and highly transparent business transactions.

Links with local communities

Toyobo undertakes a variety of social support activities in conjunction with local communities. Specific activities include forest conservation activities in which companies care for and help rejuvenate certain wooded areas, clean-up activities around each branch, production plant and the shore of Lake Biwa, and sponsorship of various environmental events. We also provide support for developing countries, disaster relief, protection of the global environment, and other activities.

Links with employees

Toyobo respects the personality and individuality of all its employees, and actively works to raise awareness of human rights with the aim of realizing a work environment in which employees are able to be productive and thrive.

Evaluation and treatment of employees emphasizes ability, without regard to nationality or gender. We work to allow

employees to have both a work and home life, and to choose from a variety of life and work styles.

The Toyobo Group has two main pillars of safety activities based on its Health and Safety Charter in which all employees participate: "people safety" to raise awareness of works, and "facility safety" to protect the environment from an industrial accident.

In 2007, the Toyobo Group made a concerted effort to meet safety targets to eliminate accidents in terms of both people and facility safety.

Toyobo actively pursues various measures based on the Guidelines for Promoting Mental Health published by the Ministry of Health, Labour and Welfare.

Toyobo Selected for Inclusion in the FTSE4Good Index (June 2008)

Toyobo has been selected for inclusion in the FTSE4Good Index*, a global index of SRI (Socially Responsible Investment), created by the FTSE Group.



FTSE4Good

* The FTSE4Good Global Index was established by FTSE International Limited, an independent company jointly owned by the U.K newspaper *The Financial Times* and the London Stock Exchange. It selects for inclusion in the index companies pursuing corporate social responsibility (CSR) initiatives, based on the following criteria: environmental sustainability; human rights; countering bribery; supply chain labor standards; and climate change.



TOYOBO Group
Corporate Social Responsibility Report 2008
[Japanese version]

The Toyobo Group conducted environmental activities based on its Environmental Medium-Term Plan for the Environment, aimed at achieving the basic goals of full statutory compliance and no major incidents. These activities targeted Toyobo and the 33 companies in the Toyobo Group that have manufacturing divisions.

Toyobo's Initiatives

- (1) There were no legal violations or major incidents.
- (2) Each business office was able to engage in its own independent environmental activities.
- (3) We achieved the targets of "improve specific energy consumption" and "maintain zero emissions," but fell short of the targets of "reduce industrial waste," "cut emissions of harmful substances," and "expand the eco-business."

Group Company Initiatives

- (1) There were no major incidents, but there was a legal violation for irregular water discharge, for which we made improvements to ensure legal compliance.
- (2) The overall level of environmental activity is rising, but targets for energy conservation, waste reduction, and control of chemical substances at some Group companies are still not satisfactory. We are working to enhance the ability of all companies to engage in their own independent environmental activities.

■ The Toyobo Global Green Action Plan (FY 2007–FY 2011)

Policy	Priority issues	FY 2011 achievement targets
1. Development and commercialization of green products	a. Development of products that do not contain hazardous substances	Expansion of eco-business Eco-business sales 25% of total sales
	b. Development of environmentally friendly products	
2. Production in green factories	a. Energy measures Manufacturing divisions Transport divisions (environmentally friendly distribution)	Compliance with laws and voluntary management standards Improvement in specific energy consumption 1.5%/year reduction Achievement of the CO ₂ emission target: 10% reduction on FY 1993
	b. Waste product reduction measures	Reduction in emissions of industrial waste 30% reduction on FY 2005 Achievement of zero emissions across the Toyobo Group as a whole (proportion sent to landfill: less than 2%)
	c. Measures to reduce emission of hazardous substances	Reduction in emissions of relevant substances: 20% reduction on FY 2004
3. Implementation of green procurement	a. Establishment of a green procurement mechanism	Completion of efforts to ensure the green credentials of procurement sources and items procured
	b. Expansion of green purchasing	
4. Ensuring good communication with society	a. Publication of our CSR Report	Positive evaluation by stakeholders
	b. Promotion of activities that seek to contribute to society	
5. Creation of mechanisms for promoting environmental activities	a. Implementation of safe environmental assessments	Promotion of autonomous activities by each company and business site
	b. Sharing of environmental information	
	c. Improvement of environmental awareness	

Energy-Related Measures

Toyobo has set a target for reduction of specific energy consumption (quantity of energy consumed per unit of production output) of 1.5% annually for the entire company.

We achieved this target in fiscal 2008, reducing specific energy consumption 1.5% compared to fiscal 2007 levels. Production output increased, but the amount of both energy use and CO₂ emissions declined slightly from a year earlier. More specifically, these reductions were the result of more energy-efficient production machinery, and lower consumption of fuel for power generation.

Toyobo participated in the government's "Team -6% initiative," working to implement the "six actions for preventing

global warming" in the workplace and in the home.

In fiscal 2009, we will continue to implement energy conservation measures, as well as promote initiatives to conserve energy and reduce CO₂ emissions.

Industrial Waste Reduction

The Toyobo Group has set a target of a 30% reduction in the quantity of industrial waste emitted during fiscal 2011, with fiscal 2006 as the base year. We are implementing measures to reduce the quantity of waste generated and recycle more. The quantity of industrial waste generated by Toyobo in the subject fiscal year rose 13% compared to fiscal 2006. The main reason for this was the increase in production output, and we continue

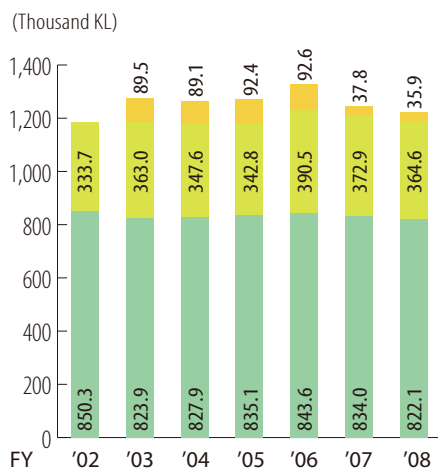
to strive to increase sales volume, reduce waste at business offices, and shift to valuable resources.

Recycling Measures

Toyobo's initiatives to achieve zero emissions include thorough separation of waste to promote recycling of waste plastic, metal, paper, wood and fibers, and the development of these as valuable resources. We also recycle the coal ash from our boilers for in-house power generation into the raw material for cement manufacture, as well as compost sludge from wastewater treatment and engage in thermal recycling. Toyobo has achieved and maintains zero emissions, but many of our group companies still have yet to reach their landfill rate targets, and achieve zero emissions.

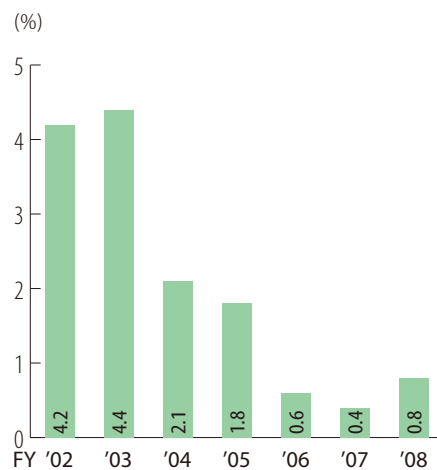
We will continue to actively pursue recycling and reductions in waste volume, thereby contributing to the realization of a recycling-based society.

Volume of CO₂ Emissions



Overseas group companies
Domestic group companies
Toyobo

Landfill Rate



Toyobo



Tree-planting activity in Wakayama Prefecture

Basic Policy on Corporate Governance

To respond to the changing times and improve sustainable corporate value, Toyobo has established the policies of (1) ensuring timeliness and accuracy in decision-making, (2) ensuring transparency in management, and (3) emphasizing fairness. Based on these principles, we are working to strengthen group governance, as well as our risk management and compliance structures.

Corporate Governance Structure

Board of Directors' meeting and executive officer system

Toyobo has adopted the Executive Officer System to enhance management transparency and fairness by clearly separating decision-making and oversight from business execution.

Decision-making and oversight are conducted by the Board of Directors, who make decisions on management policies, management plans and other important matters regarding the execution of business operations, as well as supervise directors and executive officers in regard to their respective duties. The Board of Directors consists of 10 members, one of whom is an outside director charged with enhancing the transparency of decision-making. All directors, with the exception of the Chairman and outside director, also serve as executive officers to provide speedy and accurate decision-making in a professional manner for a variety of business operations.

Business execution is centered on the Board of Corporate Executive Officers,

consisting of executive officers overseeing the various divisions and chaired by the President and COO, which meets regularly once a month. The Board of Corporate Executive Officers makes decisions on matters relating to business execution as delegated by the Board of Directors. The President and COO convenes the Board of Corporate Executive Officers once a month to report on business execution and the status of company-wide projects.

Corporate auditor system and auditing structure

The Board of Corporate Auditors consists of two full-time corporate auditors and two part-time corporate auditors, who are outside auditors. They attend meetings of the Board of Directors and other important meetings, and provide their opinion as necessary. Toyobo has retained KPMG AZSA & Co. as its financial auditor in accordance with the Corporate Law. The Board of Corporate Auditors receives documents and information in response to the auditing plan and auditing results. Corporate auditors and financial auditors are enhancing mutual cooperation through regular meetings to exchange information.

Internal control system

The Internal Audit Department has been established to monitor the effectiveness of internal controls. It conducts internal auditing according to an annual schedule. One member of the Internal Audit Department's Audit Group serves concurrently as a staff member assigned to the corporate auditors. The person in this role reports the results of internal audits to corporate auditors and exchanges information with them.

Strengthening of group governance

Toyobo has strengthened the management of group companies, and enhanced its auditing structure to improve asset efficiency for the entire group, and ensure thorough governance. For group management, Toyobo has reorganized its group companies along business division lines, and established the Group Management Office to strengthen company-wide governance. For the auditing structure, Toyobo's corporate auditors cooperate with the auditors of consolidated subsidiaries through the Group Corporate Auditor Coordinating Committee and other structures to enhance the auditing of the internal control structure of the entire Group.

Risk Management Structure

Toyobo has established the Planning Council and Management Council under the Board of Corporate Executive Officers to deliberate beforehand, from a professional perspective, any major capital expenditures, new business proposals, significant investments or other initiatives, and manage any business risk. For management of specific risks, Toyobo has established the CSR Committee, chaired by the President, for overall risk management, under which it has established the Global Environment and Safety Committee, Product Liability Prevention/Quality Assurance Committee, Compliance Committee, Export Reviewing Committee, Internal Control Committee, Information Committee, and Research and Development Committee, which handle the various risks facing the Toyobo Group as a whole.

Compliance Structure

Toyobo has established the Compliance Committee, chaired by the director in charge of compliance, and the Compliance Inquiring Counter for internal reporting of compliance issues. We have formulated the Toyobo Corporate Action Guidelines and Toyobo Corporate Code of Conduct, distributed to employees to ensure they are aware of compliance with laws and corporate ethics. We have also established the Compliance Group within the Law Department to be the administrative department in charge of compliance.

Anti-Takeover Measures

Measures to counter large-scale acquisitions of the Company's shares or other assets were approved at Toyobo's general meeting of shareholders held on June 27, 2008. Toyobo believes that maintaining and further developing its long-standing relationship of trust with customers, employees, shareholders and communities, as well as maintaining good relationships with a wide range of stakeholders, will improve medium- to long-term corporate value, and lead to greater earnings for all shareholders. Accordingly, we have set certain rules for large-volume purchasers.

Summary of Toyobo's Anti-Takeover Measures

1. Objective:

To deter large-volume purchasing that could run counter to corporate value or shareholder earnings

2. Subject large-volume purchasing:

Parties purchasing 20% or more of shares

3. Countermeasures plan:

Gratis issue of share warrants

*Share warrants will be issued to all shareholders, but large-volume purchasers will be unable to exercise share warrants.

4. Conditions on invocation:

Countermeasures will be invoked by decision of the Board of Directors on recommendation of an independent committee, in such cases as when large-volume purchasers fail to comply with the Company's set procedures, or harm corporate value or shareholder earnings.

5. Effective period of countermeasures plan:

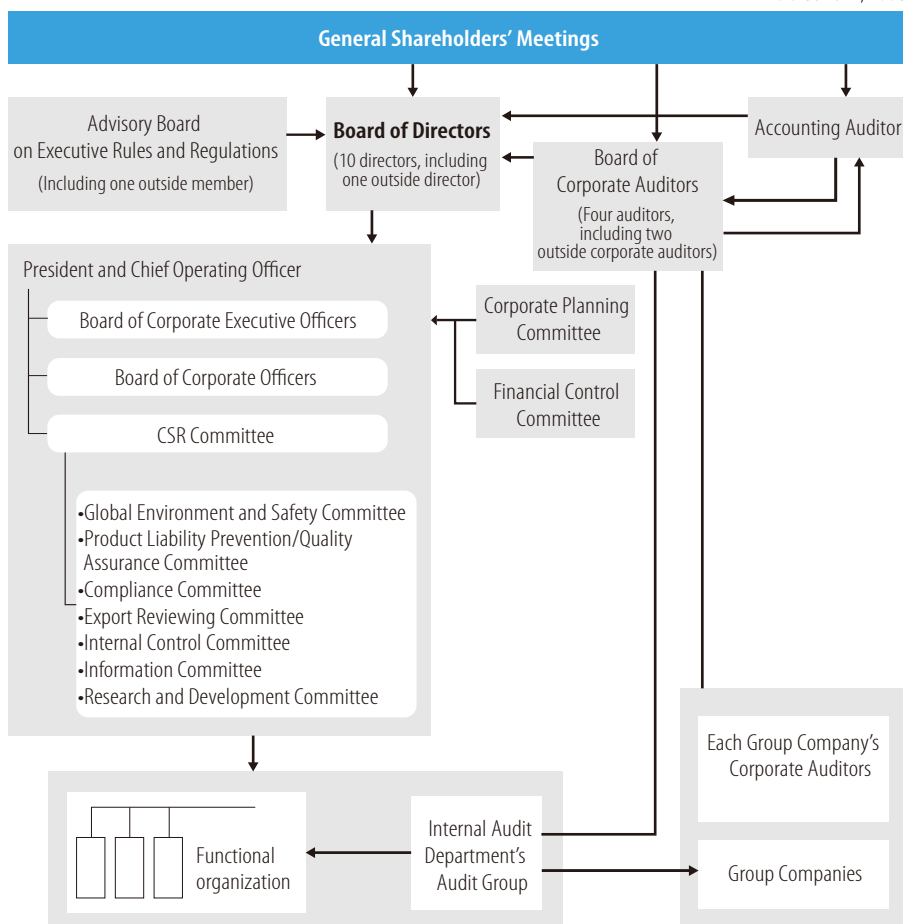
Three years

6. Guarantee of rationality and fairness in invocation of countermeasures plan:

An independent committee with no conflicts of interest with the Company will be established, and its assessment given maximum respect in the invocation of the countermeasures plan.

