



***A Stronger Foundation
for Growth***



**2007
Annual Report**

Year Ended March 31, 2007

Profile

Toyobo Co., Ltd. was founded as a textile company in 1882, celebrating its 125th anniversary in 2007. The Company has restructured its business many times in accordance with the changing times. The most recent facet of this adaptation is a concentration of management resources in the fields of Films and Functional Polymers, Industrial Materials, and Life Science, specialty businesses that draw on Toyobo's unique core technologies in polymerization, modification, processing and biotechnology. With this focus, we have moved into an era of accelerating growth.

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

Toyobo is currently implementing the final year of its medium-term business plan, which runs through the fiscal year to March 2008. Our aim is to become a manufacturer of high-function products that fuses together and deepens unique technologies, and continually generates new value.

Disclaimer Regarding Forward-Looking Statements

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

* Trademarks in this report are registered in Japan

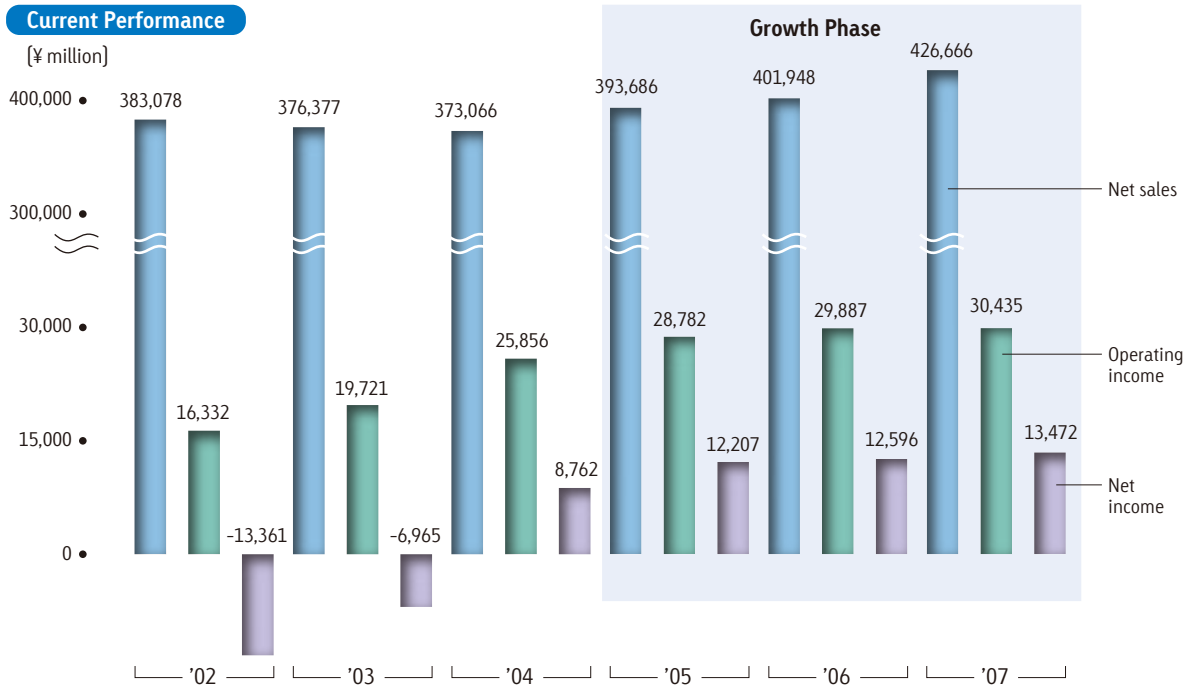
Contents

02

Strategy and Management Systems

02 To Our Shareholders and Investors

We set new records for operating and net income for the third consecutive year.



08 Corporate Governance

Product Diversification and Technology Evolution

10

Overview of Operations

12

12 At a Glance

14 Review of Operations by Business Segment



14
Films and
Functional
Polymers



18
Industrial
Materials



22
Life
Science



26
Textiles

Toyobo's Strengths

28

28 Research and Development Activities and Intellectual Property Management Structure

31 Innovation in Production Technologies

Corporate Social Responsibility

32

Financial Section

34

Information and Data

60

60 Group Companies

62 Investor Information

63 Corporate Data

To Our Shareholders and Investors

We set new records for operating and net income for the third consecutive year.

Review of the Year Ended March 2007

Toyobo achieved increases in both revenue and earnings during fiscal 2007 (ended March 31, 2007), with net sales of ¥426.7 billion (up 6.1% year on year), operating income of ¥30.4 billion (up 1.8%), and net income of ¥13.5 billion (up 7.0%). Although rising prices for raw materials and fuel significantly increased costs for a third consecutive year, we set new records for operating and net income during those same three years. While the business climate has changed dramatically, we have established a foundation for stable earnings. We also recognize the return of profit to shareholders through dividends to be one of our top priorities. In consideration of such factors as earnings, securing funds for reinvestment, and the retention of earnings to stabilize the financial position, we plan to pay dividends of ¥5 per share (a payout ratio of 25.9%).

Operating income rose ¥0.5 billion year on year. The factors pushing down earnings included a rise in costs for raw materials and fuel (¥6.6 billion), along with increases in fixed cost related to capital investment and other variable expenses (¥4.3 billion), for a total increase of ¥10.9 billion. Offsetting this were increases in sales prices (¥3.6 billion) and unit sales volume (¥5.3 billion), together with cost reductions (¥2.4 billion) achieved from Toyobo's innovations in production technology. These earnings increases amounted to ¥11.3 billion, outstripping declines by ¥0.5 billion. During the past two years, we were able to pass on around 70% of the increased cost of raw materials and fuel through higher sales prices, but during the subject fiscal year we were slightly behind in shifting costs, achieving a conversion rate of just 56%. The portion of cost increases not shifted to sales prices was absorbed by greater sales volume, along with innovations in production technology that eliminated losses and improved productivity on the factory floor.

By segment, the aggregate operating income of our three specialty businesses—Films and Functional Polymers, Industrial Materials, and Life Science—rose ¥0.5 billion during the subject fiscal year. This amount was equal to the increase in operating income for the entire company.

Financial Highlights

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

Net sales
Operating income
Net income
Total assets
Total net assets (Note 2)

Basic net income per share
Cash dividends

Notes: 1. The U.S. dollar amounts in this report represent translations of yen, for convenience only, at the rate of ¥ 118.05 to \$1.00.



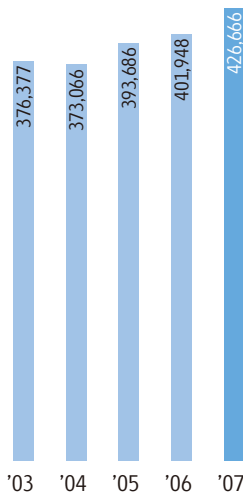
President Sakamoto, in front of Toyobo's guiding principle, *Junri-Sokuyu*

Millions of yen		Thousands of U.S. dollars (Note 1)
2007	2006	2007
¥426,666	¥401,948	\$3,614,282
30,435	29,887	257,815
13,472	12,596	114,121
513,191	514,791	4,347,234
152,223	142,437	1,289,479
Yen		U.S. dollars (Note 1)
¥19.32	¥18.10	\$0.164
5.00	5.00	0.042

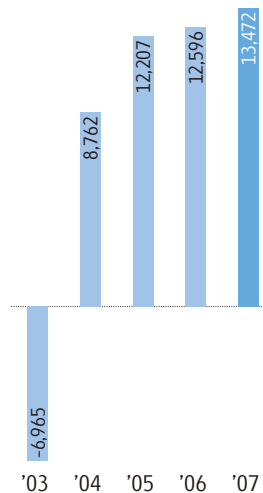
2. Effective from the year ended March 31, 2007, the Company and its domestic consolidated subsidiaries adopted the Accounting Standard for Recording of Net Assets on the Balance Sheet [Accounting Standards Board of Japan, Guideline No. 5, December 9, 2005]. Total net assets are calculated based on this standard and guideline.

In the Films and Functional Polymers segment, earnings were up ¥0.4 billion year on year. This stemmed from greater sales of films for LCD and optical use employed for flat-panel displays (which were given a boost by full-capacity operation of our new production line), along with rising demand for automotive engineering plastics and industrial adhesives for electronics components. In the Industrial Materials segment, the impact from the rise in raw materials and fuel costs was severe, with earnings growing by just ¥0.1 billion. Profit from tire cords and polyester staple fibers was down, but was supported by functional filters, high-performance fibers and airbag fabrics. The Life Science segment was negatively impacted by revisions to the National Health Insurance reimbursement structure, which pushed down earnings from hollow fiber membranes used for artificial kidneys, but earnings remained on a par with the previous fiscal year due to growth in sales of diagnostic enzymes in the bioproducts business. In the Textiles segment, where

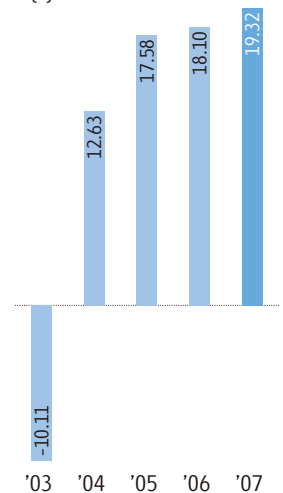
Net Sales
(¥ million)



Net Income (Loss)
(¥ million)



Basic Net Income (Loss) per Share
(¥)



asset efficiency is the watchword for management, successful narrowing of the business focus to functional fabrics and ceasing in-house production of commodity fibers produced improvements that exceeded the plan, with operating income rising ¥1.0 billion from the previous fiscal year. Earnings from the Other Businesses segment declined, however, due to withdrawal from non-core businesses. We also recorded an increase in R&D and other shared expenses.

The Final Year of Our Medium-Term Business Plan

The fiscal year ending March 2008 [the current fiscal year] is the final year of our medium-term business plan. We forecast net sales for the year of ¥435.0 billion, an increase of ¥8.3 billion [2.0%] over the subject fiscal year. Although the commodity textiles business continues to shrink, specialty businesses remain on a growth track. We had forecast operating income of ¥35.0 billion under the business plan, but have revised this to ¥33.0 billion [prior to the change in the method for depreciation, which I address below]. The main factors behind this revision are slower than anticipated earnings growth in specialty businesses, and in increase in R&D expenses. Further, we expect that the change in the accounting treatment for depreciation that will be made in Japan will have an impact of ¥2.5 billion per year for the next five years, resulting in actual net income of ¥30.5 billion, or growth of just ¥0.1 billion [0.2%] for the next fiscal year.* We forecast a slight increase in net income to ¥13.5 billion [up 0.2% year on year]. Dividends are expected to remain at ¥5 per share. The rise in raw material and fuel prices is expected to level off during fiscal 2008, and we expect to meet our earnings targets through growth in the specialty businesses, and further progress with the production technology innovations that had such a significant impact during the subject fiscal year.

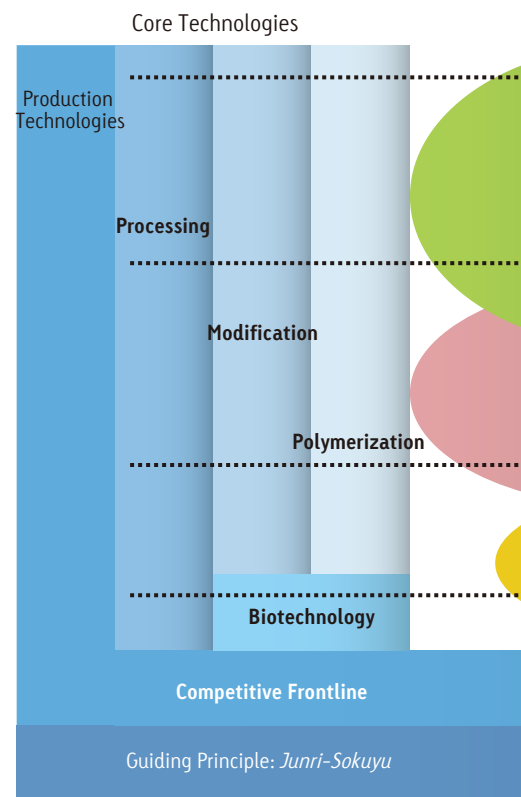
In consideration of these factors, we have identified several issues we must address from fiscal 2008. The first is expansion of the specialty businesses. Currently their growth is lagging on an earnings basis, and we are in no position to be satisfied with this performance. The results for the subject fiscal year reveal a gap between those businesses that overcame the changes in the business environment to achieve growth, and those that did not. We believe that the difference lies in their ability to respond to changes in such business conditions as appreciation of raw material and fuel prices, and intensified competition. Going forward, we will focus on the advantages of businesses and growth potential of markets to pursue a program of selection and concentration in the specialty businesses, and focus resources in those businesses with the greatest advantages.

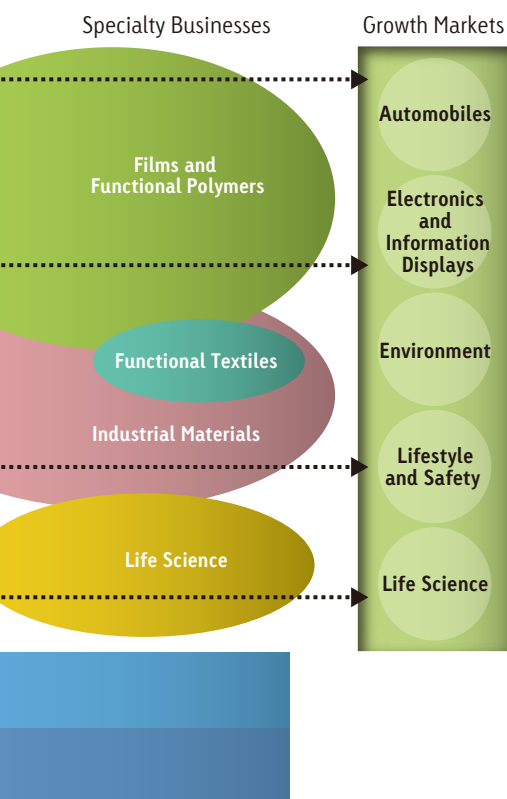
The second issue is improved asset efficiency in the Textiles and Other Businesses segments. In the Textiles segment, we are focusing on markets where the value of our unique functional materials has been recognized, and withdrawing from or scaling back

*In accordance with the change in the accounting treatment for depreciation in Japan, Toyobo's remaining book value of ¥12.7 billion, which was not previously subject to full depreciation, must now be written down over five years. The portion recorded for the current fiscal year will be ¥2.5 billion.

Our Vision

A manufacturer of high-function products, continuously creating new value by enhancing our core technologies





low-margin businesses. One of our most recent decisions was to cease in-house production of polyurethane fiber in December 2006. In accordance with the “master plan” for the restructuring of the Textiles segment formulated in 2006, we are focusing on achieving ROA of 5% by the fiscal year ending March 2009. Improving asset efficiency is also a management priority in the Other Businesses segment. We transferred shares held in the machine tool manufacturer Nippei Toyama Corporation, and are making other efforts to reduce assets in non-core businesses.

A third priority is unified management of the Toyobo Group. Up to this point, we have worked to enhance the governance of the entire group, and improve the performance of low-earning companies. Going forward, we will also concentrate on further expansion of the specialty businesses from the standpoint of the entire group. For example, we are working to create new business in automotive and other growth markets by fusing technologies from across the Group.

Our fourth issue is bolstering our financial position. We have made good progress in this area, achieving the targets of our current business plan, a D/E ratio of less than 1.5 times and interest-bearing debt of less than ¥200 billion, a full year ahead of the plan. We are now incorporating a new goal of a D/E ratio of 1.0 time.

Flexible Structures for Growth Markets

To provide the necessary structures for growth in the specialty businesses, we reorganized the business division structure during the subject fiscal year to allow for the sharing of basic technologies and more flexible operations. We focused on cultivating Toyobo’s four core technologies of polymerization, modification, processing and biotechnology, as well as the production, quality assurance, engineering, and analysis technologies that underpin them. By sharing and integrating these basic technologies, we will accelerate the generation of new businesses and the development of production technologies. In the Films and Functional Polymers segment, for example, by establishing a coherent process from polymerization to film forming, we have improved product quality while easing product development. Further, for next-generation electronics materials, which require the simultaneous development of new technologies for both polymerization and film forming, we utilized flexible operations to expedite commercialization. In the Industrial Materials segment, we consolidated spinning and processing technologies for synthetic fibers, non-woven fabrics and high-performance fibers. This new organization fused technologies that would otherwise tend to naturally compartmentalize, in the process generating a new level of competitiveness.

There are five markets in which Toyobo anticipates growth. The first is the automotive market, where sales are rising of such products as engineering plastics and airbag materials. For engineering plastics, we are pursuing global expansion and production capacity increases, while for airbags the fusion of resin designing and coating technologies has

resulted in the development of new products in a short period of time. In the market for electronics and information displays, we have achieved substantial growth along with expanded production capacity for films for LCD and optical use. Sales of industrial adhesives for electronic components are also rising steadily. Performance in the environmental market is being aided by greater sales of solvent recovery equipment to prevent atmospheric pollution, bag filters used in the coal boilers of thermal power stations (mainly to China), and reverse osmosis membranes for desalination systems (mainly to the Middle East). In the lifestyle and safety market, we are recording healthy sales of the high-performance fiber “DYNEEMA,” particularly for such applications as safety gloves and recreational fishing line. Finally, in the life science market, sales are growing steadily for diagnostic enzymes used to measure blood glucose levels.

