May 8, 2007

Consolidated Preliminary Financial Report for Year ended March 31, 2007

Toyobo Co., Ltd. Listed on the First Section of both the TSE and OSE

Stock Code: 3101 URL http://www.toyobo.co.jp/annai/zaimu/

Representative: Ryuzo Sakamoto, President & Representative Director

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Date of the General Meeting of the Shareholders: June 28, 2007

Planned start of dividend payments: June 29, 2007

Planned filing of an annual security report: June 28, 2007

(Figures are rounded to the nearest million yen.)

1. Consolidated Business Performance

(1) Consolidated Operating Results

Years ended March 31 Percentages indicate year-on-year increase.

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2007	426,666	6.1	30,435	1.8	25,342	3.1	13,472	7.0
2006	401,948	2.1	29,887	3.8	24,580	13.9	12,596	3.2

	Net income per share	Net income per share after dilution	Return on equity	Ordinary income-to-total assets ratio	Operating income-to-net sales ratio
	Yen	Yen	%	%	%
2007	19.32	19.22	10.4	4.9	7.1
2006	18.10	---	10.8	4.8	7.4

(Reference) Gain on investment by equity method: Year ended March 31, 2007: ¥772 million,
Year ended March 31, 2006: ¥771 million

(2) Consolidated Financial Position

At March 31

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2007	513,191	152,224	26.0	191.28
2006	514,791	125,143	24.3	179.59

(Reference) Total shareholders' equity: March 31, 2007: ¥133,521 million, March 31, 2006: ---

(3) Consolidated Cash Flows

Years ended March 31

	Cash flow provided by operating activities	Cash flow used in investing activities	Cash flow used in financing activities	Cash and cash equivalent at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
2007	27,064	(2,925)	(22,439)	14,140
2006	27,299	(4,011)	(23,071)	11,894

2. Dividends

Years ended/ending March 31

Record date	Dividends per share			Total amount of dividends (for the entire fiscal year)	Payout ratio	Dividends-to-net assets ratio
	Interim dividends	Year-end dividends	Total			
	Yen	Yen	Yen	Millions of yen	%	%
2006	---	5.00	5.00	3,492	27.6	3.0
2007	---	5.00	5.00	3,491	25.9	2.7
2008 (Forecast)	---	5.00	5.00		25.9	

3. Forecasts for Fiscal Year ending March 31, 2008

Percentages indicate year-on-year increase.

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim period	215,000	0.7	15,500	1.7	13,000	1.3
Fiscal year	435,000	2.0	30,500	0.2	25,500	0.6

	Net income		Net income per share
	Millions of yen	%	Yen
Interim period	6,500	2.4	9.31
Fiscal year	13,500	0.2	19.34

4. Other

1. Significant changes in subsidiaries during the subject fiscal year (Transfer of particular subsidiaries following a change in the scope of consolidation): None
2. Changes in accounting rules, procedures or method of presentation relating to the preparation of the consolidated financial statements (Matters included in changes to significant items that form the basis for preparation of the consolidated financial statements).
   a. Changes in accordance with revisions to accounting standards: Yes
   b. Other changes: Yes

   Note: For further details see page 22, “Significant Accounting Policies: Basis for Preparation of the Consolidated Financial Statements” and page 30, “Segment Information.”

3. Number of Shares Outstanding (Common stock)

   Number of shares outstanding at fiscal year-end:

   2007: 699,027,598 shares   2006: 699,027,598 shares

   Number of treasury stocks at fiscal year-end:

   2007: 991,636 shares   2006: 2,220,800 shares

   Note: For information on the number of shares used as the basis for calculation for net income per share (consolidated), see page 38, “Per Share Information”

(Reference)

1. Non-Consolidated Business Performance

(1) Non-Consolidated Operating Results

Years ended March 31

Percentages indicate year-on-year increase.

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2007	255,467	3.5	22,609	2.0	19,874	1.3	12,391	19.9
2006	246,941	2.7	22,163	10.3	19,610	27.1	10,338	12.2

	Net income per share	Net income per share after dilution
	Yen	Yen
2007	17.75	17.65
2006	14.80	---

(2) Non-Consolidated Financial Position

At March 31

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2007	380,035	135,715	35.7	194.38
2006	383,816	129,649	33.8	185.66

(Reference) Total shareholders' equity: March 31, 2007: ¥135,715 million, March 31, 2006: ¥129,649 million

2. Forecasts for Fiscal Year ending March 31, 2008

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim period	132,000	3.7	11,500	2.2	10,000	2.8
Fiscal year	267,000	4.5	23,000	1.7	20,000	0.6

	Net income		Net income per share
	Millions of yen	%	Yen
Interim period	4,500	---	6.45
Fiscal year	10,000	(19.3)	14.32

Note: 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 "Business Performance and Financial Position" for information on performance forecast and other related matters.

Business Performance and Financial Position

1. Results for the Fiscal Year ended March 31, 2007

The business environment for the Toyobo Group during the subject fiscal year was bolstered in Japan by a gradual expansion of the economy that included continuing increases in exports and capital expenditures, and an underlying strength in personal spending. Globally, economies continued to expand in the U.S., as well as in the East Asia and EU regions. Markets targeted by the Toyobo Group, including the automotive, consumer electronics and medical fields, performed well on the strength of robust demand both in Japan and overseas. At the same time, the rise in and consistently high level of raw material and fuel costs that has continued over the past three years was one of the factors driving up the cost of goods.

Under such circumstances the Toyobo Group strengthened and expanded such specialty businesses as functional films, functional polymers, industrial materials and life science, while further stabilizing the earnings foundation.

As a result, net sales for the subject fiscal year rose ¥24.7 billion (6.1%) to ¥426.7 billion.

From the subject fiscal year the Toyobo Group has reclassified its business segments to provide for more accurate disclosure in response to changes in business conditions. A list of major products included in each business segment is presented on page30.

Results by business segment are as follows.

Films and Functional Polymers

This segment continues to face difficulties brought on by persistently rising prices for raw materials and fuel, but achieved an increase in sales in the consumer electronics, automotive and other fields.

In the films business, revenue from packaging films rose on the back of robust demand for general-purpose food packaging film. Sales of industrial films rose sharply following full-scale operation of new equipment at the Inuyama Plant amid continued growth in flat-screen televisions and other products with liquid crystal and optical applications.

In the functional polymers business, revenue from engineering plastics rose sharply following greater sales both in Japan and overseas for such applications in the automotive field as headlight components, engine covers, and interior materials. Sales of the industrial adhesive “Vylon” rose for electronics components and other applications.

As a result, sales in this segment rose ¥8.3 billion (7.1%) year on year to ¥124.6 billion, with operating income up ¥0.4 billion (2.6%) to ¥15.3 billion.

Industrial Materials

This segment continued to develop new applications and markets for unique materials, recording gains in revenue.

Sales of airbag fabrics rose sharply following expanded production capacity both in Japan and overseas as airbags become standard equipment in automobiles. Sales of the high-performance fiber “DYNEEMA” grew steadily in fields where the unique properties of materials can be utilized, such as for safety gloves, fishing lines, and ropes for large ships. In the filters business, sales jumped following adoption by liquid crystal-related factories of solvent adsorption equipment that use activated carbon fiber. Revenue from “PROCON,” a PPS (polyphenelene sulfide) fiber for bag filters that is effective in preventing airborne contaminants, increased substantially due to growing demand from thermal power plants both in Japan and overseas. Sales of non-woven filament fabrics rose on the back of strong demand in the automotive, civil engineering, and construction fields.

As a result, sales in this segment rose ¥5.5 billion (7.9%) year on year to ¥74.4 billion, with operating income up ¥0.1 billion (2.1%) to ¥5.9 billion.

Life Science

This segment achieved an overall increase in revenue due to growth in sales of aqua membranes for large-scale desalination plants in the Middle East.