Corporate Governance Structure

As of June 27, 2008



Management

As of June 27, 2008

Board of Directors



Chairman of the Board
Junji Tsumura



President
Ryuzo Sakamoto



Director
Masahiko Hachimaru



Director
Fumishige Imamura



Director
Kenji Hayashi



Director
Kazuyuki Yabuki



Director
Fumiaki Miyoshi



Director
Hiroyuki Kagawa



Director
Kazuo Kurita



Director
Kunihiro Ashida*

* Outside Director

Board of Corporate Auditors

Fumio Hotogi
Hiroshi Takahashi
Makoto Ogasahara*
Shusaku Nishio*

* Outside Corporate Auditor

Corporate Officers

■ Chief Operating Officer
Ryuzo Sakamoto

■ Corporate Senior Executive Officers
Masahiko Hachimaru
Fumishige Imamura

■ Corporate Executive Officers
Kenji Hayashi
Kazuyuki Yabuki
Kanji Aono

■ Corporate Officers
Fumiaki Miyoshi
Hiroyuki Kagawa
Kazuo Kurita
Masaaki Sekino
Kunio Tou
Yukihiro Sogabe
Masayuki Yoshikawa
Osamu Izukawa
Akio Oda
Shinichi Onizuka
Setsuo Shimomichi
Toshiyuki Matsui
Kazumasa Kouyama
Hiroshi Takabayashi

Advisor

■ Senior Advisor
Minoru Shibata

Financial Section

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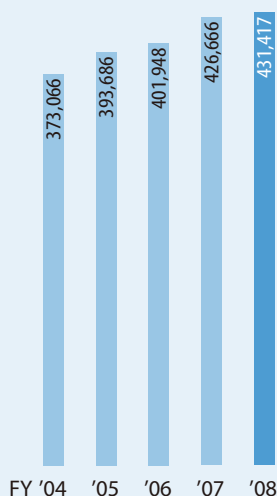
Disclaimer Regarding Forward-Looking Statements

This report describes not only the past and present facts about Toyobo Co., Ltd. and its affiliates ("Toyobo Group"), but also projections of future business performance and a forecast of the future business environment. Such projections of future business performance and forecast of the future business environment are assumptions or evaluations that were developed based on information that Toyobo was able to obtain as of the time this report was printed, and thus contain known and unknown risks and uncertainties. Consequently, there is a possibility that these risks and uncertainties will render the projections and forecast invalid, and cause actual future business performance and the business environment to differ significantly from the projections and forecast presented in this report. Readers are thus advised to exercise caution. The projections of future business performance and forecast of future business environment that are found in this report were developed, based on information that our corporation was able to obtain at the time the descriptions were printed. These projections and forecast therefore contain elements of uncertainty. Moreover, there is a possibility that latent risks that have the potential of invalidating such projections and forecast will materialize. Please be fully advised that in the future the actual business performance and environment could turn out to be different from the projections and forecast presented in this report.

Management's Discussion and Analysis

Net Sales

(¥ million)



Overview of Fiscal 2008

The business environment for the Toyobo Group during fiscal 2008, ended March 31, 2008, was bolstered by expansion of the Japanese economy on the back of strong exports and capital expenditures. A sense of uncertainty grew during the second half of the period, however, driven by further rises in prices for raw material and fuel, the slowdown in the U.S. economy and turmoil in the financial markets arising from the subprime loan fallout.

Under such circumstances, the Toyobo Group took steps to strengthen and expand its specialty business segments—Films and Functional Polymers, Industrial Materials, and Life Science—but was unable to avoid a falloff in earnings due to the impact from rising raw material and fuel costs. In the Textiles segment, we moved forward with a program of restructuring that included withdrawal from and consolidation of less profitable businesses, with the aim of narrowing the overall focus of the Group to functional textiles.

As a result, net sales for the subject fiscal year rose ¥4.8 billion (1.1%) from the previous fiscal year to ¥431.4 billion. Earnings declined, however, with operating income down ¥3.4 billion (11.0%) to ¥27.1 billion and net income down ¥8.8 billion (65.1%) to ¥4.7 billion.

Consolidated Six-Year Summary

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31

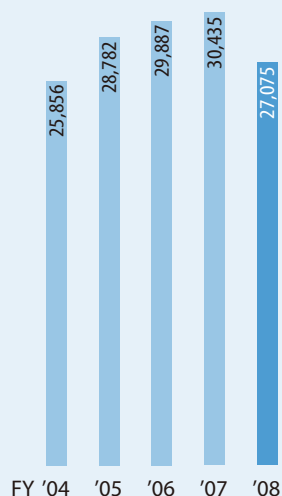
Millions of yen, except per share information

	2008	2007	2006	2005	2004	2003
For the year:						
Net sales	¥431,417	¥426,666	¥401,948	¥393,686	¥373,066	¥376,377
Films and functional polymers	134,631	124,614	116,362	—	—	—
Industrial materials	76,138	74,391	68,935	—	—	—
Life science	33,961	32,639	29,667	—	—	—
Textiles	142,471	149,585	142,513	—	—	—
Other businesses	44,216	45,437	44,471	—	—	—
Fibers and textiles	—	—	174,484	168,098	168,356	182,991
Plastics	—	—	141,950	138,981	123,825	112,507
Bio, medical and functional materials and products	—	—	50,906	48,584	46,520	46,851
Other businesses	—	—	34,608	38,023	34,365	34,026
Cost of sales	342,506	335,369	310,746	305,494	291,440	299,488
Selling, general and administrative expenses	61,836	60,862	61,315	59,410	55,770	57,167
Operating income	27,075	30,435	29,887	28,782	25,856	19,721
Other expenses	13,389	10,349	8,305	7,190	9,457	36,119
Income (loss) before income taxes	13,686	20,086	21,582	21,592	16,399	(16,397)
Provision for income taxes	9,354	6,099	8,952	9,058	7,326	(9,681)
Net income (loss)	4,698	13,472	12,596	12,207	8,762	(6,965)
Depreciation and amortization	19,274	16,938	15,656	15,528	15,425	16,471
Research and development	10,877	10,426	10,079	9,201	9,043	8,760
Net cash provided by operating activities	23,282	27,064	27,299	30,071	27,736	36,215
Net cash provided by (used in) investing activities	(10,193)	(2,925)	(4,011)	4,910	42,213	(6,489)
Net cash used in financing activities	(17,948)	(22,438)	(23,071)	(37,591)	(71,511)	(27,460)
Per stock data (yen):						
Basic net income (loss) per share (Note)	¥6.73	¥19.32	¥18.10	¥17.58	¥12.63	¥(10.11)
Cash dividends	5.00	5.00	5.00	5.00	5.00	5.00
At year-end:						
Total current assets	¥199,644	¥212,885	¥204,385	¥203,969	¥195,080	¥200,266
Property, plant and equipment	236,299	230,885	230,231	229,197	216,409	232,917
Total assets	494,496	513,191	514,791	511,813	495,969	537,314
Interest-bearing debt	178,842	194,238	206,172	220,981	240,755	299,893
Net assets	146,500	152,223	142,437	107,518	104,033	84,025

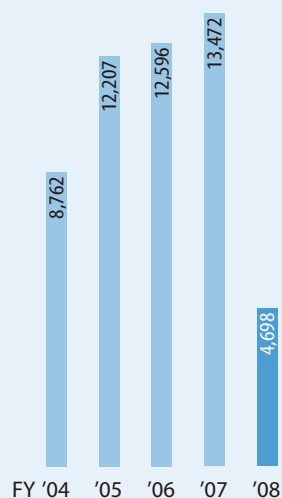
Note: In the fiscal year ended March 31, 2003, the Company applied the Accounting Standards Related to Accounting for Net Income per Share (Corporate Accounting Standard No. 2) and Guidelines for Applying Accounting Standards Related to Net Income per Share (Guideline No. 4 for Applying Corporate Accounting Standards) to calculate net income (loss) per share. Prior year amount of net income per share has not been restated.

Operating Income

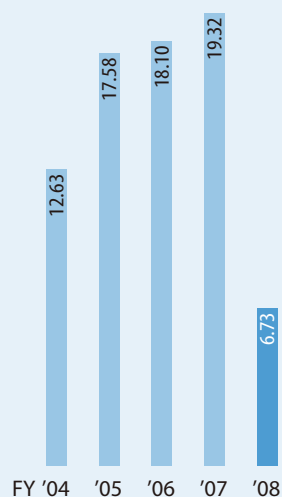
(¥ million)

**Net Income**

(¥ million)

**Basic Net Income per Share**

(¥)

**Net Sales by Business Segment**

Net sales rose ¥4.8 billion (1.1%) from the previous fiscal year to ¥431.4 billion.

Films and Functional Polymers ▶ Sales in this segment rose from the previous fiscal year, due to proactive sales efforts in the consumer electronics, automotive, electronic components, and other fields. Earnings declined, however, due to continued rising prices for raw materials and fuel, and despite efforts to shift cost increases to product prices.

In the films business, revenue was up due to steady demand for packaging films and the revision of product prices. For industrial films, the user inventory adjustments that had continued since the previous fiscal year for flat-screen televisions, personal computers and other electronics devices with liquid crystal and other optical uses, came to a close during the first half of the subject period, and demand recovered substantially, centered on exports to East Asia.

In the functional polymers business, revenue was up due to greater sales of engineering plastics centered on the automotive industry both in Japan and overseas, mainly for headlight parts, engine covers, and interior finishing material. Sales of the industrial adhesive "VYLON" were strong for IT and recording devices and electronics components applications, while sales of photo-sensitive printing plates also increased, centered on North America, South America, and Asia.

As a result, sales in this segment rose ¥10.0 billion (8.0%) from the previous fiscal year to ¥134.6 billion, though operating income declined ¥1.6 billion (10.3%) to ¥13.7 billion.

Industrial Materials ▶ Sales in this segment rose due to continued strong performance of automotive-related materials and high-performance fibers. Earnings, however, declined due to the impact from rising prices for raw materials and fuel.

Airbag fabric sales were up due to expanded production by Japanese automakers both in Japan and overseas, and greater demand stemming from a rise in the proportion of vehicles fitted with airbags. Tire cords remained in strong demand, but were affected by rising prices for raw materials and fuel. Sales of the high-performance fiber "DYNEEMA" were boosted by new production equipment that was brought online in January 2008, rising in all application categories, including safety gloves, fishing line, and ropes for large ships. In the filters field, sales were up for the functional filters used in such products as automobiles, office equipment and household appliances, and also increased for "PROCON," a polyphenylene sulfide (PPS) fiber for the bag filters that are effective in preventing airborne contaminants. Sales of spunbond filament fabric were up slightly overall, with declines in construction applications offset by increases in the automotive field.

As a result, sales in this segment rose ¥1.7 billion (2.3%) from the previous fiscal year to ¥76.1 billion, though operating income declined ¥0.4 billion (7.1%) to ¥5.5 billion.

Life Science ▶ This segment posted a slight increase in revenue overall, but earnings were down. Drug production equipment was steadily brought online and sales in the bioproducts business were strong, but performance was offset by sluggish growth for hollow fiber membranes for artificial kidneys.

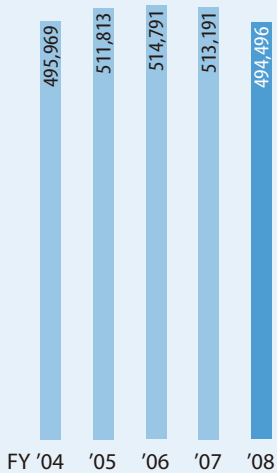
In bioproducts, revenue was up due to continued strong sales of enzymes for blood glucose measuring applications, and greater sales of automatic analysis systems for urinary sediment and other diagnostic systems. In contract manufacturing of pharmaceuticals, new equipment for production of injectable solutions was steadily brought online, and orders for contract development and clinical trials also increased. In hollow fiber membranes for artificial kidneys, Toyobo introduced new products overseas and made strenuous efforts, but domestic shipments lagged. In reverse osmosis membrane modules for desalination, Toyobo completed shipments to Rabigh (Saudi Arabia), and received its next order for a large-scale project.

As a result, sales in this segment rose ¥1.3 billion (4.0%) from the previous fiscal year to ¥34.0 billion, though operating income was down ¥0.4 billion (8.0%) to ¥5.1 billion.