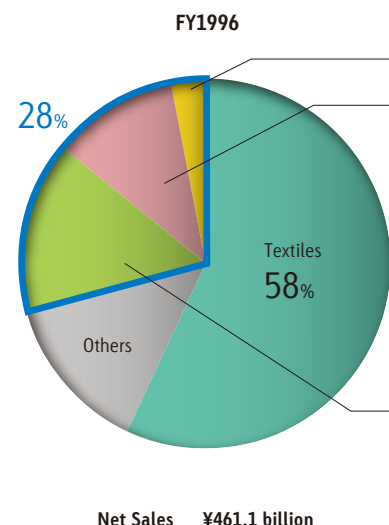
To further enhance our competitiveness in these growth markets, we plan to increase our capital expenditures in fiscal 2008 to 1.5 times that of the subject fiscal year, for a total of ¥23.7 billion. This will mainly be to expand production capacity for films for LCD and optical use, industrial masking films, and airbag fabrics. We anticipate that depreciation expenses will rise 14.0% from the subject fiscal year to ¥19.2 billion. Business development and R&D policies will be formulated from a medium- to long-term perspective that takes account of matching market needs with Toyobo’s technology seeds. Among the growth markets, we will particularly accelerate product development in the core areas of automotive and electronics and information displays. One example of a research theme in this area is for heat-resistant polyimide film, which is a promising candidate for next-generation circuit boards due to its superior heat resistance and dimensional stability under high-temperature conditions, and polymer electrolyte membranes for fuel cells. With automobiles incorporating more electronics and IT devices being used for extended periods, we will target these areas for commercialization.

CSR and Corporate Governance

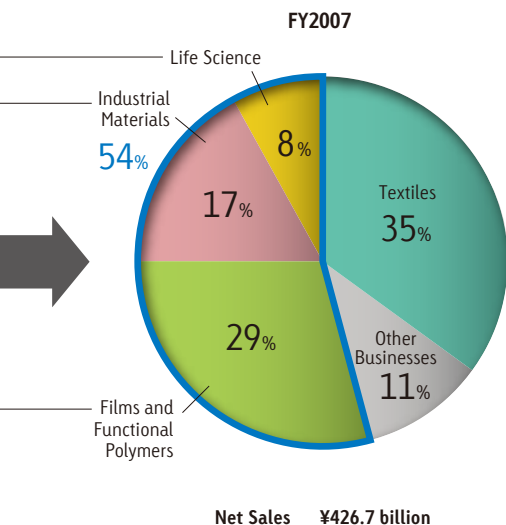
Toyobo’s guiding principle occupies the highest position in its business processes. This is the philosophy and the way of thinking of management, under which are the management policies and vision, from which strategies are created to realize it. The guiding principle of Toyobo, *Junri-Sokuyu*, means “Adhering to Reason Leads to Prosperity.” This maxim from the Chinese Song Dynasty (960–1279) scholar Chu Hsi was a favorite of Toyobo’s founder, Eiichi Shibusawa. It is the starting point for Toyobo’s CSR program, and is reflected in such specific company documents as the “TOYOBO Corporate Action Guidelines” and the “TOYOBO Corporate Codes of Conduct.” We constantly remind ourselves that any time we are unsure of anything with regard to their business activities, we should remember the principle of “Adhering to Reason Leads to Prosperity.”

We recognize that the role of management is to continually raise corporate value through the conduct of business activities. This corporate value has two aspects—the economic value of earnings and share price, and the social value accumulated among

Evolution of the Business Portfolio



stakeholders. I believe that unless this balance is maintained, the Company will be unable to survive. The establishment of solid corporate governance is indispensable to gaining social value, that is, the trust and respect of society. Toyobo's specific measures toward achieving this include ensuring transparency in decision-making and the conduct of operations, along with creating structures to enhance oversight functions. We introduced a corporate officer system in 2005, and put in place a system for determining executive compensation and other matters in consultation with an external third party. In terms of risk management we have established several committees that report directly to the President, including the Global Environment and Safety Committee, Product Liability Prevention Committee, Export Reviewing Committee, Information Committee, and Corporate Ethics Committee. Through these structures, we work to recognize and respond to all types of risks that might arise in the course of our business activities.



Celebrating Our 125th Anniversary

Toyobo was founded in 1882, marking its 125th anniversary in 2007. We have prospered during such periods of growth as the modernization of the Meiji Era and postwar reconstruction, while also experiencing such difficult and tumultuous periods as the oil shocks, structural recession in the textiles industry, and the collapse of the bubble economy. The reason that we have been able to overcome all of this and survive is by being able to transform our business portfolio in response to changing business circumstances shifting from an apparel textile business to such specialty businesses as films, functional polymers, and functional membranes. In fiscal 2007 our ratio of sales in the specialty businesses had grown to 54%, from 28% just 11 years ago. At the same time, the ratio of sales in the textiles business has diminished, from 58% in fiscal 1996 to 35% today. While we were able to adapt our business content to the age, we believe strongly that the philosophy and spirit of "Adhering to Reason Leads to Prosperity," handed down since our founding and which supported our transformation, is another major reason for our success.

Toyobo has completed the major portion of its planned scaling back of business centered on the apparel textile business, and since 2004 has been in a new stage of growth. Our business policy going forward is to fuse and link together the technological capabilities of the entire company, including proactively pursuing technology injections from external resources, with the aim of utilizing that technology to develop and grow the business. Our targets for fiscal 2011 [ending March 2011], are net sales of more than ¥450 billion, operating income of more than ¥38 billion, and ROA of 8%. Specialty businesses provide our sources of growth, and we plan to increase sales by 7% on an annual basis. I would like to offer my most sincere appreciation to our shareholders and investors, and ask for your continued support.

June 2007

Ryuzo Sakamoto

President and Chief Operating Officer

Corporate Governance

Basic Policy on Corporate Governance

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

Implementation Status of Corporate Governance Measures

Board of Directors' Meeting and Executive Officer System ▶ We instituted a system of corporate officers at the end of June 2005, and clearly separated decision-making and supervision, which is handled by the Board of Directors, from business execution, which is handled by corporate officers.

Decision-making and supervision functions are performed by the Board of Directors, who make decisions on management policies, management plans and other important matters relating to the execution of operations, and supervise directors and executive officers in regard to their respective duties. The Board of Directors consists of 10 directors (one of whom is an outside director). Each and every director excluding the Chairman and the outside director concurrently serves as a corporate officer to realize quick and accurate decision-making, in consideration of the diverse and specialized nature of Toyobo's businesses.

For execution functions, the President and Chief Operating Officer serves as the chief executive officer, and convenes monthly and presides over the Board of Corporate Executive Officers. The Board of Corporate Executive Officers, which consists of corporate officers holding responsible posts, makes decisions on matters relating to the execution of operations delegated by the Board of Directors. In addition to the meetings of the Board of Corporate Executive Officers, the President and Chief Operating Officer convenes monthly meetings of the Board of Corporate Officers, consisting of all corporate officers, and general managers and corporate officers present reports regarding the execution of operations.

Corporate Auditor System and Accounting Audits ▶ There are two full-time corporate auditors and two part-time corporate auditors who are outside auditors. They attend meetings of the Board of Directors and other important meetings and give their opinion as necessary. In addition, the Board of Corporate Auditors receives auditing plans and reports from the accounting auditors and regularly meets with them to exchange information. Toyobo has retained KPMG AZSA & Co. as its financial auditor in accordance with the Corporate Law. The Board of Corporate Auditors receives documents and information in response to the auditing plan and auditing results. Corporate auditors and financial auditors are enhancing mutual cooperation through regular meetings to exchange information.

Management

Board of Directors

Chairman of the Board
Junji Tsumura

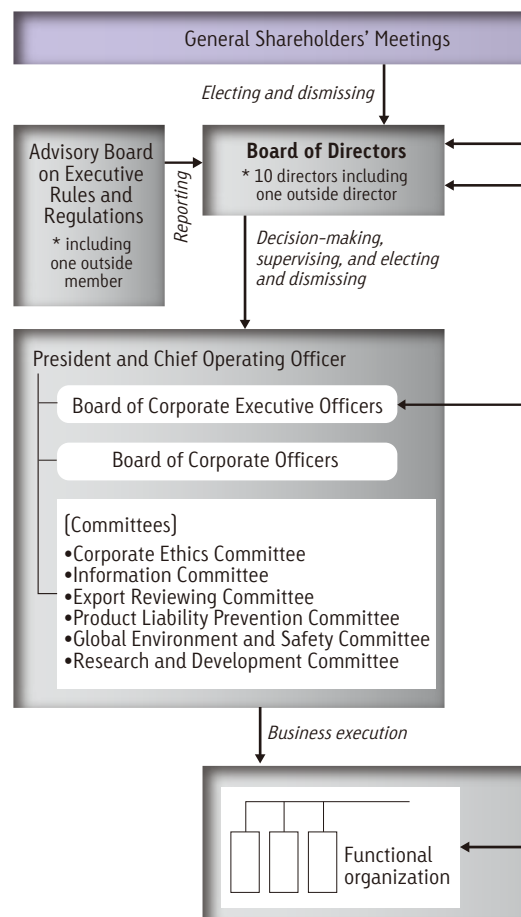
President
Ryuzo Sakamoto

Directors
Masahiko Hachimaru
Fumishige Imamura
Kenji Hayashi
Shigeaki Kogamo
Kazuyuki Yabuki
Fumiaki Miyoshi
Hiroyuki Kagawa
Kunihiro Ashida*
** Outside Director*

Board of Corporate Auditors

Fumio Hotogi
Ichiji Masaki
Makoto Ogasahara*
Shusaku Nishio*
** Outside Corporate Auditor*

Corporate Governance Structure



As of June 28, 2007

Corporate Officers

Chief Operating Officer

Ryuzo Sakamoto

Corporate Senior Executive Officer

Masahiko Hachimaru

Corporate Executive Officers

Fumishige Imamura

Kenji Hayashi

Shigeaki Kogamo

Corporate Officers

Kazuyuki Yabuki

Fumiaki Miyoshi

Hiroyuki Kagawa

Kazuo Kurita

Masaaki Sekino

Seiji Nansai

Kanji Aono

Kunio Tou

Yukihiro Sogabe

Hiroshi Takahashi

Masayuki Yoshikawa

Yasuyuki Nakajima

Osamu Izukawa

Akio Oda

Shinichi Onizuka

Setsuo Shimomichi

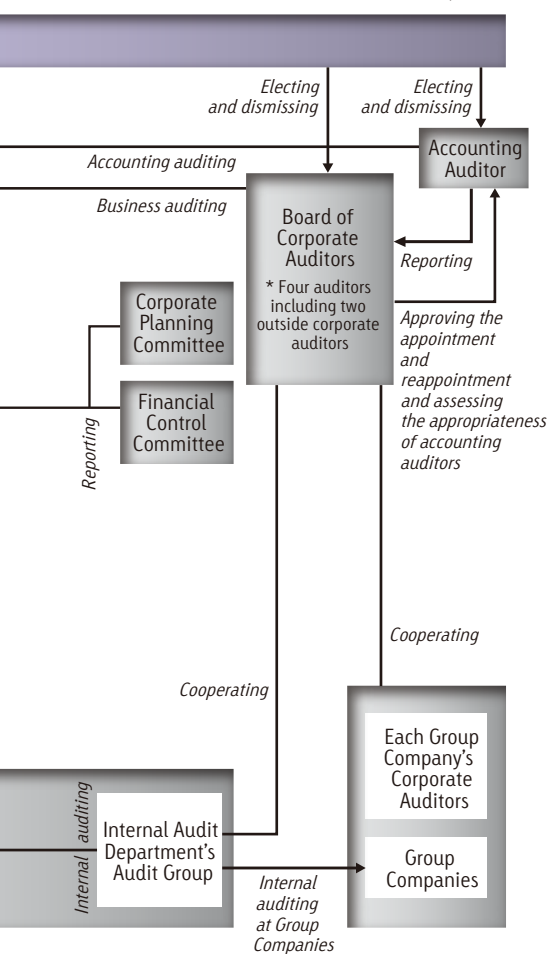
Toshiyuki Matsui

Internal Control System ▶ The Internal Audit Department has been established to monitor the effectiveness of internal controls, and conducts internal auditing encompassing group companies on the basis of an annual schedule. One member of the Internal Audit Department's Audit Group serves concurrently as a staff member assigned to the corporate auditors. The person in this role reports the results of internal audits to corporate auditors and exchanges information with them. Toyobo is currently creating an internal control structure for financial reporting based on the Financial Instruments and Exchange Law to be implemented from fiscal 2009.

Strengthening of Group Governance ▶ Toyobo Group companies were reorganized in October 2003 for each of Toyobo's business divisions to ensure our system of group management enables governance to function more effectively. In January 2005 Toyobo established the Group Management Office, and introduced a cross-organizational structure for governance of group companies. Toyobo's corporate auditors cooperate with the auditors of consolidated subsidiaries through the Group Corporate Auditor Coordinating Committee and other structures to enhance the auditing of the internal control structure of the entire Group.

Determination of Director Compensation ▶ Policies regarding compensation and other benefits for directors and other executives are reviewed by the Advisory Board on Executive Rules and Regulation, which includes committee members from outside the company, which issues a report to the President and Representative Director. The president, in accordance with the authority granted by the Board of Directors, determines the amount of compensation within the limits decided by the General Shareholders' Meeting.

As of June 28, 2007



Total Risk Management

Risk management is undertaken by a number of committees chaired by corporate officers responsible for the respective types of risk. Together, the Corporate Ethics Committee, Information Committee, Export Reviewing Committee, Product Liability Prevention Committee, Global Environment and Safety Committee, and Research and Development Committee handle the various risks facing the Toyobo Group as a whole.

Compliance Structure

As for the compliance structure, we have two permanent organizations, namely, the Corporate Ethics Committee headed by the President, and its subordinate body, the Ethics & Compliance (EC) Committee. In addition, we have opened a whistle-blowing hotline, the Compliance Inquiring Counter. The Compliance Group, which was established in the Law Department, strives to enforce strict compliance. To this end it has created the TOYOBO Corporate Action Guidelines and TOYOBO Corporate Codes of Conduct, which it distributes to all employees.

Product Diversification and Technology Evolution

Toyobo was founded in 1882 as a textile company, when it began its spinning and textile business. Over the next 125 years we continued to adapt to the changing needs of the times, drawing on our core technologies in polymerization, modification, processing and biotechnology to expand our business fields and develop the kind of high-performance products described in this report.

These product lines have been organized into three specialty business segments— Films and Functional Polymers, Industrial Materials, and Life Science—in which we are prioritizing growth and expansion. We have further identified “priority businesses” within these specialty businesses in which Toyobo has a particular strength, and which we hope to nurture and develop into a core business. To accomplish this, we are concentrating business resources in order to accelerate growth. We also actively pursue business alliances and/or technology injections to further enhance already strong businesses.

The Toyobo Group seeks to become a manufacturer of high-function products, continuously creating new value by enhancing our core technologies.

An overview of our business segments and product development during the fiscal year ended March 2007 is presented from page 12 of this report.

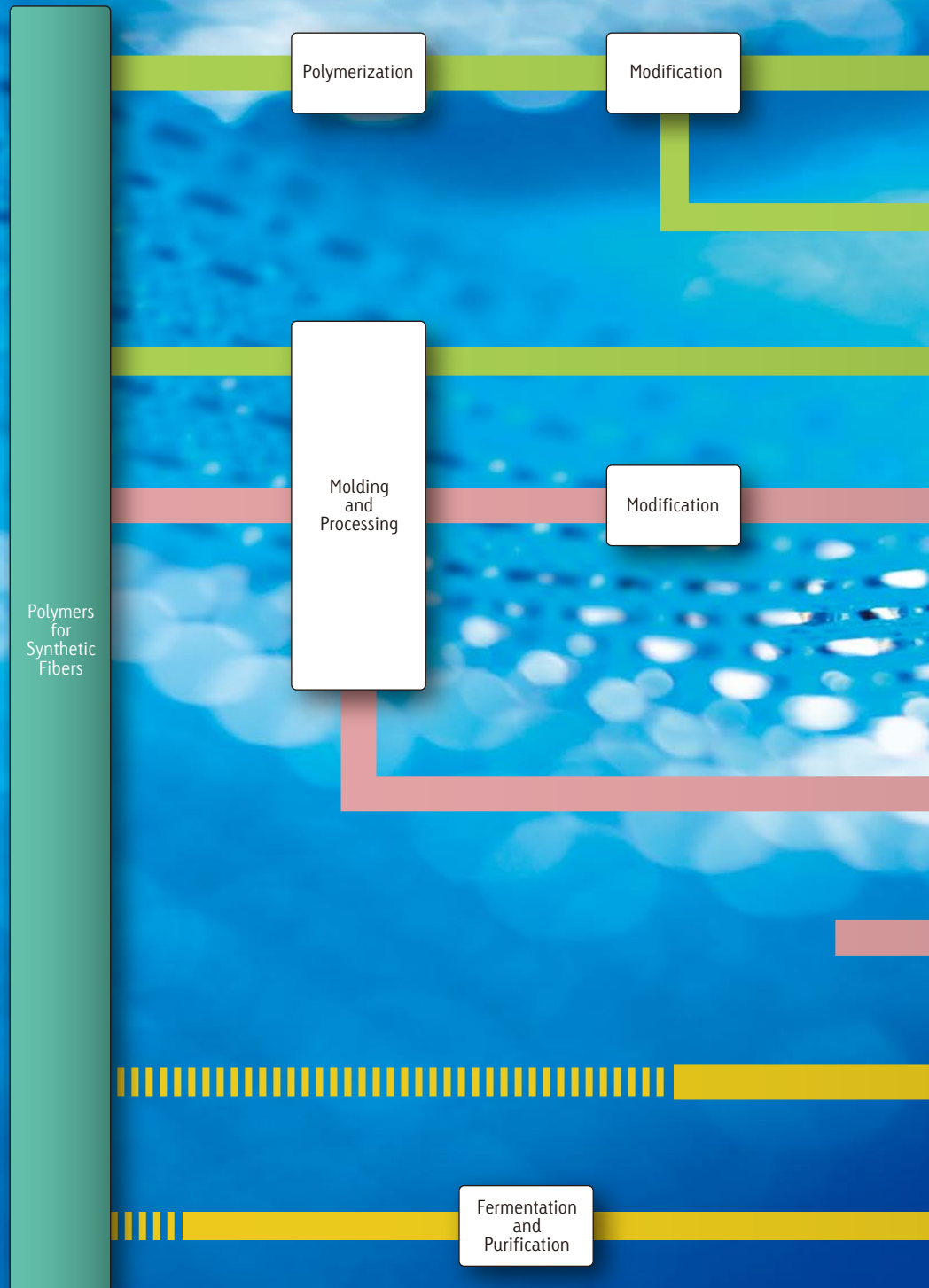
Diversification into a broad range of fields with the changing times

