Consolidated Preliminary Financial Report for Year ended March 31, 2006 May 9, 2006

Toyobo Co., Ltd.

(Listed on First Section of both TSE and OSE)

Stock Code: **3101**

(Head office: Osaka Prefecture)

（URL http://www.toyobo.co.jp）

Representative: President & Representative Director Ryuzo Sakamoto

Contact Person: Head of Finance Dept. Hiroshi Takahashi TEL: (06) 6348-3091

Date of Board Meeting for Settlement of Accounts: May 9, 2006

Applicability of US Accounting Standards: Not applicable

1 Consolidated Business Performance for Year ended March 31, 2006 (April 1, 2005 - March 31, 2006)

(1) Consolidated Business Results

Figures are rounded off to the nearest million yen.

	Net Sales		Operating Income		Ordinary Income	
	million yen	%	million yen	%	million yen	%
Year ended March 31, 2006	401,948	(2.1)	29,887	(3.8)	24,580	(13.9)
Year ended March 31, 2005	393,686	(5.5)	28,782	(11.3)	21,589	(23.4)

	Net Income		Earnings Per Share (EPS)	Fully-diluted EPS	Return On Equity (ROE)	Return on Assets (ROA)	Return on Sales (ROS)
	million yen	%	yen	yen	%	%	%
Year ended March 31, 2006	12,596	(3.2)	18. 10	—	10.8	4.8	6.1
Year ended March 31, 2005	12,207	(39.3)	17. 58	—	11.5	4.3	5.5

(Notes) (1) Equity in income (losses) of unconsolidated subsidiaries and affiliates

Year ended March 31, 2006 771 million yen Year ended March 31, 2005 269 million yen

(2) Average number of shares outstanding during period (consolidated)

Year ended March 31, 2006 695,706,264 shares Year ended March 31, 2005 694,389,402 shares

(3) Change in accounting standards Yes

(4) Percentages of net sales, operating income and net income represent rate of change from previous period

(2) Consolidated Financial Position

	Total Assets	Stockholders' Equity	Ratio of Stockholders' Equity	Stockholders' Equity per Share
	million yen	million yen	%	yen
Year ended March 31, 2006	514,791	125,143	24.3	179.59
Year ended March 31, 2005	511,813	107,518	21.0	154.64

(Note) Number of shares outstanding at year-end (consolidated)

Year ended March 31, 2006 696,806,798 shares Year ended March 31, 2005 695,284,539 shares

(3) Consolidated Cash Flows

	Cash flow provided by operating activities	Cash flow provided by investing activities	Cash flow used in financing activities	Cash and cash equivalents at end of year
	million yen	million yen	million yen	million yen
Year ended March 31, 2006	27,299	(4,011)	(23,071)	11,894
Year ended March 31, 2005	30,071	4,910	(37,591)	11,583

(4) Information on Scope of Consolidation and Application of Equity Method

Number of consolidated subsidiaries 63 companies Number of non-consolidated subsidiaries subject to equity method 2 companies Number of affiliates subject to equity method 15 companies

(5) Changes in Scope of Consolidation and Application of Equity Method

Newly consolidated 1 company No longer consolidated 6 companies Newly accounted for by equity method 2 companies No longer accounted for by equity method 1 company

2 Consolidated Performance Forecast for Year ending March 31, 2007 (April 1, 2006 - March 31, 2007)

	Net Sales	Ordinary Income	Net Income
	million yen	million yen	million yen
Half Year	205,000	12,500	5,000
Full Year	415,000	26,000	13,000

(Reference) Full-year EPS forecast 18. 66 yen

※ The above forecast is based on the information available at the time of the announcement of this data.
Actual business performance may differ from the projections due to various factors in the future.
Please refer to pp.4-7 of the Appendix to Consolidated Data for information on performance forecast and other related matters.

TOYOBO

Management Policy

1. Basic Management Policy

The Toyobo Group aims to be a manufacturer of highly functional products (i.e., a conglomerate of specialty businesses), which continually creates new value based on unique core technologies – namely, polymerization technology, modification technology, processing technology and biotechnology. To date, the Toyobo Group has striven to establish a more stable earnings structure by revising its business structure and downsizing unprofitable businesses, while at the same time endeavoring to expand its profitable specialty businesses. Having achieved this, the Toyobo Group now aims to achieve higher growth and step up transform of its business portfolio.

Further, we are committed to enhancing the governance functions of the entire Group and boosting our corporate value even further, by improving the transparency and fairness of management through the executive officer system introduced in June 2005, and by establishing risk management (for environmental, safety and other risks) and compliance structures at Toyobo and all group companies.

2. Management Targets and Basic Profit Appropriation Policies

The businesses of Toyobo's divisions and group companies are evaluated on the basis of common criteria, namely, profit/loss, cash flow and return on assets (ROA). With regard to ROA in particular, we are targeting a return (ordinary income) of at least 5% on total assets for the entire group through efforts to step up business portfolio reform. We also position improvement of our balance sheet as a key management issue, and aim to lower the debt-to-equity ratio (D/E ratio) to less than 1.5.

Dividends will be decided according to our belief that appropriation of profit to shareholders is one of the highest priorities for corporate enterprises, and our basic policy to continue paying steady cash dividends, while taking all factors into consideration, such as our earnings situation and the need to improve our balance sheet. In addition, we are not scheduled to change dividend authority, number of dividends and others with respect to the enforcement of Company Act.

3. Medium/Long-term Business Strategy and Challenges

(1) Management Strategy

The Toyobo Group will take on the following key challenges to step up business portfolio reform and achieve its aim of becoming a conglomerate of specialty businesses:

(i) Expansion of specialty businesses
(ii) Downsizing of non-specialty, non-core businesses
(iii) Reinforcement of group management
(iv) Improvement of the balance sheet

In order to take on these challenges, the Company will be reorganized into business divisions based on technology clusters (common core technologies) as of April 2006. Specifically, Toyobo and its group companies will be reorganized into the following four divisions: the Plastics (films and functional polymers), Functional products (high performance fibers, functional filters and industrial fibers) and Bio-Science & Medical divisions centered on specialty businesses, and the Fibers and Textiles Division (performance textiles and general textiles). Through this organizational restructuring, Toyobo aims to promote technological synergies and strengthen core technologies, as well as promote the development of new business opportunities.

(2) Issues Requiring Action

(i) Expansion of specialty businesses/Creation of new products and new businesses

Under the new framework, we will promote technological and business synergies between the three business divisions which are centered on specialty businesses, in order to promote globalization and the development of new businesses in growth sectors such as the “Electronics, Information and Displays”, “Automotive” and “Life Science” sectors. We will accelerate growth by clearly positioning and concentrating management resources on “priority growth business” in which Toyobo boasts strength and can expect high growth.

In addition, we will promote group-wide activities aimed at the innovation of production technologies which bolster our fundamental manufacturing capabilities.

(ii) Downsizing and structural reform of non-specialty businesses

Toyobo has worked to downsize its unprofitable businesses and will continue to reduce the scale of, and amount of capital employed by, non-specialty/non-core businesses to levels optimal from a group-wide perspective.

(3) Strategies and Policies by business segments

Plastics: In the films business, we will promote expansion both in Japan and overseas, based on our technological capability and ability to meet customer needs. With regard to industrial films for liquid crystal and optical applications in particular, we will commence full-scale operations at the new manufacturing plant that we opened in the second half of last fiscal year, as well as explore ways to strengthen new product development and expand capacity with the aim of achieving further growth. Meanwhile, in the field of functional polymers, we will expand sales of functional adhesives and specialty products such as Engineering Plastics by reviewing and reinforcing the development structure, as well as establish a global supply system capable of supporting the overseas expansion of customers in the automotive sector.

Functional products: We will also aim to achieve expansion in the field of functional products by aggressively increasing our domestic and overseas supply capacity of base fabrics for airbags in response to rising demand, while developing new applications and making performance-enhancing improvements to our unique high performance polyethylene fiber. Furthermore, in the field of functional filters, we will step up the overseas expansion of filters for automobiles and bug filters which contribute to environmental protection.

Bio-Science: The Toyobo Group will create new businesses in cutting-edge fields, such as drug discovery support and cell culture based on proprietary biotechnologies relating to culturing, genetic engineering, etc. In pharmaceuticals, we will enhance the capacity of our facilities for the contract manufacturing of pharmaceuticals. We will also strive to further expand our business in hollow fiber membranes for artificial kidneys. For aqua membranes, we will aggressively expand our business centering on desalination modules, now that we are in "the century of water".