Textiles ▶ Both revenue and earnings were down in this segment as we continued to scale back unprofitable products and narrow the commodity textile field, tightening our focus to functional and specialty textiles that utilize Toyobo's proprietary technologies.

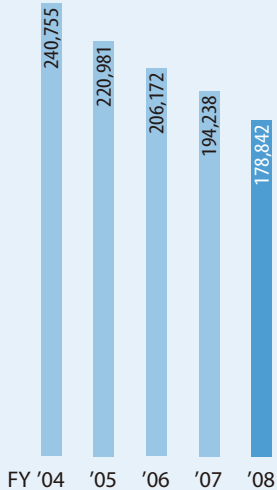
Total Assets

(¥ million)



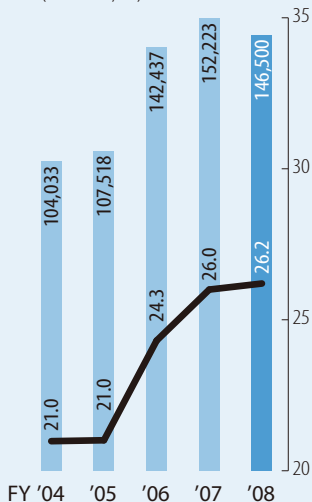
Interest-Bearing Debt

(¥ million)



Net Assets and Equity Ratio

(¥ million, %)



In the textiles business, sales rose on the back of continued strong exports to the Middle East, and the popularity of fine count, high-density textiles for sport applications. At the same time, the scale of the business for working uniform and bedding linen applications shrank, and revenue declined. In apparel products, sales rose with the launch of a sub-brand of “Munsingwear” aimed at younger consumers. In the wholesale original yarn business, the shifting to product prices of a portion of the increased cost for worsted yarn provided greater revenue, but sales were down due to contraction of less profitable businesses such as synthetic fiber and cotton yarn for commodity textiles. Sales of the acrylic fiber “EXLAN” were also sluggish due to a falloff in exports induced by the rising yen.

As a result, sales in this segment declined ¥7.1 billion (4.8%) from the previous fiscal year to ¥142.5 billion, with operating income down ¥0.6 billion (13.0%) to ¥3.8 billion.

Other Businesses ▶ This segment includes such businesses as engineering, real estate, information processing services, and logistics services. Performance was essentially in line with the plan.

As a result, sales in this segment declined ¥1.2 billion (2.7%) from the previous fiscal year to ¥44.2 billion, though operating income rose ¥0.1 billion (5.3%) to ¥2.6 billion.

Operating Income

The cost of sales during the subject fiscal year rose ¥7.1 billion (2.1%) year on year to ¥342.5 billion. This increase was due to such factors as a fourth consecutive year of rising prices for raw materials and fuel, and an increase in residual book value depreciation arising from a revision to the tax code.

Selling, general and administrative expenses increased ¥1.0 billion (1.6%) year on year to ¥61.8 billion. This increase was due to greater R&D and other expenses, an increase in residual book value depreciation arising from a revision to the tax code, and other factors.

As a result, operating income for the subject fiscal year, despite cuts in manufacturing expenses which absorbed the greater costs due to rising prices for raw materials and fuel, and the increase in selling, general and administrative expenses, declined ¥3.4 billion (11.0%) from the previous fiscal year to ¥27.1 billion.

Other Income (Expenses)

The balance of other income (expenses) for the subject fiscal year yielded net other expenses of ¥13.4 billion, compared with net other expenses of ¥10.3 billion the previous fiscal year.

Toyobo mainly recorded gains of ¥8.8 billion on sales of property, plant and equipment stemming from the sale of fixed assets held by a consolidated subsidiary; and ¥5.8 billion in special dividends from a distribution of earnings related to investment in an anonymous association. However, these were offset by major loss items of ¥7.1 billion in loss on restructuring of business stemming from conversion of the structure of the textile and other businesses; ¥2.3 billion in disposal of property, plant and equipment as part of an ongoing program of streamlining unnecessary assets; and ¥6.3 billion on write-down of inventories.

Net Income

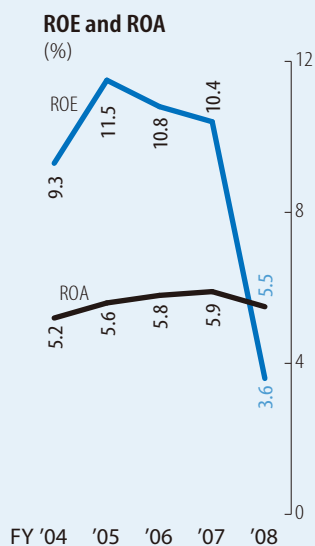
Net income for the subject fiscal year decreased ¥8.8 billion (65.1%) year on year to ¥4.7 billion. Basic net income per share declined from ¥19.32 the previous fiscal year to ¥6.73 per share.

Cash Flows

Net cash provided by operating activities declined ¥3.8 billion from the previous fiscal year to ¥23.3 billion. This was due mainly to ¥13.7 billion in income before income taxes and minority interests; ¥19.3 billion in depreciation and amortization; and ¥10.5 billion in income taxes paid.

Net cash used in investing activities increased ¥7.3 billion to ¥10.2 billion. This was due mainly to increases in expenditures for the acquisition of property, plant and equipment. The main item on the financial statements was ¥30.1 billion in expenditures for the acquisition of property, plant and equipment.

Net cash used in financing activities decreased ¥4.5 billion to ¥17.9 billion. This was due mainly to expenditures of ¥13.0 billion in repayment of short-term bank loans; ¥24.4 billion in



repayment of long-term debt; ¥0.3 billion in redemption of corporate bonds; and ¥3.8 billion in payment of dividends (including dividends to minority shareholders); against ¥22.3 billion in proceeds from long-term debt.

As a result, the balance of cash and cash equivalents at March 31, 2008, decreased ¥4.4 billion from March 31, 2007, to ¥9.7 billion.

Assets, Liabilities and Net Assets

Total assets at the end of the subject fiscal year (March 31, 2008) decreased ¥18.7 billion (3.6%) from March 31, 2007 (the end of the previous fiscal year) to ¥494.5 billion. This was due mainly to decreases in the market value of investment securities following a drop in share prices.

Liabilities decreased ¥13.0 billion (3.6%) to ¥348.0 billion. This was due mainly to a decline in interest-bearing debt.

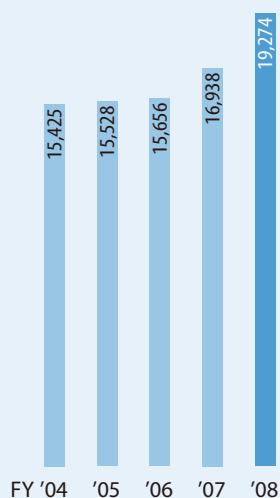
Net assets decreased ¥5.7 billion (3.8%) to ¥146.5 billion. Although retained earnings and foreign currency translation adjustments increased, this was offset by declines in the valuation difference on net unrealized holding gain on securities.

As a result, the shareholders' equity ratio improved 0.2 percentage points, from 26.0% the previous fiscal year to 26.2%. Net assets per share declined ¥5.49, from ¥191.28 at the end of the previous fiscal year to ¥185.79 at the subject year-end.

Cash dividends for the fiscal year ended March 31, 2008 were ¥5.00 per share.

Depreciation and Amortization

(¥ million)



Forecast for Fiscal 2009 (Ending March 31, 2009)

The business environment during fiscal 2009 will likely remain difficult and require constant attention to such concerns as further appreciation of raw material and fuel prices, and slowdown in the U.S. economy. Considering such factors, for fiscal 2009 the Toyobo Group forecasts net sales of ¥435.0 billion (up ¥3.6 billion year on year), operating income of ¥25.0 billion (down ¥2.1 billion), and net income of ¥10.0 billion (up ¥5.3 billion).

Risk Factors

The Toyobo Group is exposed to the following risks that may affect its operating results and financial status. The future matters specified in the following are based on information that was available as of the end of the subject fiscal year, as well as certain assumptions that serve as the basis of rational judgments.

(1) Worsening Political & Economic Situations ▶ The Toyobo Group produces and sells in Japan and overseas a wide range of products in the films and functional polymers, industrial materials, life science and textile fields. In the event of political turmoil or a serious economic recession in our production bases or in major markets, our operating results or financial status may be seriously influenced by such events through the impact on our production and sales.

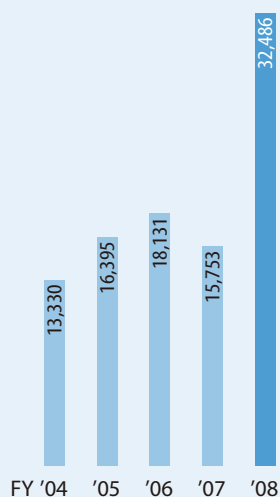
(2) Decline of Retail Prices ▶ The Toyobo Group sells in Japan and overseas a wide range of products in the films and functional polymers, industrial materials, life science and textile fields. Many of these products are in competition with the products of other companies. Price cuts of our competitors may cause a decline in our retail prices or a decrease in our sales volume. In our medical business, our retail prices may drop due to lowered official price standards. Our operating results or financial status may be seriously influenced by such circumstances through a sales decrease.

(3) Business Downturn or Retreat by Major Customers ▶ The Toyobo Group sells a wide range of products in the films and functional polymers, industrial materials, life science and textile fields, to a variety of customers both in Japan and overseas. We provide certain of our products to specific customers. In the event that such customers face a downturn in business, retreat from business, cut back inventories significantly, claim drastic rate reductions, or request production adjustments, our operating results or financial status may be seriously influenced by such events through a sales decrease.

(4) Tariff Hikes and Import Regulations in Overseas Major Markets ▶ The Toyobo Group sells a wide range of products in the films and functional polymers, industrial materials, life science and

Capital Expenditures

(¥ million)



textile fields, in Japan and overseas markets. Should tariff hikes or import regulations on quantity limits be imposed under antidumping laws in overseas major markets in the future, our business and financial condition could be seriously affected by the sales decrease caused by the restrictions on exports.

(5) Alteration of Credit ▶ The Toyobo Group has made provisions for bad debt losses based on past default ratios, and strives to minimize its credit risk under the credit management regulation by setting credit limits for each customer and other means. However, in the event of the bankruptcy of our major customers due to economic recession, our operating results or financial status may be seriously influenced by such events through bad debt loss that substantially exceeds the amount of provisions made.

(6) Product Defects ▶ For prevention of product defects, the Toyobo Group produces a wide range of products in the films and functional polymers, industrial materials, life science and textile fields, in accordance with specific quality control standards under the control of the Global Environment and Safety Committee and the Product Liability Prevention/Quality Assurance Committee, and is covered by product liability insurance. However, it is not guaranteed that all of our products are free from all defects, that there would be no defective products in the future, or that compensatory payment is fully covered by the insurance. Accordingly, in case of material product defects, our operating results or financial status may be seriously influenced by large liability payments or loss of credit.

(7) Purchase of Raw Materials ▶ The Toyobo Group purchases raw materials from various suppliers in order to produce a wide range of products in the films and functional polymers, industrial materials, life science and textile fields. Although the major materials are provided by a number of suppliers to some extent due in part to risk management considerations, there is a risk that we may not be able to purchase sufficient volume in case the suppliers have problems. Even if we can purchase such materials, purchase prices may rise suddenly. Our operating results or financial status may be seriously influenced under such circumstances by cost increases or production cutbacks.

(8) Intellectual Properties ▶ The Toyobo Group works to actively expand the scale of its businesses for highly functional products where we enjoy a strong competitive advantage, including products in the films and functional polymers, industrial materials, life science and textile fields, drawing on its core technologies of polymerization, modification, processing and biotechnology. For this reason, we endeavor to build and protect technology and know-how differentiated from those of our competitors' products in fibers and textiles, polymer and biomedical fields. However, there is a risk in certain areas that we may not be able to prevent the production and sale of similar products, the violation of a patent, or the imitation of confidential business information by a third party due to insufficient protection. Although we develop products and technology while paying full attention to the intellectual property rights of other companies, we are not free from the possibility that we might infringe the intellectual property rights of other companies. Thus, in the event that our intellectual property rights are infringed or we infringe the rights of other companies, our operating results or financial status may be seriously influenced by a sales decrease or liability payments.

(9) Development of New Products and New Usages ▶ As part of the Toyobo Group's commitment to being a specialty business conglomerate, we invest our research and development spending in the business domain of high functional products for which we have a strong competitive advantage, including products in the films and functional polymers, industrial materials, life science and textile fields, drawing on our core technologies of polymerization, modification, processing and biotechnology, with the aim of becoming a manufacturer of high-function products that continually generates new value. However, it is not fully guaranteed that our development will be successful at all times. Our operating results or financial status may be seriously influenced under such circumstances by a decline in our future growth and profitability.

(10) Public Regulations ▶ The Toyobo Group conducts production activities and other corporate activities in various locations in Japan and abroad, and operates its business under various

public regulations on business licenses, tax, environment and chemical substance-related issues in domestic or foreign areas where these business sites are located. In case water restrictions or legal regulations on environment-related issues become tighter in the area where our major business sites are located, substances currently being used become prohibited, or regulations regarding usage levels are implemented, our operating results or financial status may be seriously influenced by restrictions imposed on our production activities or other corporate activities, or by being forced to make large capital investments, tax payments or other expenditures in order to comply with the regulations.