1950–

Entry into the synthetic fibers market;
Development into a general fiber manufacturer

1970–

Accelerated move away from textiles following the oil shocks

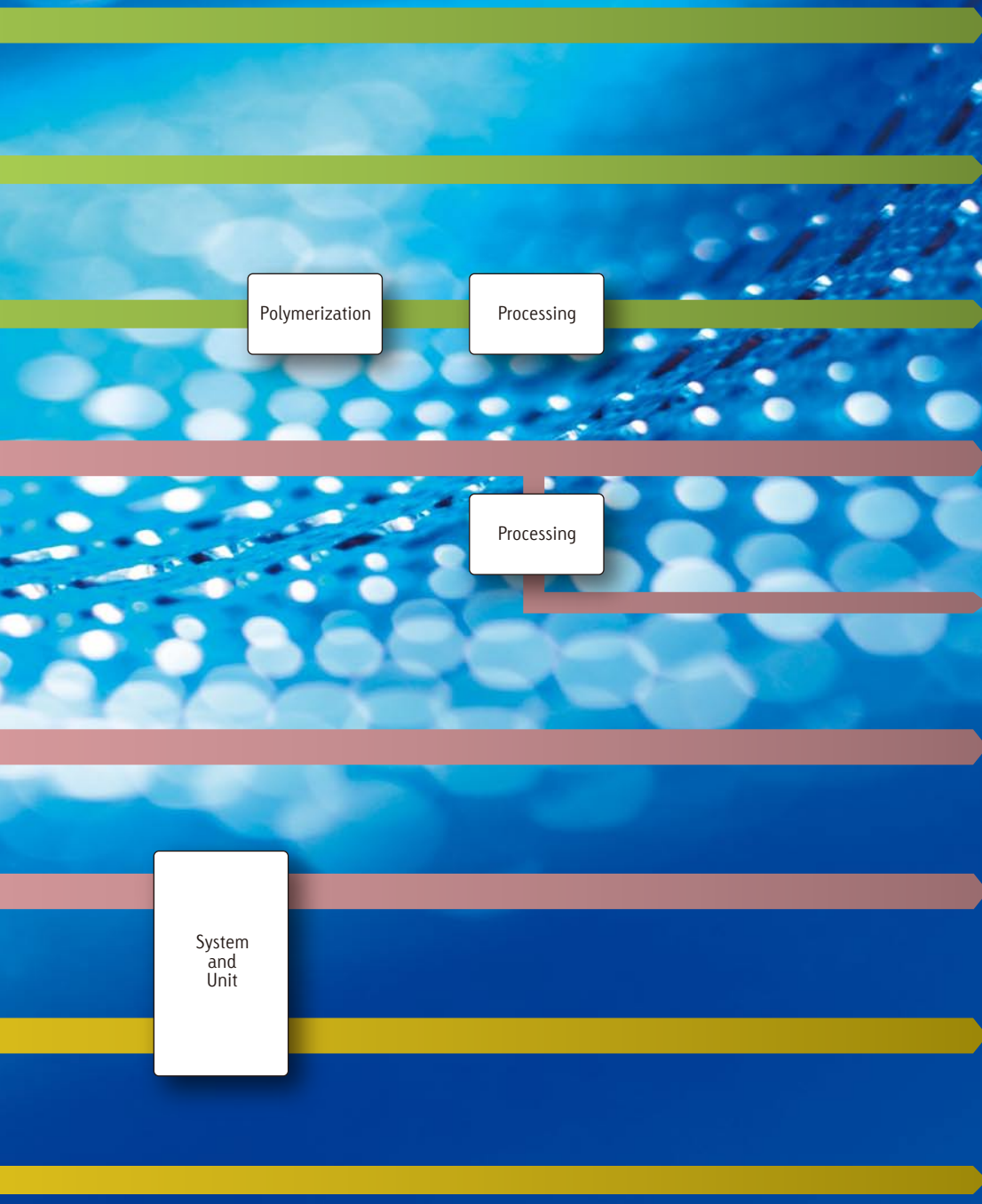


1980-
Entry into such new businesses
as medical and electronics

1990-
Business resources
concentrated in
the plastics business

2000-
Focus on development of
high-performance, high-
value-added products

2006-
Growth potential enhanced through
reorganizing the business division
structure around technology clusters



**Functional
Polymers**



**Engineering
Plastics**



**Industrial and
Packaging Films**



Fibers



**High-Performance
Fibers**



**Non-Woven
Fabrics**



Filters



**Functional
Membranes**



**Enzymes, Diagnostics,
Pharmaceuticals**

At a Glance

Segments

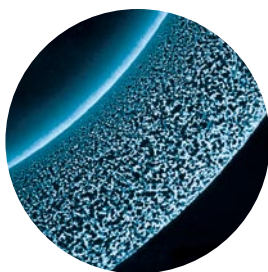
Films and Functional Polymers



Industrial Materials



Life Science

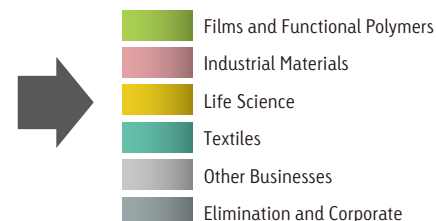
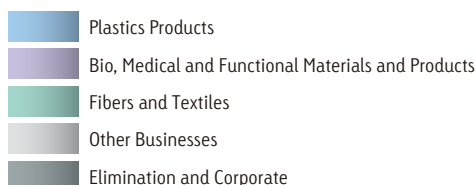
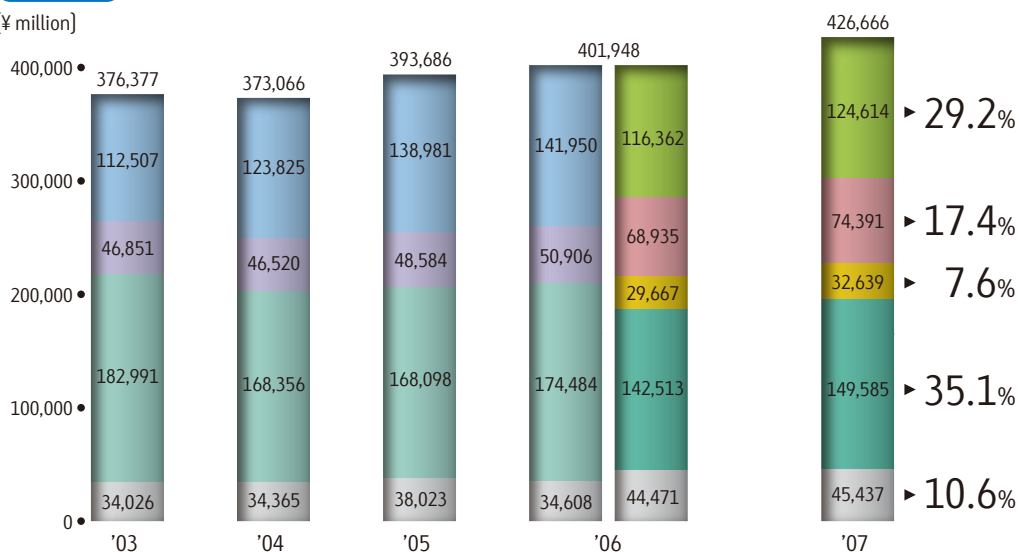


Textiles



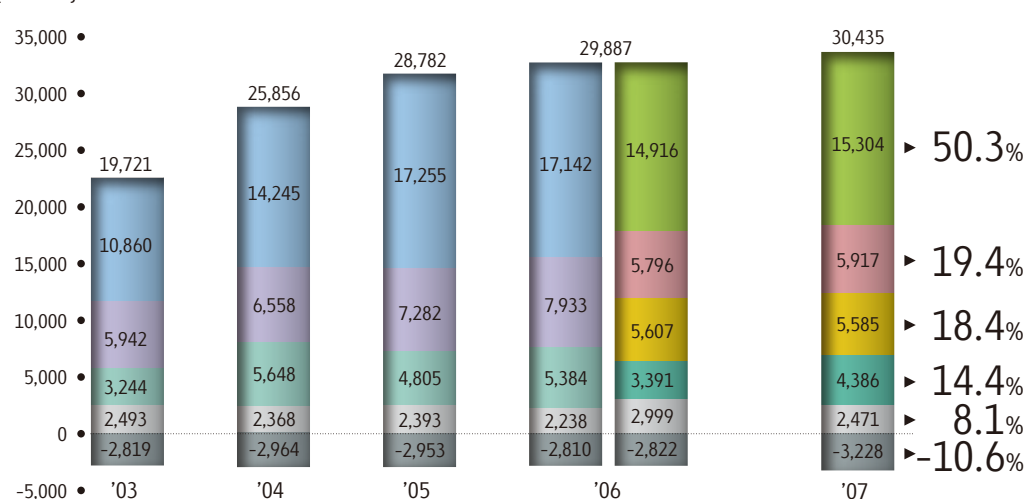
Net Sales

(¥ million)



Operating Income

(¥ million)



Note: From the fiscal year ended March 31, 2007, the Toyobo Group has reclassified its business segments. Segment information for the fiscal year ended March 31, 2006 has been restated.

Principal Products		Performance Review
Industrial Films	For LCD and Optical Use (PET Films), Other Industrial Uses, Synthetic Paper	<p>Sales 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.</p> <p>In the films business, revenue from packaging films rose on the back of robust demand for food packaging films. Sales of industrial films rose sharply following full-scale operation of a new production line at the Inuyama Plant amid continued growth in flat-panel displays with liquid crystal and optical applications.</p> <p>In the functional polymers business, revenue from engineering plastics rose sharply following greater sales both in Japan and overseas for applications in the automotive field. Sales of the industrial adhesive “VYLON” rose for electronics components and other applications.</p>
Packaging Films	For Food Packaging Use (PET, Polyolefin, Nylon), Heat-Shrink PET Films	
Functional Polymers	Engineering Plastics Industrial Adhesives, Coatings Photo Sensitive Printing Plates Acrylate Polymers Electronic Materials	
Others	Rubber Processing, Coat Processing	
Functional Fibers	Airbag Fabrics, Polyester for Tire Cords	<p>Sales 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.</p> <p>Sales of airbag fabrics rose sharply following expanded production capacity both in Japan and overseas. Sales of the high-performance fiber “DYNEEMA” (Ultrahigh-Molecular-Weight Polyethylene Fiber) grew steadily in fields where the unique properties of materials can be utilized. 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 polyphenylene sulfide (PPS) fiber for bag filters 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.</p>
High-Performance Fibers	“DYNEEMA” (Ultrahigh-Molecular-Weight Polyethylene Fiber) “ZYLON” (PBO fiber): Extreme Heat-Resistance, High Tenacity	
Filters, Non-Woven Fabrics	Functional Filters for Automobiles, Indoor, Anti-Pollution Solvent Adsorption Materials and Units (Activated Carbon Fibers) Fiber Materials for Automobile Parts	
Bioproducts	Enzymes for Diagnostics, Diagnostic Systems, Reagents for Research	<p>Sales 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.</p> <p>In the bio-science business, sales of the raw materials for enzymes for diagnostic reagents continued to be strong for blood glucose 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 water treatment membranes rose sharply with the start of shipments to the new plant in the Middle East.</p>
Pharmaceuticals	Contract Manufacturing (Injection, Pharmaceuticals Intermediates, Raw-Pharmaceuticals)	
Medical Membranes, Equipment and Devices	Artificial Kidney Hollow Fiber, Anti-Clotting Materials	
Water Treatment Membranes	Seawater Desalination Modules	
Textiles	Functional Textiles (for Sports Clothing, Underwear, Uniforms)	<p>Sales 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.</p> <p>Sales in the textiles business rose sharply on the back of continued strong exports of specialty fabrics to the Middle East. 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 low-margin businesses. Sales of the acrylic fiber “EXLAN” rose in accordance with sales expansion efforts and price revisions for specialty products.</p>
Apparel	“Munsingwear,” Apparel Manufacturing	
Fibers for Clothes	Synthetic Filaments (PET, NY, PU)	
Acrylic Fibers	“EXLAN”: Acrylic Fibers, “[eks]”: Acrylate Fibers	
Others	Trading Companies in Textiles, Overseas Operations	

Films and Functional Polymers

Masahiko Hachimaru

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



“Rising prices for raw materials and fuel made for a difficult business environment, but we managed to achieve increases in both revenue and earnings due to healthy shipments of components for electronic parts and automobiles. We anticipate further increases in revenue and earnings for the current fiscal year to arise from continued strong sales of industrial films and automotive engineering plastics, and a recovery in packaging films.”

Results for Fiscal 2007 (Ended March 31, 2007)

This segment consists of the films and functional polymer business units, which Toyobo has classified as specialty business units and in which it is concentrating management resources intensively to accelerate growth. During the subject fiscal year, despite the difficulties in business conditions precipitated by continually rising prices of raw materials and fuel, Toyobo achieved increases in both revenue and earnings due to healthy shipment volumes of digital consumer electronics, electronics components, and automotive components in both Japan and overseas markets. Segment sales rose 7.1% year on year to ¥124.6 billion, with operating income up 2.6% to ¥15.3 billion.

Review of Segment Products

Industrial Films ▶ Revenue in the industrial films business unit rose sharply due to the new production line installed at the Inuyama Plant in Aichi Prefecture. This line has been in full-scale operation since November 2005, ahead of our competitors. Our polyethylene terephthalate (PET) film “COSMOSHINE” has achieved a favorable reputation in terms of its high transparency and the ease of adhesive and maintains a large market share in the

	Business/Current Status
Films	<ul style="list-style-type: none"> ▶ Industrial Films <ul style="list-style-type: none"> •PET films for LCD and optical use ▶ Packaging Films (polyolefin, PET, nylon) <ul style="list-style-type: none"> •Mainly for food packaging •Functional films (heat-shrink PET, etc.) •Advanced delivery systems
Functional Polymers	<ul style="list-style-type: none"> ▶ Engineering Plastics <ul style="list-style-type: none"> •Strong demand from automotive appliances •PET, nylon, polyester elastomer ▶ Industrial Adhesive “VYLON” <ul style="list-style-type: none"> •Applications for electronic materials ▶ Photo-Sensitive Printing Plates with Water Wash (non-organic solvent)



Planned Initiatives

- ▶ Expansion of capacity
[+10 KT/Y, FY 2008 on-line]
- ▶ Easy moldable PET film "SOFTSHINE"
- ▶ Polyolefin masking films
 - Used in the manufacturing process of FPDs
- ▶ Enhance overseas business
- ▶ Expand the capacity of a copolymerization plant
- ▶ Polyamide-imide dual-layer FCL



industry for backlighting of flat-panel displays, flat-screen televisions, personal computers and other electronics devices with liquid crystal and other optical functions. In addition, electronic components performed strongly, especially for the manufacturing process industry.

Packaging Films ▶ Toyobo is the leading supplier of packaging films in Japan with a wide range of materials including a polyolefin series, PET and nylon. These sales increased due to stable demand in the food packaging field. However, fluctuating circumstances in supply and demand of certain products brought delays in price shifts.

Functional Polymers ▶ Revenue from engineering plastics rose sharply due to strong demand from automotive applications. Toyobo possesses a range of PET, nylon and polyester elastomers, which combined with its blending, compounding and mold simulation technologies, and has kept them in demand by Japanese auto parts makers. The thermoplastic polyester elastomer "PELPRENE," a material intended as a substitute for synthetic rubber, has a high durability and has been adopted mainly for CVJ boots in automotive applications. Going forward, we will strengthen our overseas relationships, and provide more expansion in response to diversification of requests from the overseas market.

▶ Sales of "VYLON," a series of chiefly polyester industrial adhesives, increased, mainly for applications for electronics materials and related devices. Toyobo's strengths in compositional design technologies for copolyester and its ability to respond to customers have allowed it to retain the top share of the Japanese market. Going forward, we will expand into China, South Korea and other overseas markets.

Trends in End Markets

► Toyobo has identified electronics and information displays, automobiles and the environment as growth fields. We anticipate that the demand in East Asia for films for liquid crystal and optical applications, in accordance with the expansion in production of flat-panel televisions, will grow by more than 20% annually over the medium term. We will meet this growing demand, as well as the increasingly sophisticated specification demands that will accompany it. Through the end of fiscal 2007, the market for components for consumer electronics was influenced by inventory adjustments, but continues to increase overall.

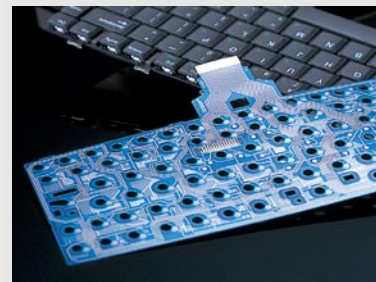
► In the automotive field, we anticipate new business opportunities as automobile production increases in China and around the world, and cars become lighter and incorporate more electronics. Specifically, Toyobo's polyester molding material "VYLOPET" is being used as a substitute for metal in the extension portion of automobile lights. We are also advocating the use of such materials as that for next-generation printed circuit boards with superior heat resistance to advance the use of electronics in the automotive industry.

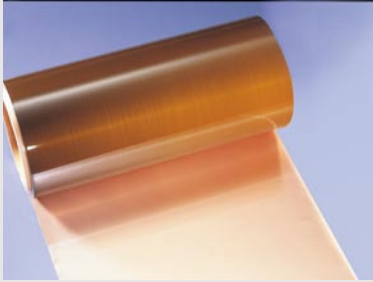
Trends in the Japanese and Overseas Markets

► In the engineering plastics business, specifically in the automotive field, we are enhancing our locations in China, Thailand and North America in accordance with the overseas expansion of our customers. In the United States, we have stationed engineers in Detroit as a means of enhancing our technical service, while in China and Thailand our local supply capacity is steadily increasing. For the industrial adhesive "VYLON," we concentrated on expanding sales of hot-melt adhesives and polyamide-imides to accommodate local production by electronics manufacturers. In the photo sensitive printing plates business, water-developed flexographic printing is being increasingly adopted for newsprint, and we anticipate growth in the EU and North American markets.