Fibers and Textiles: On a group-wide basis, we will narrow down the scale of our operations in fibers and textiles to the performance textiles field, and improve asset efficiency through continued structural reform.

4. Matters Concerning the Parent Company

No specific matters to report.

Business Performance and Financial Position

1. Business Performance in Fiscal Year ended March 31, 2006

In the fiscal year under review, the business environment surrounding the Toyobo Group in Japan showed a clear trend toward recovery, owing to growth in consumer spending and an increase in capital investment driven by improved corporate profits, amid rising expectations of an end to deflation. Meanwhile, overseas the U.S. economy continued to lead a recovery of the world economy. The automotive, digital consumer electronics and medical markets in which the Toyobo Group operates also continued to expand strongly. On the other hand, a sustained surge in raw material and fuel prices from the previous fiscal year was a factor in pushing product costs up.

In such an environment, the Toyobo Group worked to create an even more stable earnings structure with the aim of becoming a “conglomerate of specialty businesses”, by promoting structural reform of non-specialty businesses such as general textiles and expanding highly profitable specialty businesses such as functional films, functional polymers, industrial fibers and bio-science and medical products.

As a result, net sales for the fiscal year ended March 31, 2006 increased by 8.3 billion yen to 401.9 billion yen (up 2.1%) on a year-on-year basis.

The following is a review of our businesses by segment.

[Plastics Products]

Although sales of films and resins grew solidly, on the whole, sales in this division recorded only slight growth due to a slump in electronic parts.

In films, we posted overall growth thanks to an increase in sales volume of industrial films, which offset a slight decline in sales of packaging films caused by a slowdown in volume as the impact of converter inventory adjustments hit. Furthermore, while we were able to pass on part of the impact of surging raw material and fuel costs by raising prices, raw material costs continued to skyrocket, leading to an unceasingly harsh business environment. On the other hand, sales of industrial films jumped dramatically thanks to increased demand for industrial films for liquid crystal and optical applications in products such as televisions and personal computers, as well as the commencement of full-scale operations at a new plant.

During the term, we continued to aggressively expand the functional polymers business by promoting new product research and development and globalization. As a result, sales of high function resin “Vylon” grew solidly, especially in the fields of data recording, industrial adhesives and conductive materials, while sales of molding resins soared on the back of aggressive marketing activities focused on the automobile sector in Japan and abroad.

Sales of electronic parts (flexible printed circuit), however, plummeted on the back of intensified competition and falling prices.

Consequently, sales generated by the plastics products business increased by 3 billion yen year-on-year to 142 billion yen (up 2.1%). Operating income decreased by 100 million yen to 17.1 billion yen (down 0.7%).

[Bio-Science, Medical products and Functional products]

This business performed well overall.

The bio-science and medical products segment performed steadily on the back of growing sales, mainly of products unique to Toyobo. In the bio-science field, sales were solid overall due to a steady rise in sales of enzymes for measuring blood sugar levels, as well as market penetration of our biochemical diagnostic agents and new immune diagnosis system. Sales generated by contract manufacturing of pharmaceuticals also recorded growth, as recognition of Toyobo's supporting technology for new drug development helped win a contract to support the development of biopharmaceuticals by a university venture in addition to manufacturing and quality testing contracts from pharmaceutical companies. Sales of hollow fiber membranes for artificial kidneys witnessed a rise in volume to overseas markets thanks to their reputation for high reliability, while sales of antithrombotic coating materials rose significantly for blood bypass and artificial lung applications. Following the delivery to large-scale plants in Japan last fiscal year, we received the largest order in the Middle East with regard to the reverse osmosis membranes for seawater desalination.

In the functional products segment, the non-woven fabrics and filters business saw brisk inquiries and growth in sales for automotive materials and the "Procon" bag filter which removes toxic substances. Sales of high performance polyethylene fiber DYNEEMA® also remained strong, backed by increased demand for DYNEEMA® in applications such as fishing wire, safety gloves and boat rope.

Consequently, sales generated by the bio-science, medical products and functional products business increased by 2.3 billion yen year-on-year to 50.9 billion yen (up 4.8%). Operating income increased by 700 million yen to 7.9 billion yen (up 8.9%).

[Fibers and Textiles]

As a result of efforts to reduce the scale of operations in general textiles in the field of clothing fiber and keep expanding in the field of industrial materials, the Toyobo Group was able to maintain flat sales overall in the Fibers and Textiles division.

In the field of industrial materials, we were able to boost sales dramatically through efforts to increase sales volume of base fabrics for airbags and tire cords.

In the field of textiles, "Munsingwear" experienced a recovery in demand, mainly for shirts, which led to sales growth. Sales of textiles also rose due to expanded sales of special composite spun materials and other original Toyobo Group performance products for competitive sports purpose, in addition to strong sales of fabrics for use in medical products and apparel for materials purpose. On the other hand, sales of textiles for use in casual clothing and sleepwear recorded a steep drop in conjunction with our withdrawal from producing unprofitable items. Furthermore, in the field of clothing fibers, sales of polyester and polyurethane fiber “ESPA” fell due to the decisions we made to downsize operations in general textiles and stop exporting unprofitable items, but sales of nylon increased thanks to our shift in focus to high-profit items and a price rise.

Consequently, sales generated by the fibers and textiles business decreased by 6.4 billion yen year-on-year to 174.5 billion yen (up 3.8%). Operating income increased by 600 million yen to 5.4 billion yen (up 12.1%).

[Other Businesses]

While this division recorded a drop in sales due to the sale of our catering business, the other businesses, including engineering, real estate, information processing services and logistics services, each performed more or less as planned.

Consequently, sales generated by other businesses decreased by 3.4 billion yen year-on-year to 34.6 billion yen (down 9.0%). Operating income decreased by 200 million yen year-on-year to 2.2 billion yen (down 6.5%).

As a result, consolidated operating income increased by 1.1 billion yen year-on-year to 29.9 billion yen (up 3.8%), consolidated ordinary income increased by 3 billion yen to 24.6 billion yen (up 13.9%), and consolidated net income increased by 400 million yen to 12.6 billion yen (up 3.2%), marking record highs in each.

2. Financial Position in Fiscal Year Ended March 31, 2006

[Assets, Liabilities and Stockholders’ Equity]

Total assets at the year-end increased by 3.0 billion yen year-on-year to 514.8 billion yen (up 0.6%). This was mainly owing to an evaluation gain on investments in securities and an increase in inventories.

Liabilities decreased by 15.7 billion yen year-on-year to 372.4 billion yen (down 4.0%). This was mainly due to a 14.8 billion yen drop in interest-bearing debt, resulting from improvement to our balance sheet and business income.

Stockholders’ equity increased by 17.6 billion yen year-on-year to 125.1 billion yen (up 16.4%), due to increases in retained earnings and net unrealized holding gains (losses) on other securities.

[Cash Flows]

Net cash provided by operating activities decreased by 2.8 billion yen year-to-year to 27.3 billion yen (down 9.2%). This was attributable to the addition and subtraction of depreciation and extraordinary income and losses to our pre-tax net income of 21.6 billion yen.

Net cash provided by investing activities showed a 4 billion yen decrease in the fiscal year under review, compared to a 4.9 billion yen increase in the previous year. This was attributable to a decline in income from the sale of investments in securities and property, plant and equipment as well as an increase in expenditure for the acquisition of property, plant and equipment.

Net cash used in financing activities decreased by 14.5 billion yen year-to-year to 23.1 billion yen (down 38.6%). This was mainly due to a drop in repayment of interest-bearing debt.

Consequently, the closing balance of cash and cash equivalents increased by 300 million yen year-on-year to 11.9 billion yen (up 2.7%).

Various indexes relating to Toyobo's consolidated financial position are as follows.

	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Ratio of stockholders' equity	16.4%	15.6%	21.0%	21.0%	24.3%
Ratio of stockholders' equity based on market value	21.3%	22.3%	35.3%	35.5%	49.3%
D/E ratio	3.3 times	3.6 times	2.3 times	2.1 times	1.6 times

Ratio of stockholders' equity: Equity capital at year-end/Total assets at year-end
Ratio of stockholders' equity based on market value: Market capitalization [Closing price of stock at year-end x Number of shares outstanding at year-end after deducting treasury stocks] / Total assets at year-end
D/E ratio (Debt-to-equity ratio): Interest bearing debt at year-end/Stockholders' equity at year-end

3. Forecast for Next Fiscal Year

Despite expectations of continued economic recovery in Japan, the outlook for the business environment in the fiscal year ending March 31, 2007 is predicted to remain uncertain due to risk factors such as inflated raw material prices.