(11) Litigation ▶ The Toyobo Group conducts production activities and other corporate activities in various domestic and overseas locations. In this process, there is a possibility that lawsuits may be brought against us in connection with product liability, the environment, labor, intellectual property or other areas.

Should a lawsuit be filed against the Toyobo Group, we intend to establish the fact that their claim is incorrect to defend ourselves properly. However, in case we lose the suit, our business and financial conditions may be seriously affected by the compensation claim from the plaintiffs.

(12) Foreign Exchange Rate Fluctuation ▶ The Toyobo Group's operations include production and sales of our products in foreign areas. In case we suffer substantial fluctuations in the foreign exchange rate, our operating results or financial status may be seriously influenced by a sales decrease, cost increase, or lowered price competitiveness after conversion to yen.

(13) Interest Rate Fluctuation ▶ The Toyobo Group works to reduce interest-bearing liabilities and fix interest rates. However, in case the current level of interest rates goes up sharply, our operating results or financial status may be seriously influenced by such cases through significant increases in interest costs. Also, for retirement benefit liability, the Group usually states the amount of retirement benefits estimated to be paid at retirement that are deemed to have been incurred by the end of the consolidated fiscal year under review, discounted based on the time period from the estimated payment date to the end of the fiscal year under review, and based on the yield rate of highly secure long-term bonds. For this reason, if interest rates go down further, our operating results or financial status may be seriously influenced by increases in retirement benefit liability and retirement benefit expenses (expenses for differences of implicit costs).

(14) Stock Price Volatility ▶ The Toyobo Group holds a considerable amount of marketable securities. In case stock market prices decline substantially, our operating results or financial status may be seriously influenced by a decrease in the value of the securities. Also, our pension assets include a significant amount of marketable securities, so if stock prices fall considerably, our operating results or financial status could be substantially impacted due to decreased pension assets and increased retirement benefit expenses (recognized actuarial loss).

(15) Substantial Decline of Land Prices ▶ The Toyobo Group owns a great deal of land, most of which has already been revaluated pursuant to the Land Revaluation Law. In case land prices decline substantially, our operating results or financial status may be seriously influenced by a loss in value or losses incurred when selling.

(16) Downgrade in Rating ▶ In case credit rating agencies downgrade our issued debentures, the Toyobo Group's operating results or financial status may be seriously influenced by the impact on funding.

(17) Accidents and Disasters ▶ The Toyobo Group conducts production activities and other corporate activities at various domestic and overseas locations. We carry out strict plant control and strive to prevent damage caused by accidents and disasters at these production facilities and business sites. However, in case of massive earthquakes, wind and flood damage, snow damage, and other natural disasters, at these production facilities and business sites or site of our business partner, our operating results or financial status may be seriously influenced under such circumstances as our production activities may be interrupted.

Consolidated Balance Sheets

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2008 and 2007

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Current assets:			
Cash and cash equivalents (Notes 10 and 18)	¥10,025	¥14,470	\$100,060
Notes and accounts receivable:			
Trade	84,296	90,730	841,361
Other	8,450	6,400	84,340
Allowance for doubtful receivables	(875)	(1,020)	(8,733)
Inventories (Note 5)	91,871	96,110	916,968
Deferred income taxes (Note 7)	86,215	92,092	860,515
Other current assets (Note 10)	6,047	4,576	60,355
Other current assets (Note 10)	5,486	5,637	54,756
Total current assets	199,644	212,885	1,992,654
Investments and noncurrent assets:			
Investment securities (Notes 3)			
Unconsolidated subsidiaries and affiliates	10,447	11,278	104,272
Other	21,818	35,465	217,766
Loans	5,385	4,501	53,748
Deferred income taxes (Note 7)	14,436	12,296	144,086
Other investments and noncurrent receivables	14,902	6,783	148,738
Allowance for doubtful receivables	(11,091)	(3,772)	(110,700)
	55,897	66,551	557,910
Property, plant and equipment (Note 6, 10 and 15):			
Land	119,790	116,096	1,195,628
Buildings and structures	124,882	120,994	1,246,452
Machinery and equipment	344,540	341,218	3,438,866
Tools, furniture and fixtures	23,070	22,377	230,263
Construction in progress	8,198	5,120	81,824
	620,480	605,805	6,193,033
Less accumulated depreciation	384,181	374,920	3,834,524
	236,299	230,885	2,358,509
Other assets:			
Goodwill	713	979	7,116
Other intangible assets	1,943	1,891	19,393
	2,656	2,870	26,509
Total assets	¥494,496	¥513,191	\$4,935,582

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Current liabilities:			
Short-term borrowings (Notes 8 and 10)	¥64,675	¥77,436	\$645,524
Long-term debt due within one year (Notes 8 and 10)	36,352	21,819	362,831
Notes and accounts payable:			
Trade (Note 10)	66,142	62,793	660,166
Other	16,261	13,867	162,301
	82,403	76,660	822,467
Employees savings deposits	5,782	5,880	57,710
Customers deposits (Note 10)	9,979	9,640	99,601
Accrued employees bonuses	4,655	4,676	46,462
Accrued income taxes	6,833	5,123	68,200
Deferred income taxes (Note 7)	76	90	759
Other current liabilities	1,605	2,133	16,020
Total current liabilities	212,360	203,457	2,119,574
Long-term liabilities:			
Long-term debt due after one year (Notes 8 and 10)	77,815	94,983	776,674
Employees severance and retirement benefits (Note 9)	13,710	16,989	136,840
Retirement benefits for directors, operating officers and corporate auditors	1,394	1,366	13,914
Deferred income taxes on land revaluation (Note 7 and 15)	27,837	28,164	277,842
Deferred income taxes (Note 7)	4,947	7,464	49,376
Negative goodwill	1,889	2,243	18,854
Other long-term liabilities	8,044	6,302	80,287
Total long-term liabilities	135,636	157,511	1,353,787
Contingent liabilities (Note 12)			
Net assets:			
Common stock			
Authorized - 2,000,000,000 shares			
Issued - 699,027,598 shares in 2008 and 2007	43,341	43,341	432,588
Capital surplus	16,033	16,033	160,026
Retained earnings	29,754	28,131	296,976
Less treasury stock, at cost			
(1,096 thousand shares in 2008 and 491 thousand shares in 2007)	(267)	(235)	(2,665)
Net unrealized holding gains on securities	2,110	8,909	21,060
Deferred losses on hedges	(230)	(67)	(2,296)
Land revaluation excess (Note 15)	39,524	39,996	394,490
Revaluation excess – foreign (Note 16)	6,620	6,620	66,074
Foreign currency translation adjustments	(7,213)	(9,207)	(71,993)
Minority interests in consolidated subsidiaries	16,828	18,702	167,961
Total net assets	146,500	152,223	1,462,221
Total liabilities and net assets	¥494,496	¥513,191	\$4,935,582

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Net sales (Note 14)	¥431,417	¥426,666	\$4,305,989
Cost of sales	342,506	335,369	3,418,565
Gross profit	88,911	91,297	887,424
Selling, general and administrative expenses	61,836	60,862	617,187
Operating income (Note 14)	27,075	30,435	270,237
Other income (expenses)			
Interest and dividend income	1,655	1,441	16,519
Dividend received from a special purpose company	5,826	-	58,150
Rent	1,006	761	10,041
Interest expense	(3,161)	(3,229)	(31,550)
Gain on sale of securities	407	5,154	4,062
Gain on sale of property, plant and equipment	8,791	1,305	87,743
Loss on disposal of property, plant and equipment	(2,275)	(2,665)	(22,707)
Advanced depreciation deduction on fixed assets	(264)	-	(2,635)
Gain on securities contributed to employee retirement benefit trust	1,921	-	19,174
Compensation income for expropriation of land	1,807	-	18,036
Loss on restructuring of businesses (Note 17)	(7,093)	(2,730)	(70,795)
Write-down of investment securities	(216)	(1,130)	(2,156)
Allowance for doubtful receivables	(6,388)	(825)	(63,759)
Write-down of inventories	(6,316)	(2,414)	(63,040)
Loss on impairment of fixed assets (Note 6)	(1,544)	(787)	(15,411)
Equity in income of unconsolidated subsidiaries and affiliates	-	772	-
Amortization of net transition obligation of retirement benefit for employees	(1,620)	(1,637)	(16,169)
Salaries paid to dispatched employees	(1,257)	(1,275)	(12,546)
Losses related to lawsuits	(1,974)	(780)	(19,703)
Amortization on negative goodwill	923	889	9,212
Other, net	(3,617)	(3,199)	(36,103)
	(13,389)	(10,349)	(133,637)
Income (loss) before income taxes	13,686	20,086	136,600
Provision for income taxes (Note 7)	9,354	6,099	93,363
Current	10,631	7,617	106,109
Deferred	(1,277)	(1,518)	(12,746)
	9,354	6,099	93,363
Minority loss (interest) in income of consolidated subsidiaries	366	(515)	3,654
Net income	¥4,698	¥13,472	\$46,891
	YEN		U.S. dollars (Note 1)
Net income per share			
Basic (Note 2)	¥6.73	¥19.32	\$0.067
Diluted (Note 2)	6.33	19.22	0.063
Cash dividends applicable to the year	5.00	5.00	0.050

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2008 and 2007

	Millions of yen									
	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Net unrealized holding gains on securities	Deferred losses on hedges	Land revaluation excess	Revaluation excess -foreign	Foreign currency translation adjustments	Minority interest in consolidated subsidiaries
Balance at March 31,2006	43,341	16,086	18,556	(416)	12,640	-	39,998	6,620	(11,682)	17,294
Cash dividends paid (¥5.00 par share)			(3,492)							
Net income			13,472							
Decrease due to increase in consolidated subsidiaries			(220)							
Changes in the scope of equity method application			(180)	58						
Decrease due to merger			(8)							
Adjustments for reversal of revaluation of land			3							
Purchase of treasury stock				(47)						
Sale of treasury stock		(53)		170						
Net change in the fiscal year other than shareholders' equity					(3,731)	(67)	(2)	-	2,475	1,408
Balance at March 31,2007	43,341	16,033	28,132	(234)	8,909	(67)	39,996	6,620	(9,207)	18,702
Cash dividends paid (¥5.00 par share)			(3,491)							
Net income			4,698							
Decrease due to increase in consolidated subsidiaries			(4)							
Decrease due to decrease in consolidated subsidiaries			(52)							
Adjustments for reversal of revaluation of land			472							
Purchase of treasury stock				(37)						
Sale of treasury stock				6						
Decrease in equity of affiliates accounted for under the equity method				(1)						
Net change in the fiscal year other than shareholders' equity					(6,799)	(163)	(472)	-	1,994	(1,874)
Balance at March 31, 2008	43,341	16,033	29,754	(266)	2,110	(230)	39,524	6,620	(7,213)	16,828

Thousands of U.S. dollars

	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Net unrealized holding gains on securities	Deferred losses on hedges	Land revaluation excess	Revaluation excess -foreign	Foreign currency translation adjustments	Minority interest in consolidated subsidiaries
Balance at March 31, 2007	432,588	160,026	280,787	(2,336)	88,921	(669)	399,202	66,074	(91,895)	186,665
Cash dividends paid (¥ 5.00 par share)			(34,844)							
Net income			46,891							
Decrease due to increase in consolidated subsidiaries			(40)							
Decrease due to decrease in consolidated subsidiaries			(519)							
Adjustments for reversal of revaluation of land			4,711							
Purchase of treasury stock				(369)						
Sale of treasury stock				60						
Decrease in equity of affiliates accounted for under the equity method				(10)						
Net change in the fiscal year other than shareholders' equity					(67,861)	(1,627)	(4,712)	-	19,902	(18,704)
Balance at March 31, 2008	432,588	160,026	296,976	(2,655)	21,060	(2,296)	394,490	66,074	(71,993)	167,961

	Thousands of shares	
	2008	2007
Number of shares of common stock authorized	2,000,000	2,000,000
Number of shares of common stock issued		
Opening balance	699,028	699,028
Closing balance	699,028	699,028