In the bio-science business, sales of the raw materials for enzymes for diagnostic reagents continued to be strong for blood sugar measuring applications, but declined for research-use reagents following a falloff in demand. In contract manufacturing of pharmaceuticals, sales rose as the Otsu Pharmaceutical Plant began full-scale operation of its new injectable solution wing. Revenue from hollow fiber membranes for artificial kidneys declined due to the impact from national health insurance (NHI) reimbursement revisions. Sales of aqua membranes rose sharply with the start of shipments of reverse osmosis membranes for desalination used for large-scale projects in the Middle East region.

As a result, sales in this segment rose ¥3.0 billion (10.0%) year on year to ¥32.6 billion, with operating income on par with the previous fiscal year at ¥5.6 billion.

Textiles

In this segment we continued to reduce the number of unprofitable and commodity-type products, concentrating on functional and specialized textiles that utilize Toyobo’s unique technologies. Segment revenue rose overall, bolstered by the addition of sales from a newly consolidated subsidiary.

Sales in the textiles business rose sharply on the back of continued strong exports of specialty fabrics to the Middle East region. However, revenue in the bedding, innerwear, and apparel businesses declined due a falloff in demand. In the fibers business, revenue fell with the ongoing contraction of general textiles and other unprofitable businesses. Sales of the acrylic fiber “EXLAN” rose in accordance with sales expansion efforts and price revisions for specialty products.

As a result, sales in this segment rose ¥7.1 billion (5.0%) year on year to ¥149.6 billion, with operating income up ¥1.0 billion (29.3%) to ¥4.4 billion.

Other Businesses

In this segment performance in the engineering, real estate, information processing services, logistics services and other businesses was essentially in line with plan. Revenue in the electronic components business was down following the withdrawal from the flexible printed circuit board (FPC) business.

As a result, sales in this segment rose ¥1.0 billion (2.2%) year on year to ¥45.4 billion, while operating income declined ¥0.5 billion (17.6%) to ¥2.5 billion.

As a result of the above, the Toyobo Group achieved record profit in all earnings categories during the subject fiscal year, with operating income up ¥0.5 billion (1.8%) year on year to ¥30.4 billion, and ordinary income rising ¥0.8 billion (3.1%) to ¥25.3 billion. Net income increased by ¥0.9 billion (7.0%) year on year to ¥13.5 billion.

Forecast for the Fiscal Year ending March 31, 2008

The business environment for the fiscal year to March 31, 2008, will likely be marked by and ongoing gentle expansion of the Japanese economy, though raw material and fuel prices will remain high, and there are uncertain elements such as concerns of a slowdown in global economy, centered on the U.S.

Under such circumstances, the Toyobo Group will accelerate the expansion of its specialty businesses (films and functional polymers, industrial materials and life science) both in Japan and overseas by enhancing production capacity, and stepping up development of new products and applications. The Textiles business will also be further narrowed across the Group to focus on functional textiles, thereby raising asset efficiency.

Through these efforts the Toyobo Group, while incorporating an increase in amortization costs stemming from a change in the method of accounting for depreciation, forecasts net sales of ¥435.0 billion (up ¥8.3 billion year on year), with operating income of ¥30.5 billion (up ¥0.1 billion) and ordinary income of ¥25.5 billion (up ¥0.2 billion). Net income is forecasted to be ¥13.5 billion, with profits in all earnings categories expected to set new records for another consecutive year.

2. Analysis of Financial Position

Assets, Liabilities and Net Assets

Total assets at the year-end decreased by ¥1.6 billion (0.3%) year on year to ¥513.2 billion. This was due mainly to the sale of investment securities and a decrease in market value.

Liabilities decreased by ¥11.4 billion (3.1%) year on year to ¥361.0 billion. This was due mainly to a ¥11.9 billion reduction in interest-bearing debt stemming from balance sheet improvements and business earnings.

Total stockholders' equity including minority interests, despite a decline in net unrealized holding gains on securities, increased by ¥9.8 billion year on year to ¥152.2 billion owing to an increase in retained earnings.

Cash Flows

Net cash provided by operating activities decreased by ¥0.2 billion year on year to ¥27.1 billion. The main components of operating cash flows during the subject fiscal year were ¥20.1 billion in income before income taxes; ¥16.9 billion in depreciation and amortization; and ¥8.6 billion in income taxes paid.

Net cash used in investing activities decreased ¥1.1 billion year on year to ¥2.9 billion. This was mainly due to a decrease in expenditures for the acquisition of property, plant and equipment. The main component of investing cash flows during the subject fiscal year was ¥14.7billion in purchase of property, plant and equipment.

Net cash used in financing activities decreased by ¥0.6 billion year on year to ¥22.4 billion. The main components of financing cash flows during the subject fiscal year were ¥17.7 billion in repayment of short-term bank loans; ¥39.7 billion in repayment of long-term debt; ¥10.3 billion in redemption of corporate bonds; and ¥3.9 billion in cash dividends (including cash dividends to minority interests); against ¥31.7 billion in proceeds from long-term debt; and ¥20.0 billion in proceeds from issuance of corporate bonds with share warrants.

Consequently, the balance of cash and cash equivalents at the end of the subject fiscal year increased by ¥2.2 billion from the end of the previous fiscal year to ¥14.1 billion.

(Reference) Cash Flow Indicators

Years ended March 31

	2003	2004	2005	2006	2007
Equity ratio (%)	15.6	21.0	21.0	24.3	26.0
Equity ratio, based on market value (%)	22.3	35.3	35.5	49.3	47.7
Interest-bearing debt to cash flow ratio (Years)	8.3	8.7	7.4	7.6	7.2
Interest coverage ratio (Times)	7.9	6.9	9.2	8.8	8.4
D/E ratio (Times)	3.57	2.31	2.06	1.65	1.45

Notes:

Equity ratio: shareholders' equity/ total assets

Market-based rate of equity ratio: total market capitalization/ total assets

Interest-bearing debt to cash flow ratio: interest-bearing debt/ operating cash flows

Interest coverage ratio: operating cash flows/ interest expense

D/E ratio: interest-bearing debt/ net assets excluding minority interests

3. Basic Policy Regarding Earnings Distribution, and Dividends for the Subject and Next Fiscal Years

The Toyobo Group recognizes that returning earnings to shareholders is one of the highest priority issues for a corporation. It has been the Company's basic policy to continually pay a stable dividend, and going forward such decisions will be made by taking into account such factors as maintaining earnings, ensuring the financial position (retained earnings), and investing for business expansion.

In accordance with this policy, the Company plans to pay year-end dividends for the subject fiscal year of ¥5 per share. For the next fiscal year, assuming forecast net income of ¥13.5 billion, the Company plans to pay a dividend of ¥5 per share.

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.

Films and Functional Polymers:

The Company manufactures, processes and sells packaging films, industrial films, industrial adhesives, engineering plastics, printing materials, etc.

Its five consolidated subsidiaries, such as Toyo Cloth Co., Ltd., Toyo Kasei Kogyo Co., Ltd., Kureha Elastomer Co., Ltd., and 14 non-consolidated subsidiaries, such as Toyoshina Film Co., Ltd. (subject to the 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 and supply products to Toyobo Co., Ltd.

Mizushima Aroma Co., Ltd. (subject to the equity method) manufactures and sells raw materials for plastic products and synthetic fibers and supplies to Toyobo Co., Ltd.

Industrial Materials:

Toyobo Co., Ltd. manufactures, processes and sells textile materials for automotives, super fibers, functional filters, non-woven fabrics, etc.

Its five consolidated subsidiaries, such as Yuho Co., Ltd. and Kureha Ltd. and its nine non-consolidated subsidiaries and affiliates manufacture and sell non-woven fabrics. They also purchase raw materials from and supply products to Toyobo Co., Ltd.