In this environment, the Toyobo Group will work to speed up the expansion of its specialty businesses in Japan and overseas markets, by increasing production capacity and strengthening the development of new products and new product applications in the Plastics, Functional products as well as Bio-Science and Medical divisions. Furthermore, the Group will improve asset efficiency by narrowing down its operations in the Fibers and Textiles business to performance textiles.

Based on such efforts, our consolidated business performance for the fiscal year ending March 31, 2007 is projected at 415 billion yen in net sales (up 13.1 billion yen year-on-year), 31 billion yen in operating income (up 1.1 billion yen), 26 billion yen in ordinary income (up 1.4 billion yen) and 13 billion yen in net income (up 400 million yen). Our aim is to reach new record highs in all aspects of earnings.

Status of Enterprise Group

The following is a description of principal businesses run by the Company and its affiliates, the Company and its affiliates' positioning in the said businesses and their relationship with the each segment by business type.

Plastics Products:

The Company (hereinafter referred to as "Toyobo Co., Ltd.") manufactures, processes and sells films, highly functional polymers, electronic materials, activated carbon fibers, etc. Its seven consolidated subsidiaries—such as Toyo Kasei Kogyo Co., Ltd. and Kureha Elastomer Co., Ltd.—and 18 non-consolidated subsidiaries—such as Toyoshina Film Co., Ltd. (subject to equity method)—and affiliates manufacture, process and sell chemical products and plastics products such as films, highly functional polymers and rubber products. They also purchase raw materials from Toyobo Co., Ltd. and supply products to Toyobo Co., Ltd.

Bio-Science, Medical products and Functional Products:

Toyobo Co., Ltd. manufactures, processes and sells biochemicals such as bio-reagents, pharmaceuticals, medical devices, functional materials and products, etc. Its six consolidated subsidiaries—such as Toyobo Gene Analysis Co., Ltd. and Kureha Ltd.—and eight non-consolidated subsidiaries and affiliates provide gene analysis services and are engaged in the manufacture, sale, etc. of nonwoven fabrics. They also purchase raw materials, etc. from Toyobo Co., Ltd. and supply products, etc. to Toyobo Co., Ltd.

Fibers and Textiles:

Toyobo Co., Ltd. manufactures, processes and sells industrial textile products. Its 24 consolidated domestic subsidiaries—such as Japan Exlan Co., Ltd.—and its 40 non-consolidated domestic subsidiaries—such as Sundia, Inc. (subject to equity method)—and domestic affiliates are engaged in the processing of textiles such as spinning, looming, weaving and dyeing and the manufacture and sale of synthetic fibers, secondary textile products, etc. They are also engaged in production, processing and sale under contract with Toyobo Co., Ltd. Mizushima Aroma Co., Ltd. (subject to equity method) manufactures and sells raw materials for synthetic fibers, and supplies them to Toyobo Co., Ltd. as well. Its nine consolidated overseas subsidiaries—such as Perak Textile Mills Sdn. Bhd.—and 15 non-consolidated overseas subsidiaries and overseas affiliates manufacture and sell spun yarn, woven fabrics and processed goods, and supply them to Toyobo Co., Ltd. as well. Its two consolidated subsidiaries—such as Shinko Sangyo Co., Ltd.—and three non-consolidated subsidiaries and affiliates are engaged in the distribution, etc. of textiles and various non-textile industrial products.

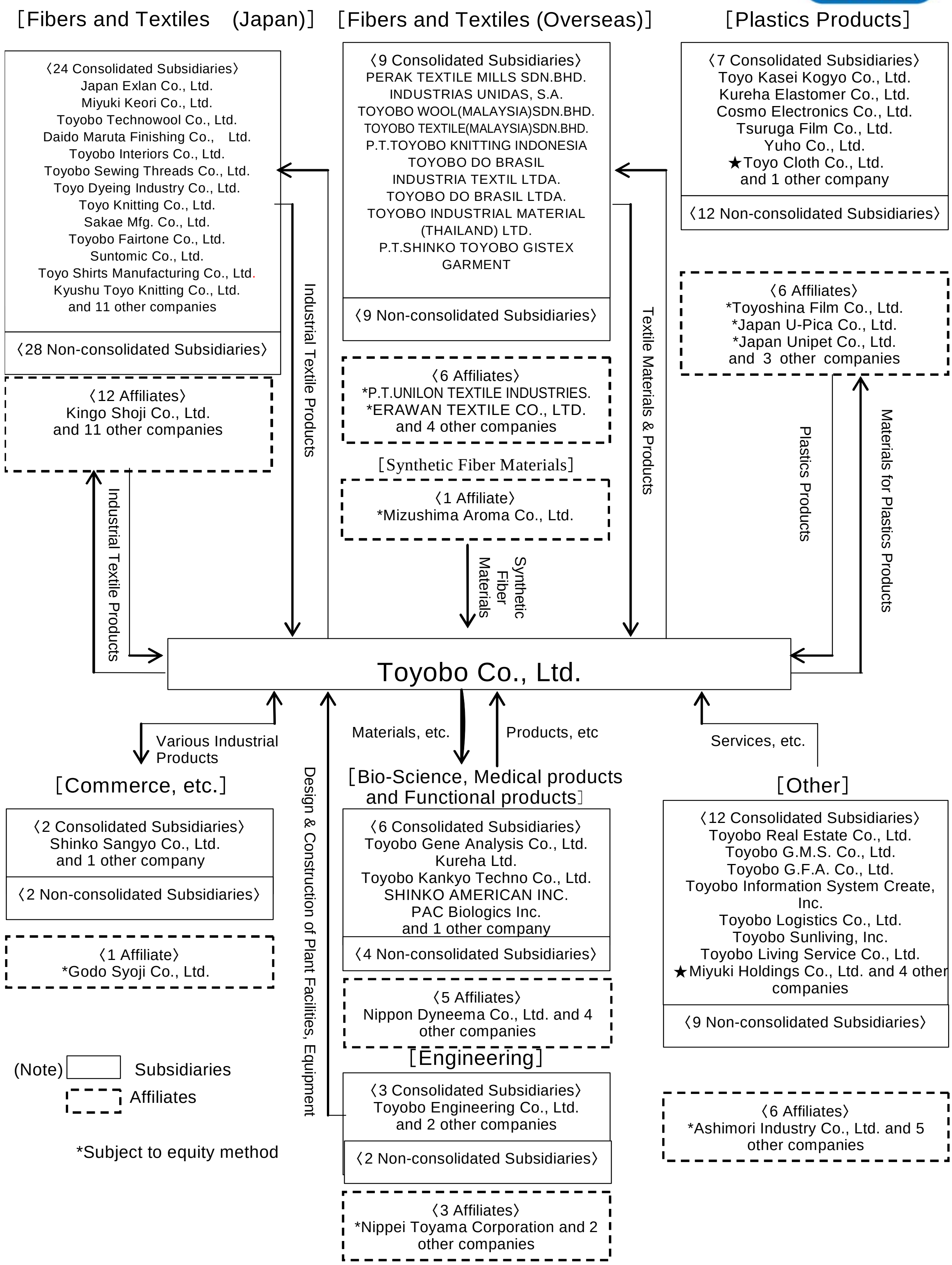
Engineering:

Its three consolidated subsidiaries—such as Toyobo Engineering Co., Ltd.—and five non-consolidated subsidiaries and affiliates design and construct buildings, machines, etc. and sell equipment. They are also engaged in the design, construction, etc. of plant facilities under contract with Toyobo Co., Ltd. Nippei Toyama Corporation is engaged in the manufacture, sale, etc. of machine tools, etc.

Other:

Its 12 consolidated subsidiaries—such as), Toyobo Real Estate Co., Ltd. (real estate sale and leasing), Toyobo G.M.S. Co., Ltd. (real estate leasing, management, etc.), Toyobo G.F.A. Co., Ltd. (financial services), Toyobo Information System Create, Inc. (information processing services), Toyobo Logistics Co., Ltd. (logistics services, etc.), Toyobo Sunliving Inc. (furniture sale, etc.) and Toyobo Living Service Co., Ltd. (linen supply, etc.)—and 15 non-consolidated subsidiaries and affiliates are engaged in the respective businesses shown in the parentheses. They also provide services, etc. to Toyobo Co., Ltd.