Consolidated Statements of Cash Flows

TOYOCO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Cash flows provided by operating activities:	23,282	27,064	232,378
Income before income taxes	13,686	20,086	136,600
Depreciation and amortization	19,274	16,938	192,374
Amortization of negative goodwill	(923)	(889)	(9,212)
Retirement benefits, net	(3,277)	(3,265)	(32,708)
Allowance for doubtful receivables, net	6,616	174	66,035
Loss (gain) on sale and disposal of property, plant and equipment, net	(6,516)	1,360	(65,036)
Write-down and gain on sale of investment securities, net	(159)	(4,024)	(1,587)
Equity in losses (income) of unconsolidated subsidiaries and affiliates	415	(772)	4,142
Dividend received from a special purpose company	(5,826)	-	(58,150)
Increase in prepaid pension costs	(3,422)	-	(34,155)
Compensation for transfer of property, plant and equipment	(1,807)	-	(18,036)
Loss on impairment of fixed assets	1,544	787	15,411
Interest and dividend income	(1,655)	(1,441)	(16,519)
Interest expense	3,161	3,229	31,550
Loss on restructuring of businesses	7,093	2,730	70,795
Losses related to lawsuits	1,974	780	19,703
Decrease in trade notes and accounts receivable	3,377	1,343	33,706
Decrease (increase) in inventories	2,903	(2,670)	28,975
Increase in trade notes and accounts payable	2,012	422	20,082
Other, net	(2,536)	3,321	(25,311)
Total	35,934	38,109	358,659
Payments for restructuring costs of businesses	(1,368)	(1,421)	(13,654)
Payments related to lawsuits	(1,850)	(2,305)	(18,465)
Receipt of litigation liability insurance and fire insurance	1,063	1,269	10,610
Income taxes paid	(10,497)	(8,588)	(104,772)
Net cash flows provided by operating activities	23,282	27,064	232,378
Cash flows used in investing activities:			
Purchase of property, plant and equipment	(30,109)	(14,747)	(300,519)
Proceeds from disposal of property, plant and equipment	15,455	2,433	154,257
Purchase of investment securities	(4,740)	(793)	(47,310)
Proceeds from sale of investment securities	2,528	9,626	25,232
Outlays associated with equity participation	-	(1)	-
Inflows due to acquisition of additional shares of consolidated subsidiaries	69	-	689
Payments for purchase of shares of consolidated subsidiaries and affiliates	(138)	(87)	(1,377)
Interest and dividend income excluding unconsolidated subsidiaries and affiliates	7,516	1,466	75,017
Dividend income from affiliates accounted using the equity method	134	161	1,337
Other, net	(908)	(983)	(9,063)
Net cash flows used in investing activities	(10,193)	(2,925)	(101,737)
Cash flows used in financing activities:			
Cash dividends paid	(3,491)	(3,492)	(34,844)
Cash dividends to minority interests	(280)	(360)	(2,795)
Decrease in short-term bank loans	(12,995)	(17,743)	(129,704)
Proceeds from long-term debt	22,290	31,701	222,477
Repayments of long-term debt	(24,433)	(39,726)	(243,867)
Proceeds from issuance of corporate bonds with stock purchase rights	-	19,988	-
Payments of bonds	(300)	(10,300)	(2,994)
Payments of interest	(3,208)	(3,206)	(32,019)
Payments for purchase of treasury stock	(37)	(46)	(369)
Proceeds from sale of treasury stock	6	746	60
Proceeds from sale and lease-back transactions	4,500	-	44,915
Net cash flows used in financing activities	(17,948)	(22,438)	(179,140)
Adjustment for foreign currency translation	167	165	1,667
Net increase (decrease) in cash and cash equivalents	(4,692)	1,866	(46,832)
Cash and cash equivalents at beginning of year	14,140	11,894	141,132
Increase resulting from changes in consolidated subsidiaries	279	306	2,785
Increase in cash and cash equivalents due to a merger of consolidated subsidiaries	22	74	220
Cash and cash equivalents at end of year	9,749	14,140	97,305

Notes to Consolidated Financial Statements

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying consolidated financial statements of TOYOBO CO., LTD. (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of the overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in their respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Some supplementary information included in the corporate Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Translations of the Japanese yen amounts into U.S. dollar amounts were included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2008 which was ¥100.19 to U.S. \$1.00. These translations should not be construed as representing that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its 63 significant substantially controlled subsidiaries (63 in 2007). Investments in 14 unconsolidated subsidiaries and affiliates (15 in 2007), over which the Company has significant influence are accounted for using the equity method. Intercompany transactions and accounts have been eliminated upon consolidation. Significant differences between the cost of investments and the equity in the net assets of the consolidated subsidiaries at the respective dates of acquisition are amortized over five years.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority stockholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary.

The accounts of 18 consolidated subsidiaries are included on the basis of their fiscal years which end on December 31 (January 31 for 1, February 29 for 2 and March 20 for 3 other subsidiaries). These subsidiaries do not prepare for consolidation purposes statements that correspond with the fiscal year of the Company. Where significant transactions exist between their respective fiscal year-ends and the Company's year-ends, necessary adjustments are made to reflect such transactions in the consolidated financial statements.

Allowance for doubtful receivables

With respect to normal trade accounts receivable, an allowance for doubtful receivables is stated based on the actual rate of historical bad debts. For certain doubtful receivables, the uncollectible amount is individually estimated.

Securities

Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost.

Other securities with no available fair market value are stated at moving - average cost.

Inventories

Inventories are principally stated at cost. Cost is determined principally using the periodic weighted average method.

Property, plant and equipment

Property, plant and equipment are principally stated at cost. Depreciation is provided mainly using the declining balance method over the estimated useful life of the asset, except that certain machinery and equipment are depreciated using the straight-line method.

Overseas consolidated subsidiaries principally use the straight-line method.

(Changes in Accounting Methods of depreciation)

The Company and its domestic consolidated subsidiaries, in accordance with revisions to the corporate tax code, have changed their depreciation method for tangible fixed assets. Tangible fixed assets acquired on and after April 1, 2007 are depreciated in accordance with the provisions of the revised corporate tax code.

As a result of applying the new depreciation policy in the current year, gross profit decreased ¥230 million (\$2,296 thousand), operating income ¥294 million (\$2,934 thousand), and income before income taxes ¥299 million (\$2,984 thousand).

Effects on segment information are given in Note 14.

(Additional Information)

The Company and its domestic consolidated subsidiaries applied new depreciation policy in respect of tangible fixed assets acquired on and before March 31, 2007. In accordance with revision to corporate tax code, prior to the revision, tangible fixed assets are allowed a maximum depreciation of up to 5% of its costs. Subsequent to the revision, eligible tangible assets (that was acquired on or before March 31, 2007) with book value that reaches 5% residual (on or after April 1, 2007) are permitted to depreciate the residual over 5 years.

As a result of applying the new depreciation policy in the current year, gross profit decreased ¥1,510 million (\$15,071 thousand), operating income ¥1,738 million (\$17,347 thousand), and income before income taxes ¥1,872 million (\$18,684 thousand).

Effects on segment information are given in Note 14.

Software

Intangible assets including software are amortized using the straight-line method over the estimated useful life of five years.

Research and development expenses

Expenses related to research and development activities are charged to income as incurred. Research and development expenses were ¥10,877 million (\$108,564 thousand) and ¥10,426 million, for the years ended March 31, 2008 and 2007.

Bond issuance costs

Bond issuance costs are charged to income as incurred.

Finance leases

Finance leases which do not transfer ownership and do not have bargain purchase provisions are accounted for in the same manner as operating leases.

Accrued employees' bonuses

The Company and its domestic consolidated subsidiaries follow the Japanese practice of paying bonuses to employees in June and December. The Company and its domestic subsidiaries accrue the estimated amounts of employees' bonuses at the balance sheet date based on estimated amounts to be paid in the subsequent period.

Income taxes

The Company and its consolidated subsidiaries provide for income taxes at the amounts currently payable and for deferred income taxes pertaining to loss carryforwards, temporary differences between financial and tax reporting and in respect of the elimination of unrealized intercompany profits and other adjustments for consolidation purposes. The asset and liability method is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Employees' severance and retirement benefits

Under the terms of the Company's and its domestic consolidated subsidiaries' retirement plans, substantially all employees are entitled to lump-sum payments at the time of retirement. The amount of the retirement benefit is, in general, based on the length of service, basic salary at the time of retirement and cause of retirement.

The Company and its domestic consolidated subsidiaries also have contributory funded pension plans which cover substantially all employees.

The Company and its domestic consolidated subsidiaries provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of plan assets.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2000 and the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") is being recognized in expenses in equal amounts primarily over fifteen years (for certain consolidated subsidiaries, ten years) commencing with the year ended March 31, 2001. Prior service costs are recognized in expenses in equal amounts over ten years (within the average of the estimated remaining service years of the employees), and actuarial gains and losses are recognized in expenses using the straight-line method over ten years (within the average of the estimated remaining service years) commencing with the following period.

(Additional information)

In January 2008, a domestic Japanese consolidated subsidiary moved from a lump-sum pension plan and tax-qualified pension plan to a defined contribution pension plan and has adopted "Accounting for the Transfers Between Retirement Benefit Systems" (Accounting Standard Board of Japan Guidance No. 1) following the implementation of the Defined Contribution Pension Plan Law.

The transfer resulted in a gain of ¥113 million (\$1,128 thousand) million.

Retirement benefits for directors, operating officers and corporate auditors

The Company and its domestic consolidated subsidiaries accrue estimated amounts of retirement benefits for directors, operating officers and corporate auditors equal to management's estimate of the amounts that would be payable to them at the balance sheet dates if they retired at those dates. Amounts payable to directors and corporate auditors upon retirement are subject to the approval of the stockholders.

Translation of foreign currencies

Accounts denominated in foreign currencies, namely cash, receivables and payables are translated at year-end exchange rates.

The assets and liabilities in the financial statements of foreign consolidated subsidiaries are translated into Japanese yen at year-end exchange rates. Income and expenses are translated at the average exchange rate prevailing during the year. Resulting translation adjustments are reflected in the consolidated financial statements as "Foreign currency translation adjustments" and in minority interests.

Derivatives and hedge accounting

Derivative financial instruments are stated at fair value and changes in the fair value are recognized as gain or loss unless the derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its consolidated subsidiaries defer recognition of gain or loss resulting from changes in fair value of derivative financial instruments until the related loss or gain on the hedged item is recognized.

However, where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, foreign exchange forward contracts and hedged items are accounted for in the following manner:

1. If a foreign exchange forward contract is executed to hedge an existing foreign currency receivable or payable,
 - (a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable, (translated using the spot rate at the inception date of the contract) and the book value of the receivable or payable, is recognized in the statement of income in the period which includes the inception date, and
 - (b) the discount or premium on the contract (the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.
2. If a foreign exchange forward contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gain or loss on the forward foreign exchange contract will be recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The following lists the hedging derivative financial instruments used by the Company and its consolidated subsidiaries and the corresponding items hedged:

Hedging instruments:	Hedged items:
Foreign exchange forward contracts	Future transactions denominated in foreign currencies Foreign currency receivables and payables
Interest rate swap contracts	Interest expense on borrowings

The Company and certain consolidated subsidiaries evaluate hedge effectiveness semiannually by comparing the cumulative changes in cash flows or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments.

Impairment of fixed assets

In accordance with the "Accounting Standards for Impairment of Fixed Assets," issued by the Business Accounting Council in Japan, fixed assets, such as property, plant and equipment, and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of an asset or group of assets to the estimated undiscounted future cash flows expected to be generated. If the carrying amount exceeds the estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount exceeds the greater of net realizable value or value in use.

Reclassification

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2007 financial statements to conform to the classifications used in 2008.

Net income per share

Computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period.

Reconciliation of the differences between basic and diluted net income per share for the year ended March 31, 2008 are as follows.

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted average shares	Net income per share	
For the year ended March 31, 2008:				
Basic				
Net income available to common stockholders	¥4,698	697,973	¥6.73	\$0.067
Effect of dilutive securities				
Convertible bonds		43,668		
Diluted				
Net income for computation	¥4,698	741,641	¥6.33	\$0.063

3. SECURITIES

The following tables summarize acquisition costs and book values (fair values) of securities with available fair values as of March 31, 2008 and 2007:

Available-for-sale securities

	Millions of yen					
	2008			2007		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:						
Equity securities	¥8,460	¥15,122	¥6,662	¥10,582	¥27,930	¥17,348
Government bonds	150	150	-	150	150	-
Other	10	10	-	10	14	4
Total	¥8,620	¥15,282	¥6,662	¥10,742	¥28,094	¥17,352
Securities with book values not exceeding acquisition costs:						
Equity securities	¥7,626	¥5,209	¥ (2,417)	¥2,368	¥1,632	¥ (736)
Total	¥7,626	¥5,209	¥ (2,417)	¥2,368	¥1,632	¥ (736)

	Thousands of U.S. dollars		
	2008		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	\$84,440	\$150,933	\$66,493
Government bonds	1,497	1,497	-
Other	100	100	-
Total	\$86,037	\$152,530	\$66,493
Securities with book values not exceeding acquisition costs:			
Equity securities	\$76,115	\$51,991	\$(24,124)
Total	\$76,115	\$51,991	\$(24,124)

The following table summarizes book values of available-for-sale securities with no available fair values as of March 31, 2008 and 2007:

	Book value		
	Millions of yen		Thousands of U.S. dollars
	2008	2007	2007
Non-listed equity securities	¥1,311	¥5,589	\$13,085
Other	85	214	848
Total	¥1,396	¥5,803	\$13,933

The following table summarizes available-for-sale securities sold in the years ended March 31, 2008 and 2007:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Total sales of available-for-sale securities	¥2,517	¥441	\$25,122
Related gains	407	325	4,062
Related losses	32	8	319

4. DERIVATIVES AND HEDGE ACCOUNTING

The Company and its consolidated subsidiaries enter into foreign exchange forward and interest rate swap transactions to control risks related to foreign currencies and interest rates. Foreign exchange forward contracts are used to hedge the risk of fluctuations in foreign currency exchange rates with respect to foreign currency receivables and payables and future transactions denominated in foreign currencies resulting from import and export transactions. Interest rate swap transactions are used to reduce financing costs and to hedge the risk of fluctuations in interest rates for short-term borrowings and long-term debt. Hedging derivative financial instruments used by the Company and its consolidated subsidiaries and the corresponding items hedged are listed in Note 2." Significant Accounting Policies" under "Derivatives and hedge accounting." The Company and its consolidated subsidiaries deal with highly rated international financial institutions as counterparties to these transactions to minimize credit risk exposure. Derivative transactions related to normal operations are entered into by each operational division, and the processing of the transactions, such as settlements, are controlled by the finance division. Derivative transactions related to financial transactions are entered into by the operational division in accordance with established policies approved by the Board of Directors. Outstanding positions on derivative transactions are controlled by the finance division, and the actual results of derivative transactions are reported to the Board of Directors.

As of March 31, 2008 and 2007, hedge accounting had been applied to all derivatives transactions, outstanding positions are not disclosed.