Life Science:

Toyobo Co., Ltd. manufactures, processes and sells biochemicals such as enzymes for diagnostic reagents, pharmaceuticals, medical membranes, medical devices and aqua membranes.

Its four consolidated subsidiaries, such as Toyobo Gene Analysis Co., Ltd., and two non-consolidated subsidiaries and affiliates provide gene analysis services and are engaged in the manufacture, sale, etc., of diagnostic agents.

Textiles:

Toyobo Co., Ltd. manufactures and sells apparel products, clothing textiles and textile fibers.

Its 23 consolidated domestic subsidiaries, such as Japan Exlan Co., Ltd., Sundia Inc., Miyuki Keori Co., Ltd., and its 26 non-consolidated domestic subsidiaries and domestic affiliates are engaged in the processing of textiles such as spinning, looming, and dyeing and 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.

Its eight consolidated overseas subsidiaries, such as Perak Textile Mills SDN.BHD, and 15 overseas affiliates manufacture and sell spun yarn, woven fabrics and processed goods. They also supply them to Toyobo Co., Ltd.

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.

Other:

Toyobo Engineering Co., Ltd. is engaged in the design and construction of buildings and machinery as well as equipment sales. It is also entrusted with the design and construction of the Company's plant facilities.

Its 16 consolidated subsidiaries, such as Miyuki Holdings Co., Ltd. (real estate leasing, management, etc.), 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.) and Toyobo Living Service Co., Ltd. (linen supply) and 19 non-consolidated companies and affiliates are engaged in the respective businesses shown in parentheses. They also provide services, etc. to Toyobo Co., Ltd.

“Other” shown above is classified as “Other Businesses” in the Segment Information by Business Type.

The organization of businesses described above is illustrated on the next page.

［Films and Functional Polymers］

〈5 Consolidated Subsidiaries〉
★Toyo Cloth Co., Ltd.
Toyo Kasei Kogyo Co., Ltd.
Kureha Elastomer Co., Ltd.
Tsuruga Film Co., Ltd.
Shanghai Zidong Chemical Materials Co., Ltd.

〈8 Non-Consolidated Subsidiaries〉

〈6 Affiliates〉
*Toyoshina Film Co., Ltd.
*Japan U-Pica Co., Ltd.
*Japan Unipet Co., Ltd.
And 3 other companies

［Plastics Products］

〈1 Affiliate〉
*Mizushima Aroma Co., Ltd.

［Industrial Materials］

〈5 Consolidated Subsidiaries〉
Yuho Co., Ltd.
Kureha Ltd.
Toyobo Kankyo Techno Co., Ltd.
TOYOBO INDUSTRIAL MATERIAL (THAILAND)LTD.
TOYOBO KUREHA AMERICA CO.,LTD.

〈5 Non-Consolidated Subsidiaries〉

〈4 Affiliates〉
Nippon Dyneema Co., Ltd.
and 3 other companies

［Life Science］

〈4 Consolidated Subsidiaries〉
Toyobo Gene Analysis Co., Ltd.
PAC Biologics Inc.
SHINKO AMERICAN,INC.
and 1 other company

〈1 Non-Consolidated Subsidiary〉

〈1 Affiliate〉
Shanghai Kehua Dongling Diagnostic Products Co., Ltd.

Materials, etc.

Plastics Products

Products, etc.

Material for Plastics

Raw Materials for Plastic Products and Synthetic Fibers

Toyobo Co., Ltd.

Textiles Products

Textile Materials & Products

Various Industrial Products

［Textiles (Japan) ］

〈23 Consolidated Subsidiaries〉
Japan Exlan Co., Ltd.
Sundia, Inc.
Miyuki Keori Co., Ltd.
Toyobo Technowool Co., Ltd.
Daido Maruta Finishing Co., Ltd.
Toyobo Sewing Threads Co., Ltd.
Toyo Dyeing Industry Co., Ltd.
Toyo Knitting Co., Ltd.
Sakae Mfg. Co., Ltd.
Suntomic Co., Ltd.
Toyo Shirts Manufacturing Co., Ltd.
Kyusyu Toyo Knitting Co., Ltd.
and 11 other companies

〈16 Non-Consolidated Subsidiaries 〉

〈10 Affiliates〉
* Rolls, Ltd.
and 9 other companies

［Textiles (Overseas) ］

〈8 Consolidated Subsidiaries〉
PERAK TEXTILE MILLS SDN.BHD.
INDUSTRIAS UNIDAS, S.A.
TOYOBO WOOL(MALAYSIA)SDN.BHD.
TOYOBO TEXTILE(MALAYSIA)SDN.BHD.
P.T. TOYOBO KNITTING INDONESIA
TOYOBO DO BRASIL INDUSTRIA TEXTIL LTDA.
TOYOBO DO BRASIL LTDA.
P.T. SHINKO TOYOBO GISTEX GARMENT

〈9 Non-Consolidated Subsidiaries〉

〈6 Affiliates〉
※ERAWAN TEXTILE CO.,LTD.
and 5 other companies

［Commerce, etc.］

〈2 Consolidated Subsidiaries〉
Shinko Sangyo Co., Ltd.
and 1 other company

〈2 Non-Consolidated Subsidiaries〉

〈1 Affiliate〉
* Godo Syoji Co., Ltd.

［Other］

Design & Construction of Plant Facilities, Real Estate and Service

〈16 Consolidated Subsidiaries〉
★Miyuki Holdings Co., Ltd.
Toyobo Engineering Co., Ltd.
Toyobo Real Estate Co., Ltd.
Toyobo G. M. S. Co., Ltd.
Toyobo G. F. A. Co., Ltd.
Toyobo Information System Create, Inc.
Toyobo Logistics Co., Ltd.
Toyobo Fairtone Co., Ltd.
Toyobo Living Service Co., Ltd.
and 7 other companies

〈13 Non-Consolidated Subsidiaries〉

〈6 Affiliates〉
* Ashimori Industry Co. Ltd.
and 5 other companies

(Note) Solid box: Subsidiaries
Dashed box: Affiliates

* Subject to equity method

★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)

Management Policy

1. Basic Management Policy

The Toyobo Group aims to be a manufacturer of high-function products (i.e., a conglomerate of specialty businesses) that continually creates new value by utilizing its core technologies of polymerization, modification, processing, and biotechnology. Building on our success in stabilizing earnings and improving our financial position through restructuring, we will revise our business portfolio to focus on growth in specialty businesses.

2. Target Managerial Indices

The Toyobo Group emphasizes return on assets (ROA) as a management benchmark, and with due consideration to the cost of capital aims to achieve ROA of 8% or greater over the medium term. Business divisions and Group companies are assessed according to the common standards of profit/loss, ROA and cash flow, and business portfolio revised.

As a measure of its financial position the Group emphasizes its debt-equity (D/E) ratio, the ratio of interest-bearing debt to net assets (excluding minority interests). The previous target of "1.5 times or less" was achieved at the end of fiscal 2006. We seek to achieve an even stronger financial position going forward, and have set a goal of lowering the D/E ratio to 1.0 times over the medium term.

3. Medium- to Long-Term Business Strategies and Issues to Be Addressed

1) Business Strategies

The Toyobo Group will focus on the following measures in order to accelerate reform of the business portfolio.

(i) Expansion of specialty businesses
(ii) Reform of the textiles business
(iii) Improvement in the financial position
(iv) Realization of group-wide management

The Toyobo Group defines specialty businesses as "businesses that through unique technologies meet the needs of the times, and are able to retain their competitiveness over the long term." We will accelerate growth in these businesses by concentrating management resources in the three business segments of films and functional polymers, industrial materials and life science. For the textiles business we will emphasize asset efficiency as we narrow the business to focus to functional textiles, while continuing to constrict the capital employed in less profitable businesses.