"Engineering" and "Other" shown above are classified as "Other Businesses" in the Segment Information by Business Type.
The organization of businesses described above is illustrated on the next page



★Subsidiaries listed on securities exchange in Japan

(Miyuki Holdings Co., Ltd.: First Section of Tokyo Stock Exchange, First Section of Osaka Securities Exchange and First Section of Nagoya Stock Exchange)

(Toyo Cloth Co., Ltd.: Second Section of Osaka Securities Exchange)

Consolidated Balance Sheets

(Unit: millions of yen)

Item \ Year	2005 (As of March 31, 2005) Amount	Percentage	2006 (As of March 31, 2006) Amount	Percentage	Change
(Assets)		%		%	
Ⅰ Current Assets					
1. Cash and cash equivalents	11,889		12,470		581
2. Notes and accounts receivable	94,669		90,485		(4,184)
3. Inventories	85,500		89,132		3,632
4. Deferred income taxes	4,020		4,018		(2)
5. Other	10,125		9,556		(569)
6. Increase/decrease in allowance for doubtful receivables	(2,234)		(1,277)		957
Total current assets	203,969	39.9	204,385	39.7	416
Ⅱ Noncurrent Assets					
1. Property, Plant and Equipment					
(1) Buildings and structures	47,700		47,983		283
(2) Machinery and equipment	58,042		60,354		2,312
(3) Land	112,215		115,185		2,969
(4) Construction in progress	8,650		4,002		(4,648)
(5) Other	2,589		2,708		118
Total property, plant and equipment	229,197	44.7	230,231	44.7	1,034
2. Intangible assets	3,362	0.7	1,526	0.3	(1,837)
3. Investments and other noncurrent assets					
(1) Investment securities	51,858		56,594		4,736
(2) Long-term loans	3,758		3,331		(427)
(3) Deferred income taxes	13,188		12,332		(856)
(4) Other	10,125		9,521		(604)
(5) Allowance for doubtful receivables	(3,644)		(3,128)		517
Total investments and other noncurrent assets	75,285	14.7	78,649	15.3	3,365
Total noncurrent assets	307,844	60.1	310,406	60.3	2,563
Total assets	511,813	100.0	514,791	100.0	2,978

Consolidated Balance Sheets

(Unit: millions of yen)

Item / Year	2005 (As of March 31, 2005) Amount	Percentage	2006 (As of March 31, 2006) Amount	Percentage	Change
(Liabilities)		%		%	
Ⅰ Current Liabilities					
1. Notes and accounts payable	60,063		61,513		1,450
2. Short-term borrowings	114,001		93,659		(20,343)
3. Long-term debt due within one year	16,790		35,960		19,170
4. Bonds maturing within one year	300		10,300		10,000
5. Accrued income taxes	6,795		6,001		(795)
6. Deferred income taxes	101		95		(6)
7. Accrued expenses	3,675		3,781		106
8. Deposits received	8,947		10,799		1,852
9. Accrued employees' bonuses	4,666		4,748		82
10. Other	12,134		10,411		(1,722)
Total current liabilities	227,473	44.4	237,266	46.1	9,794
Ⅱ Long-term Liabilities					
1. Bonds	20,600		10,300		(10,300)
2. Long-term debt	69,290		55,954		(13,336)
3. Deferred income taxes	6,385		10,923		4,538
4. Deferred income taxes on land revaluation	28,095		28,165		70
5. Employees' severance and retirement benefits	25,820		20,184		(5,636)
6. Directors' and statutory auditors' retirement benefits	1,621		1,264		(357)
7. Excess of net assets acquired over cost, net	3,357		2,228		(1,129)
8. Other	5,367		6,071		704
Total long-term liabilities	160,534	31.4	135,088	26.2	(25,446)
Total liabilities	388,007	75.8	372,355	72.3	(15,652)
(Minority Interest)					
Minority interest in consolidated subsidiaries	16,288	3.2	17,294	3.4	1,006
(Stockholders' Equity)					
Ⅰ Common stock	43,341	8.5	43,341	8.4	−
Ⅱ Capital surplus	15,884	3.1	16,086	3.1	202
Ⅲ Retained earnings	9,413	1.8	18,556	3.6	9,143
Ⅳ Land revaluation excess	39,897	7.8	39,998	7.8	101
Ⅴ Revaluation excess-foreign	6,329	1.2	6,620	1.3	291
Ⅵ Net unrealized holding gains on securities	8,109	1.6	12,640	2.5	4,531
Ⅶ Foreign currency translation adjustments	(14,795)	(2.9)	(11,682)	(2.3)	3,113
Ⅷ Less treasury stock, at cost	(660)	(0.1)	(416)	(0.1)	244
Total stockholders' equity	107,518	21.0	125,143	24.3	17,625
Total liabilities, minority interest and stockholders' equity	511,813	100.0	514,791	100.0	2,978

Consolidated Statements of Income

(Unit: millions of yen)

Item / Year	2005 (From April 1, 2004 To March 31, 2005) Amount		Percentage	2006 (From April 1, 2005 To March 31, 2006) Amount		Percentage	Change	
			%			%		
Ⅰ Net sales		393,686	100.0		401,948	100.0		8,263
Ⅱ Cost of sales		305,494	77.6		310,746	77.3		5,252
Gross profit		88,192	22.4		91,202	22.7		3,011
Ⅲ Selling, general and administrative expenses		59,410	15.1		61,315	15.3		1,905
Operating income		28,782	7.3		29,887	7.4		1,105
Ⅳ Non-operating income								
1. Interest income	396			323			(73)	
2. Dividend income	1,470			909			(562)	
3. Gain on sale of investment securities	10			—			(10)	
4. Rent	762			734			(28)	
5. Amortization on consolidation adjustment	—			655			655	
6. Equity in income of unconsolidated subsidiaries and affiliates	269			771			502	
7. Other	3,643	6,551	1.7	3,065	6,457	1.6	(578)	(94)
Ⅴ Non-operating expenses								
1. Interest expense	3,309			3,080			(229)	
2. Retirement benefits for employees for prior periods	1,749			1,609			(140)	
3. Salaries paid to dispatched employees	1,465			1,343			(122)	
4. Other	7,220	13,744	3.5	5,732	11,764	2.9	(1,489)	(1,980)
Ordinary income		21,589	5.5		24,580	6.1		2,991
Ⅵ Extraordinary income								
1. Gain on sale of property, plant and equipment	248			1,061			813	
2. Gain on sale of investment securities	8,379			5,418			(2,961)	
3. Reversal of allowance for doubtful receivables	—			205			205	
4. Gain on securities contributed to employee retirement benefit trust	—			2,927			2,927	
5. Bonus dividend	—	8,627	2.2	3,400	13,011	3.2	3,400	4,383
Ⅶ Extraordinary loss								
1. Loss on sale of property, plant and equipment	2,801			493			(2,308)	
2. Loss on disposal of property, plant and equipment	1,930			2,251			321	
3. Evaluation loss on inventories	—			1,884			1,884	
4. Special allowance for doubtful receivables	971			—			(971)	
5. Special loss on restructuring of businesses	556			1,994			1,438	
6. Write-down of investment securities	—			429			429	
7. Losses related to lawsuits	2,367			6,571			4,204	
8. Impairment loss	—	8,625	2.2	2,387	16,009	4.0	2,387	7,385
Income before income taxes		21,592	5.5		21,582	5.3		(10)
Provision for income taxes	8,037			6,879			(1,158)	
Provision for income taxes (deferred)	1,021	9,058	2.3	2,073	8,952	2.2	1,052	(106)
Minority interest in income of consolidated subsidiaries		327	0.1		34	0.0		(293)
Net income		12,207	3.1		12,596	3.1		389

Consolidated Statement of Retained Earnings

(Unit: millions of yen)