5. INVENTORIES

Inventories at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Finished goods	¥55,146	¥59,689	\$550,414
Work-in-process	17,333	20,600	173,001
Raw materials	9,320	8,575	93,023
Supplies	4,416	3,228	44,077
	¥86,215	¥92,092	\$860,515

6. LOSS ON IMPAIRMENT

The Company and its domestic consolidated subsidiaries recorded impairment losses on the following asset groups for the year ended March 31, 2008.

Location	Usage	Type
Toyo Cloth Co., Ltd. (Iwakuni, Yamaguchi)	Business assets (synthetic leather production facilities)	Buildings and structures Machinery and equipment Property, plant and equipment and other
Daido Maruta Finishing Co., Ltd. (Kyoto, Kyoto)	Assets expected to be transferred	Buildings Machinery and equipment Property, plant and equipment and other
Toyo Shirts Manufacturing Co., Ltd. (Minami-Aizu, Fukushima)	Rental assets	Buildings Land
Miyuki Holdings Co., Ltd. (Higashi-Osaka, Osaka)	Business assets (including medical equipment production facilities)	Buildings and structures Property, plant and equipment and other
Toyobo Kankyo Techno Co., Ltd. (Toyokawa, Aichi)	Idle assets	Land

The Company and its domestic consolidated subsidiaries pool business assets according to management's accounting classifications, and idle assets and rental assets according to each individual item.

The Company and its domestic consolidated subsidiaries recorded ¥1,544 million (\$15,411 thousand) in losses on impaired assets under extraordinary losses since the book value of the assets declined to their recoverable amounts for the following reasons. Among business assets, although earnings generated from the synthetic leather production facilities improved by reducing fixed and variable costs, earnings are projected to deteriorate on account of expected increases in fuel and material costs and investment expenses for processing equipment due to VOC (Volatile Organic Compounds) regulations. For medical equipment production facilities, the Company recorded ordinary losses for more than two consecutive years. Furthermore, the transfer price of assets expected to be transferred fell below the book value, and recovering the amount invested in rental assets is expected to be difficult for several reasons including a decline in profitability. As for idle assets, the value of the assets declined as a result of falling land prices.

	Millions of yen	Thousands of U.S. dollars
Buildings and structures	¥612	\$ 6,108
Machinery and equipment	786	7,845
Land	85	848
Property, plant and equipment and other	61	610
Total	¥1,544	\$15,411

These assets and the recoverable value of the asset group were calculated using the net selling price. The price of land was calculated making logical adjustment to the items such as for the valuation of fixed asset taxes. The price of other fixed assets except land was calculated using the estimated disposable price of the items.

7. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to a number of taxes in Japan based on income, which, in the aggregate, constituted a normal statutory income tax rate of approximately 41% for the year ended March 31, 2008 and 2007. Foreign consolidated subsidiaries are subject to the income taxes of the countries in which they operate.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2008 and 2007 are set forth below.

	Millions of yen		Thousands of U. S. dollars
	2008	2007	2008
Deferred tax assets:			
Accrued employees bonuses	¥1,985	¥1,997	\$19,812
Accrued enterprise tax	627	393	6,258
Devaluation loss on inventories	2,427	1,128	24,224
Employees severance and retirement benefits	5,163	7,676	51,532
Retirement benefit for directors, operating officers and corporate auditors	572	560	5,709
Allowance for doubtful receivables	3,490	818	34,834
Impairment loss	1,482	952	14,792
Write-down of investment securities	2,681	2,061	26,759
Tax losses carried forward	4,952	4,897	49,426
Unrealized income	8,953	9,009	89,360
Securities acquired through merger	270	271	2,695
Other	1,337	1,878	13,345
Total deferred tax assets	33,939	31,640	338,746
Valuation allowance	(7,348)	(7,799)	(73,341)
Net deferred tax assets	26,591	23,841	265,405
Deferred tax liabilities:			
Net unrealized holding gains on securities	(1,626)	(6,820)	(16,228)
Reserve for deferred gain on sale of property	(3,910)	(828)	(39,026)
Undistributed earnings of overseas subsidiaries and affiliates	(794)	(473)	(7,925)
Consolidation adjustment of allowance for doubtful receivables	(117)	(137)	(1,168)
Valuation difference of subsidiaries	(2,217)	(2,217)	(22,128)
Tax deferred gains on assets transferred to a new company	(1,810)	(1,810)	(18,066)
Tax deferred gains on spin-off	(657)	(2,238)	(6,558)
Total deferred tax liabilities	(11,130)	(14,523)	(111,099)
Net deferred tax assets	¥15,460	¥9,318	\$154,306
	2008	2007	2008
Current assets	¥6,047	¥4,576	\$60,355
Investments and noncurrent assets	14,436	12,296	144,086
Current liabilities	(76)	(90)	(759)
Long-term liabilities	(4,947)	(7,464)	(49,376)
Total	¥15,460	¥9,318	\$154,306

In addition to the above, deferred income taxes on land revaluation of ¥27,837 million (\$277,842 thousand) and ¥28,164 million for the year ended March 31, 2008 and 2007 were recognized in long-term liabilities.

The effective rate for the year ended March 31, 2008 and 2007 differ from normal tax rate for the following reasons:

	<u>2008</u>	<u>2007</u>
Normal tax rate	41.0%	41.0%
Expenses not deductible for tax purposes	2.0	0.9
Nontaxable dividend income	(10.3)	(0.5)
Tax reduced by losses carried forward	-	(1.6)
Per capita portion of residence tax	0.3	-
Equity in income of unconsolidated subsidiaries and affiliates	1.3	(1.5)
Valuation allowance	47.8	4.3
Tax deduction	(7.7)	(7.2)
Prior years' income taxes	-	(5.8)
Retained earnings of entities such as overseas subsidiaries	2.4	-
Investment in subsidiaries	(10.3)	-
Other	<u>1.9</u>	<u>0.8</u>
Effective tax rate	<u>68.3%</u>	<u>30.4%</u>

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Unsecured:			
0.72% bonds due 2007	-	300	-
1.3% bonds due 2008	10,000	10,000	99,810
Zero coupon convertible bonds due 2012	20,000	20,000	199,621
Long-term loans, principally maturing through 2017 at the weighted average interest rate of 1.46% as of March 31, 2008			
Secured	3,207	7,030	32,009
Unsecured	80,960	79,472	808,065
Total	<u>114,167</u>	<u>116,802</u>	<u>1,139,505</u>
Less amount due within one year	<u>36,352</u>	<u>21,819</u>	<u>362,831</u>
	<u>¥77,815</u>	<u>¥94,983</u>	<u>\$776,674</u>

The aggregate annual maturities of long-term debt outstanding as of March 31, 2008 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2009	¥36,352	\$362,831
2010	21,644	216,030
2011	19,635	195,978
2012	30,939	308,803
2013	4,304	42,958
Thereafter	<u>1,293</u>	<u>12,905</u>
	<u>¥114,167</u>	<u>\$1,139,505</u>

The Company has an overdraft contract and credit commitments from three banks in order to secure financing facility. Total unused credit available to the Company at March 31, 2008 was ¥21,000 million (\$209,602 thousand).

9. EMPLOYEES SEVERANCE AND RETIREMENT BENEFITS

Employees severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U. S. dollars
	2008	2007	2008
Projected benefit obligation	¥65,795	¥70,297	\$656,702
Fair value of pension assets	(30,218)	(28,773)	(301,607)
Employee retirement benefit trust	(11,375)	(7,753)	(113,534)
Unrecognized net transition obligation	(11,054)	(13,172)	(110,330)
Unrecognized actuarial differences	(3,802)	(4,891)	(37,948)
Unrecognized prior service costs (Note 1)	942	1,281	9,402
Employees severance and retirement benefits	¥10,288	¥16,989	\$102,685
Prepaid pension cost	(3,422)	-	(34,155)
Accrued retirement benefits	¥13,710	¥16,989	\$136,840

- Note: 1. Primarily due to the revision of the Company's welfare pension fund scheme in January 2001.
 2. Some subsidiaries adopt a simplified method in calculating retirement benefit obligations.
 3. The following are the effects of moving from a lump-sum retirement benefit system and a tax-qualified pension plan to a defined contribution pension plan in January 2008.

Decrease in projected retirement obligation	¥110 million	(\$1,098 thousand)
Unrecognized actuarial difference	¥150 million	(\$1,497 thousand)
Decrease in retirement benefit allowance	¥260 million	(\$2,595 thousand)

In addition, ¥119 million (\$1,188 thousand) worth of assets will be transferred to the defined contribution pension system. The transfer is expected to take four years. The ¥88 million (\$878 thousand) in assets that had not been transferred at the end of the current fiscal year were recorded as accrued liability (under Other within Current liabilities) and long-term accrued liability (under Other within Long-term liabilities).

Severance and retirement benefit expenses included in the consolidated statements of income for the years ended March 31, 2008 and 2007 comprised the following:

	Millions of yen		Thousands of U. S. dollars
	2008	2007	2008
Service costs – benefits earned during the year (Note 2)	¥2,473	¥2,356	\$24,684
Interest cost on projected benefit obligation	1,452	1,467	14,492
Expected return on plan assets	(1,127)	(1,064)	(11,249)
Amortization of net transition obligation	2,114	1,705	21,100
Amortization of actuarial differences	1,202	943	11,997
Amortization of prior service costs (Note 3)	(332)	(332)	(3,314)
Employees severance and retirement benefit expenses	¥5,782	¥5,075	\$57,710
Loss on transfer to defined contribution system	(113)	-	(1,128)
Other (Note 4)	11	-	110
Total	¥5,680	¥5,075	\$56,692

- Note: 1. In addition to the retirement benefit expenses stated above, premium severance pay amounting to ¥1,313 million (\$13,105 thousand) in the current fiscal year under review and ¥584 million in the previous fiscal year were paid and included in loss on restructuring of businesses.
 2. The amount of employee contributions to the welfare pension fund is deducted.
 3. Mainly due to the revision of the Company's welfare pension fund scheme in January 2001.
 4. Premium payment to the defined contribution system
 5. Retirement benefit expenses of consolidated subsidiaries which adopt the simplified method are stated in "Service costs" and "Amortization of net transition obligation."

The discount rates used by the Company and its domestic consolidated subsidiaries were 2.0% to 2.5% for both the years ended March 31, 2008 and 2007. The rates of expected return on plan assets used by the Company and its domestic consolidated subsidiaries were 2.5% to 3.5% for both the years ended March 31, 2008 and 2007. The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years. Past service costs are recognized as an expense in equal amounts over ten years, and actuarial gains/losses are recognized in the consolidated statements of income using the straight-line method over ten years.

10. ASSETS PLEDGED AS COLLATERAL

At March 31, 2008, assets pledged as collateral for secured long-term debt of ¥3,207 million (\$32,009 thousand), short-term debt of ¥200 million (\$1,996 thousand), customers deposits of ¥660 million (\$6,587 thousand) and accounts payable of ¥30 million (\$299 thousand) are as follows:

	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents	¥35	\$349
Property, plant and equipment — net of accumulated depreciation	18,112	180,777
Other current assets	160	1,597
	¥18,307	\$182,723

11. NET ASSETS

On May 1, 2006, the Japanese Corporate Law (the “Law”) became effective, reforming and replacing the Japanese Commercial Code (“the Code”) with various revisions that would, for the most part, be applicable to events or transactions occurring on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Law that affect financial and accounting matters are summarized below:

- (i) Dividends: The Law allows Japanese companies to pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the stockholders meeting. For Japanese companies that meet certain criteria such as having a board of directors, independent auditors, a board of corporate auditors, and one-year terms of service for directors rather than the two-year normal term provided by the articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation. The Law permits Japanese companies to distribute dividends-in-kind (non-cash assets) to stockholders subject to certain limitations and additional requirements. The Law continues to provide certain limitations on the amounts available for dividends and the purchase of treasury stock. The maximum amount that the Company can distribute as dividends is determined based on the nonconsolidated financial statements of the Company in accordance with the Law and regulations.
- ii) Increases/decreases and transfers of common stock, reserve and surplus: The Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (of retained earnings) or as additional paid-in capital (of capital surplus), depending on the equity account charged upon the payment of such dividends, until the total aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Law, the total amount of additional paid-in capital and legal reserve may be reversed without the limitations imposed by the Code. The Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the stockholders.
- (iii) Treasury stock: The Law continues to provide for Japanese companies to repurchase or dispose of treasury stock just as the Code did. The amount of treasury stock purchased, however, cannot exceed the amount available for distribution to the stockholders, which is determined by a specific formula.

12. CONTINGENT LIABILITIES

At March 31, 2008, the Company and certain consolidated subsidiaries are contingently liable for the followings:

	Millions of yen	Thousands of U.S. dollars
As endorser of notes discounted	¥30	\$299
As guarantor of indebtedness of:		
Unconsolidated subsidiaries and affiliates	¥4,732	\$47,230
Employees (housing loans)	400	3,993
	¥5,132	\$51,223

13. LEASES

Lease payments for finance leases which do not transfer ownership and do not have bargain purchase provisions were ¥654 million (\$6,528 thousand) and ¥696 million for the years ended March 31, 2008 and 2007, respectively. Future minimum lease payments for the remaining lease periods as of March 31, 2008, including interest, were ¥579 million (\$5,779 thousand) for payments due within one year and ¥1,041 million (\$10,390 thousand) for payments due beyond one year.