2) Issues to Be Addressed

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

The Toyobo Group will manage its business with the highest priority on growth and expansion of the three business segments centered on specialty businesses (films and functional polymers, industrial materials and life science). We will utilize our unique core technologies and strengths to expand production capacity, pursue global development and establish new businesses for competitive products in the five growth markets of "automotive," "electronics and information displays," "life sciences," "environment," and "lifestyle and safety." We have also identified priority businesses within the specialty businesses where Toyobo has particular strengths and that we expect to grow and develop into core businesses. By concentrating management resources in these areas we will accelerate their growth. Also, to further strengthen already strong businesses, we will proactively pursue joint ventures and technology imports.

(ii) Reform of the textile business

In the textiles and other businesses Toyobo has undertaken a program of restructuring involving reduction in the scale of facilities. Going forward, we will narrow the focus of the business to functional textiles, pursue earnings stability, and conduct strict management that emphasizes asset efficiency. We will also work together as a Group to reduce the capital employed through reform that includes business consolidations.

(iii) Enhancing technological capabilities

Toyobo will retain a focus on the true nature of a manufacturer to as a company pursue “production technology innovation” that will further strengthen its technological and manufacturing capabilities. Specifically, we will integrate the manufacturing, sales and development functions of each business division to undertake such measures as elimination of waste in production, reform of the manufacturing process, and development of new products. Further, the staffing division, from the perspective of the group as a whole, will support technological innovation through promotion of these activities, sharing of technology and expertise, and other means.

3) Business Development by Segment

Films and Functional Polymers: In the films business, Toyobo has decided to make capital investments for a new production line (expected to go into operation in 2008) to meet demand for films for LCD and optical uses, which is expected to remain on a growth path. In the functional polymers business, we will continue to enhance our supply structure in order to enable us to support the overseas expansion of our customers, focusing on engineering plastics, industrial functional adhesives and other products mainly for the automotive sector, and the electronics and information display sector. We have also identified heat-resistant polyimide film as a next-generation electronics material, and have begun the commercialization process.

Industrial Materials: For airbag fabrics we will expand our production capacity both in Japan and overseas, while for the high performance polyethylene fiber “DYNEEMA” we also plan to enhance supply capacity in early 2008. In the functional filters business, we will proactively promote growth in sales of various filters for automobiles, along with the bag filters and solvent absorption equipment that help protect the environment.

Life Science: In the bio-science business, we will promote the creation of new businesses, such as development in diagnostic systems, and manufacturing of functional substances for non-medical fields. In the contract manufacturing of pharmaceuticals, we will focus on increasing orders. For hollow fiber membranes for artificial kidneys we will enhance capacity in accordance with demand, while in field of aqua membranes, in response to the strong demand for water desalination and purification will make a full-scale entry into the market for water supply membranes in addition to our desalination membranes business.

Textiles: We will narrow our focus to functional fields that combine our unique comfort evaluation technologies with fabric development, and raise the asset efficiency of the entire Group.

CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

At March 31

	2006		2007		Change from the previous year
	Millions of yen	%	Millions of yen	%	
ASSETS					
Current assets:					
1. Cash and cash equivalents	12,470		14,470		2,000
2. Notes and accounts receivable	90,485		90,730		245
3. Inventories	89,132		92,092		2,960
4. Deferred tax assets	4,018		4,576		558
5. Other	9,556		12,038		2,482
6. Allowance for doubtful receivables	(1,277)		(1,020)		257
Total current assets	204,385	39.7	212,885	41.5	8,500
Fixed Assets:					
1. Property, Plant and Equipment					
(1) Buildings and structures	47,983		47,690		(293)
(2) Machinery and equipment	60,354		59,221		(1,133)
(3) Land	115,185		116,076		892
(4) Construction in progress	4,002		5,120		1,118
(5) Other	2,708		2,778		70
Total property, plant and equipment	230,231	44.7	230,885	45.0	654
2. Intangible assets					
(1) Goodwill	---		979		979
(2) Other	1,526		1,891		365
Total intangible assets	1,526	0.3	2,870	0.6	1,344
3. Investments and other assets					
(1) Investment securities	56,594		45,801		(10,793)
(2) Long-term loans	3,331		4,501		1,171
(3) Deferred tax assets	12,332		12,296		(36)
(4) Other	9,521		7,726		(1,795)
(5) Allowance for doubtful receivables	(3,128)		(3,772)		(645)
Total investments and other assets	78,649	15.3	66,551	12.9	(12,098)
Total fixed assets	310,406	60.3	300,306	58.5	(10,100)
Total assets	514,791	100.0	513,191	100.0	(1,600)

At March 31

	2006		2007		Change from the previous year
	Millions of yen	%	Millions of yen	%	
LIABILITIES					
Current Liabilities:					
1. Notes and accounts payable	61,513		62,793		1,280
2. Short-term borrowings	93,659		77,436		(16,222)
3. Long-term debt due within one year	35,960		21,519		(14,441)
4. Bonds maturing within one year	10,300		300		(10,000)
5. Accrued income taxes	6,001		5,123		(877)
6. Deferred tax liabilities	95		90		(4)
7. Accrued expenses	3,781		4,232		451
8. Deposits received	10,799		15,520		4,721
9. Accrued employees' bonuses	4,748		4,676		(71)
10. Other	10,411		11,766		1,354
Total current liabilities	237,266	46.1	203,457	39.6	(33,810)
Long-term Liabilities:					
1. Bonds	10,300		10,000		(300)
2. Bonds with stock purchase rights	---		20,000		20,000
3. Long-term debt	55,954		64,983		9,030
4. Deferred tax liabilities	10,923		7,464		(3,458)
5. Deferred tax liabilities on land revaluation	28,165		28,164		(1)
6. Employees' severance and retirement benefits	20,184		16,989		(3,195)
7. Directors' and statutory auditors' retirement benefits	1,264		1,366		102
8. Excess of net assets acquired over cost, net	2,228		---		(2,228)
9. Negative goodwill	---		2,243		2,243
10. Other	6,071		6,300		229
Total long-term liabilities	135,088	26.2	157,511	30.7	22,423
Total liabilities	372,355	72.3	360,968	70.3	(11,387)
MINORITY INTERESTS					
Minority interest in consolidated subsidiaries	17,294	3.4	----	----	(17,294)

At March 31 (Unit: millions of yen)

	2006		2007		Change from the previous year
	Millions of yen	%	Millions of yen	%	
SHAREHOLDERS' EQUITY					
Common stock	43,341	8.4	---	---	---
Capital surplus	16,086	3.1	---	---	---
Retained earnings	18,556	3.6	---	---	---
Land revaluation excess	39,998	7.8	---	---	---
Revaluation excess-foreign	6,620	1.3	---	---	---
Net unrealized holding gains on securities	12,640	2.5	---	---	---
Foreign currency translation adjustments	(11,682)	(2.3)	---	---	---
Treasury stock, at cost	(416)	(0.1)	---	---	---
Total shareholders' equity	125,143	24.3	---	---	---
Total liabilities, minority interest and shareholders' equity	514,791	100.0	---	---	---
NET ASSETS					
Shareholders' equity:					
Common stock	---	---	43,341	8.4	---
Capital surplus	---	---	16,033	3.1	---
Retained earnings	---	---	28,131	5.5	---
Treasury stock, at cost	---	---	(235)	(0.0)	---
Total shareholders' equity	---	---	87,269	17.0	---
Valuation and translation adjustments:					
Net unrealized holding gain on securities	---	---	8,909	1.7	---
Deferred losses on hedges	---	---	(67)	(0.0)	---
Land revaluation excess	---	---	39,996	7.8	---
Revaluation excess-foreign	---	---	6,620	1.3	---
Foreign currency translation adjustments	---	---	(9,206)	(1.8)	---
Total valuation and translation adjustments:	---	---	46,252	9.0	---
Minority interests	---	---	18,702	3.7	---
Total net assets	---	---	152,224	29.7	---
Total liabilities and net assets	---	---	513,191	100.0	---