New Products and Business Development during Fiscal 2007

Easy Moldable PET Film ► "SOFTSHINE" is a new molding material created by combining Toyobo's film-forming and polymer-modification technologies. It merges heat and solvent resistance with three-dimensional moldability and printability, allowing the simultaneous addition of designs to components for automotive interiors or consumer electronics, lowering manufacturing costs. We will work to open new markets by highlighting these characteristics.





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

Major Capital Expenditures

- ▶ A new line for PET films for liquid crystal and optical applications has been added to respond to the continuing increase in demand for flat panel displays and other displays. The new line is currently under construction at the Tsuruga Films Plant, with production capacity of 10,000 tonnes per year expected by the spring of 2008.
- ▶ In the packaging films field, Toyobo made capital investments in polyolefin masking films. Demand for the protective films used in the manufacturing process for flat-panel displays is expected to grow at a rate of 10% per year.
- ▶ We are also considering expansion of capacity at a copolymerization plant to facilitate an aggressive expansion of engineering plastics and the industrial adhesive “VYLON.”



Outlook for Fiscal 2008

For fiscal 2008 (ending March 31, 2008), the final year of our medium-term business plan, we forecast segment sales of ¥138.0 billion, with operating income of ¥16.2 billion, which incorporates an increase in amortization costs stemming from a change in the method of accounting for depreciation in Japan made from fiscal 2008. We plan to achieve increases in both revenue and earnings from sustained growth in such functional polymers as films for liquid crystal and optical applications, and engineering plastics for automotive applications, along with continued price revisions for packaging films.

Industrial Materials

Fumiaki Miyoshi

Corporate Officer,
in Charge of the
Industrial Materials Segment



“Despite the significant impact from rising prices for raw materials and fuel, we achieved increases in both revenue and earnings due to strong sales of automotive materials, along with environmental filters and equipment. Although we expect raw materials and fuel costs to remain high during the current fiscal year, we will achieve increases in both revenue and earnings through expanded sales in Japan and overseas of automotive materials, environmental materials, and high-performance fibers.”

Results for Fiscal 2007 (Ended March 31, 2007)

This segment's strengths lie in its spinning and processing technologies, as well as its quality assurance structure, through which it provides unique functional materials to the automotive and a host of other industries. This segment has also been classified as a specialty business, in which Toyobo is concentrating management resources to achieve growth.

During the subject fiscal year, despite the significant impact from rising costs for raw materials and fuel we continued to develop applications and open up markets for unique materials, leading to strong sales of materials for automotive, environmental and other applications that resulted in increases in both revenue and earnings. Segment sales rose 7.9% year on year to ¥74.4 billion, with operating income up 2.1% to ¥5.9 billion.

Review of Segment Products

Airbag Fabrics ▶ Toyobo holds a greater than 50% share of the market for Japanese manufacturers of airbags. Such growth has been achieved owing to a special processing

	Business/Current Status
Airbag Fabrics	▶ A Greater than 50% Share of the Market for Japanese Manufacturers of Airbags
High-Performance Fibers	▶ “DYNEEMA” (ultrahigh-molecular-weight polyethylene) Lightest and High-Tenacity Fiber ▶ “ZYLON” (PBO fiber) Extreme heat-resistance, high tenacity
Functional Filters and Non-Woven Fabrics	▶ Bag Filters for Incinerators (polyphenylene sulfide fiber: PPS): Excellent chemical resistance at high temperature ▶ Solvent Adsorption Unit (activated carbon fiber) ▶ Spunbond and Non-Woven Staple Fabrics •Application for automobile filters and parts



Planned Initiatives

- ▶ Expansion of capacity (domestic/overseas)
- ▶ Enter the coated fabrics market (for side and curtain airbag uses)

- ▶ New applications (replacing steel fibers)
- ▶ Expansion of production capacity
- ▶ Explore the market and applications

- ▶ Respond to increasing environmental concerns overseas as well as in Japan

- ▶ Respond to the globalization of the automotive industry



technology, to uncoated fabrics and yarn manufacturing technologies to create fine filaments to produce more compact airbags, as well as to our quality assurance systems in pursuit of safety. Demand increased during fiscal 2007 as a result of greater automobile production in Japan and overseas, as well as a rise in the number of cars equipped with airbags. We achieved an increase in revenue by expanding production of fibers in Japan and strengthening fabric processing capacity overseas (Thailand), but profit margins declined as a result of rising prices for polymers and fuel.

Tire Cords ▶ Toyobo’s polyester tire cords are used mainly to reinforce radial tires. We sell to major tire manufacturers around the world, and by weight of raw cord have high market shares of about 40% in Japan and 10% worldwide. Profitability suffered during fiscal 2007 as a result of stagnation in the tire market in North America and rising costs for raw materials and fuel. However, we anticipate a steady rise in demand owing to a global expansion in automobile production and increase in the number of automobiles. We will improve profitability by revising prices and making further cost reductions, while continuing to provide the quality demanded by our customers.

High-Performance Fibers ▶ “DYNEEMA” is an ultra-strong polyethylene fiber that combines exceptional strength with light weight (a relative density of 0.97). Demand is rising rapidly as an alternative for steel. Sales are particularly strong for such applications as safety gloves, fishing line, and rope for large ships. To meet this robust demand, we plan



to increase production capacity at Nippon Dyneema Co., Ltd., a joint venture with the Dutch firm Royal DSM N.V., from the current level of 1,000 tonnes per year to 1,600 tonnes per year in early 2008.

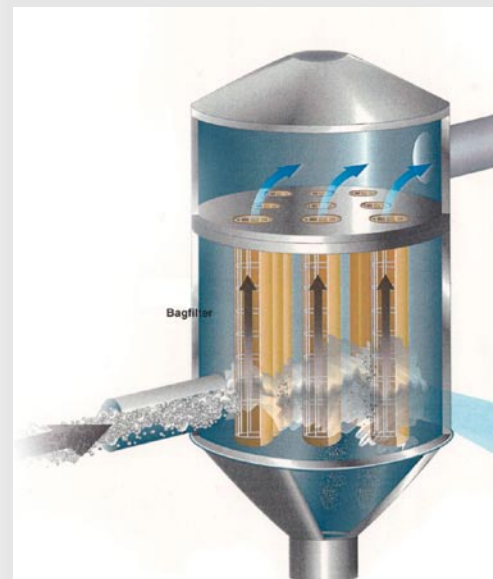
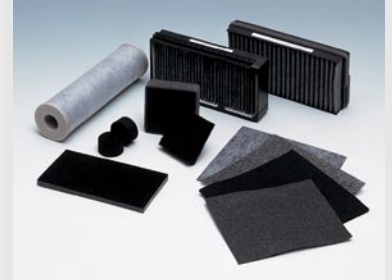
► The poly-benzobisoxazole (PBO) fiber “ZYLON” possesses some of the highest levels of strength, elasticity, heat resistance (650°C) and flame retardancy among organic fibers. We are currently cultivating demand in fields where the fiber’s heat resistance and strength compared to alternatives can be fully utilized, such as in firefighting uniforms and industrial felts and automotive belts.

Functional Filters and Non-Woven Fabrics ► Toyobo offers a range of non-woven fabrics that draw on its expertise with flame-retardant materials, adsorbent materials, and non-woven fabric and filter manufacturing technology. These include products to aid environmental conservation, a variety of filters for automotive and home use, automotive interiors and components, and construction materials.

► There are growing demands in Japan and around the world for reductions in volatile organic compounds (VOCs) as a means of preventing air pollution. Solvent adsorption equipment incorporating the activated carbon fiber “K-FILTER” helps to prevent emissions of solvents into the atmosphere, and because the filters adsorb elements that can then be reused they also help to conserve resources. Such equipment is widely used in Japan at coating plants and other facilities related to flat-panel displays, and sales have risen sharply.

► “PROCON,” a polyphenylene sulfide (PPS) fiber for bag filters, is used mainly at thermal power plants and waste processing centers, where it is effective in preventing airborne contaminants. Sales rose sharply during fiscal 2007 on the back of robust demand in Europe and other overseas markets. We anticipate the increase in demand to continue through fiscal 2008 and beyond. Going forward, we will enhance our production capacity, and strengthen our market development in China and other overseas locations.

► Spunbond [non-woven filament fabrics] are used for civil engineering and construction materials, as well as high-performance materials for automotive applications, and sales are steadily growing. We plan to expand our production capacity in Japan, as well as create a supply structure in China and other areas. In addition, our subsidiary, Kureha Ltd., manufactures automotive filters using non-woven staple fabrics in Japan, the United States and Thailand. We will respond to the expansion of Japanese automakers both in Japan and overseas.





Major Capital Expenditures

Toyobo is considering the following investments to meet growth in demand:

- ▶ Fiber production and fabric processing capacity for airbag fabrics will be enhanced both in Japan and overseas. We plan to increase spinning capacity from the 2006 level of 13,000 tonnes per year to 15,000 tonnes per year by 2008.
- ▶ Production capacity of the ultra-strong polyethylene fiber “DYNEEMA” at Nippon Dyneema Co., Ltd., a joint venture with the Dutch firm Royal DSM N.V., will be increased to 1.6 times the current level [to 1,600 tonnes per year planned capacity for early 2008].
- ▶ Domestic production capacity for spunbond [non-woven filament fabrics] will be increased by 2,000 tonnes per year [from 14,000 to 16,000 tonnes per year] in line with rising sales for automotive applications.

New Business Development

- ▶ Development of a coated airbag fabric

Toyobo has to this point developed non-coat airbag fabrics, which offer low cost and compactness. Looking ahead, we anticipate stricter standards for impact safety, such as for rollovers, side impact, and preventing passengers from being thrown from the vehicle. We intend to make a full-scale entry into the market for coated airbag fabrics for the front passenger side, side window curtain, and other airbags to protect passengers from such collisions.

Outlook for Fiscal 2008

For fiscal 2008 [ending March 31, 2008], the final year of our medium-term business plan, we forecast segment sales of ¥79.0 billion, with operating income of ¥6.1 billion, which incorporates an increase in amortization costs stemming from a change in the method of accounting for depreciation. Although we expect costs for raw materials and fuel to remain high through fiscal 2008, we plan to achieve increases in both revenue and earnings from greater sales in Japan and overseas of automotive products, environmental products, and high-performance fibers.



Life Science

Shigeaki Kogamo

Corporate Executive Officer,
in Charge of the
Life Science Segment



“ We faced a difficult situation for hollow fiber membranes for artificial kidneys following reimbursement revisions in Japan’s National Health Insurance scheme during the subject fiscal year, but managed to keep earnings on a par with the previous year with stable profits in the bio-science business. We anticipate greater earnings in the current fiscal year due to improvement in the situation for hollow fiber membranes for artificial kidneys, full-scale operation of new facilities for contract manufacturing of pharmaceuticals, and shipments of water treatment membranes for desalination plants in the Middle East. ”

Results for Fiscal 2007 (Ended March 31, 2007)

This segment, which covers the medical and health markets, is composed of the medical and water treatment membranes businesses developed from Toyobo’s spinning technologies, as well as the biotechnology and pharmaceuticals business developed from our fermentation and purification technologies. We have classified this segment as a specialty business, and are concentrating management resources in the pursuit of growth.

During the subject fiscal year, revisions to drug prices in Japan led to a fall in profit margins, but stable earnings continued in the biotechnology business, while sales of water treatment membranes increased for use in a large-scale seawater desalination plant in the Middle East. Segment sales rose 10.0% year on year to ¥32.6 billion, though operating income remained on a par with the previous fiscal year at ¥5.6 billion.

	Business/Current Status
Medical Membranes	▶ Leading Manufacturer of Artificial Kidney Hollow Fiber Membranes
Bioproducts	▶ Enzymes for Diagnostics ▶ IVD* and Bio Research Reagents ▶ Advanced Biotechnologies [fermentation, purification, genetic engineering] * <i>In Vitro Diagnostics</i>
Pharmaceuticals	▶ Contract Manufacturing of Pharmaceuticals
Water Treatment Membranes	▶ Top Share of Desalination Reverse Osmosis in the Middle East [about a 50% share] • Free from bio-fouling by the resistance to chlorine: long-term durability

Planned Initiatives
<ul style="list-style-type: none"> ▶ Expansion of capacity (estimated 5% to 6% growth in the worldwide market)
<ul style="list-style-type: none"> ▶ Enter into new businesses <ul style="list-style-type: none"> (1) Total diagnostic system business (2) Functional materials (non-medical use)
<ul style="list-style-type: none"> ▶ In full-scale operation
<ul style="list-style-type: none"> ▶ Enhance sales activities in the Middle East for the next large-scale projects ▶ Enter the UF membranes market

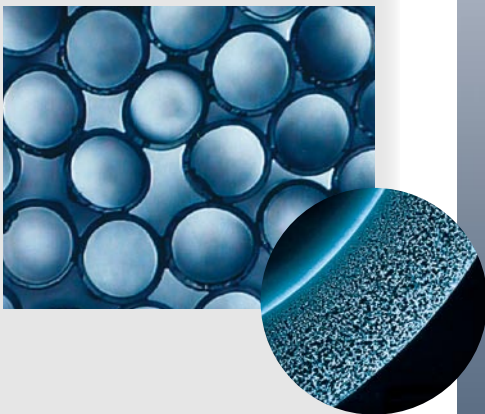
Review of Segment Products

Medical Membranes ▶ Toyobo is a leading manufacturer of artificial kidney hollow fiber membranes for renal failure patients. Toyobo has been expanding its production capacity along with an increase in the number of patients worldwide, growing at 5% to 6% annually.

▶ In April 2006, the domestic market changed dramatically when the national insurance reimbursement was significantly lowered in accordance with a reclassification of dialyzers: membrane final products. The reclassification initiated a product shift among medical facilities to higher reimbursed classes. By introducing new membranes for higher classes in a timely manner, Toyobo was able to minimize the impact of this product shift. Meanwhile, in overseas markets sales volume continued to grow, especially in Central and South America, and in Asia.

Bioproducts ▶ Growth in the Japanese diagnostics market has slowed with declining drug prices, but new markets are expanding, such as point-of-care (POC) tests to help prevent lifestyle-related diseases. Overseas, meanwhile, demand is rising in China and other markets.

▶ In the business of enzymes for diagnostic reagents, sales rose as a result of enhanced overseas sales efforts, as well as expansion of enzymes for POC blood glucose monitors both in Japan and overseas.



► In the diagnostic systems business, Toyobo is drawing on its strength in enzymes to move beyond the traditional sales of enzymes and diagnostics, creating new markets that incorporate complete systems. Specifically, we have increased sales by introducing such new products as image analysis equipment to measure urinary sediment in a short period of time to easily test kidney function.

Contract Manufacturing of Pharmaceuticals ► Revision to the Pharmaceutical Affairs Law in Japan is accelerating the usual procedures for contract manufacturing of pharmaceuticals. To adapt to these procedures, in 2005 Toyobo completed a new production line for injectable solutions and freeze-dried powder that meet FDA standards, which began operating in fiscal 2007. We have integrated our sales functions with that of Toyobo Biologics Inc., a firm engaged in contract manufacturing of antibody and protein drugs, enhancing our ability to win contracts.

► The affiliate Toyo Kasei Kogyo Co., Ltd., which is engaged in the business of synthetic pharmaceutical intermediates, began operation of new facilities from 2006.

Water Treatment Membranes ► With the global shortage of water, much attention is being focused on desalination of seawater. In the Middle East, where Toyobo has about a 50% share of the market [by volume, for a desalination plant using the reverse osmosis method], we anticipate annual growth of 10%. According to research conducted by the International Desalination Association, desalination using the energy-efficient reverse osmosis method is expected to grow faster than the traditional evaporation method.





► In fiscal 2007, we delivered reverse osmosis modules for a desalination plant in Rabigh, Saudi Arabia, which has the largest desalination capacity in the Gulf Cooperation Council (GCC), giving a significant boost to sales. We anticipate an increase in the number of large-scale projects in the Middle East, and will further expand our contract volume.

New Products and Business Development during Fiscal 2007

► In the biotechnology business, Toyobo has drawn on its culturing and refinement technologies to expand beyond the medical field and into the new markets of health care. Specifically, we have been developing high-function fine chemicals (moisturizers, melanin synthesis inhibitors, etc.) for use in health foods and cosmetics, and plan to bring these to market within one year.

► In the water treatment membranes business, Toyobo is drawing on its expertise in hollow fiber membranes and water purification to develop ultra filtration membranes that provide superior filtration efficiency and remove chlorine-resistant protozoan. We are also developing large-capacity reverse osmosis modules to accommodate ever-bigger desalination equipment, which improve efficiency and lower the costs of water production.



Future Capital Expenditures and Business Development

► Increases and upgrades to production equipment are planned for diagnostic reagent enzymes and high-function proteins. To expand the diagnostic systems business, we are developing point-of-care and DNA tests integrated with systems.

► In the medical membranes business, we will enhance production capacity of products that correspond to functional categorizations, as well as upgrade and expand facilities to meet increases in global demand.

► In the water treatment membranes business, we will expand facilities and capacity over a three-year period for desalination reverse osmosis membranes, along with for the water treatment membrane business.

Outlook for Fiscal 2008

For fiscal 2008 (ending March 31, 2008), the final year of our medium-term business plan, we forecast segment sales of ¥36.0 billion, with operating income of ¥6.2 billion, which incorporates an increase in amortization costs stemming from a change in the method of accounting for depreciation. This will stem mainly from the launch of new products to fit the new classifications for medical membranes and an increase in contract production of pharmaceuticals, along with improved productivity for water treatment membranes and shipments of such membranes for desalination projects in the Middle East.