Original lease obligations, accumulated payments and remaining payments of leased properties as of March 31, 2008 and March 31, 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Machinery and equipment:			
Original lease obligation	¥805	¥1,075	\$8,035
Payments made	405	624	4,042
Impairment loss	13	25	130
Remaining payments	¥387	¥426	\$3,863
Tools, furniture and fixtures			
Original lease obligation	¥1,689	¥1,828	\$16,858
Payments made	847	890	8,454
Remaining payments	¥842	¥938	8,404
Intangible assets			
Original lease obligation	¥766	¥778	\$7,645
Payments made	388	371	3,873
Remaining payments	¥378	¥407	3,772

Future minimum lease payments under operating leases for the remaining lease periods as of March 31, 2008 were ¥2,483 million (\$24,783 thousand), of which ¥927 million (\$9,252 thousand) was due within one year.

Future minimum lease receipts as lessor under operating leases for the remaining lease periods as of March 31, 2008 were ¥890 million (\$8,883 thousand), of which ¥159 million (\$1,587 thousand) was due within one year.

14. SEGMENT INFORMATION

The Toyobo Group aims to be a manufacturer of highly functional products, which continually create new value based on unique core technologies - namely, polymerization technology, modification technology, processing technology and biotechnology.

The Company's and its consolidated subsidiaries' operations are classified into five industry segments as follows:

Films and Functional Polymers:	Packaging films, industrial films, industrial adhesives, engineering plastics, photo-functional materials, etc.
Industrial Materials:	Fiber materials for automobiles, high-performance fibers, functional filters, non-woven fabrics, etc.
Life Science:	Bioscience products such as diagnostic enzymes, pharmaceutical production, hollow fiber membrane for artificial kidneys, medical devices, desalination membranes, etc.
Textiles:	Functional textiles, apparel products, apparel textiles, apparel fibers, etc.
Other Businesses:	Design and construction of buildings and machinery, rental and management of real estate, information processing services, logistics services, etc.

Changes in Accounting Methods

The Company and its domestic consolidated subsidiaries have changed their depreciation method for tangible fixed assets as described in Note 2. Significant accounting policies.

The impact of this change, when compared to depreciation amounts calculated using previous method are: Films and Functional Polymers increased by ¥109 million (\$1,088 thousand), Industrial Materials by ¥32 million (\$319 thousand), Life Science by ¥84 million (\$838 thousand), Textiles by ¥17 million (\$170 thousand), Other Businesses by ¥26 million (\$260 thousand), and Elimination or Corporate by ¥24 million (\$240 thousand).

Additional Information

The Company and its domestic consolidated subsidiaries apply the 5% residual depreciation for tangible fixed assets as described in Note 2. Significant accounting policies.

The impact of this change, when compared to depreciation amounts calculated using previous method are: Films and Functional Polymers were ¥629 million (\$6,278 thousand) more, Industrial Materials ¥319 million (\$3,184 thousand) more, Life Science ¥188 million (\$1,876 thousand) more, Textiles ¥460 million (\$4,591 thousand) more, Other Businesses ¥58 million (\$579 thousand), and Elimination or Corporate ¥84 million (\$838 thousand) more.

Year ended March 31, 2008	Millions of yen								
	Net sales to external customers	Intersegment net sales and transfer amounts	Net sales	Operating costs and expenses	Operating income	Identifiable assets	Depreciation and amortization	Loss on impairment	Capital expenditure
Films and Functional Polymers:	¥134,631	¥414	¥135,045	¥121,314	¥13,731	¥130,018	¥7,030	¥716	¥11,609
Industrial Materials:	76,138	48	76,186	70,687	5,499	78,545	3,792	31	3,282
Life Science:	33,961	227	34,188	29,048	5,140	35,956	3,178	94	2,179
Textiles:	142,471	184	142,655	138,842	3,813	126,312	3,125	703	2,103
Other businesses:	44,216	12,687	56,903	54,301	2,602	94,496	1,124	-	12,358
Total	431,417	13,560	444,977	414,192	30,785	465,327	18,249	1,544	31,531
Elimination or Corporate	-	(13,560)	(13,560)	(9,850)	(3,710)	29,169	1,025	-	955
Consolidated	¥431,417	¥-	¥431,417	¥404,342	¥27,075	¥494,496	¥19,274	¥1,544	¥32,486

Year ended March 31, 2007	Millions of yen								
	Net sales to external customers	Intersegment net sales and transfer amounts	Net sales	Operating costs and expenses	Operating income	Identifiable assets	Depreciation and amortization	Loss on impairment	Capital expenditure
Films and Functional Polymers:	¥124,614	¥180	¥124,794	¥109,490	¥15,304	¥126,206	¥6,525	¥-	¥5,364
Industrial Materials:	74,391	88	74,479	68,562	5,917	79,541	3,428	-	2,989
Life Science:	32,639	132	32,771	27,186	5,585	36,826	2,514	-	4,179
Textiles:	149,585	260	149,845	145,459	4,386	133,076	2,562	-	1,904
Other businesses:	45,437	9,963	55,399	52,929	2,471	97,496	1,075	787	502
Total	426,666	10,623	437,289	403,626	33,663	473,145	16,104	787	14,938
Elimination or Corporate	-	(10,623)	(10,623)	(7,395)	(3,228)	40,046	834	-	815
Consolidated	¥426,666	¥-	¥426,666	¥396,231	¥30,435	¥513,191	¥16,938	¥787	¥15,753

Year ended March 31, 2008	Thousands of U.S. dollars								
	Net sales to external customers	Intersegment net sales and transfer amounts	Net sales	Operating costs and expenses	Operating income	Identifiable assets	Depreciation and amortization	Loss on impairment	Capital expenditure
Films and Functional Polymers:	\$1,343,757	\$4,132	\$1,347,889	\$1,210,839	\$137,050	\$1,297,714	\$70,167	\$7,146	\$115,870
Industrial Materials:	759,936	479	760,415	705,529	54,886	783,960	37,848	309	32,758
Life Science:	338,966	2,266	341,232	289,929	51,303	358,878	31,720	938	21,749
Textiles:	1,422,008	1,837	1,423,845	1,385,787	38,058	1,260,725	31,191	7,018	20,990
Other businesses	441,322	126,629	567,951	541,981	25,970	943,168	11,218	-	123,345
Total	4,305,989	135,343	4,441,332	4,134,065	307,267	4,644,445	182,144	15,411	314,712
Elimination or Corporate	-	(135,343)	(135,343)	(98,313)	(37,030)	291,137	10,230	-	9,532
Consolidated	\$4,305,989	\$-	\$4,305,989	\$4,035,752	\$270,237	\$4,935,582	\$192,374	\$15,411	\$324,244

Corporate operating costs and expenses mainly consisted of administrative and fundamental research department expenses were ¥3,495 million (\$34,884 thousand) and ¥2,929 million for the years ended March 31, 2008 and 2007, respectively. Corporate assets mainly consisted of cash, marketable securities and assets of the administrative and fundamental research departments were ¥78,638 million (\$784,889 thousand) and ¥78,232 million at March 31, 2008 and 2007, respectively.

Overseas sales, which include overseas subsidiaries' sales to overseas third parties as well as the Company's and its domestic subsidiaries' export sales to third parties, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Southeast Asia	¥43,308	¥36,817	\$432,259
Other areas	41,562	38,931	414,832
Total	¥84,870	¥75,748	\$847,091

Principal countries and areas in each segment are:

Southeast Asia: China, Korea, Taiwan, Malaysia, Indonesia, and Thailand

Other areas: America, Germany, Brazil, and Saudi Arabia

15. LAND REVALUATION EXCESS

Applying the law on revaluation of land, the Company, two consolidated subsidiaries and an affiliate accounted for using the equity method revaluated their land for business use on March 31, 2002 and included the increase, net of income taxes and minority interests, in net assets. As of March 31, 2008, the fair value of land was ¥23,657 million (\$236,121 thousand) lower than book value.

Also, applying the law on revaluation of land, another consolidated subsidiary, revaluated its land for business use on March 31, 2000 and included the increase, net of income taxes and minority interests, in net assets. As of March 31, 2008, the fair value of land was ¥2,537 million (\$25,322 thousand) lower than book value.

16. REVALUATION EXCESS – FOREIGN

Applying the local company law, a consolidated subsidiary and an unconsolidated subsidiary in Brazil, accounted for using the equity method, revaluated their land, buildings and structures and included the increase in net assets.

Under the accounting principles and practices generally accepted in Brazil, the two consolidated subsidiaries in Brazil did not record deferred income taxes on their revaluations. As a result, in the years ended March 31, 2008 and 2007, respectively, deferred income taxes of ¥2,758 million (\$27,528 thousand) and ¥2,386 million were not recorded.

17. LOSS ON RESTRUCTURING OF BUSINESSES

During the year ended March 31, 2008, the Company incurred special losses for additional severance payments for early retirement amounting to ¥1,386 million (\$13,834 thousand) and losses in the fiber and other businesses amounting to ¥5,707 million (\$56,961 thousand), which are included in total restructuring losses of ¥7,093 million (\$70,795 thousand) in the consolidated statements of income.

During the year ended March 31, 2007, the Company incurred losses for additional severance payments for early retirement amounting to ¥574 million, and losses in the fiber and other businesses amounting to ¥2,156 million, which are included in total restructuring losses of ¥2,730 million in the consolidated statements of income.

18. CASH FLOW INFORMATION

Cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents in preparing the consolidated statements of cash flows.

The reconciliations of cash and cash equivalents in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2008 and 2007 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Cash and cash equivalents in the consolidated balance sheet	¥10,025	¥14,470	\$100,060
Time deposits maturing after three months	(276)	(330)	(2,755)
Cash and cash equivalents in the consolidated statements of cash flows	¥9,749	¥14,140	\$97,305

19. LAWSUITS

1. Filing of damages by the United States Department of Justice

In connection with the bulletproof vests (which used the Company's product, "ZYLON") purchased by the United States government from multiple American bulletproof vest manufacturers, such as Amour Holdings, Inc. (however, excluding the below noted Second Chance Body Armor, Inc.), the United States Department of Justice in June 2007 filed for damages against the Company and Toyobo America, Inc., an American non-consolidated subsidiary, on the grounds of violations of the U.S. False Claims Act, fraud and unjust enrichment.

2. Other Lawsuits

In addition to the above lawsuit, multiple damages suits have been filed in the United States by the United States Department of Justice, etc. against Second Chance Body Armor, Inc., the Company and Toyobo America, Inc., an American non-consolidated subsidiary, claiming that the performance of bulletproof vests (which used the Company's product, "ZYLON") manufactured and sold by Second Chance Body Armor, Inc., an American bulletproof vest manufacturer, was inadequate. Additionally, Second Chance Body Armor, Inc. has filed for damages in the United States against the Company and Toyobo America, Inc., an American non-consolidated subsidiary, claiming that all responsibility for the alleged damages lies with the Company.

All lawsuits are currently subject to litigation, and the Company will prove that the opposing parties' claims are mistaken and will undertake appropriate defenses.

20. SUBSEQUENT EVENTS

1. At the Company's ordinary meeting of stockholders held on June 27, 2008, appropriations of retained earnings for the year ended March 31, 2008 were duly approved as follows:

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Cash dividends - ¥5.00 (\$0.050) per share	¥3,490	\$34,834

2. Issuance of straight corporate bonds in Japan

At the Board of Directors meeting held on April 25, 2008, a comprehensive resolution was passed to issue straight corporate bonds in Japan. The Company issued unsecured straight corporate bonds on June 5, 2008 based on the comprehensive resolution. The following are the details:

(1)	Name of the bonds	Unsecured straight corporate bonds 32 nd
	Issue date	June 5, 2008
	Issue amount	¥10,000 million
	Issue price	¥100 per ¥100 of bond
	Yield	1.78% per annum
	Maturity	June 5, 2013
	Use of proceeds	Redemption of corporate bonds and funds for capital investments
(2)	Name of the bonds	Unsecured straight corporate bonds 33 rd
	Issue date	June 5, 2008
	Issue amount	¥5,000 million
	Issue price	¥100 per ¥100 of bond
	Yield	2.06% per annum
	Maturity	June 5, 2015
	Use of proceeds	Redemption of corporate bonds and funds for capital investments

3. Establishment of new company through a joint spin off

On April 1, 2008, the Company spun off its development and sales department within the textile business segment, and the Company's consolidated subsidiary Shinko Sangyo Co., Ltd. spun off its films, functional polymers, industrial materials, life science, and textile businesses. All of these businesses were transferred to the newly founded Toyobo Specialties Trading Co., Ltd. on April 1, 2008.

Name and details of the businesses that were spun off, legal form of the merger, name of the merged company, and business summary, including business objective

- (1) Name and details of the businesses that were spun off

Names of the businesses: the Company's textile development and sales department and Shinko Sangyo's films, functional polymers, industrial materials, life science, and textiles businesses

Details of the business: sales of films, functional polymers, industrial materials, and life science products and the development and sales of textiles

- (2) Legal form of the merger

Toyobo Specialties Trading Co., Ltd. is a newly created joint venture between the Company and Shinko Sangyo, created by spinning off particular business from both the Company and Shinko Sangyo.

(3) Name of the merged company

Toyobo Specialties Trading Co., Ltd.

(4) Business summary, including business objective

In order to strengthen and expand the specialty business consisting of the films, functional polymers, industrial materials, and life science products, that make use of the Group's core technologies, the Group founded a global trading company as the core of its efforts to sell these advanced functional products and develop overseas markets.

At the same time, by merging the Company's textile development and sales division with Shinko Sangyo's textile business (sales) division, the Company launched a development and sales business that focuses on functional clothing that can utilize the Group's competitive advantageous technologies. Progress with creating a proposal-based specialty business with high asset efficiency within the textile business is on going.