(2) Consolidated Statements of Income

Years ended March 31

	2006		2007		Change from the previous year
	Millions of yen	%	Millions of yen	%	Millions of yen
Net sales	401,948	100.0	426,666	100.0	24,718
Cost of sales	310,746	77.3	335,369	78.6	24,623
Gross profit	91,202	22.7	91,297	21.4	94
Selling, general and administrative expenses	61,315	15.3	60,862	14.3	(454)
Operating income	29,887	7.4	30,435	7.1	548
Non-operating income:					
1. Interest income	323		396		73
2. Dividend income	909		1,045		137
3. Rent	734		761		27
4. Amortization on consolidation adjustment	655		---		(655)
5. Amortization on negative goodwill	---		889		889
6. Equity in income of unconsolidated subsidiaries and affiliates	771		772		1
7. Other	3,065		2,363		(703)
	6,457	1.6	6,226	1.5	(230)
Non-operating expenses:					
1. Interest expense	3,080		3,229		149
2. Retirement benefits for employees for prior periods	1,609		1,637		28
3. Salaries paid to dispatched employees	1,343		1,275		(68)
4. Other	5,732		5,179		(553)
	11,764	2.9	11,320	2.7	(444)
Ordinary income	24,580	6.1	25,342	5.9	761

	2006		2007		Change from the previous year
	Millions of yen	%	Millions of yen	%	Millions of yen
Extraordinary income:					
1. Gain on sale of property, plant and equipment	1,061		1,305		244
2. Gain on sale of investment securities	5,418		5,154		(264)
3. Gain on Amortization of cross holding shares	---		5		5
4. Reversal of allowance for doubtful receivables	205		---		(205)
5. Gain on securities contributed to employee retirement benefit trust	2,927		---		(2,927)
6. Bonus dividend	3,400		---		(3,400)
	13,011	3.2	6,464	1.5	(6,546)
Extraordinary loss:					
1. Loss on sale of property, plant and equipment	493		53		(440)
2. Loss on disposal of property, plant and equipment	2,251		2,612		362
3. Evaluation loss on investment securities	429		1,130		701
4. Special allowance for doubtful receivables	---		825		825
5. Special loss on liquidation of affiliates	---		389		389
6. Special loss on restructuring of businesses	1,994		2,730		735
7. Losses on revaluation of inventories	1,884		2,414		530
8. Losses related to lawsuits	6,571		780		(5,791)
9. Impairment loss	2,387		787		(1,600)
	16,009	4.0	11,720	2.7	(4,289)
Income before income taxes	21,582	5.3	20,086	4.7	(1,496)
Provision for income taxes	6,879		7,617		738
Provision for income taxes (deferred)	2,073		(1,518)		(3,591)
	8,952	2.2	6,099	1.4	(2,853)
Minority interest in income of consolidated subsidiaries	34	0.0	515	0.1	481
Net income	12,596	3.1	13,472	3.2	877

(3) Consolidated Statement of Retained Earnings and Consolidated Statement of Changes in Shareholders' Equity

Consolidated Statement of Retained Earnings

Year ended March 31

	2006	
	Millions of yen	
CAPITAL SURPLUS		
Opening balance		15,884
Increase in retained earnings		
1. Increase due to merger	20	
2. Gain on sale of treasury stock	182	202
Closing balance		16,086
RETAINED EARNINGS		
Opening balance		9,413
Increase in retained earnings		
1. Net income	12,596	
2. Adjustments for reversal of revaluation of land	147	
3. Increase due to merger	---	12,743
Decrease in retained earnings		
1. Cash dividends	3,492	
2. Decrease due to increase in consolidated subsidiaries	---	
3. Decrease due to decrease in consolidated subsidiaries	27	
4. Decrease due to increase in companies subject to equity method	81	
5. Decrease due to merger	---	3,600
Closing balance		18,556

Consolidated Statement of Changes in Shareholders' Equity

Year ended March 31, 2007 (Millions of yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance as of March 31, 2006	43,341	16,086	18,556	(416)	77,567
Change in the fiscal year					
Dividend from surplus (Note)			(3,492)		(3,492)
Net income			13,472		13,472
Decrease due to increase in consolidated subsidiaries			(220)		(220)
Changes in the scope of equity method application			(180)	58	(122)
Decrease due to merger			(8)		(8)
Adjustments for reversal of revaluation of land			2		2
Purchase of treasury stock				(47)	(47)
Sale of treasury stock		(53)		169	116
Net change in the fiscal year, other than shareholders' equity					
Total	---	(53)	9,574	181	9,702
Balance as of March 31, 2007	43,341	16,033	28,131	(235)	87,269

	Valuation and Translation Adjustments						Minority interest in consolidated subsidiaries	Total net assets
	Net unrealized holding gains on securities	Deferred losses on hedges	Land revaluation excess	Revaluation excess-foreign	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of March 31, 2006	12,640	---	39,998	6,620	(11,682)	47,576	17,294	142,437
Change in the fiscal year								
Dividend from surplus (Note)								(3,492)
Net income								13,472
Decrease due to increase in consolidated subsidiaries								(220)
Changes in the scope of equity method application								(122)
Decrease due to merger								(8)
Adjustments for reversal of revaluation of land								2
Purchase of treasury stock								(47)
Sale of treasury stock								116
Net change in the fiscal year, other than shareholders' equity	(3,731)	(67)	(2)	---	2,476	(1,324)	1,408	84
Total	(3,731)	(67)	(2)	---	2,476	(1,324)	1,408	9,787
Balance as of March 31, 2007	8,909	(67)	39,996	6,620	(9,206)	46,252	18,702	152,224

Note: They are items in appropriation of earnings resolved in General Meeting of Shareholders held on June 2006.

(4) Consolidated Statements of Cash Flows
Years ended March 31

	2006	2007	Change from the previous year
	Millions of yen	Millions of yen	Millions of yen
Cash flows provided by operating activities:			
1. Income before income taxes and minority interests	21,582	20,086	(1,496)
2. Depreciation and amortization	15,656	16,938	1,282
3. Amortization of consolidation difference	(655)	---	655
4. Amortization of negative goodwill	---	(889)	(889)
5. Allowance for doubtful receivables, net	(523)	174	697
6. Decline in allowance for retirement benefits	(1,531)	(3,265)	(1,734)
7. Interest and dividend income	(1,232)	(1,441)	(209)
8. Interest expense	3,080	3,229	149
9. Equity in income of unconsolidated subsidiaries and affiliates	(771)	(772)	(1)
10. Gain on contribution of securities to retirement benefits trust	(2,927)	---	2,927
11. Bonus dividend	(3,400)	---	3,400
12. Impairment loss	2,387	787	(1,600)
13. Loss on sale and disposal of property, plant and equipment, net	1,683	1,360	(323)
14. Gain on sale and unrealized holding gains on investment	(4,989)	(4,024)	965
15. Special loss on restructuring of businesses	1,994	2,730	735
16. Amortization gains of cross holding shares	---	(5)	(5)
17. Losses related to lawsuits	6,571	780	(5,791)
18. Decrease in trade notes and accounts receivable	5,267	1,343	(3,924)
19. Increase in inventories	(1,727)	(2,670)	(944)
20. Increase in trade notes and accounts payable	1,190	422	769
21. Other, net	2,023	3,328	1,305
Total	43,679	38,109	(5,570)
20. Special loss on restructuring of businesses	(1,914)	(1,421)	493
21. Losses related to lawsuits	(6,370)	(2,305)	4,065
22. Indemnity of litigation liability insurance	---	1,269	1,269
23. Income taxes paid	(8,095)	(8,588)	(493)
Net cash provided by operating activities	27,299	27,064	(235)