Item / Year	2005 (From April 1, 2004 To March 31, 2005) Amount		2006 (From April 1, 2005 To March 31, 2006) Amount	
(Capital Surplus)				
Ⅰ Opening balance		15,882		15,884
Ⅱ Increase in retained earnings				
1. Increase due to merger	―		20	
2. Gain on sale of treasury stock	2	2	182	202
Ⅲ Closing balance		15,884		16,086
(Retained Earnings)				
Ⅰ Opening balance		2,017		9,413
Ⅱ Increase in retained earnings				
1. Net income	12,207		12,596	
2. Adjustments for reversal of revaluation of land	186		147	
3. Increase due to merger	8	12,401	―	12,743
Ⅲ Decrease in retained earnings				
1. Cash dividends	3,493		3,492	
2. Decrease due to increase in consolidated subsidiaries	1,105		―	
3. Decrease due to decrease in consolidated subsidiaries	―		27	
4. Decrease due to increase in companies subject to equity method	336		81	
5. Decrease due to merger	72	5,006	―	3,600
Ⅳ Closing balance		9,413		18,556

Consolidated Statements of Cash Flows

(Unit: millions of yen)

Item / Year	2005 (From April 1, 2004 To March 31, 2005) Amount	2006 (From April 1, 2005 To March 31, 2006) Amount	Change
Ⅰ Cash flows provided by operating activities			
Income before income taxes	21,592	21,582	(10)
Depreciation and amortization	15,528	15,656	128
Amortization of consolidation difference	(373)	(655)	(281)
Allowance for doubtful receivables, net	581	(523)	(1,105)
Decline in allowance for retirement benefits	(521)	(1,531)	(1,011)
Interest and dividend income	(1,866)	(1,232)	634
Interest expense	3,309	3,080	(229)
Equity in income of unconsolidated subsidiaries and affiliates	(269)	(771)	(502)
Gain on contribution of securities to retirement benefits trust	—	(2,927)	(2,927)
Bonus dividend	—	(3,400)	(3,400)
Impairment loss	—	2,387	2,387
Loss on sale and disposal of property, plant and equipment, net	3,304	1,683	(1,621)
Gain on sale and unrealized holding gains on investment	(8,285)	(4,989)	3,297
Special loss on restructuring of businesses	556	1,994	1,438
Losses related to lawsuits	2,367	6,571	4,204
Decrease in trade notes and accounts receivable	5,324	5,267	(57)
Increase in inventories	(5,239)	(1,727)	3,512
Increase in trade notes and accounts payable	1,158	1,190	32
Other, net	(622)	2,023	2,645
Total	36,543	43,679	7,136
Special loss on restructuring of businesses	(556)	(1,914)	(1,358)
Losses related to lawsuits	(2,100)	(6,370)	(4,270)
Income taxes paid	(3,816)	(8,095)	(4,279)
Net cash provided by operating activities	30,071	27,299	(2,771)
Ⅱ Cash flows provided by investing activities			
Purchase of property, plant and equipment	(13,657)	(19,960)	(6,303)
Proceeds from disposal of property, plant and equipment	4,496	1,831	(2,666)
Purchase of investment securities	(532)	(2,352)	(1,820)
Proceeds from sale of investment securities	14,646	10,808	(3,837)
Outlays associated with equity participation	(1,134)	(0)	1,134
Outlays associated with purchase of shares of consolidated subsidiaries due to change in scope of consolidation	(1,425)	—	1,425
Proceeds from purchase of shares of consolidated subsidiaries due to change in scope of consolidation	739	—	(739)
Interest and dividend income excluding unconsolidated subsidiaries and affiliates	1,858	5,712	3,854
Dividend income from equity method affiliates	128	318	190
Other	(210)	(367)	(157)
Net cash provided by investing activities	4,910	(4,011)	(8,920)
Ⅲ Cash flows used in financing activities			
Decrease in short-term bank loans	(20,848)	(22,111)	(1,262)
Proceeds from long-term debt	18,260	25,917	7,657
Repayment of long-term debt	(17,628)	(20,973)	(3,345)
Payment of bonds	(10,000)	(300)	9,700
Stock buyback	(49)	(31)	18
Proceeds from sale of treasury stock	273	1,300	1,027
Payment of interest	(3,277)	(3,118)	159
Cash dividends	(3,493)	(3,492)	1
Cash dividends to minority interests	(192)	(263)	(72)
Payment in legal settlement of debt	(636)	—	636
Net cash used in financing activities	(37,591)	(23,071)	14,520
Ⅳ Adjustment for foreign currency translation	(4)	190	193
Ⅴ Increase/decrease in cash and cash equivalents	(2,614)	407	3,021
Ⅵ Cash and cash equivalents at beginning of year	13,948	11,583	(2,365)
Ⅶ Increase resulting from changes in consolidated subsidiaries	250	(96)	(346)
Ⅷ Cash and cash equivalents at end of year	11,583	11,894	311

Significant Accounting Policies: Basis for Preparation of Interim Consolidated Financial Statements

1. Scope of Consolidation

(1) There are 63 consolidated subsidiaries. The names of major consolidated subsidiaries are as stated in "Status of Enterprise Group". As of the fiscal year ended March 31, 2006, we decided to include Diakeito Co., Ltd. as a consolidated subsidiary instead of a company accounted for under the equity method. Furthermore, we excluded each of the following companies from the scope of the Group's consolidated financial accounting: Toyobo Research Center Co., Ltd. and Nippon Magphane Co., Ltd., because they merged with Toyobo Co., Ltd..; Aizu Sewing Co., Ltd. and Daito Sewing Co., Ltd., because their liquidation was completed; Sekai Sangyo Co., Ltd., because it withdrew from our business and lost significance; and, Minova Ltd., because our equity in it decreased. Toyobo Jitsugyo Co., Ltd. changed its trade name to JIT Co., Ltd.

(2) Non-consolidated subsidiaries are excluded from the scope of consolidation because all of them are small and do not, as a whole, materially affect the consolidated financial statements.

2. Application of Equity Method

(1) 2 non-consolidated subsidiaries were accounted for by the equity method. As of the fiscal year ended March 31, 2006, Diakeito Co., Ltd. was excluded from the companies accounted for under the equity method and included within the scope of consolidated subsidiaries.

(2)There were 15 affiliates accounted for by the equity method. The names of major affiliates accounted for by the equity method are as stated in "Status of Enterprise Group". We decided to include MINOVA LTD., which was previously a consolidated subsidiary, and DORMEUIL S.A.R.L as companies accounted for under the equity method because our equity in the former decreased and we acquired new shares in the latter.

(3)Non-consolidated subsidiaries and affiliates not accounted for by the equity method are excluded from the scope of the equity method because all of them are small and do not, as a whole, materially affect the consolidated financial statements.

3. Fiscal Year, etc. of Consolidated Subsidiaries

There are 23 consolidated subsidiaries that settle their accounts on a different date, as described below.

Dec. 31: 17 companies Jan. 31: 1 company Feb. 28: 2 companies Mar. 20: 3 companies

The respective financial statements of the 23 consolidated subsidiaries for the relevant fiscal year serve as the basis for preparing the consolidated financial statements. However, necessary adjustments have been made in cases where material transactions have taken place between the fiscal year end of the consolidated subsidiaries concerned and the consolidated fiscal year end.

4. Accounting Standards

(1) Valuation Standard and Method of Significant Assets

Available-for-sale securities:

(a) Available-for-sale securities with fair market value: Stated at fair market value based on the quoted market price, etc. at the fiscal year end. (Unrealized gains and losses are reported as part of stockholders' equity. The cost of sales of such securities is calculated using the moving average method.)

(b) Available-for-sale securities without fair market value: Stated at moving-average cost.

Inventories: Mainly stated at cost based on the periodic average method.

(2) Depreciation Method of Significant Depreciable Assets

Property, plant and equipment: Depreciated primarily using the declining-balance method at Toyobo Co., Ltd. and its domestic consolidated subsidiaries (except that certain assets are depreciated using the straight-line method), and primarily using the straight-line method at overseas consolidated subsidiaries.

(Changes to Accounting Policies)

Toyobo Co., Ltd. previously used the straight-line method of depreciation for certain equipment and apparatus used by the Plastics Products and Functional Materials Divisions, but with the exclusion of indirect departments, has changed to the declining-balance method as of the fiscal year ended March 31, 2006.

This change was implemented in order to facilitate a quick return on invested capital and improve our financial strength, given the fast pace of technological innovation and short product life cycles in these divisions.

In line with this change, depreciation increased by 358 million yen (compared to if the existing straight-line method had been used), while operating income, ordinary income and net income before income taxes each fell by 272 million yen. The effect on each business segment is stated in the relevant section of this report.

Intangible assets: Depreciated using the straight-line method. Software used within the company are depreciated using the straight-line method over its useful life within the company (i.e., 5 years).