Textiles

Hiroyuki Kagawa

Corporate Officer,
in Charge of the
Textile Segment



“ We began to realize benefits from the focus on functional textiles and contraction of unprofitable businesses, and asset efficiency improved. We will continue to concentrate on asset efficiency during the current fiscal year as we continue restructuring the business. ”

Results for Fiscal 2007 (Ended March 31, 2007)

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

During the subject fiscal year we reduced the scale of the unprofitable apparel fiber business, while narrowing the textiles business to functional apparel. As a result, segment sales rose 5.0% year on year to ¥149.6 billion, with operating income up 29.3% to ¥4.4 billion. Although new companies were added to the scope of consolidation during the subject fiscal year, identifiable assets declined by ¥7.6 billion from a year earlier to ¥133.1 billion, while ROA [calculated as the ratio of operating income to identifiable assets] improved by 0.9 percentage point to 3.3%.

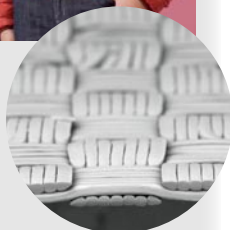
Review of Segment Products

▶ Among functional apparel, high-quality fabric “Super-Rosanna” exported to the Middle East was highly valued in markets in that region, making a significant contribution to earnings. In the underwear and sportswear fields, we pursued product development for the “KAITEKI SCIENCE” (Comfort Science) brand by combining technology to quantify the “comfort” that people feel with sophisticated spinning technology compounding filament and span. We expect the textiles business to achieve earnings through textile exports and lifestyle-related materials as well as Comfort Science products.

	Business/Current Status
Functional Textiles and Fibers	<ul style="list-style-type: none"> ▶ Functional Fabrics (for sportswear, underwear, uniforms) ▶ “EXLAN” (specialty acrylic fibers)
Apparel	▶ Apparel Manufacturing “Musingwear” (high-quality sewing manufacturing)
Trading	▶ Shinko Sangyo Co., Ltd. (a trading company)



Planned Initiatives	
	▶ Develop new functional fabrics: (pursue comfort in functional fiber and textile technologies)
	▶ Maintain the name brand value
	▶ Focus on specialty textile business



▶ The group company Japan Exlan Co., Ltd., which manufactures and sells acrylic fiber, managed to secure earnings amid rising prices for the raw material acrylonitrile. The firm was able to achieve stable earnings by utilizing acrylic modification technologies to increase the ratio of specialized fibers. The textile trading group under Shinko Sangyo has shifted its management focus to emphasize asset efficiency, and improved earnings by scaling back unprofitable businesses.

Business Restructuring Overview and Outlook

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

▶ In the synthetic apparel fiber business, we scaled back unprofitable sales of raw fiber, and raised earnings capacity by further increasing the ratio of compound and specialized textile fibers, which utilize Toyobo’s technical capabilities. In December 2006, we ceased internal production of the polyurethane fiber “ESPA” and shifted to OEM production. This was also in accordance with the “master plan.”

▶ To improve the asset efficiency of group companies overall, we implemented reforms to business management on an individual basis, and made structural reforms that strengthened unified operations between the business division and group companies. Companies that still did not meet the threshold of ROA of 5% after renovations were subject to more drastic measures, such as elimination and consolidation, or withdrawal from business, in an effort to restrict assets employed.

▶ Our plan going forward is to achieve by the end of fiscal 2009 [ending March 31, 2009] the immediate targets of ¥100 billion in identifiable assets, ¥5 billion in operating income, and ROA of 5%.

Outlook for Fiscal 2008

For fiscal 2008 we forecast segment sales of ¥141.0 billion, with operating income of ¥3.7 billion, which incorporates an increase in amortization costs stemming from a change in the method of accounting for depreciation. We will continue to scale back the cloth fiber business and unprofitable affiliates, and anticipate continued strong sales of functional fibers, such as from exports of high-quality fabric to the Middle East. At the same time, in accordance with the “master plan,” we will continue to trim down unprofitable businesses, restrict assets employed, and work to improve asset efficiency.

Research and Development Activities and Intellectual Property Management Structure

The Toyobo Research Center is the Heart of Our R&D

Toyobo began researching synthetic fibers before World War II, entering the acrylic and polyester fiber businesses in the 1950s. In the 1970s and 1980s, we moved into the new fields of plastics and biotechnology, breaking away from textiles. The driving force for this research was the Toyobo Research Center, the forerunner of which was established in the city of Katata on the western shore of Lake Biwa, Shiga Prefecture, in 1959. Today the Toyobo Research Center is divided into the business R&D and corporate R&D departments, with nearly all research and development work concentrated in Katata. The fusion of core technologies across research divisions has produced numerous specialty businesses.



Strengthening Business and Development Structures

The Business Development Planning Office, made up of heads of each of Toyobo's R&D divisions, has been established as part of the head office, comprised of the R&D Planning Department and New Business Planning Department. The Business Development Planning Office coordinates R&D strategies for the entire company, consolidating and evaluating R&D projects and considering the best allocation of R&D resources for each, as well as monitoring the progress of important projects and planning strategies to accelerate development.

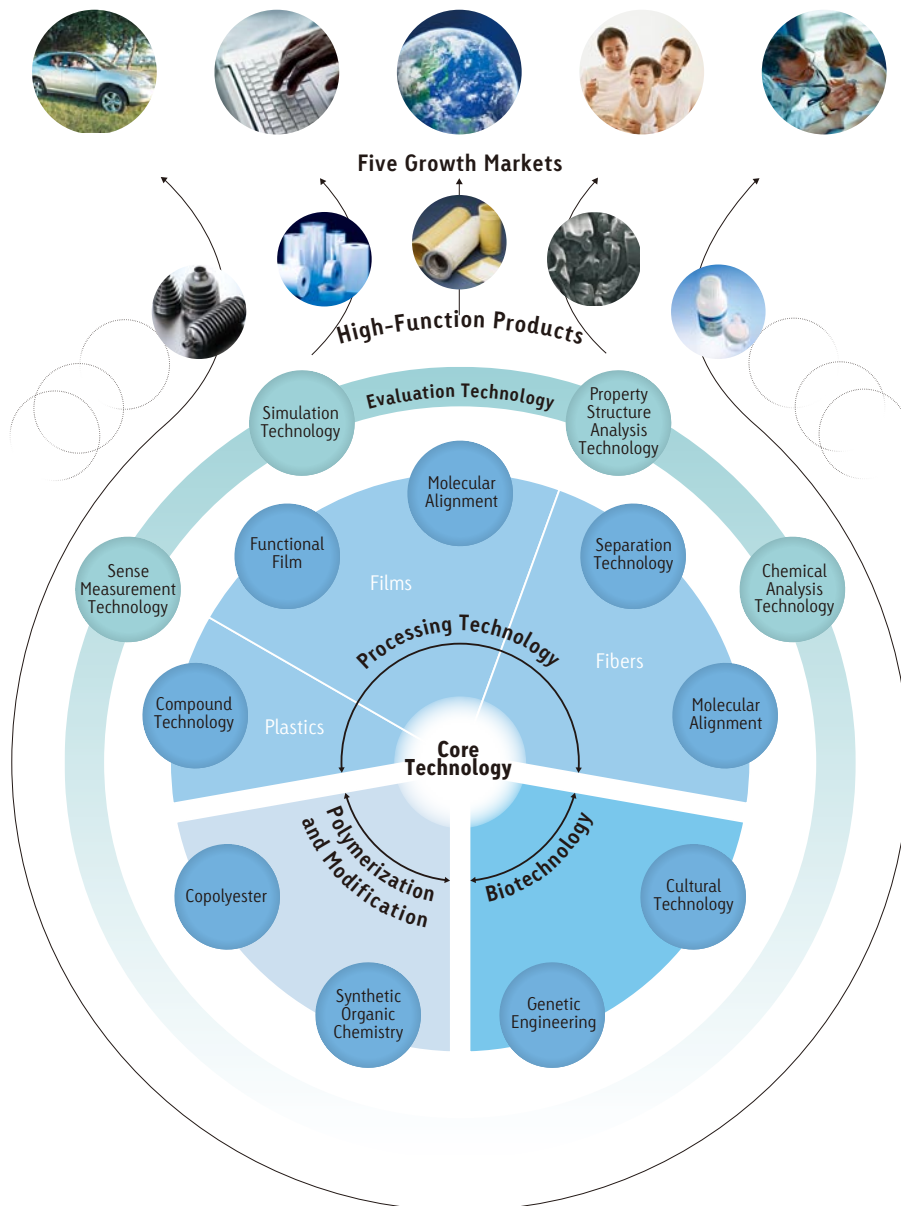
The functions of the New Business Planning Department have been strengthened with the aim of providing unified management from R&D through commercialization. The department has assigned managers for the research fields of automotive, electronics and displays, green polymers and external technology search, whose role is to expand the business through M&A, technology introduction, or other means. Each research field manager also collects information on market and customer trends in their respective fields, and provides this information to the entire company.



R&D Policy for Fiscal 2008

The R&D policy for fiscal 2008 (ending March 31, 2008) is to "attack global growth fields using strong core technologies as a base," and to "advance development in peripheral businesses." Promoters will be assigned for each core competence, with each core technology strengthened and developed, while resources are concentrated in the notable growth fields of automobiles and electronics and displays. The business division R&D projects that have been categorized as company-wide issues will be accelerated by establishing them as R&D projects within the corporate research center. R&D will also concentrate on the solid businesses that support earnings, to enhance their competitiveness.





Development by Growth Field

In the automotive, and electronics and display fields, Toyobo will work toward commercialization of the polyimide films with superior dimensional stability that it is advocating as a material for next-generation circuit boards. The research will shift to a business development project structure from fiscal 2008, with commercialization planned for fiscal 2010. Polyelectrolyte membranes for fuel cells developed for both mobile and automotive applications have been highly evaluated by particular customers, and we will maintain the project structure and accelerate development. For polyester elastomers, in fiscal 2007 we announced development of PEL-C, a highly durable type combining heat and aging resistance with hydrolysis resistance.

In the environmental field, Toyobo has aggressively pursued development of ultrafiltration membranes for water supplies and waste water.

In the safety and lifestyle field, from fiscal 2007 we began development of a nanofiber through participation in a national development project.

In the life sciences field, amid a growing focus on functional cosmetics that moisturize the skin or prevent wrinkles, Toyobo is drawing on its fermentation and enzyme conversion technologies to develop fine chemical materials to be used in functional cosmetics.

Intellectual Property Management Structure

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

In addition to patents, we effectively utilize such intangible assets as trademarks and design rights to enhance our corporate brand value.

While Toyobo exercises the utmost care with regard to the intellectual property of other companies in the course of development of products and technology, the results of such development could possibly be looked upon as infringing upon the intellectual property of others. We have put in place a structure to quickly respond should Toyobo or any of its group companies be looked upon as infringing upon the intellectual property of other companies, or in cases where other companies infringe upon our patents.

Intellectual property is managed through the sharing of information among the intellectual property department, and members appointed in each business and R&D department. Intellectual property strategies are formulated by the Patent Review Conference and Intellectual Property Strategy Conference, while ensuring consistency with business and R&D strategies.

The issue of invention by corporate researchers has gained much attention in Japan in recent years. Toyobo established an internal patent award system in fiscal 1993 aimed at inspiring employees—one of the first companies to do so—which has been further revised based on guidelines from the Japan Patent Office. We also established a patent application award system for especially important patent applications (published and not granted yet) in fiscal 2001 to provide employees with incentives to propose patent applications. Following the repeal of the opposition system in the Japan Patent Office in fiscal 2005, we further established an intellectual property activity award system for employees who actively provide information concerning patents of other companies which may be obstacles for our company. The aim of this system is to ensure proper patent grants and fair competition by making sure that all relevant information is made available to the patent office.

Intellectual Properties by Business Segment (Non-Consolidated Basis)

		Films and Functional Polymers	Industrial Materials
Japan	Number of registered patents	1,114	623
	Number of registered trademarks	348	392
Overseas	Number of registered patents	573	525
	Number of registered trademarks	540	185
Major brands		VYLON PRINTIGHT PELPRENE CRISPER Spaceclean ECOSYAR COSMOSHINE PYLEN HARDEN	DYNEEMA ZYLON Elitolon PROCON HEIM BREATHAIR

Innovation in Production Technologies

“The Factory Floor Plays the Leading Role”

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

[As of March 31, 2007]

	Life Science	Textiles	Other Businesses	Total
	241	364	49	2,391
	253	3,757	158	4,908
	186	64	82	1,430
	158	1,062	19	1,964
DIACOLOR HOLLOSEP U-SCANNER Can Get Signal Blend Taq ReverTra Ace		Manerd Munsingwear ESPA EXLAN [eks]		

The Role of the Production Technology Office

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

Production technology innovations implemented at factories and affiliated companies on a business department basis during the subject fiscal year resulted in a year-on-year cost reduction benefit of ¥3.2 billion. Such quantifying of the contributions realized from the factory floor help to inspire further efforts. Despite the impact on the earnings structure of rising prices for raw materials and fuel during the subject fiscal year, the innovations made in production technology allowed Toyobo to overcome the increases in cost. We anticipate ¥3.6 billion in further cost reductions for fiscal 2008.

A stronger capability on the factory floor realized through innovations in production technology is the foundation for the continued growth of specialty businesses. Innovations in cost, loss and quality are realized through daily steady efforts. We will continue to pursue such daily efforts under the slogan “The Factory Floor Plays the Leading Role.”

Ensuring High Quality

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

Corporate Social Responsibility

Policies Regarding CSR Initiatives

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

The principle of "Adhering to Reason Leads to Prosperity" is our starting point for CSR, from which our management vision and policies are developed. In their interaction with stakeholders, Toyobo's managers, employees and all persons affiliated with the Company strive daily to constantly act responsibly.

Status of CSR Initiatives

1. CSR through Business Activities

Through its products developed from the standpoint of "high-function," Toyobo strives to play a part in the future of people, lifestyles, and the Earth. To contribute to the conservation of the environment, we have developed the Eco-Partner System lineup of products that meet our own rigorous standards. Going forward, we will continue to expand our line of environmental products.

2. Relationship with Customers

In 1994 Toyobo formulated its Product Safety Charter, which aims to ensure product safety with regard to products and technologies, protect customers from both direct and indirect harm, as well as maintain and enhance social credibility while ensuring smooth operation of corporate activities.

In 1995 we established the Customer Service Office to listen to the opinions and requests of customers. We utilize such feedback to further improve the safety of products and services, as well as prevent the occurrence and/or recurrence of product liability problem.

3. Relationship with Shareholders and Investors

Toyobo recognizes importance of fulfilling its responsibility to be accountable in its IR activities. We consider the General Shareholders' Meeting to be an important means of communication.

To further gain credibility among shareholders and investors, Toyobo is also expanding its disclosure through a variety of means, including analyst briefings, visits with institutional investors, and publishing a wide range of documents.



TOYOBO GROUP Corporate Social Responsibility Report 2007

4. Relationship with Business Partners

To ensure fairness in its trading relationships, Toyobo has established a basic policy regarding procurement. We ensure equal opportunities for all companies, both domestic and foreign, based on regulatory compliance and environmental conservation guidelines, thereby conducting fair and highly transparent business transactions.

5. Relationship with Local Communities

As part of its relationship with local communities Toyobo conducts cleaning and greening activities in the areas surrounding its business locations. We also actively participate in domestic environmental events. For social support activities, Toyobo collaborates with a range of organizations providing support for developing countries, disaster relief, protection of the global environment, and other activities.



6. Relationship with Employees

Toyobo, based on its Health and Safety Charter, conducts safety activities in which all employees participate. In 2006, unfortunately, there were 11 accidents among group companies that resulted in suspension of operations. Going forward, we are conducting safety activities aimed at eliminating any accidents. Toyobo maintains a respect for the personality and individuality of all its employees, and actively strives to enhance its awareness of human rights.

7. Environmental Conservation Measures

Toyobo pursues a program of environmental conservation in accordance with its 1992 Environmental Charter.

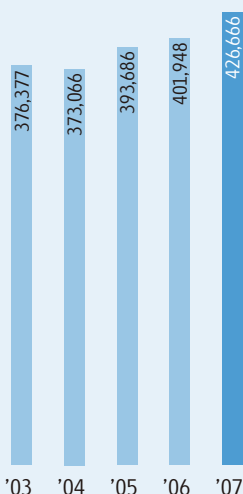
Toyobo is establishing an environmental management system for the entire Group compliant with ISO 14001. Major business locations acquired ISO 14001 certification by 2002. We have also formulated a Risk Management Manual regarding environmental protection and safety assurance, aimed at preventing accidents, and minimizing the environmental impact should an accident occur. Activities are conducted in accordance with this manual.

Toyobo also furthers activities aimed at lessening the burden on the environment. Targets set in the Toyobo Group Environmental Medium-Term Plan (Fiscal 2007–Fiscal 2011) include those for improvement in specific energy consumption, reduction in the amount of industrial waste, reduction in emissions of harmful substances, and green purchasing.



Management's Discussion and Analysis

Net Sales
(¥ million)



Overview of Fiscal Year 2007, Ended March 31, 2007

The business environment for the Toyobo Group during the fiscal year ended March 31, 2007 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 consumption. 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 materials 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 our specialty businesses—Films and 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. The Toyobo Group also achieved a new record for profit, with operating income up ¥0.5 billion (1.8%) year on year to ¥30.4 billion, and net income rising ¥0.9 billion (7.0%) year on year to ¥13.5 billion.