	2006	2007	Change from the previous year
	Millions of yen	Millions of yen	Millions of yen
Cash flows provided by (used in) investing activities:			
1. Purchase of property, plant and equipment	(19,960)	(14,747)	5,214
2. Proceeds from disposal of property, plant and equipment	1,831	2,433	602
3. Purchase of investment securities	(2,352)	(793)	1,559
4. Proceeds from sale of investment securities	10,808	9,626	(1,182)
5. Outlays associated with equity participation	(0)	(1)	(1)
6. Proceeds from purchase of shares of consolidated subsidiaries due to change in scope of consolidation	---	(87)	(87)
7. Interest and dividend income excluding unconsolidated subsidiaries and affiliates	5,712	1,466	(4,245)
8. Dividend income from equity method affiliates	318	161	(157)
9. Other	(367)	(985)	(617)
Net cash used in investing activities	(4,011)	(2,925)	1,085
Cash flows used in financing activities:			
1. Decrease in short-term bank loans	(22,111)	(17,744)	4,367
2. Proceeds from long-term debt	25,917	31,701	5,784
3. Repayment of long-term debt	(20,973)	(39,726)	(18,753)
4. Proceeds from issuance of corporate bonds with stock purchase rights	---	19,988	19,988
5. Payment of bonds	(300)	(10,300)	(10,000)
6. Stock buyback	(31)	(47)	(15)
7. Proceeds from sale of treasury stock	1,300	746	(554)
8. Payment of interest	(3,118)	(3,206)	(88)
9. Cash dividends	(3,492)	(3,492)	---
10. Cash dividends to minority interests	(263)	(360)	(96)
Net cash used in financing activities	(23,071)	(22,439)	632
Adjustment for foreign currency translation	190	165	(24)
Increase in cash and cash equivalents	407	1,886	1,459
Cash and cash equivalents at beginning of year	11,583	11,894	311
Increase/decrease in cash and cash equivalents due to change in scope of consolidation	(96)	306	402
Increase resulting from changes in consolidated subsidiaries	---	74	74
Cash and cash equivalents at end of year	11,894	14,140	2,245

Significant Accounting Policies: Basis for Preparation of the 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 consolidated fiscal year ended March 31, 2007, we decided to include Toyobo Interiors Co., Ltd. (100% subsidiary of Toyobo Fairtone Co., Ltd.), which was established during this period, and Shanghai Zidong Chemical Materials Co., Ltd., from the viewpoint of its importance, as consolidated subsidiaries. In addition, we decided to include Sundia Inc. as a consolidated subsidiary by additionally acquiring its stocks, instead of a company accounted for under the equity method.

JIT Co., Ltd., due to its merger with Toyobo Real Estate Co., Ltd.; and former Toyobo Interiors Co., Ltd. (100% subsidiary of Toyobo Co., Ltd), due to its liquidation being completed; and Toyobo Fashion Planning International Co., Ltd., due to its importance having disappeared due to its withdrawal from business; have been eliminated from the scope of consolidation.

(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) One non-consolidated subsidiaries were accounted for by the equity method. As of the subject consolidated fiscal year, Sundia, Inc. was excluded from the companies accounted for under the equity method and included within the scope of consolidated subsidiaries.

(2) There were 14 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". Given its importance, as of the subject consolidated fiscal year, we have decided to newly include Nippon Dyneema Co., Ltd., in accounting under the equity method. In addition, P.T. Unilon Textile Industries and Nippei Toyama Corporation have each been excluded from equity method accounting, due to Toyobo Co., Ltd., withdrawing from the former's business and having sold the latter's entire holdings.

(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 24 consolidated subsidiaries that settle their accounts on a different date, as described below.

Dec. 31: 18 companies   Jan. 31: 1 company   Feb. 28: 2 companies   Mar. 20: 3 companies

The respective financial statements of the 24 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 current fiscal year end. (Unrealized gains and losses are reported as part of shareholders' 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.

Intangible assets: Depreciated using the straight-line method. Software used within the company is depreciated using the straight-line method over its useful life within the company (i.e., five 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 and the liabilities for severance and retirement benefits recorded ("net transition obligations") is recognized as an expense and allocated equally to each year over a period of 15 years (or equally to each year over a period of ten 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.

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 Recording of Net Assets on the Balance Sheet

As of this consolidated fiscal year, we adopted the Accounting Standard for Recording of Net Assets on the Balance Sheet (Accounting Standards Board of Japan, Guidance No. 5, December 9, 2005), and Guidance on Accounting Standard for Recording of Net Assets on the Balance Sheet (Accounting Standards Board of Japan, Guidance No. 8, December 9, 2005).

Using those standards of recording heretofore mentioned, the amount equivalent to total capital as of this consolidated fiscal year end is ¥133,588 million.

The net assets recorded on the consolidated balance sheet for the consolidated fiscal year have, following the amendment of the regulations on consolidated financial statements, been compiled based on the newly amended regulations.

Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures

As of the consolidated fiscal year, we adopted the Accounting Standard for Business Combinations (Business Accounting Council, October 31, 2003), Accounting Standard for Business Divestitures (Accounting Standards Board of Japan, Guidance No. 7, December 27, 2005), and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Accounting Standards Board of Japan, Guidance No. 10, revised December 22, 2006).

5. Valuation of Assets and Liabilities of Consolidated Subsidiaries

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

6. Items on Amortization of Goodwill and Negative Goodwill

With the exception of a negligible amount we have maintained a balance amortization of goodwill and negative goodwill over a period of five years.

7. 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

(Millions of yen)

	Year ended March 31 2006	Year ended March 31 2007
(1) Accumulated depreciation of property, plant and equipment	372,166	374,920
(2) Principal assets pledged as collateral and secured debt:		
Property, plant and equipment pledged as collateral	37,148	24,976
Investment securities pledged as collateral	108	85
Secured short-term borrowings	250	264
Secured long-term debt (including debt due within one year)	12,609	7,030
(3) Guaranteed obligations (including those based on commitment to guarantee and keepwell agreement)	6,742	4,452
(4) Discounted notes receivable and notes endorsed for transfer	42	14
(5) The following relates to non-consolidated subsidiaries and affiliates:		
Investment securities (stock)	15,188	10,421
Investments and other non-current assets (contribution to capital)	1,659	857

(6) Accounting treatment of bills matured on the last day of the consolidated fiscal year which fell on a holiday

With regard to the accounting treatment of bills matured on the last day of the consolidated fiscal year and cash settlement on exact date (a cash settlement method on the due date under the same conditions as bills), it was treated as if the settlement took place on the date of maturity although the last day of the consolidated fiscal year fell on a bank holiday. Amounts of matured bills, etc., on the last day of the consolidated fiscal year were as follows:

Notes payable and accounts payable	¥6,263 million
Notes receivable and accounts receivable	¥8,660 million

(7) 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: ¥21,823 million

(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: ¥2,434 million

(8) 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.

(Change in Recording Method)

In the previous consolidated fiscal year, right of business was included in “intangible assets,” however as of this consolidated fiscal year, right of business is now recorded as “goodwill.” In addition, “excess of net assets acquired over cost (net)” was recorded under “long-term liabilities”; however, this is now recorded as “goodwill” or “negative goodwill” as of this consolidated fiscal year.

Furthermore, following the enforcement of the Corporate Law, “investments” in the former companies with limited liabilities are now included in “investment securities” as of this consolidated fiscal year.

2. Notes to Consolidated Statements of Income

(Millions of yen)

	Year ended March 31	
	2006	2007
(1) Principal Items and amounts of selling, general and administrative expenses		
Transport and storages	9,686	9,999
Salaries, wages, bonuses, etc.	16,024	15,781
Provision for employees' bonuses	1,794	1,619
Reserve for employees' severance and retirement benefits	917	1,039
Research and development	10,014	10,383
(2) Research and development expenses included in general and administrative expenses and manufacturing costs for the period	10,079	10,426

(3) Impairment Losses

The following losses on impairment of non-current assets were reported during the consolidated fiscal year ended March 31, 2007.