(3) Accounting Standards for Significant Allowances and Reserves

Allowance for doubtful receivables: With respect to normal trade accounts receivable, an allowance to prepare against losses incurred from bad debt is stated at an amount based on the actual rate of bad debts in the past, whereas for certain doubtful receivables, the estimated uncollectible amount is stated according to an assessment of collectability on a case-by-case basis.

Accrued employees' bonuses: The amount expected to be required for the payment of employee's bonuses is stated.

Reserve for employees' severance and retirement benefits: A reserve for employees' severance and retirement benefits is stated on the basis of the projected amount of retirement benefit obligations and pension assets at the end of the consolidated fiscal year. The excess of the projected benefit obligations 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 ("net transition obligations") is recognized as an expense and divided and allocated equally to each year over a period of 15 years (or equally to each year over a period of 5 years in the case of some consolidated subsidiaries, etc.). However, the net transition obligations are quickly amortized in the event of the mass retirement of employees who were employed on April 1, 2000.

Prior service costs are recognized as expenses using the straight-line method over a period of 10 years (a certain number of years not exceeding the average remaining employment period of the employee at the time of accrual). Actuarial gains/losses are recognized as expenses using the straight-line method over a period of 10 years (a certain number of years not exceeding the average remaining employment period of the employee at the time of accrual) starting from the following consolidated fiscal year.

Reserve for directors' and executive officers' retirement benefits: A reserve for directors' and statutory auditors' retirement benefits are stated at the estimated amount as of the end of the consolidated fiscal year based on internal regulations. Retirement benefits payable to the directors and statutory auditors of some consolidated subsidiaries are recognized as expenses at the time of disbursement.

(4) Accounting Method of Significant Lease Transactions

Financial lease transaction are treated in the same manner as ordinary lease transactions except those in which the ownership of the leased property is deemed to have been transferred to the borrower.

(5) Significant Hedge Accounting Method

Hedge accounting method: Special accounting treatment and deferred hedge accounting for interest-rate swaps

Hedging instruments and hedged items: Risks associated with fluctuations in the exchange rate and interest rate are hedged by using forward foreign exchange contracts, interest-rate swap contracts and other such instruments.

Hedging policy: Hedging is limited to reducing the burden of risks associated with fluctuations in the exchange rate and interest rate to an appropriate level.

Method of evaluating effectiveness of hedging:

The effectiveness of hedging is evaluated on the basis of the criteria for applying special accounting treatment of interest-rate swaps and by comparing the cumulative respective fluctuations in the market price or cash flows in the hedged items and hedging instruments.

(6) Other Significant Policies for Preparation of Consolidated Financial Statements

Consumption taxes are excluded.

(Changes to Significant Accounting Policies)

Accounting Standard for Impairment of Non-current Assets

As of the fiscal year ended March 31, 2006, we adopted the Accounting Standard for Impairment of Non-current Assets ("Opinions on Accounting Standards for Impairment of Non-current Assets," Business Accounting Council, August 9, 2002), as well as the Guidance on Accounting Standards for Impairment of Non-current Assets (Accounting Standards Board of Japan, Guidance No. 6, October 31, 2003).As a consequence, net income before income taxes decreased 2,387 million yen.

Accumulated losses on impairment of non-current assets were directly deducted from the amount of each asset in accordance with the revised regulations on financial statements.

(Change in Recording Method)

In the fiscal year under review, we decided to classify "amortization on consolidation adjustment account" separately as a source of non-operating income because it exceeded ten-hundredth of non-operating income. In the prior fiscal year, "amortization on consolidation adjustment account" was included in the "Others" section of non-operating income in the amount of 373 million yen.

5. Valuation of Assets and Liabilities of Consolidated Subsidiaries

All assets and liabilities of consolidated subsidiaries are appraised at fair market value.

6. Depreciation of Excess of Net Assets Acquired Over Cost (Net)

Excess of net assets acquired over cost (net) is depreciated uniformly over a period of 5 years, unless the amount is insignificant.

7. Treatment of Profit Appropriation Items, etc.

The Consolidated Statement of Retained Earnings is prepared on the basis of profit appropriation, etc. at consolidated subsidiaries finalized during the consolidated fiscal year.

8. Scope of Funds in Consolidated Statements of Cash Flows

Funds (cash and cash equivalents) in the Consolidated Statements of Cash

Flows consist of cash on hand, readily-available deposits, and fixed-term deposits with a term of no more than 3 months which are readily convertible and subject to an insignificant risk of changes in value.

Notes to Consolidated Financial Statements

1. Notes to Consolidated Balance Sheets

(Unit: millions of yen)

	2005	2006
(1) Accumulated depreciation of property, plant and equipment	365,564	372,166
(2) Principal assets pledged as collateral and secured debt		
Property, plant and equipment pledged as collateral	40,947	37,148
Investment securities pledged as collateral	38	108
Secured short-term borrowings	916	250
Secured long-term debt (including debt due within one year)	19,290	12,609
(3) Guaranteed obligations (including those based on commitment to guarantee and keepwell agreement)	4,966	6,742
(4) Discounted notes receivable and notes endorsed for transfer	28	42
(5)The following relates to non-consolidated subsidiaries and affiliates:		
Investment securities (stock)	13,560	15,188
Investments and other non current assets (contribution to capital)	1,509	1,659
(6) Type and total number of shares outstanding as at fiscal year end: Common stock	699,027,598 shares	699,027,598 shares

(7) Type and total number of the Company's shares held by the Company, its consolidated subsidiaries and its affiliates accounted for by equity method as at fiscal year end: Common stock	3,743,059 shares	2,220,800 shares

(8) Land revaluation excess

Pursuant to the Law Concerning Revaluation of Land, the Company, its 3 consolidated subsidiaries and an affiliate accounted for by the equity method revaluated land for business use. The revaluation gain/loss corresponding to the Company's share was declared as part of stockholders' equity, and the portion subject to tax effect accounting was declared as part of liabilities.

(i) The Company, two consolidated subsidiaries and one affiliate accounted for by the equity method

- Revaluation Method: Value was calculated according to the method set forth in Article 2-1, 2-3 and 2-4 of the Enforcement Ordinance of the Law Concerning Revaluation of Land.
- Revaluation date: March 31, 2002
- Difference between market value of revaluated land at the fiscal year end and book value after revaluation: 19,203 million yen

(ii) One consolidated subsidiary

- Revaluation Method: Value was calculated according to the method set forth in Article 2-4 of the Enforcement Ordinance of the Law Concerning Revaluation of Land.
- Revaluation date: March 31, 2000
- Difference between market value of revaluated land at the fiscal year end and book value after revaluation: 2,111 million yen

(9) Revaluation Excess-foreign

Revaluation excess-foreign refers to an allowance based on the revaluation of assets performed by one consolidated subsidiaries and one non-consolidated subsidiary accounted for by the equity method in Brazil in accordance with the local company law. Assets subject to revaluation were declared in "buildings and structures" and "land" in the Consolidated Balance Sheets.

2. Notes to Consolidated Statements of Income

(Unit: millions of yen)

(1) Principle Items and Amounts of Selling, General and Administrative Expenses	2005	2006
Transport and storage	9,421	9,686
Salaries, wages, bonuses, etc.	15,964	16,024
Provision for employees' bonuses	1,630	1,794
Reserve for employees' severance and retirement benefits	1,609	917
Research and development	9,162	10,014
(2) Research and development expenses included in general and administrative expenses and manufacturing costs for the period	9,201	10,079

(3) Impairment Losses

The following losses on impairment of non-current assets were reported during the fiscal year ended March 31, 2006.

Location	Usage	Type
Toyobo Co., Ltd. and Toyobo Real Estate Co., Ltd. (Naruto, Tokushima Prefecture)	Idle assets	Leaseholds, Structures
Miyuki Holdings Co., Ltd. and Lan Clothing Co., Ltd. (Higashi Osaka, Osaka Prefecture) (Nishi Sonogi-gun, Nagasaki Prefecture)	Business assets (Sewing factories)	Buildings and structures, Machinery and equipment, Land, Other property, plant and equipment, Intangible assets, Lease assets
Miyuki Life Co., Ltd. (Chuo-ku, Tokyo etc.)	Business assets (Retail stores)	Other property, plant and equipment, Lease assets
Miyuki Sales Co., Ltd. (Yoichi-gun, Hokkaido etc.)	Idle assets	Buildings and structures, Land
Miyuki Holdings Co., Ltd. (Hamamatsu, Shizuoka Prefecture etc.)	Fringe benefits facilities	Buildings and structures, Land

The Toyobo Group pools business assets according to management accounting classifications, and idle assets according to each separate property.