Consolidated Six-Year Summary

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

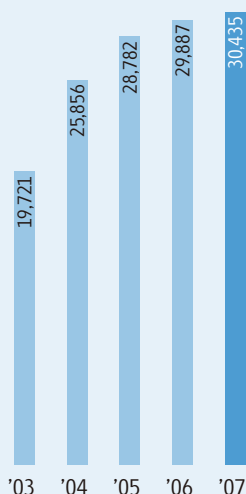
Millions of yen, except per share information

	2007	2006	2005	2004	2003	2002
For the year:						
Net sales	¥426,666	¥401,948	¥393,686	¥373,066	¥376,377	¥383,078
Films and functional polymers	124,614	116,362	—	—	—	—
Industrial materials	74,391	68,935	—	—	—	—
Life science	32,639	29,667	—	—	—	—
Textiles	149,585	142,513	—	—	—	—
Other businesses	45,437	44,471	—	—	—	—
Fibers and textiles	—	174,484	168,098	168,356	182,991	198,253
Plastics	—	141,950	138,981	123,825	112,507	102,079
Bio, medical and functional materials and products	—	50,906	48,584	46,520	46,851	48,528
Other businesses	—	34,608	38,023	34,365	34,026	34,217
Cost of sales	335,369	310,746	305,494	291,440	299,488	307,298
Selling, general and administrative expenses	60,862	61,315	59,410	55,770	57,167	59,448
Operating income	30,435	29,887	28,782	25,856	19,721	16,332
Income [loss] before income taxes and minority interest	20,086	21,582	21,592	16,399	[16,397]	[22,799]
Provision for income taxes	6,099	8,952	9,058	7,326	[9,681]	[9,428]
Net income [loss]	13,472	12,596	12,207	8,762	[6,965]	[13,361]
Depreciation and amortization	16,938	15,656	15,528	15,425	16,471	16,471
Research and development expenses	10,426	10,079	9,201	9,043	8,760	8,988
Capital expenditures	15,753	18,131	16,395	13,330	15,856	19,119
Net cash provided by operating activities	27,064	27,299	30,071	27,736	36,215	32,428
Net cash provided by [used in]						
investing activities	[2,925]	[4,011]	4,910	42,213	[6,489]	[12,432]
net cash used in financing activities	[22,438]	[23,071]	[37,591]	[71,511]	[27,460]	[21,297]
Per stock data [yen]:						
Net income [loss] per share—basic [Note]	¥19.32	¥18.10	¥17.58	¥12.63	¥[10.11]	¥[19.34]
Cash dividends	5.00	5.00	5.00	5.00	5.00	5.00
At year-end:						
Total current assets	¥212,885	¥204,385	¥203,969	¥195,080	¥200,266	¥222,552
Property, plant and equipment, net	230,885	230,231	229,197	216,409	232,917	244,863
Total assets	513,191	514,791	511,813	495,969	537,314	589,408
Interest-bearing debt	194,238	206,173	220,981	240,755	299,893	319,607
Net assets	152,223	142,437	107,518	104,033	84,025	96,603

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

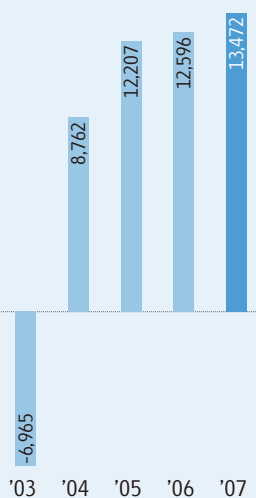
Operating Income

(¥ million)



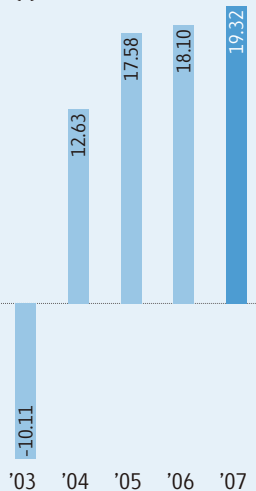
Net Income (Loss)

(¥ million)



Basic Net Income (Loss) per Share

(¥)



Net Sales by Business Segment

Net sales rose ¥24.7 billion (6.1%) from the previous fiscal year to ¥426.7 billion.

Films and Functional Polymers ▶ The Films and Functional Polymers segment continued 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 food packaging films. Sales of industrial films rose sharply following full-scale operation of new equipment at the Inuyama Plant amid continued growth in flat-panel displays 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 business segment rose ¥8.3 billion (7.1%) year on year to ¥124.6 billion.

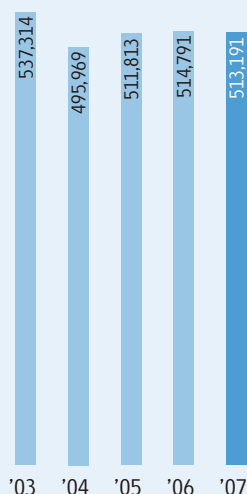
Industrial Materials ▶ The Industrial Materials segment continued to develop new applications and markets for unique materials, recording gains in revenue. Sales of airbag fabrics rose sharply following expanded production capacity both in Japan and overseas as airbags become standard equipment in automobiles. 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 polyphenylene sulfide (PPS) 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 business segment rose ¥5.5 billion (7.9%) year on year to ¥74.4 billion.

Life Science ▶ The Life Science segment achieved an overall increase in revenue due to growth in sales of water treatment 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 glucose 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 water treatment 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 business segment rose ¥3.0 billion (10.0%) year on year to ¥32.6 billion.

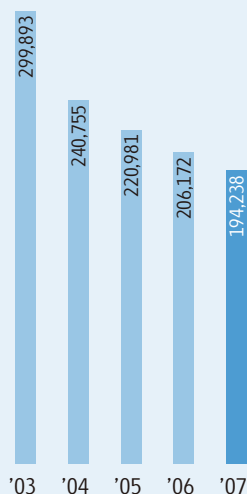
Textiles ▶ In the Textiles segment Toyobo continued to reduce unprofitable products and commodity-type products, concentrating on functional and specialized textiles that utilize Toyobo’s unique technologies. Segment revenue rose overall, bolstered by the addition of sales from a newly consolidated subsidiary. Sales in the textiles business rose sharply on the back of continued strong exports of specialty fabrics to the Middle East region. In the fibers business, revenue fell with the ongoing contraction of low-margin 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 business segment rose ¥7.1 billion (5.0%) year on year to ¥149.6 billion.

Other Businesses ▶ In the Other Businesses segment performance in the engineering, real estate, information processing services, logistics services and other businesses was essentially in line with the 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 business segment rose ¥1.0 billion (2.2%) year on year to ¥45.4 billion.

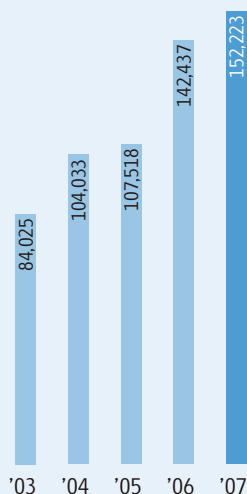
Total Assets (¥ million)



Interest-Bearing Debt (¥ million)



Net Assets (¥ million)



Operating Income

The cost of sales during the subject fiscal year rose ¥24.6 billion (7.9%) year on year to ¥335.4 billion. This was due mainly to rising prices for raw materials and fuel, an increase in depreciation for new equipment and facilities, and greater sales volume for industrial films, functional polymers and other products. The ratio of cost of sales to net sales declined by 1.3 percentage points, from 77.3% in the previous fiscal year to 78.6%.

Selling, general and administrative expenses decreased ¥0.5 billion (0.7%) year on year to ¥60.9 billion.

As a result, operating income for the subject fiscal year rose ¥0.5 billion (1.8%) year on year to ¥30.4 billion.

Other Income (Expenses)

The balance of other income (expenses) yielded net other expenses of ¥10.3 billion, compared with net other expenses of ¥8.3 billion the previous fiscal year.

Major expense items included a loss on restructuring of business of ¥2.7 billion, a loss on disposal of property, plant and equipment of ¥2.7 billion, and a write-down of inventories of ¥2.4 billion—items that primarily reflected withdrawals from business and reduction in unnecessary assets, centered on the textiles business—as well as interest expense of ¥3.2 billion and other, net expenses of ¥2.8 billion. These and other expense items more than offset a gain of ¥5.2 billion on sales of securities stemming mainly from sales of shares held by the Company in the equity-method affiliate Nippei Toyama Corporation, a non-core business.

Net Income

Net income for the subject fiscal year increased ¥0.9 billion (7.0%) year on year to ¥13.5 billion. Toyobo achieved a rise in earnings again in the fiscal year ended March 31, 2007, by managing to record stable operating income despite rising prices for raw materials and fuel, which absorbed losses related to restructuring in the Textiles segment and non-core businesses. As a result, basic net income per share rose ¥1.22 year on year to ¥19.32.

Cash Flows

Net cash provided by operating activities during the subject fiscal year 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 and minority interests; ¥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 ¥14.7 billion in expenditures for the acquisition of property, plant and equipment, such as film manufacturing equipment, ¥9.6 billion in proceeds from sales of investment securities, including shares held by the Company in Nippei Toyama Corporation, and ¥2.4 billion in proceeds from sales of property, plant and equipment in the textiles business.

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 borrowings; ¥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.

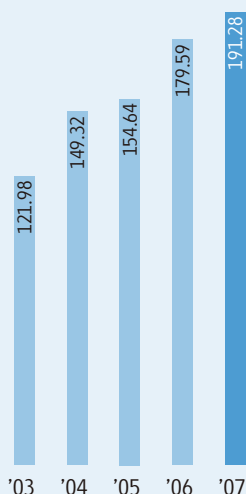
As a result, the balance of cash and cash equivalents at March 31, 2007, increased by ¥2.2 billion from the end of the previous fiscal year to ¥14.1 billion.

Assets, Liabilities and Net Assets

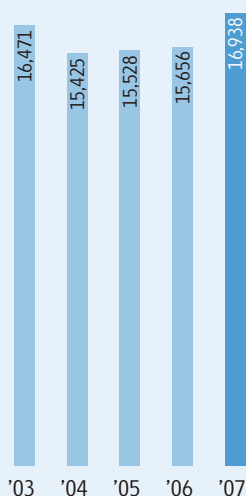
Total assets at March 31, 2007, decreased ¥1.6 billion (0.3%) year on year to ¥513.2 billion.

The balance of current assets increased ¥8.5 billion (4.2%) from the end of the previous fiscal year to ¥212.9 billion. This was due mainly to greater cash and cash equivalents, along with a rise in inventory assets stemming from reserve production of certain products.

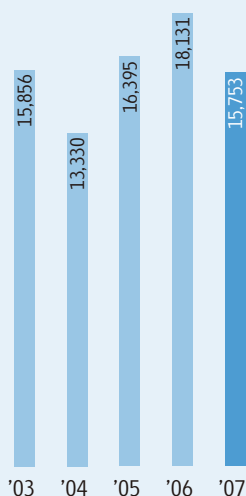
Net Assets per Share (¥)



Depreciation and Amortization (¥ million)



Capital Expenditures (¥ million)



The balance of fixed assets decreased ¥10.1 billion (3.3%) from the end of the previous fiscal year to ¥300.3 billion. This was due mainly to declines arising from the sales of investment securities, along with 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 net assets including minority interests, despite a decline in net unrealized holding gains on securities, increased ¥9.8 billion year on year to ¥152.2 billion owing to an increase in retained earnings. As a result, the shareholders' equity ratio improved 1.7 percentage points, from 24.3% the previous fiscal year to 26.0%. Net assets per share improved ¥11.69, from ¥179.59 at the end of the previous fiscal year, to ¥191.28 at the subject year-end.

Cash dividends applicable to the year for the fiscal year ended March 31, 2007, were ¥5.00 per share.

Forecast for the Fiscal Year Ending March 31, 2008

For the fiscal year to March 2008, Toyobo forecasts net sales of ¥435.0 billion, with operating income of ¥30.5 billion and net income of ¥13.5 billion. Although a ¥2.5 billion increase in amortization stemming from a change in the method of accounting for depreciation in Japan is expected to constrict earnings, the Toyobo Group anticipates new records for both operating income and net income to follow those in the subject fiscal year.

Risk Factors

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

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

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

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

(4) Tariff Hikes and Import Regulations in Overseas Major Markets ▶ The Toyobo Group sells a wide range of products in the films and functional polymers, industrial materials, life science and textile fields, in Japan and overseas markets. Should tariff hikes or import regulations on quantity limits be imposed under antidumping laws in overseas major markets in the future, our business and financial condition could be seriously effected by the sales decrease caused by the restrictions on exports.

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

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

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

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

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

[10] Public Regulations ▶ The Toyobo Group conducts production activities and other corporate activities in various locations in Japan and abroad, and operates its business under various public regulations on business licenses, tax, environment and chemical substance-related issues in domestic or foreign areas where these business sites are located. In case water restrictions or legal regulations on environment-related issues become tighter in the area where our major business sites are located, substances currently being used become prohibited, or regulations regarding usage levels are implemented, our operating results or financial status may be seriously influenced

by restrictions imposed on our production activities or other corporate activities, or by being forced to make large capital investments, tax payments or other expenditures in order to comply with the regulations.

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

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

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

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

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

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

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

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

Consolidated Balance Sheets

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars [Note 1]
	2007	2006	2007
ASSETS			
Current assets:			
Cash and cash equivalents [Notes 10 and 18]	¥ 14,470	¥ 12,470	\$ 122,575
Notes and accounts receivable:			
Trade	90,730	90,485	768,573
Other	6,400	5,282	54,214
Allowance for doubtful receivables	(1,020)	(1,277)	(8,640)
	96,110	94,490	814,147
Inventories [Note 5]	92,092	89,132	780,110
Deferred income taxes [Note 7]	4,576	4,018	38,763
Other current assets [Note 10]	5,637	4,275	47,751
Total current assets	212,885	204,385	1,803,346
Investments and noncurrent assets:			
Investment securities [Notes 3 and 10]:			
Unconsolidated subsidiaries and affiliates	11,278	16,847	95,536
Other	35,465	41,459	300,424
Loans	4,501	3,331	38,128
Deferred income taxes [Note 7]	12,296	12,332	104,159
Other investments and noncurrent receivables	6,783	7,808	57,458
Allowance for doubtful receivables	(3,772)	(3,128)	(31,953)
	66,551	78,649	563,752
Property, plant and equipment [Note 6, 10 and 15]:			
Land	116,096	115,185	983,448
Buildings and structures	120,994	118,557	1,024,939
Machinery and equipment	341,218	342,214	2,890,453
Tools, furniture and fixtures	22,377	22,439	189,555
Construction in progress	5,120	4,002	43,371
	605,805	602,397	5,131,766
Less accumulated depreciation	374,920	372,166	3,175,942
	230,885	230,231	1,955,824
Other assets:			
Goodwill	979	—	8,293
Other intangible assets	1,891	1,526	16,019
	2,870	1,526	24,312
Total assets	¥513,191	¥514,791	\$4,347,234

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term borrowings (Notes 8 and 10)	¥ 77,436	¥ 93,659	\$ 655,959
Long-term debt due within one year (Notes 8 and 10)	21,819	46,260	184,828
Notes and accounts payable:			
Trade	62,793	61,513	531,919
Other	13,867	12,085	117,467
	76,660	73,598	649,386
Employees' savings deposits	5,880	5,927	49,809
Customers' deposits (Note 10)	9,640	4,873	81,660
Accrued employees' bonuses	4,676	4,748	39,610
Accrued income taxes	5,123	6,001	43,397
Deferred income taxes (Note 7)	90	95	762
Other current liabilities	2,133	2,105	18,070
Total current liabilities	203,457	237,266	1,723,481
Long-term liabilities:			
Long-term debt due after one year (Notes 8 and 10)	94,983	66,254	804,600
Employees' severance and retirement benefits (Note 9)	16,989	20,184	143,914
Retirement benefits for directors, operating officers and corporate auditors	1,366	1,264	11,571
Deferred income taxes on land revaluation (Notes 7 and 15)	28,164	28,165	238,577
Deferred income taxes (Note 7)	7,464	10,923	63,227
Negative goodwill	2,243	2,228	19,000
Other long-term liabilities	6,302	6,070	53,385
Total long-term liabilities	157,511	135,088	1,334,274
Contingent liabilities (Note 12)			
Net assets:			
Common stock			
Authorized—2,000,000,000 shares			
Issued—699,027,598 shares in 2007 and 2006	43,341	43,341	367,141
Capital surplus	16,033	16,086	135,815
Retained earnings	28,131	18,556	238,297
Less treasury stock, at cost			
[991 thousand shares in 2007 and 2,220 thousand shares in 2006]	(235)	(416)	(1,991)
Net unrealized holding gains on securities	8,909	12,640	75,468
Deferred losses on hedges	(67)	—	(568)
Land revaluation excess (Note 15)	39,996	39,998	338,806
Revaluation excess—foreign (Note 16)	6,620	6,620	56,078
Foreign currency translation adjustments	(9,207)	(11,682)	(77,991)
Minority interests in consolidated subsidiaries	18,702	17,294	158,424
Total net assets	152,223	142,437	1,289,479
Total liabilities and net assets	¥513,191	¥514,791	\$4,347,234

Consolidated Statements of Income

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars [Note 1]
	2007	2006	2007
Net sales (Note 14)	¥426,666	¥401,948	\$3,614,282
Cost of sales	335,369	310,746	2,840,906
Gross profit	91,297	91,202	773,376
Selling, general and administrative expenses	60,862	61,315	515,561
Operating income (Note 14)	30,435	29,887	257,815
Other income (expenses):			
Interest and dividend income	1,441	1,232	12,207
Interest expense	(3,229)	(3,080)	(27,353)
Rent	761	734	6,446
Gain on sales of securities	5,154	5,418	43,659
Loss on liquidation of subsidiaries	(389)	—	(3,295)
Gain on amortization of cross holding shares	5	—	42
Gain on sales of property, plant and equipment	1,305	1,061	11,055
Loss on disposal of property, plant and equipment	(2,665)	(2,744)	(22,575)
Gain on securities contributed to employees' retirement benefit trust	—	2,927	—
Loss on restructuring of business (Note 17)	(2,730)	(1,994)	(23,126)
Write-down of investment securities	(1,130)	(429)	(9,572)
Special allowance for doubtful receivables	(825)	—	(6,989)
Write-down of inventories	(2,414)	(1,884)	(20,449)
Reversal of allowance for doubtful receivables	—	205	—
Amortization of negative goodwill	889	655	7,531
Equity in income of unconsolidated subsidiaries and affiliates	772	771	6,540
Retirement benefits for employees for prior periods	(1,637)	(1,609)	(13,867)
Salaries paid to dispatched employees	(1,275)	(1,343)	(10,801)
Losses related to lawsuits	(780)	(6,571)	(6,607)
Dividend on liquidation of special-purpose company	—	3,400	—
Loss on impairment of fixed assets	(787)	(2,387)	(6,667)
Other, net	(2,815)	(2,667)	(23,846)
	(10,349)	(8,305)	(87,667)
Income before income taxes	20,086	21,582	170,148
Provision for income taxes (Note 7):			
Current	7,617	6,879	64,523
Deferred	(1,518)	2,073	(12,859)
	6,099	8,952	51,664
Minority interests in income of consolidated subsidiaries	(515)	(34)	(4,363)
Net income	¥ 13,472	¥ 12,596	\$ 114,121