Location	Usage	Type	Losses on impairment
Toyobo G.M.S. Co., Ltd. (Omachi City, Nagano Pref.)	Idle assets	Buildings Land	227 560

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

Since the relevant idle assets have been affected by plunging land values, we reduced the book value of each to a recoverable amount, and accounted the resulting impairment loss (¥787 million) as an extraordinary loss.

The recoverable amount of the assets concerned is determined by their net sale price and for land and real estate, appraisal is based on prices for equivalent properties in the immediate neighborhood.

(Change in Recording Method)

In the previous consolidated fiscal year, "amortization of excess of net assets acquired over cost (net)" was recorded under "other income"; however, as of the consolidated fiscal year "amortization of goodwill" is now included in sales, general and administrative expenses and the total amount of "amortization of negative goodwill" is included in "other income."

3. Notes to Consolidated Statement of Changes in Net Assets

(1) Notes to the class and total number of shares outstanding, and the class and total number of treasury stocks

(Unit: 1,000 shares)

	No. of shares at the end of year ended March 31, 2006	No. of shares increased during year ended March 31, 2007	No. of shares decreased during year ended March 31, 2007	No. of shares at the end of year ended March 31, 2007
Issued stock Common stock	699,027	---	---	699,027
Treasury stock Common stock (Note)	2,220	139	1,368	991

（Notes） 1. The number of common stocks increased as a result of buy-back of fractional stocks.

2. The reduction in common stock is due to the increased buying of odd-lot shares, the consolidated subsidiaries' sell-off of shares of Toyobo Co., Ltd. and a reduction in the number of companies to which equity method accounting is applied.

(2) Notes to dividend

(Amount of dividend paid)

（Resolution）	Class of shares	Amount of dividend (Million yen)	Dividend per share (yen)	Reference date	Effective date
Ordinary general meeting of shareholders on June 29, 2006	Common stock	3,492	5.0	March 31, 2006	June 29, 2006

(Of the dividend for which the date of record belongs to this consolidated fiscal year, those for which the date of entry into force of the dividend is the following consolidated fiscal year.)

（Resolution）	Class of shares	Amount of dividend (Million yen)	Dividend per share (yen)	Reference date	Effective date
Ordinary general meeting of shareholders on June 28, 2007	Common stock	3,491	5.0	March 31, 2007	June 28, 2007

4. 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

(Millions of yen)

	March 31, 2006	March 31, 2007
Cash and cash equivalents in balance sheet	12,470	14,470
Fixed-term deposits with a term exceeding three months	(576)	(330)
Cash and cash equivalents in cash flow statement	11,894	14,140

（Change in recording method）

In the previous consolidated fiscal year, “amortization of consolidation difference” was recorded after the amortization of assets and liabilities had been offset. However, the amortization of goodwill is now included in depreciation, and “negative goodwill” is recorded separately from this consolidated fiscal year.

Segment Information

1. Segment Information by Business Type

[Fiscal Year ended March 31, 2006] (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	174,484	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 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 and 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.

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

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

[Fiscal Year ended March 31, 2007] (Millions of yen)

	Films and Functional Polymers	Industrial Materials	Life Science	Textiles	Other Businesses	Total	Elimination or Corporate	Consolidated
I. Net Sales and Operating Income								
(1) Net sales to external customers	124,614	74,391	32,639	149,585	45,436	426,666	---	426,666
(2) Intersegment net sales or transfer amounts	180	88	132	260	9,963	10,623	[10,623]	---
Net Sales	124,794	74,479	32,771	149,845	55,399	437,289	[10,623]	426,666
Operating Expenses	109,490	68,561	27,186	145,460	52,928	403,625	[7,395]	396,231
Operating Income	15,304	5,917	5,585	4,386	2,471	33,663	[3,228]	30,435
II. Assets, Depreciation & Amortization and Capital Expenditure								
Assets	126,206	79,541	36,826	133,076	97,495	473,145	40,046	513,191
Depreciation and Amortization	6,525	3,428	2,514	2,562	1,076	16,104	834	16,938
Capital Expenditure	5,364	2,989	4,179	1,904	503	14,938	815	15,753

Non-allocatable operating costs and expenses which have been included in "Elimination or Corporate" totaled ¥2,929 million.

(Changes in Defining Business Segments)

The Toyobo Group aims to be a manufacturer of highly functional products, which continually creates new value based on unique core technologies - namely, polymerization technology, modification technology, processing technology and biotechnology. In order to promote future growth and reform of our business portfolio, our business divisions were reorganized beginning in April 2006 based around technology clusters that employ common, fundamental technologies. As a result, changes have occurred in the business groupings used in the segment information disclosures.

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

Films and Functional Polymers:	Packaging films, industrial films, industrial adhesives, engineering plastics, photo-functional materials, etc.
Industrial Materials:	Fiber materials for automobiles, super fibers, functional filters, non-woven fabrics, etc.
Life Science:	Bio-science products such as diagnostic enzymes, pharmaceutical production, hollow fiber membrane for artificial kidneys, 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 Policy)

As noted in the Important Notes Concerning Basis for Compiling Consolidated Financial Statements, as of the consolidated fiscal year, amortization of goodwill is included and shown in operating costs.

Due to this change to previous methods, increases have been recorded for operating costs of the consolidated fiscal year in the following categories: films and resins for industrial applications (¥22 million); life sciences (¥61 million); fibers and textiles (¥227 million); and other businesses (¥12 million). Operating income has accordingly decreased in each of these categories.

Segment information for the previous consolidated fiscal year when calculated using the method applied for business categories in the consolidated fiscal year results in the following figures.

[Fiscal Year ended March 31, 2006] (Millions of yen)

	Films and Functional Polymers	Industrial Materials	Life Science	Textiles	Other Businesses	Total	Elimination or Corporate	Consolidated
I. Net Sales and Operating Income								
(1) Net sales to external customers	116,362	68,935	29,667	142,513	44,471	401,948	---	401,948
(2) Intersegment net sales or transfer amounts	272	34	117	256	11,603	12,282	(12,282)	---
Net Sales	116,634	68,969	29,785	142,769	56,074	414,230	(12,282)	401,948
Operating Expenses	101,718	63,173	24,177	139,378	53,076	381,521	(9,460)	372,061
Operating Income	14,916	5,796	5,608	3,391	2,999	32,710	(2,822)	29,887
II. Assets, Depreciation & Amortization and Capital Expenditure								
Assets	119,671	78,541	34,654	140,627	105,573	479,066	35,725	514,791
Depreciation and Amortization	5,261	3,533	2,163	2,677	1,226	14,859	797	15,656
Capital Expenditure	8,391	3,802	2,437	2,181	694	17,506	625	18,131

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

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, 2006] (From April 1, 2005 to March 31, 2006)

(Millions of yen)

	Southeast Asia	Other Regions	Total
I. Overseas sales	34,491	28,512	63,003
II. Consolidated sales			401,948
III. Percentage of overseas sales to total consolidated sales	8.6%	7.1%	15.7%

[Fiscal Year ended March 31, 2007] (From April 1, 2006 to March 31, 2007)

(Millions of yen)

	Southeast Asia	Other Regions	Total
I. I Overseas sales	36,817	38,930	75,748
II. Consolidated sales			426,666
III. Percentage of overseas sales to total consolidated sales	8.6%	9.1%	17.8%

Tax-Effect Accounting

1. Breakdown and Principal Sources of Deferred Tax Assets and Liabilities

(Millions of yen)