Since the relevant business assets have recorded recurring losses for the past two fiscal years or more, and the relevant idle assets and fringe-benefits facilities have been affected by plunging land values, we reduced the book value of each to a recoverable amount, and accounted the resulting impairment loss (2,387 million yen) as an extraordinary loss. The breakdown is as follows:

(Unit: millions of yen)

Buildings and structures	347
Machinery and equipment	9
Land	141
Other property, plant and equipment	5
Leaseholds	1,828
Intangible assets	2
Lease assets	54
Total	2,387

The recoverable amount of these assets or asset groups was determined by their net sale price or utility value. The recoverable amount of land and leaseholds was calculated based on real-estate appraisal or their non-current asset tax assessment value.

3. Notes to Consolidated Statements of Cash Flows

(1) Relationship between the closing balance of cash and cash equivalents and the respective amounts of items stated in Consolidated Balance Sheets

(Unit: millions of yen)

	2005 (As of March 31, 2005)	2006 (As of March 31, 2006)
Cash and cash equivalents in balance sheet	11,889	12,470
Fixed-term deposits with a term exceeding 3 months	(306)	(576)
Cash and cash equivalents in cash flow statement	11,583	11,894

Segment Information

1. Segment Information by Business Type

[Fiscal Year ended March 31, 2005] (Unit: millions of yen)

	Plastics Products	Bio-Science, Medical products and Functional products	Fibers & Textiles	Other Businesses	Total	Elimination or Corporate	Consolidated
Ⅰ. Net Sales and Operating Income							
(1) Net sales to external customers	138,981	48,584	168,098	38,023	393,686	－	393,686
(2) Intersegment net sales or transfer amounts	281	12	446	10,255	10,994	(10,994)	－
Net Sales	139,262	48,596	168,544	48,278	404,680	(10,994)	393,686
Operating costs and expenses	122,007	41,314	163,739	45,885	372,944	(8,041)	364,904
Operating income	17,255	7,282	4,805	2,393	31,735	(2,953)	28,782
Ⅱ. Assets, Depreciation & Amortization and Capital Expenditure							
Assets	126,829	50,546	172,707	110,517	460,598	51,215	511,813
Depreciation & Amortization	5,209	2,326	5,678	924	14,137	1,392	15,528
Capital Expenditure	4,904	4,649	5,502	173	15,229	1,166	16,395

Non-allocatable operating costs and expenses which have been included in "Elimination or Corporate" totaled 2,800 million yen.

[Fiscal Year ended March 31, 2006] (Unit: millions of yen)

	Plastics Products	Bio-Science, Medical products and Functional products	Fibers & Textiles	Other Businesses	Total	Elimination or Corporate	Consolidated
Ⅰ. Net Sales and Operating Income							
(1) Net sales to external customers	141,950	50,906	17,484	34,608	401,948	－	401,948
(2) Intersegment net sales or transfer amounts	157	2	473	11,577	12,209	(12,209)	－
Net Sales	142,107	50,908	174,957	46,185	414,157	(12,209)	401,948
Operating costs and expenses	124,965	42,975	169,572	43,947	381,460	(9,399)	372,061
Operating income	17,142	7,933	5,384	2,238	32,697	(2,810)	29,887
Ⅱ. Assets, Depreciation & Amortization and Capital Expenditure							
Assets	140,769	54,134	183,368	118,526	496,798	17,994	514,791
Depreciation & Amortization	5,376	2,656	5,428	1,035	14,495	1,161	15,656
Capital Expenditure	9,148	2,150	5,469	529	17,296	835	18,131

Non-allocatable operating costs and expenses which have been included in "Elimination or Corporate" totaled 2,568 million yen.

(Change of Depreciation Method for Property, plant and equipment)

As stated in the section “Significant Accounting Policies: Basis for Preparation of Consolidated Financial Statements”, Toyobo Co., Ltd. previously used the straight-line method of depreciation for certain equipment and apparatus used by the Plastics Products and Functional Materials Divisions, but with the exclusion of indirect departments, has changed to the declining-balance method as of the end of the consolidated fiscal year ended March 31, 2006.

In conjunction with this change, the operating expenses of the Plastics Products Division and Bio, Medical, Functional Materials and Products Division increased by 246 million yen and 27 million yen respectively (compared to if the existing straight-line method had been used), and the operating incomes of each Division declined by the same amounts.

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

Plastics Products:	Films, synthetic resins, activated carbon fibers, chemical products, rubber products, etc.
Bio-Science, Medical products and Functional products:	Biochemicals such as bio-reagents, pharmaceuticals, medical devices, functional materials and products, etc.
Fibers & Textiles:	Natural fibers, synthetic fibers and secondary textile products
Other Businesses:	Design and construction of buildings, structures, etc., real estate, information processing services , logistics services, etc.

2. Segment Information by Region

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

3. Overseas Sales

[Fiscal Year ended March 31, 2005] (From April 1, 2004 To March 31, 2005)

(Unit: millions of yen)

	Southeast Asia	Other Regions	Total
Ⅰ Overseas sales	35,935	27,823	63,759
Ⅱ Consolidated sales			393,686
Ⅲ Percentage of overseas sales to total consolidated sales	9.1%	7.1%	16.2%

[Fiscal Year ended March 31, 2006] (From April 1, 2005 To March 31, 2006)

(Unit: millions of yen)

	Southeast Asia	Other Regions	Total
Ⅰ Overseas sales	46,684	28,512	75,196
Ⅱ Consolidated sales			401,948
Ⅲ Percentage of overseas sales to total consolidated sales	11.6%	7.1%	18.7%

Dealings with Stakeholders

None.

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Securities

[Previous Consolidated Fiscal Year End] (As of March 31, 2005)

1. Available-for-sale Securities with Fair Market Value

(Securities whose value declared in Consolidated Balance Sheets exceeds the acquisition cost) (Unit: millions of yen)

	Acquisition Cost	Value declared in Consolidated Balance Sheets	Difference
Stocks	14,824	31,192	16,368
Other	—	—	—
Subtotal	14,824	31,192	16,368

(Securities whose value declared in Consolidated Balance Sheets does not exceed the acquisition cost)

	Acquisition Cost	Value declared in Consolidated Balance Sheets	Difference
Stocks	822	701	(121)
Other	15	14	(1)
Subtotal	837	715	(122)

2. Available-for-sale Securities Sold during the Fiscal Year ended March 31, 2005 (Unit: millions of yen)

Amount Sold	Total Gain on Sale	Total Loss on Sale
14,314	8,389	—

3. Breakdown of Securities lacking Market Valuation and Value declared in Consolidated Balance Sheets

(1) Available-for-sale securities

Non-listed stocks (excluding over-the-counter securitie	5,555	million yen
Non-listed bonds	300	million yen
Contributions to investment funds, etc.	536	million yen

(2) Subsidiaries' stocks and Affiliates' stocks

Non-consolidated subsidiaries' stocks and affiliates' sto	13,560	million yen

4. Subsidiaries' Stocks and Affiliates' Stocks with Fair Market Value (Unit: millions of yen)

	Value declared in Consolidated Balance Sheets	Market Value	Difference
stocks	6,909	8,234	1,325
Affiliates' stocks	5,884	6,838	954

(Note) This is based on non-consolidated financial statements.

[Latest Consolidated Fiscal Year End] (As of March 31, 2006)

1. Available-for-sale Securities with Fair Market Value

(Securities whose value declared in Consolidated Balance Sheets exceeds the acquisition cost) (Unit: millions of yen)

	Acquisition Cost	Value declared in Consolidated Balance Sheets	Difference
Stocks	11,180	34,402	23,222
Other	15	18	4
Subtotal	11,195	34,420	23,226

(Securities whose value declared in Consolidated Balance Sheets does not exceed the acquisition cost)

	Acquisition Cost	Value declared in Consolidated Balance Sheets	Difference
Stocks	1,318	1,173	(145)
Other	—	—	—
Subtotal	1,318	1,173	(145)

2. Available-for-sale Securities Sold during the Fiscal Year ended March 31, 2005 (Unit: millions of yen)

Amount Sold	Total Gain on Sale	Total Loss on Sale
10,809	5,428	10

3. Breakdown of Securities lacking Market Valuation and Value declared in Consolidated Balance Sheets

(1) Available-for-sale securities

Non-listed stocks (excluding over-the-counter securitie	5,598	million yen
Contributions to investment funds, etc.	216	million yen

(2) Subsidiaries' stocks and Affiliates' stocks

Non-consolidated subsidiaries' stocks and affiliates' stocks	15,188	million yen

4. Subsidiaries' Stocks and Affiliates' Stocks with Fair Market Value (Unit: millions of yen)

	Value declared in Consolidated Balance Sheets	Market Value	Difference
stocks	6,909	10,398	3,489
Affiliates' stocks	5,884	17,539	11,655

(Note) This is based on non-consolidated financial statements.