	Yen		U.S. dollars (Note 1)
	2007	2006	2007
Net income per share:			
Basic (Note 2)	¥19.32	¥18.10	\$0.164
Diluted (Note 2)	19.22	—	0.163
Cash dividends applicable to the year	5.00	5.00	0.042

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2007 and 2006

	Millions of yen									
	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Net unrealized holding gains on securities	Deferred losses on hedges	Land revaluation excess	Revaluation excess—foreign	Foreign currency translation adjustments	Minority interests in consolidated subsidiaries
Balance at March 31, 2005	¥ 43,341	¥ 15,884	¥ 9,413	¥ (660)	¥ 8,109	¥ —	¥ 39,897	¥ 6,329	¥ (14,795)	¥ 16,288
Cash dividends paid (¥5.00 per share)			(3,492)							
Net income			12,596							
Decrease due to decrease in consolidated subsidiaries			(27)							
Changes in the scope of equity method application			(81)							
Adjustments for merger		20								
Adjustments for reversal of revaluation of land			147							
Sale of treasury stock		182		244						
Net change in the fiscal year other than stockholders' equity					4,531		101	291	3,113	1,006
Balance at March 31, 2006	43,341	16,086	18,556	(416)	12,640	—	39,998	6,620	(11,682)	17,294
Cash dividends paid (¥5.00 per share)			(3,492)							
Net income			13,472							
Decrease due to decrease in consolidated subsidiaries			(220)							
Changes in the scope of equity method application			(180)	58						
Decrease due to merger			(8)							
Adjustments for reversal of revaluation of land			3							
Purchase of treasury stock				(47)						
Sale of treasury stock		(53)		170						
Net change in the fiscal year other than stockholders' equity					(3,731)	(67)	(2)		2,475	1,408
Balance at March 31, 2007	¥43,341	¥16,033	¥28,131	¥(235)	¥ 8,909	¥(67)	¥39,996	¥6,620	¥ (9,207)	¥18,702

Thousands of U.S. dollars

	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Net unrealized holding gains on securities	Deferred losses on hedges	Land revaluation excess	Revaluation excess—foreign	Foreign currency translation adjustments	Minority interests in consolidated subsidiaries
Balance at March 31, 2006	\$ 367,141	\$ 136,264	\$ 157,188	\$(3,524)	\$107,073	\$ —	\$ 338,823	\$ 56,078	\$(98,958)	\$ 146,497
Cash dividends paid (¥5.00 per share)			(29,581)							
Net income			114,121							
Decrease due to decrease in consolidated subsidiaries			(1,864)							
Changes in the scope of equity method application			(1,525)	491						
Decrease due to merger			(68)							
Adjustments for reversal of revaluation of land			26							
Purchase of treasury stock				(398)						
Sale of treasury stock		(449)		1,440						
Net change in the fiscal year other than stockholders' equity					(31,605)	(568)	(17)		20,967	11,927
Balance at March 31, 2007	\$367,141	\$135,815	\$238,297	\$(1,991)	\$75,468	\$(568)	\$338,806	\$56,078	\$(77,991)	\$158,424

	Thousands of shares	
	2007	2006
Number of shares of common stock authorized	2,000,000	2,000,000
Number of shares of common stock issued:		
Opening balance	699,028	699,028
Closing balance	699,028	699,028

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

TOYOCO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Cash flows provided by operating activities:			
Income before income taxes	¥ 20,086	¥ 21,582	\$ 170,148
Depreciation and amortization	16,938	15,656	143,482
Amortization of negative goodwill	(889)	(655)	(7,531)
Retirement benefits, net	(3,265)	(1,531)	(27,658)
Allowance for doubtful receivables, net	174	(523)	1,474
Loss on sales and disposal of property, plant and equipment, net	1,360	1,683	11,521
Gain on sales of securities	(5,154)	(5,418)	(43,659)
Write-down of investment securities	1,130	429	9,572
Equity in income of unconsolidated subsidiaries and affiliates	(772)	(771)	(6,540)
Interest and dividend income	(1,441)	(1,232)	(12,207)
Gain on securities contributed to employee retirement benefits trust	—	(2,927)	—
Dividend on liquidation of special purpose company	—	(3,400)	—
Loss on impairment of fixed assets	787	2,387	6,667
Gain on amortization of cross holding shares	(5)	—	(42)
Interest expense	3,229	3,080	27,353
Loss on restructuring of businesses	2,730	1,994	23,126
Losses related to lawsuits	780	6,571	6,607
Decrease in trade notes and accounts receivable	1,343	5,267	11,377
Increase in inventories	(2,670)	(1,727)	(22,618)
Increase in trade notes and accounts payable	422	1,190	3,575
Other, net	3,326	2,023	28,174
Total	38,109	43,678	322,821
Payments for restructuring costs of businesses	(1,421)	(1,914)	(12,037)
Payments related to lawsuits	(2,305)	(6,370)	(19,526)
Receipt of litigation liability insurance	1,269	—	10,750
Income taxes paid	(8,588)	(8,095)	(72,749)
Net cash provided by operating activities	27,064	27,299	229,259
Cash flows provided by (used in) investing activities:			
Purchase of property, plant and equipment	(14,747)	(19,960)	(124,922)
Proceeds from sales of property, plant and equipment	2,433	1,831	20,610
Purchase of investment securities	(793)	(2,352)	(6,717)
Proceeds from sales of investment securities	9,626	10,808	81,542
Outlays associated with equity participation	(1)	—	(8)
Proceeds from purchase of shares of consolidated subsidiaries and affiliates	(87)	—	(737)
Interest and dividend income, excluding unconsolidated subsidiaries and affiliates	1,466	5,712	12,418
Dividend income from affiliates accounted for by equity method	161	318	1,364
Other, net	(983)	(368)	(8,328)
Net cash provided by (used in) investing activities	(2,925)	(4,011)	(24,778)
Cash flows used in financing activities:			
Cash dividends	(3,492)	(3,492)	(29,581)
Cash dividends to minority interests	(360)	(263)	(3,050)
Net decrease in short-term borrowings	(17,743)	(22,111)	(150,300)
Proceeds from long-term debt	31,701	25,917	268,539
Repayment of long-term debt	(39,726)	(20,973)	(336,518)
Proceeds from issuance of convertible bonds	19,988	—	169,318
Payment of bonds	(10,300)	(300)	(87,251)
Payment of interest	(3,206)	(3,118)	(27,158)
Payment for purchase of treasury stock	(46)	(31)	(390)
Proceeds from sales of treasury stock	746	1,300	6,319
Net cash used in financing activities	(22,438)	(23,071)	(190,072)
Effect of exchange rate changes on cash and cash equivalents	165	190	1,398
Net increase in cash and cash equivalents	1,866	407	15,807
Cash and cash equivalents at beginning of year	11,894	11,583	100,754
Increase resulting from changes in consolidated subsidiaries	306	(96)	2,592
Increase in cash and cash equivalents due to a merger of consolidated subsidiaries	74	—	627
Cash and cash equivalents at end of year (Note 18)	¥ 14,140	¥ 11,894	\$ 119,780

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

TOYOBO CO., LTD. AND CONSOLIDATED SUBSIDIARIES

1 BASIS OF PRESENTING FINANCIAL STATEMENTS

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

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

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2007, which was ¥118.05 to U.S. \$1.00. These translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2 SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its 63 significant substantially controlled subsidiaries (63 in 2006). Investments in 15 unconsolidated subsidiaries and affiliates (17 in 2006), over which the Company has significant influence are accounted for by the equity method. Intercompany transactions and accounts have been eliminated. Significant differences between the cost of investments and the equity in the net assets of the consolidated subsidiaries at the respective dates of acquisition are amortized over five years.

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

The accounts of 18 consolidated subsidiaries are included on the basis of their fiscal years which end on December 31 (January 31 for 1, February 28 for 2 and March 20 for 3 other subsidiaries). These subsidiaries do not prepare for consolidation purposes statements that correspond with the fiscal year of the Company. When there are significant transactions between their respective fiscal year ends and the Company's year end, necessary adjustments are made to reflect such transactions in the consolidated financial statements.

Allowance for doubtful receivables

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

Securities

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

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

Inventories

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

Property, plant and equipment

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

Overseas consolidated subsidiaries principally use the straight-line method.

The Company previously used the straight-line method of depreciation for certain machinery and equipment used in the Plastics Products and Functional Materials Divisions, excluding indirect departments, the method was changed to the declining balance method, effective April 1, 2005.

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

As result of this change, depreciation was ¥358 million, greater than it would have been under the previous method, while operating income and net income before income taxes each were ¥272 million less than they would have been. The effects on each business segment are stated in Note 13.

Software

The Company and its domestic consolidated subsidiaries include software in intangible assets and amortize it using the straight-line method over the estimated useful life of five years.

Research and development expenses

Expenses relating to research and development activities are charged to income when incurred. Research and development expenses were ¥10,426 million [\$88,319 thousand] and ¥10,079 million, respectively, for the years ended March 31, 2007 and 2006.

Bond issuance costs

Bond issuance costs are charged to income when incurred.

Finance leases

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

Accrued employees' bonuses

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

Income taxes

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

Employees' severance and retirement benefits

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

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

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

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

Retirement benefits for directors, operating officers and corporate auditors

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

Translation of foreign currencies

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

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

Derivatives and hedge accounting

The Company and its consolidated subsidiaries state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

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

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

1. If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
 - (a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the statement of income in the period which includes the inception date, and

- (b) the discount or premium on the contract (the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.
2. If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract will be recognized.

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

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

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

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

Impairment of fixed assets

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

Accounting standard for recording of net assets on the balance sheet

Effective from the year ended March 31, 2007, the Company and its domestic consolidated subsidiaries 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 the above standards, the amount equivalent to total capital as of this consolidated fiscal year end was ¥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

Effective for the year ended March 31, 2007, the Company and its domestic consolidated subsidiaries 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).

From the year ended March 31, 2007, "Amortization of goodwill" is included in selling, general and administrative expenses and the total amount of "Amortization of negative goodwill" is included in "Other income."

As a result of this adoption "Excess of net assets acquired over cost, net" as of March 31, 2006 was reclassified to "Negative goodwill," which is grossed up from the year ended March 31, 2007 and stated as "Goodwill" and "Negative goodwill," and "Amortization of excess of net assets acquired over cost net" for the year ended March 31, 2006 was also reclassified to "Amortization of negative goodwill."

Reclassification

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2006 financial statements to conform to the classifications used in 2007.

Net income per share

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

Reconciliation of the differences between basic and diluted net income per share for the years ended March 31, 2007 was as follows.

	Net income	Weighted-average shares	Net income per share	
	Millions of yen	Thousands of shares	Yen	U.S. dollars
For the year ended March 31, 2007:				
Basic				
Net income available to common stockholders	¥13,472	697,214	¥19.32	\$0.164
Effect of dilutive securities				
Convertible bonds		3,639		
Diluted				
Net income for computation	¥13,472	700,853	¥19.22	\$0.163

3 SECURITIES

The following tables summarize acquisition costs and book values (fair values) of securities with available fair values as of March 31, 2007 and 2006:

Available-for-sale securities

	Millions of yen					
	2007			2006		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:						
Equity securities	¥10,582	¥27,930	¥17,349	¥11,180	¥34,402	¥23,222
Government bonds	150	150	—	—	—	—
Other	10	14	4	15	18	3
	¥10,742	¥28,094	¥17,352	¥11,195	¥34,420	¥23,225
Securities with book values not exceeding acquisition costs:						
Equity securities	¥ 2,368	¥ 1,632	¥ (736)	¥ 1,318	¥ 1,173	¥ (145)
Total	¥ 2,368	¥ 1,632	¥ (736)	¥ 1,318	¥ 1,173	¥ (145)

	Thousands of U.S. dollars		
	2007		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	\$89,640	\$236,603	\$146,963
Government bonds	1,271	1,271	—
Other	85	119	34
	\$90,996	\$237,993	\$146,997
Securities with book values not exceeding acquisition costs:			
Equity securities	\$20,059	\$ 13,825	\$ (6,234)
Total	\$20,059	\$ 18,825	\$ (6,234)

The following table summarizes book values of available-for-sale securities with no available fair values as of March 31, 2007 and 2006:

	Book value		
	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Non-listed equity securities	¥5,589	¥5,598	\$47,344
Other	214	216	1,813
Total	¥5,803	¥5,814	\$49,157

The following table summarizes available-for-sale securities sold in the years ended March 31, 2007 and 2006:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Total sales of available-for-sale securities	¥441	¥10,808	\$3,736
Related gains	325	5,428	2,753
Related losses	8	10	68

4 DERIVATIVES AND HEDGE ACCOUNTING

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

As of March 31, 2007 and 2006 hedge accounting had been applied to all derivatives transactions, outstanding positions are not disclosed.

5 INVENTORIES

Inventories at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Finished goods	¥59,689	¥57,516	\$505,625
Work in process	20,600	20,851	174,502
Raw materials	8,575	7,849	72,639
Supplies	3,228	2,916	27,344
	¥92,092	¥89,132	\$780,110

6 LOSS ON IMPAIRMENT

The Company and its domestic consolidated subsidiaries recorded impairment losses on the following asset groups for the year ended March 31, 2007.

Location	Use	Classification
Toyobo G.M.S. Co., Ltd., [Omachi City, Nagano Prefecture]	Idle assets	Buildings and Land

The Company and its domestic consolidated subsidiaries pool 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, the Company's domestic consolidated subsidiary reduced the book value of each to a recoverable amount and recorded the resulting impairment loss of ¥787 million [\$6,667 thousand] in "Other income (expenses)". The amount consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Buildings	¥227	\$ 1,923
Land	560	4,744
Total	¥787	\$6,667

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

7 INCOME TAXES

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

2006. Foreign consolidated subsidiaries are subject to the income taxes of the countries in which they operate.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2007 and 2006 are set forth below.

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Deferred tax assets:			
Accrued employees' bonuses	¥ 1,997	¥ 1,919	\$ 16,917
Accrued enterprise tax	393	127	3,329
Devaluation loss on inventories	1,128	—	9,555
Employees' severance and retirement benefits	7,676	8,773	65,023
Directors' operating officers' and corporate auditors' retirement benefits	560	518	4,744
Allowance for doubtful receivables	818	556	6,929
Impairment loss	952	1,009	8,064
Write-down of investment securities	2,061	1,175	17,459
Tax losses carried forward	4,897	2,909	41,482
Unrealized income	9,009	9,869	76,315
Securities acquired through merger	271	271	2,296
Other	1,878	2,096	15,909
Total deferred tax assets	31,640	29,222	268,022
Valuation allowance	(7,799)	(6,035)	(66,065)
Net deferred tax assets	23,841	23,187	201,957
Deferred tax liabilities:			
Net unrealized holding gains on securities	(6,820)	(9,437)	(57,772)
Reserve for deferred gain on sale of property	(828)	(786)	(7,014)
Undistributed earnings of overseas subsidiaries and affiliates	(473)	(493)	(4,007)
Consolidation adjustment for allowance for doubtful receivables	(137)	(137)	(1,161)
Valuation difference of subsidiaries	(2,217)	(2,185)	(18,780)
Tax deferred gains on assets transferred to a new company	(1,810)	(2,580)	(15,332)
Tax deferred gains on spin-off	(2,238)	(2,238)	(18,958)
Total deferred tax liabilities	(14,523)	(17,855)	(123,024)
Net deferred tax assets	¥ 9,318	¥ 5,332	\$ 78,933

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Reconciliation to balance sheet accounts			
Current assets	¥ 4,576	¥ 4,018	\$ 38,763
Investments and noncurrent assets	12,296	12,332	104,159
Current liabilities	(90)	(95)	(762)
Long-term liabilities	(7,464)	(10,923)	(63,227)
Total	¥ 9,318	¥ 5,332	\$ 78,933

In addition to the above deferred income taxes on land revaluation of ¥28,164 million is recognized in long-term liabilities. The effective rate for the year ended March 31, 2007 differs from the normal tax rate for the following reasons:

	2007
Normal tax rate	41.0%
Expenses not deductible for tax purpose	0.9
Nontaxable dividend income	(0.5)
Tax reduced by the losses of carried forward	(1.6)
Equity in income of unconsolidated subsidiaries and affiliates	(1.5)
Valuation allowance	4.3
Tax credit	(7.2)
Prior years' income taxes	(5.8)
Other	0.8
Effective tax rate	30.4%

Because the actual effective tax rate in the accompanying consolidated statements of income for the year ended March 31, 2006 differed from the normal statutory income tax rate by less than 5%, similar information for fiscal 2006 is not required to be disclosed.

8 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Unsecured:			
0.86% to 0.92% bonds due 2006	¥ —	¥ 10,300	\$ —
0.72% bonds due 2007	300	300	2,541
1.3% bonds due 2008	10,000	10,000	84,710
Zero coupon convertible bonds due 2012	20,000	—	169,420
Long-term loans, principally maturing through 2017 at the weighted average interest rate of 1.45% as of March 31, 2007			
Secured	7,030	12,609	59,551
Unsecured	79,472	79,305	673,206
Total	116,802	112,514	989,428
Less amount due within one year	21,819	46,260	184,828
	¥ 94,983	¥ 66,254	\$804,600

The aggregate annual maturities of long-term debt outstanding as of March 31, 2007 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2008	¥ 21,819	\$184,828
2009	33,926	287,387
2010	17,898	151,614
2011	13,601	115,214
2012	28,679	242,939
Thereafter	879	7,446
	¥116,802	\$989,428

The Company has an overdraft contract and credit commitments from three banks in order to secure efficient financing. Total unused credit available to the Company at March 31, 2007 was ¥21,000 million [\$177,891 thousand].