	March 31, 2006	March 31, 2007
Deferred tax assets:		
Accrued bonuses included in accrued expenses	1,919	1,997
Accrued enterprise tax included in accrued income taxes	127	393
Devaluation loss on inventories	840	1,128
Accrued retirement benefits	8,773	7,676
Directors and statutory auditors' retirement benefits	518	560
Allowance for doubtful receivables	556	818
Impairment loss	1,009	952
Write-down of investment securities	1,175	2,061
Tax loss carryforwards	2,909	4,897
Unrealized income eliminated from consolidation	9,869	9,009
Securities acquired through merger	271	271
Others	1,256	1,877
Subtotal	29,222	31,639
Valuation allowance	(6,035)	(7,799)
Total	23,187	23,840
Deferred tax liabilities:		
Unrealized holding gain on securities	(9,437)	(6,820)
Reserve for deferred gain on sale of property	(786)	(828)
Undistributed earnings of overseas subsidiaries and affiliates	(493)	(473)
Consolidation adjustment for allowance for doubtful receivables	(137)	(137)
Gain on valuation of assets of consolidated subsidiaries	(2,185)	(2,217)
Tax deferred gains on assets transferred to a new company	(2,580)	(1,810)
Tax deferred gains on spin-off	(2,238)	(2,238)
Subtotal	(17,855)	(14,523)
Deferred tax assets, net	5,332	9,317
In addition to the above, deferred tax liabilities associated with land revaluation has been declared.	(28,165)	(28,164)

2. Difference in the Burden of Corporate and Other Taxes between the Statutory Tax Rate and after Application of Tax-Effect Accounting

	March 31, 2007
	%
Statutory tax rate	41.0
(Adjustment)	
Non-taxable dividend income	(0.5)
Expenses not deductible for tax purposes	0.9
Tax reduction due to amount of loss carried forward	(1.6)
equity in earnings of affiliates	(1.5)
Allowance account	4.3
Tax deduction	(7.2)
Taxes for previous period	(5.8)
Other	0.9
Effective tax rate	30.4

Notes have been omitted in the previous consolidated fiscal year, because the difference between the statutory effective tax rate and the rate of tax (corporation tax, etc.) incurred after tax effect accounting is less than five percent of the statutory effective tax rate.

Securities

[Previous 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)

(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)

(Millions of yen)

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

2. Available-for-Sale Securities Sold during the Fiscal Year ended March 31, 2006

(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 ¥5,598 million

Contributions to investment funds, etc. ¥216 million

(2) Subsidiaries' stocks and Affiliates' stocks

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

4. Subsidiaries' Stocks and Affiliates' Stocks with Fair Market Value

(Millions of yen)

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

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

[Subject Consolidated Fiscal Year End] (As of March 31, 2007)

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

(Securities whose value declared in Consolidated Balance Sheets exceeds the acquisition cost)

(Millions of yen)

	Acquisition Cost	Value declared in Consolidated Balance Sheets	Difference
Stocks	10,582	27,931	17,348
Government bonds	150	150	0
Other	10	14	4
Subtotal	10,742	28,094	17,352

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

(Millions of yen)

	Acquisition Cost	Value declared in Consolidated Balance Sheets	Difference
Stocks	2,368	1,632	(736)
Subtotal	2,368	1,632	(736)

2. Available-for-sale Securities Sold during the Fiscal Year ended March 31, 2007

(Millions of yen)

Amount Sold	Total Gain on Sale	Total Loss on Sale
441	325	8

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

(1) Available-for-sale securities

Non-listed stocks ¥5,589 million

Contributions to investment funds, etc. ¥214 million

(2) Subsidiaries' stocks and Affiliates' stocks

Non-consolidated subsidiaries' stocks and affiliates' stocks ¥10,421 million

4. Subsidiaries' Stocks and Affiliates' Stocks with Fair Market Value

(Millions of yen)

	Value declared in Consolidated Balance Sheets	Market Value	Difference
Subsidiaries' stocks	6,909	7,184	275
Affiliates' stocks	2,622	3,293	671

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

Retirement Benefits for Employees

1. Overview of the Retirement Benefits System Adopted by the Company

The Company and its domestic consolidated subsidiaries have established defined benefit plans, consisting of a qualified pension plan and a retirement lump-sum payment plan. Certain consolidated subsidiaries have a funded defined contribution pension plan administered by a government agency. In addition, premium severance pay may be available for retiring employees.

2. Retirement Benefit Obligation

(Millions of yen)

	March 31, 2006	March 31,2007
(1) Retirement benefit obligation	(71,672)	(70,297)
(2) Plan assets at fair value	26,780	28,773
(3) Retirement benefit trust	8,364	7,753
(4) Unfunded retirement benefit obligation [(1) + (2)+ (3)]	(36,528)	(33,771)
(5) Unrecognized net retirement benefit obligation at transition	14,937	13,172
(6) Unrecognized actuarial loss	3,078	4,891
(7) Unrecognized prior service cost (Note 1)	(1,671)	(1,281)
(8) Net retirement benefit obligation [(4) + (5) + (6) + (7)]	(20,184)	(16,989)
(9) Prepaid pension cost	---	---
(10) Accrued retirement benefits [(8) – (9)]	(20,184)	(16,989)

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. Retirement Benefit Expenses

(Millions of yen)

	Years ended March 31 2006	2007
(1) Service cost	2,212	2,356
(2) Interest cost	1,501	1,467
(3) Expected return on plan assets	(712)	(1,064)
(4) Amortization of net retirement benefit obligation at transition	1,714	1,705
(5) Amortization of actuarial loss	1,265	943
(6) Amortization of prior service cost	(277)	(332)
(7) Total [(1) + (2) + (3) + (4) + (5) + (6)]	5,703	5,075

Note: 1. In addition to the retirement benefit expenses stated above, premium severance pay in the amount of 427 million yen in the fiscal year under review and 447 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 "(1) Service costs" and "(4) Amortization of net transition benefit obligation at transition."

4. Items related to Basis for Calculation of Retirement Benefit Obligation

(1) Method allocating projected retirement benefits over period	Straight-line standards
(2) Discount rates	2.0-2.5%
(3) Expected rate of return on plan assets	2.5-3.5%
(4) Amortization period of prior service	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)
(5) Amortization period of actuarial gain or loss	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 consolidated fiscal year)

(6) Years over which net transition obligation arising from changes in accounting standards is amortized	Mainly 15 years. 10 years in the case of some subsidiaries, etc. However, in the case that employees who were employed at the time of the change in accounting standards retire in large numbers, amortization will be conducted promptly.

Per Share Information

(Yen)

	Year ended March 31	
	2006	2007
Net assets per share	179.59	191.28
Earnings per share	18.10	19.32
Net income per share after dilution	---	19.22

Note: 1. With regard to current net earnings per share following adjustment of residual securities in the previous consolidated fiscal year, residual securities no longer exist and are therefore not shown.

2. The basis for calculating the amount for net assets per share, current net earnings per share and current net earnings per share after adjustment of residual securities is shown below.

(Millions of yen)

	Year ended March 31	
	2006	2007
Net assets per share:		
Total net assets	---	152,224
Amount deducting from total net assets [Minority interests]	--- [---]	18,702 [18,702]
Net assets relating to common shares	---	133,521
Number of shares of common stock used as basis for calculation of net assets per share (Thousands of shares)	---	698,035
Earnings per share:		
Net income	12,596	13,472
Net income not available to common shares	---	---
Net income available to common shares	12,596	13,472
Weighted average number of shares outstanding (Thousands of shares)	695,706	697,214
Net income per share after dilution:		
Effect of dilutive securities	---	---
Increase in the number of common shares (Thousands of shares) [Corporate bonds with stock purchase rights] (Thousands of shares)	--- [---]	43,668 [43,668]
Increase in weighted average number of shares out standing(Thousands of shares) [Stock purchase rights] (Thousands of shares)	--- [---]	3,639 [3,639]

(Note of Omission)
With regard to notes on lease transactions, derivative transactions, and transactions with related parties, as there is no large necessity to disclose these in this balance sheet they have been omitted.

There are no notes on corporate mergers, etc., and important subsequent events.