Contract Amount of Derivative Transactions, Market Value and Valuation Gains/Losses

This information is omitted as it will be disclosed by EDINET.

Lease Transactions

This information is omitted as it will be disclosed by EDINET.

Tax Effect Accounting

1 Main Components of Deferred Tax Assets and Liabilities

(Unit: millions of yen)

	2005 (As of March 31, 2005)	**2006** (As of March 31, 2006)
Deferred tax assets		
Accrued employees' bonuses	2,016	1,919
Accrued enterprise tax	110	127
Employees' severance and retirement benefits	10,626	8,773
Directors and statutory auditors' retirement benefits	664	518
Allowance for doubtful receivables	1,058	556
Impairment loss	—	1,009
Write-down of investment securities	1,857	1,175
Tax losses carried forward	4,154	2,909
Unrealized income eliminated from consolidation	10,072	9,869
Securities acquired through merger	419	271
Other	1,476	2,096
Subtotal of deferred tax assets	32,453	29,222
Valuation allowance	(7,275)	(6,035)
Total deferred tax assets	25,178	23,187
Deferred tax liabilities		
Net unrealized holding gains on securities	(6,633)	(9,437)
Reserve for deferred gain on sale of property	(611)	(786)
Undistributed earnings of overseas subsidiaries and affiliates	(418)	(493)
Consolidation adjustment for allowance for doubtful receivables	(155)	(137)
Valuation difference of subsidiaries' assets	(1,821)	(2,185)
Tax deferred gains on assets transferred to a new company	(2,580)	(2,580)
Tax deferred gains on spin-off	(2,238)	(2,238)
Total deferred tax liabilities	(14,456)	(17,855)
Net deferred tax assets	10,722	5,332
In addition to the above, deferred tax liabilities associated with land revaluation has been declared.	(28,095)	(28,165)

2 Main Contributors to Significant Difference Between Statutory Effective Tax Rate and Rate of Tax (Enterprise Tax, etc.) Incurred after Tax Effect Accounting, If Any

Notes have been omitted because the difference between the statutory effective tax rate and the rate of tax (enterprise tax, etc) incurred after tax effect accounting is less than 5% of the statutory effective tax rate.

TOYOBO

Retirement Benefits

1 Outline of Adopted Retirement Benefit Scheme

The Company and its domestic consolidated subsidiaries have defined-benefit schemes, i.e., company pension fund scheme, welfare pension fund scheme, approved superannuation scheme and termination allowance scheme. In addition, premium severance pay may be available for retiring employees who are not eligible for retirement allowance payment under actuarial calculation based on retirement benefit accounting standards.

2 Notes to Retirement Benefit Obligations

(Unit: millions of yen)

	2005 (As of March 31, 2005)	2006 (As of March 31, 2006)
a. Retirement benefit obligations	(73,051)	(71,672)
b. Pension assets	21,933	26,780
c. Retirement benefit trust	3,035	8,364
d. Unfunded retirement benefit obligations （a + b + c）	(48,083)	(36,528)
e. Unamortized net transition obligation	16,533	14,937
f. Unrecognized actuarial gains/losses	7,668	3,078
g. Unrecognized prior service costs (decrease in costs) (Note 1)	(1,938)	(1,671)
h. Net accrued retirement benefits reflected in Consolidated Balance Sheets (d + e + f + g)	(25,820)	(20,184)
i. Prepaid pension expenses	―	―
j. Reserve for retirement benefits (h - i)	(25,820)	(20,184)

(Note) 1. Primarily due to the revision of the Company's welfare pension fund scheme in January 2001.

2. Some subsidiaries adopt the simplified method in calculating retirement benefit obligations.

3 Notes to Retirement Benefit Expenses

(Unit: millions of yen)

	2005 (From April 1, 2004 To March 31, 2005)	2006 (From April 1, 2005 To March 31, 2006)
a. Service costs (Note 2)	2,756	2,212
b. Interest costs	1,557	1,501
c. Expected investment returns	(634)	(712)
d. Amortization of net transition obligation existing on April 1, 2000	1,929	1,714
e. Amortization of actuarial gains/losses	1,384	1,265
f. Amortization of prior service costs (Note 3)	(332)	(277)
g. Retirement benefit expenses (a + b + c + d + e + f)	6,660	5,703

(Note) 1. In addition to the retirement benefit expenses stated above, premium severance pay in the amount of 447 million yen in the fiscal year under review and 484 million yen in the previous fiscal year have been paid and declared as an extraordinary loss, etc.

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. Retirement benefit expenses of consolidated subsidiaries which adopt the simplified method are stated in "a. Service costs" and "d. Amortization of net transition obligation existing on April 1, 2000".

4 Basis of Calculation of Retirement Benefit Obligations

a. Method of allocating projected retirement benefits over period	Straight-line standard
b. Discount rate	2.0% - 2.5%
c. Expected rate of investment returns	2.5% - 3.5%
d. Years over which prior service costs are amortized	10 years (Amortized using the straight-line method over a certain number of years not exceeding the average remaining employment period of the employee at the time of accrual)
e. Years over which actuarial gains/losses are amortized	10 years (Amortized using the straight-line method over a certain number of years not exceeding the average remaining employment period of the employee at the time of accrual, starting from the following fiscal year)
f. Years over which net transition obligation existing on April 1, 2000 is amortized	Mainly 15 years. 5 years in the case of some subsidiaries, etc. Net transition obligation is quickly amortized in the event of mass retirement of employees who were employed on April 1, 2000.

[References for Financial Data]

Net Sales and Operating Income by Business Segment

(Unit: hundred millions of yen)

			Net Sales					Operating Income				
			Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006	The year before Change	Change (%)	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006	The year before Change (%)	Change (%)
Plastics Products	Plastics Products	First of the year	521	614	669	55	9.0	59	77	88	11	13.8
		Latter of the year	562	658	696	39	5.9	63	79	80	1	1.1
		Full year	1,083	1,272	1,366	94	7.4	122	156	167	11	7.4
	Electronic Parts	First of the year	64	75	28	(47)	(62.9)	6	12	3	(9)	(78.3)
		Latter of the year	91	43	26	(17)	(39.4)	14	5	1	(3)	(69.9)
		Full year	155	118	54	(64)	(54.3)	20	17	4	(13)	(75.8)
	Total	First of the year	585	689	697	8	1.1	65	89	90	1	1.6
		Latter of the year	653	701	723	22	3.1	77	84	81	(3)	(3.1)
		Full year	1,238	1,390	1,420	30	2.1	142	173	171	(1)	(0.7)
Bio-Science, Medical products and Functional products		First of the year	224	236	245	9	3.7	31	34	37	3	8.5
		Latter of the year	242	250	264	14	5.8	35	39	43	4	9.3
		Full year	465	486	509	23	4.8	66	73	79	7	8.9
Fibers & Textiles		First of the year	861	819	864	44	5.4	29	28	27	(1)	(3.3)
		Latter of the year	823	862	881	20	2.3	28	20	27	7	33.9
		Full year	1,684	1,681	1,745	64	3.8	56	48	54	6	12.0
Other Businesses		First of the year	167	182	157	(24)	(13.3)	11	8	9	1	11.8
		Latter of the year	177	199	189	(10)	(5.0)	13	16	13	(3)	(15.9)
		Full year	344	380	346	(34)	(9.0)	24	24	22	(2)	(6.5)
Elimination or Corporate		First of the year						(13)	(12)	(15)	(3)	22.4
		Latter of the year						(17)	(17)	(13)	4	(24.7)
		Full year						(30)	(30)	(28)	1	(4.8)
Total		First of the year	1,836	1,926	1,963	37	1.9	123	147	148	2	1.1
		Latter of the year	1,895	2,010	2,056	46	2.3	136	141	151	9	6.7
		Full year	3,731	3,937	4,019	83	2.1	259	288	299	11	3.8