Through this spin off, Toyobo Specialties Trading inherited the assets and liabilities, rights and obligations, and contractual position related to the businesses from both the Company and Shinko Sangyo. In addition, the new company issued 50,000 shares of common stock at the time of the spin off, which were completely allocated to the Company either directly or through dividends from Shinko Sangyo. The spin off did not involve the payment of a spin-off fee.

(5) Summary of accounting treatment

These transactions were accounted in accordance with "Accounting Standards for Business Combinations in Japan" (Business Accounting Council) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standard Board of Japan Guidance No. 10). Because the joint spin off was under common control, the new company recognized the assets and liabilities at their carrying value.

To the Stockholders and Board of Directors of
TOYOBO CO., LTD.:

We have audited the accompanying consolidated balance sheets of TOYOBO CO., LTD. (the "Company") and its consolidated subsidiaries as of March 31, 2008 and 2007 and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TOYOBO CO., LTD. and its consolidated subsidiaries as of March 31, 2008 and 2007 and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to Note 20.2 to the consolidated financial statements which discusses a subsequent event relating to TOYOBO CO., LTD.'s issuance of straight corporate bonds in Japan on June 5, 2008 according to a comprehensive resolution which was passed at the board of directors meeting held on April 25, 2008.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 were presented solely for convenience and were translated from yen amounts as described in Note 1 of the Notes to Consolidated Financial Statements.

KPMG AZSA & Co.

KPMG AZSA & Co.

Osaka, Japan
June 27, 2008

Group Companies

(As of March 31, 2008)

	Equity Ownership (%)	Paid-in Capital* (Millions of Yen)	Business
Films and Functional Polymers			
Toyo Cloth Co., Ltd.	43.2	¥700	Manufacture of synthetic leathers, processing of film
Toyo Kasei Kogyo Co., Ltd.	100.0	¥310	Manufacture of intermediary body of pharmaceuticals and chlorized propylene
Kureha Elastomer Co., Ltd.	78.6	¥305	Manufacture and processing of rubber products and plastics
Tsuruga Film Co., Ltd.	100.0	¥100	Manufacture of olefin films
Shanghai Zidong Chemical Materials Co., Ltd.	51.0	CNY155,598	Manufacture of nylon films
Toyoshina Film Co., Ltd.	48.0	¥100	Manufacture of polypropylene film
Japan U-Pica Co., Ltd.	30.9	¥1,100	Manufacture of unsaturated PET resins
Japan Unipet Co., Ltd.	44.9	¥1,400	Manufacture of PET resins for bottles
Mizushima Aroma Co., Ltd.	50.0	¥2,000	Manufacture of PTA

Industrial Materials

Yuho Co., Ltd.	100.0	¥410	Manufacture of activated carbon fibers, spinning yarns
Kureha Ltd.	100.0	¥400	Manufacture of non-woven fabrics and filters
Toyobo Kankyo Techno Co., Ltd.	100.0	¥90	Manufacture of filters
Toyobo Industrial Material (Thailand) Ltd.	100.0	THB100,000	Manufacture of airbag fabrics
Toyobo Kureha America Co., Ltd.	—	US\$3,500	Manufacture of filters for automobiles
Nippon Dyneema Co., Ltd.	50.0	¥80	Manufacture of high-performance fiber "DYNEEMA"

Life Science

Toyobo Gene Analysis Co., Ltd.	100.0	¥90	Analysis of genes
Toyobo Biologics Inc.	100.0	¥100	Contract manufacturing of pharmaceuticals
Shinko American Inc.	—	US\$1,800	Trading
Shanghai Kehua Dongling Diagnostic Products Co., Ltd.	30.0	US\$1,600	Manufacture of diagnostic reagents

Textiles

Japan Exlan Co., Ltd.	80.0	¥2,000	Manufacture of acrylic fibers and acrylate products
Sundia, Inc.	80.2	¥100	Sewing of jeans
Miyuki Keori Co., Ltd.	—	¥100	Manufacture and processing of wool fabrics
Toyobo Technowool Co., Ltd.	100.0	¥100	Manufacture and processing of wool fabrics
Daido Maruta Finishing Co., Ltd.	100.0	¥100	Textile printing
Toyobo Sewing Threads Co., Ltd.	100.0	¥100	Sales of sewing threads, spanbonds
Toyo Dyeing Industry Co., Ltd.	93.0	¥10	Textile dyeing
Toyo Knitting Co., Ltd.	100.0	¥92	Sewing of sportswear
Sakae Mfg. Co., Ltd.	100.0	¥100	Sewing of sportswear, other garments
Suntomic Co., Ltd.	75.0	¥50	Manufacture of uniforms
Toyo Shirts Manufacturing Co., Ltd.	100.0	¥50	Sewing of shirts
Kyushu Toyo Knitting Co., Ltd.	33.3	¥49	Sewing of sportswear
Perak Textile Mills Sdn. Bhd.	60.0	MYR16,839	Manufacture of textiles

	Equity Ownership (%)	Paid-in Capital* (Millions of Yen)	Business
Industrias Unidas, S.A.	92.6	SVC55,443	Manufacture of textiles
Toyobo Wool (Malaysia) Sdn. Bhd.	100.0	MYR8,490	Manufacture of wool yarns
Toyobo Textile (Malaysia) Sdn. Bhd.	100.0	MYR20,000	Manufacture of textiles
P.T. Toyobo Knitting Indonesia	96.5	US\$17,156	Manufacture of knitting fabrics
Toyobo do Brasil Industria Textil Ltda.	100.0	BRL19,922	Holding company of Toyobo do Brasil Ltda., real estate
Toyobo do Brasil Ltda.	—	BRL32,173	Manufacture of textiles, bio products
P.T. Shinko Toyobo Gistex Garment	30.0	US\$5,000	Sewing of shirts and sportswear
Erawan Textile Co., Ltd.	27.1	THB72,731	Manufacture of textiles

Commerce, etc.

Shinko Sangyo Co., Ltd.	100.0	¥100	Trading
Godou Syoji Co., Ltd.	—	¥35	Planning of uniforms

Other

Miyuki Holdings Co., Ltd.	39.6	¥1,815	Wool textiles, real estate
Toyobo Engineering Co., Ltd.	100.0	¥120	Construction, engineering, sales of equipment
Toyobo Real Estate Co., Ltd.	100.0	¥800	Real estate, insurance services
Toyobo G.M.S. Co., Ltd.	100.0	¥100	Real estate
Toyobo G.F.A. Co., Ltd.	100.0	¥50	Financial services
Toyobo Information System Create, Inc.	100.0	¥50	Development of information systems and software
Toyobo Logistics Co., Ltd.	100.0	¥40	Logistics
Toyobo Fairtone Co., Ltd.	100.0	¥100	Sales of carpets and other fiber products for interiors
Toyobo Living Service Co., Ltd.	100.0	¥100	Linen supply services
Ashimori Industry Co., Ltd.	16.2	¥8,388	Manufacture and sales of flexible hoses and materials for automobiles

*Figures with currency symbols other than yen are expressed in units of 1,000 in the currencies shown below.

Symbol	Name of Currency
BRL	Brazilian real
CNY	Chinese yuan
MYR	Malaysian ringgit
SVC	El Salvadoran colon
THB	Thai baht
US\$	U.S. dollar

Investor Information

(As of March 31, 2008)

■ Stock Listings

Tokyo, Osaka

■ Stock Code

3101

■ Transfer Agent

The Chuo Mitsui Trust and Banking Co., Ltd. Osaka Branch,
2-21 Kitahama, Chuo-ku, Osaka 541-0041, Japan
Telephone: +81-6-6202-7361

■ Independent Auditors

KPMG AZSA & Co.
3-6-5, Kawara-machi, Chuo-ku, Osaka 541-0048, Japan
Telephone: +81-6-7731-1000

■ Common Stock

Authorized: 2,000,000,000 shares
Issued: 699,027,598 shares

■ Paid-in Capital

¥43,341 million

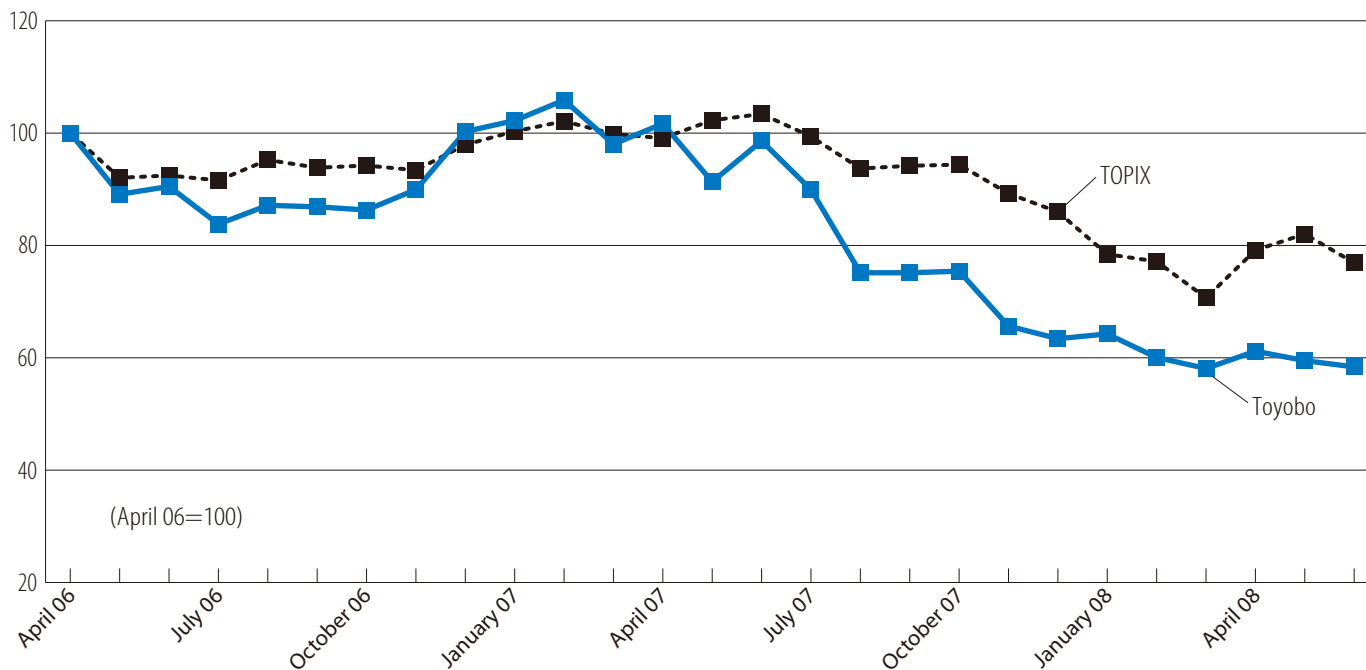
■ Number of Stockholders

103,506

■ Major Stockholders (10 largest stockholders)

	Number of shares held (thousands)	Percentage of voting rights (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	29,038	4.15
The Master Trust Bank of Japan, Ltd. (Trust Account)	26,508	3.79
Nippon Life Insurance Company	20,613	2.95
Mizuho Corporate Bank, Ltd.	13,393	1.92
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,214	1.89
Sumitomo Mitsui Banking Corporation	13,034	1.86
Toyukai (Contractor Share Holding)	12,214	1.75
Meiji Yasuda Life Insurance Company	11,829	1.69
Japan Trustee Services Bank, Ltd. (Employee Pension Trust Account of The Chuo Mitsui Trust and Banking Company, Limited)	9,054	1.30
Japan Trustee Services Bank, Ltd. (Trust Account 4)	8,543	1.22

■ Stock Price



Corporate Data

(As of March 31, 2008)

■ Head Office

2-8, Dojima 2-chome,
Kita-ku, Osaka 530-8230, Japan
Telephone: +81-6-6348-3111
Facsimile: +81-6-6348-3206

■ Established

May 1882

■ Incorporated

June 1914

■ Number of Employees

3,316

■ Branches

Tokyo Branch

Toyobo Building, 17-9, Nihonbashi,
Koamicho, Chuo-ku,
Tokyo 103-8530, Japan
Telephone: +81-3-3660-4800

Nagoya Branch

Nikko Shoken Building,
2-3, Sakae 3-chome, Naka-ku,
Nagoya 460-0008, Japan
Telephone: +81-52-261-1311

■ Research Center

1-1, Katata 2-chome, Otsu,
Shiga 520-0292, Japan
Telephone: +81-77-571-0006

■ Overseas

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950 Third Ave. 17th Floor,
New York, NY 10022 U.S.A.
Telephone: +1-212-317-9245

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Room 2008, Shanghai
International Trade Center,
2201 Yan An Road (West),
Shanghai, China
Telephone: +86-21-6270-7535/7536

Toyobo Co., Ltd. Europe Office

Klosterstrasse 18, 40211
Dusseldorf, Germany
Telephone: +49-(0)211-976229-0

■ Domestic Plants and Mills

Films manufacturing:

Inuyama Plant
Tsuruga Films Plant

Polymers manufacturing:

Tsuruga Polymers Plant
Iwakuni Polymers Plant

Functional materials manufacturing:

Tsuruga Functional Materials Plant
Iwakuni Functional Materials Plant

Biochemicals manufacturing:

Tsuruga Biochemicals Plant

Functional membrane manufacturing:

Iwakuni Membrane Plant

Pharmaceuticals manufacturing:

Otsu Pharmaceuticals Plant

Spinning, weaving and dyeing:

Nyuzen Mill
Inami Mill
Shogawa Mill

English-Language Website



<http://www.toyobo.co.jp/e/index.htm>

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