9 EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

Employees' severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Projected benefit obligation	¥ 70,297	¥ 71,672	\$ 595,485
Fair value of pension assets	(28,773)	(26,780)	(243,736)
Employee retirement benefit trust	(7,753)	(8,364)	(65,676)
Unrecognized net transition obligation	(13,172)	(14,937)	(111,580)
Unrecognized actuarial differences	(4,891)	(3,078)	(41,430)
Unrecognized prior service costs	1,281	1,671	10,851
Employees' severance and retirement benefits	¥ 16,989	¥ 20,184	\$ 143,914

Included in the consolidated statements of income for the years ended March 31, 2007 and 2006 were severance and retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Service costs – benefits earned during the year	¥ 2,356	¥2,212	\$19,958
Interest cost on projected benefit obligation	1,467	1,501	12,427
Expected return on plan assets	(1,064)	(712)	(9,013)
Amortization of net transition obligation	1,705	1,714	14,443
Amortization of actuarial differences	943	1,265	7,987
Amortization of prior service costs	(332)	(277)	(2,812)
Employees' severance and retirement benefit expenses	¥ 5,075	¥5,703	\$42,990

The discount rates used by the Company and its domestic consolidated subsidiaries are 2.0% to 2.5% for the years ended March 31, 2007 and 2006, respectively. The rates of expected return on plan assets used by the Company and its domestic consolidated subsidiaries are 2.5% to 3.5% for the years ended March 31, 2007 and 2006, respectively. The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years. Past service costs are recognized as an expense in equal amounts over ten years, and actuarial gains/losses are recognized in the consolidated statements of income using the straight-line method over ten years.

10 ASSETS PLEDGED AS COLLATERAL

At March 31, 2007, assets pledged as collateral for secured long-term debt of ¥7,030 million [\$59,551 thousand], short-term debt of ¥264 million [\$2,236 thousand] and customers' deposits of ¥663 million [\$5,616 thousand] were as follows:

	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents	¥ 4	\$ 34
Investment securities	85	720
Property, plant and equipment—net of accumulated depreciation	24,976	211,571
Other current assets	160	1,356
	¥25,225	\$213,681

11 NET ASSETS

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

(i) Dividends

The Law allows Japanese companies to pay dividends at any time during the fiscal year in addition to the year end dividend upon resolution at the stockholders meeting. For Japanese companies that meet certain criteria such as having a board of directors, independent auditors, a board of corporate auditors, and one-year terms of service for directors rather than two-year normal term provided by the articles of incorporation, the board of directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation. The Law permits Japanese companies to distribute dividends-in-kind (non-cash assets) to stockholders subject to certain limitations and additional requirements. The Law continues to provide certain limitations on the amounts available for dividends and the purchase of treasury stock.

(ii) Increases/decreases and transfers of common stock, reserve and surplus

The Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (of retained earnings) or as additional paid-in capital (of capital surplus), depending on the equity account charged upon the payment of such dividends, until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Law, the total amount of additional paid-in capital and legal reserve may be reversed without the limitations imposed by the Code. The Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the stockholders.

(iii) Treasury stock

The Law continues to provide for Japanese companies to repurchase or dispose of treasury stock just as the Code did. The amount of treasury stock purchased, however, cannot exceed the amount available for distribution to the stockholders, which is determined by specific formula.

12 CONTINGENT LIABILITIES

At March 31, 2007, the Company and certain consolidated subsidiaries were contingently liable as follows:

	Millions of yen	Thousands of U.S. dollars
As endorser of notes discounted	¥ 13	\$ 110
As guarantor of indebtedness of:		
Unconsolidated subsidiaries and affiliates	¥3,866	\$32,749
Other companies	96	813
Employees (housing loans)	490	4,151
	¥4,452	\$37,713

13 LEASES

Lease payments for finance leases which do not transfer ownership and do not have bargain purchase provisions were ¥696 million [\$5,896 thousand] and ¥688 million for the years ended March 31, 2007 and 2006, respectively. Future minimum lease payments for the remaining lease periods as of March 31, 2007, including interest, were ¥622 million [\$5,269 thousand] for payments due within one year and ¥1,174 million [\$9,945 thousand] for payments due beyond one year.

Original lease obligations, accumulated payments and remaining payments of leased properties as of March 31, 2007 and March 31, 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Machinery and equipment:			
Original lease obligation	¥1,075	¥ 913	\$ 9,106
Payments made	624	562	5,286
Impairment loss	25	42	212
Remaining payments	¥ 426	¥ 309	\$ 3,608
Tools, furniture and fixtures:			
Original lease obligation	¥1,828	¥1,768	\$15,485
Payments made	890	920	7,539
Remaining payments	¥ 938	¥ 848	\$ 7,946
Intangible assets			
Original lease obligation	¥ 778	¥ 741	\$ 6,590
Payments made	371	430	3,143
Remaining payments	¥ 407	¥ 311	\$ 3,447

Future minimum lease payments under operating leases for the remaining lease periods as of March 31, 2007 were ¥10,585 million [\$89,665 thousand], of which ¥2,072 million [\$17,552 thousand] were due within one year.

Future minimum lease receipts as lessor under operating leases for the remaining lease periods as of March 31, 2007 were ¥1,049 million [\$8,886 thousand], of which ¥159 million [\$1,347 thousand] were due within one year.

14 SEGMENT INFORMATION

The Toyobo Group aims to be a manufacturer of highly functional products, which continually create new value based on unique core technologies—namely, polymerization technology, modification technology, processing technology and biotechnology. In order to promote future growth and the 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.

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

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

As of the consolidated fiscal year, amortization of goodwill is included and shown in operating costs. [See Note 2]

Due to this change in previous methods, operating costs in amounts greater than those that would have been recorded prior to the change have been recorded in the consolidated fiscal year: films and resins for industrial applications by ¥22 million [\$136 thousand], life sciences by ¥61 million [\$516 thousand], fibers and textiles by ¥227 million [\$1,922 thousand], and other businesses by ¥12 million [\$102 thousand]. Operating income has accordingly decreased in each of these categories.

Millions of yen

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

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.

Millions of yen

Year ended March 31, 2006	Net sales to external customers	Intersegment net sales and transfer amounts	Net sales	Operating costs and expenses	Operating income	Identifiable assets	Depreciation and amortization	Impairment loss	Capital expenditure
Films and functional polymers	¥116,362	¥ 272	¥116,634	¥101,718	¥14,916	¥119,671	¥ 5,261	¥ —	¥ 8,391
Industrial materials	68,935	34	68,969	63,173	5,796	78,541	3,533	—	3,802
Life science	29,667	117	29,784	24,177	5,607	34,654	2,163	—	2,437
Textiles	142,513	256	142,769	139,378	3,391	140,627	2,677	428	2,181
Other businesses	44,471	11,603	56,074	53,075	2,999	105,573	1,225	1,959	695
Total	401,948	12,282	414,230	381,521	32,709	479,066	14,859	2,387	17,506
Elimination or corporate	—	(12,282)	(12,282)	(9,460)	(2,822)	35,725	797	—	625
Consolidated	¥401,948	¥ —	¥401,948	¥372,061	¥29,887	¥514,791	¥15,656	¥2,387	¥18,131

In the previous consolidated fiscal year, the Company's and its consolidated subsidiaries' operations are classified into four industry segments 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
Fibers & Textiles	Natural fibers, synthetic fibers and secondly textile products
Other Businesses	Design and construction of buildings, structures, etc., real estate, information processing services, logistics services, etc.

Millions of yen

Year ended March 31, 2006	Net sales to external customers	Intersegment net sales and transfer amounts	Net sales	Operating costs and expenses	Operating income	Identifiable assets	Depreciation and amortization	Impairment loss	Capital expenditure
Fibers and textiles	¥174,484	¥ 473	¥174,957	¥169,573	¥ 5,384	¥183,368	¥ 5,428	¥ 428	¥ 5,469
Plastics	141,950	157	142,107	124,965	17,142	140,769	5,376	—	9,148
Bio, medical and functional materials and products	50,906	2	50,908	42,975	7,933	54,134	2,656	—	2,150
Other businesses	34,608	11,577	46,185	43,947	2,238	118,526	1,035	1,959	529
Total	401,948	12,209	414,157	381,460	32,697	496,797	14,495	2,387	17,296
Elimination or corporate	—	(12,209)	(12,209)	(9,399)	(2,810)	17,994	1,161	—	835
Consolidated	¥401,948	¥ —	¥401,948	¥372,061	¥29,887	¥514,791	¥15,656	¥2,387	¥18,131

Thousands of U.S. dollars

Year ended March 31, 2007	Net sales to external customers	Intersegment net sales and transfer amounts	Net sales	Operating costs and expenses	Operating income	Identifiable assets	Depreciation and amortization	Impairment loss	Capital expenditure
Films and functional polymers	\$1,055,604	\$ 1,525	\$1,057,129	\$ 927,489	\$129,640	\$1,069,089	\$ 55,273	\$ —	\$ 45,438
Industrial materials	630,165	745	630,910	580,787	50,123	673,791	29,039	—	25,320
Life science	276,485	1,118	277,603	230,293	47,310	311,953	21,296	—	35,400
Textiles	1,267,133	2,202	1,269,335	1,232,181	37,154	1,127,285	21,703	—	16,129
Other businesses	384,895	84,397	469,292	448,360	20,932	825,887	9,106	6,667	4,253
Total	3,614,282	89,987	3,704,269	3,419,110	285,159	4,008,005	135,416	6,667	126,540
Elimination or corporate	—	(89,987)	(89,987)	(62,643)	(27,344)	339,229	7,065	—	6,904
Consolidated	\$3,614,282	\$ —	\$3,614,282	\$3,356,467	\$257,815	\$4,347,234	\$143,482	\$6,667	\$133,444

Corporate operating costs and expenses of ¥2,929 million [\$24,812 thousand] and ¥2,568 million for the years ended March 31, 2007 and 2006, respectively, mainly consisted of administrative and fundamental research department expenses. Corporate assets of ¥78,232 million [\$662,702 thousand] and ¥70,132 million at March 31, 2007 and 2006, respectively, mainly consisted of cash, marketable securities and assets of the administrative and fundamental research departments.

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

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Southeast Asia	¥36,817	¥34,491	\$311,876
Other areas	38,931	28,512	329,784
Total	¥75,748	¥63,003	\$641,660

Principal countries and areas in each segment are:

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

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

15 LAND REVALUATION EXCESS

Applying the law on revaluation of land, the Company, two consolidated subsidiaries and an affiliate accounted for by the equity method revaluated their land for business use on March 31, 2002 and included the increase, net of income taxes and minority interests, in stockholders' equity. The value of the land as of March 31, 2007 was ¥21,823 million [\$184,862 thousand] less than the book value of the land after revaluation.

Also, applying the law on revaluation of land, a consolidated subsidiary, revaluated its land for business use on March 31, 2000 and included the increase, net of income taxes and minority interests, in stockholders' equity. The current value of the land as of March 31, 2007 was ¥2,434 million [\$20,618 thousand] less than with the book value of the land after revaluation.

16 REVALUATION EXCESS—FOREIGN

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

As accounting principles and practices generally accepted in Brazil are different from the accounting and disclosure requirements under Japanese GAAP, the two consolidated subsidiaries in Brazil did not record deferred income taxes on their revaluations. As a result, in the years ended March 31, 2007 and 2006, respectively, deferred income taxes of ¥2,386 million [\$20,212 thousand] and ¥2,169 million were not recorded.

17 LOSS ON RESTRUCTURING OF BUSINESSES

During the year ended March 31, 2007, the Company incurred special losses for additional severance payments for early retirement of ¥574 million [\$4,862 thousand] and losses in the fiber and other businesses of ¥2,156 million [\$18,264 thousand], which are included in total restructuring losses of ¥2,730 million [\$23,126 thousand] in the consolidated statements of income.

During the year ended March 31, 2006, the Company incurred special losses for additional severance payments for early retirement of ¥428 million, and losses in the fiber and other businesses of ¥1,565 million, which are included in total restructuring losses of ¥1,994 million in the consolidated statements of income.

18 CASH FLOW INFORMATION

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

The reconciliations of cash and cash equivalents in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2007 and 2006 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Cash and cash equivalents in the consolidated balance sheet	¥14,470	¥12,470	\$122,575
Time deposits maturing after three months	(330)	(576)	(2,795)
Cash and cash equivalents in the consolidated statements of cash flows	¥14,140	¥11,894	\$119,780

19 LAWSUITS

1. Settlement of damages suit brought by bulletproof vest distributors

In May 2006 the Company reached a settlement with three U.S. distributors of bulletproof vests for damages suits filed in the Tacoma Division of the U.S. District Court for the Western District of Washington, the Marshall Division of the U.S. District Court for the Eastern District of Texas, and the U.S. District Court for the District of New Jersey. The plaintiffs were distributors of bulletproof vests containing the Company's Zylon fiber, which were manufactured and sold by the U.S. bulletproof vest manufacturer Second Chance Body Armor, Inc.

The lawsuit demanded damages from the Company, its non-consolidated U.S. subsidiary Toyobo America Inc., and former executives of said bulletproof vest manufacturer, as the Company failed to warn or notify the plaintiff about degradation problems with Zylon fiber, and while knowing that the product did not meet the requirement for bulletproof vests continued to have the plaintiff advertise it and conduct sales activities.

The Company, while asserting in court that it is not at fault, had sought a path to a settlement with the plaintiffs. As a result of these negotiations, the Company and Toyobo America reached an agreement with the plaintiffs for a judicial settlement. The specific conditions of the settlement may not be disclosed in accordance with the terms of the agreement.

2. Settlement of damages suit brought by bereaved family members of a police officer

In November 2006 the Company reached a settlement with plaintiffs of a damages suit filed in the Superior Court of California for the County of San Diego, by bereaved family of a user of a bulletproof vest in the United States.

In this lawsuit the bereaved families of a police officer fatally shot while wearing a bulletproof vest containing the Company's Zylon fiber, had claimed damages from the manufacturer of the bulletproof vest (Second Chance Body Armor, Inc.) and its distributors because the cause of death was that a bullet penetrated the bulletproof vest due to defects in said bulletproof vest. The Company and its non-consolidated U.S. subsidiary Toyobo America Inc. also became defendants.

The Company, while asserting in court that it is not at fault, had sought a path to a settlement with the plaintiffs. As a result of these negotiations, a settlement was reached between the Company, the plaintiffs and all of the other defendants, and a settlement package was paid to the plaintiffs.

3. Settlement of damages suit brought by police officer

In January 2007 the Company concluded a settlement agreement with a plaintiff of a damages suit filed in the Superior Court of California for the County of Los Angeles, by a user of a bulletproof vest in the United States.

In this lawsuit a police officer injured after having been shot while wearing a bulletproof vest containing the Company's Zylon fiber, had claimed damages from the manufacturer of the bulletproof vest (Second Chance Body Armor, Inc.) and its distributor due to defects in said bulletproof vest. The Company and its non-consolidated U.S. subsidiary Toyobo America Inc. also became defendants.

The Company, while asserting in court that it is not at fault, sought a path to a settlement with the plaintiff. As a result of these negotiations, a settlement was reached between the Company, the plaintiff and all of the other defendants, and a settlement package was paid to the plaintiff.

4. Settlement of damages suit brought by police officer

In January 2007 the Company concluded a settlement agreement with a plaintiff of a damages suit filed in the Superior Court of California for the County of Los Angeles, by a user of a bulletproof vest in the United States.

In this lawsuit a police officer injured after having been shot while wearing a bulletproof vest containing the Company's Zylon fiber, had claimed damages from the manufacturer of the bulletproof vest (Second Chance Body Armor, Inc.) due to defects in said bulletproof vests. The Company and its non-consolidated U.S. subsidiary Toyobo America Inc. also became defendants.

The Company, while asserting in court that it is not at fault, had sought a path to a settlement with the plaintiff. As a result of these negotiations, a settlement was reached between the Company, the plaintiffs and all of the other defendants, and a settlement package was paid to the plaintiff.

5. Dismissal of damages suit brought by the Governments of German States

In April 2007 a damages suit filed in U.S. District Court for the Western District of Michigan by the German States of Bavaria and North Rhine–Westphalia against the Company was dismissed by said court. The plaintiffs were purchasers of bulletproof vests containing the Company’s Zylon fiber, which were manufactured and sold by the U.S. bulletproof vest manufacturer Second Chance Body Armor, Inc.

The lawsuit demanded damages from the Company, its non-consolidated U.S. subsidiary Toyobo America Inc., and former executives of said bulletproof vest manufacturer, claiming misrepresentation that the Zylon fiber used was suitable for bulletproof vests, as well as conspiracy and abetting in the misrepresentation.

The court dismissed the case against the Company under the doctrine of forum non convenience, and against Toyobo America, Inc. for lack of jurisdiction.

6. Other litigation

Even after the successful settlements and dismissal judgments described above, there remain certain lawsuits such as the lawsuits with the U.S. Department of Justice, a manufacturer of bulletproof vests. However, the Company will continue to mount an appropriate defense attesting to the inaccuracy of the assertions made by the claimants.

20 SUBSEQUENT EVENT

At the Company’s ordinary meeting of stockholders held on June 28, 2007, appropriations of retained earnings for the year ended March 31, 2007 were duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends—¥5.00 [\$0.042] per share	¥3,491	\$29,572

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of TOYOBO CO., LTD. and its consolidated subsidiaries as of March 31, 2007 and 2006 and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TOYOBO CO., LTD. and its consolidated subsidiaries as of March 31, 2007 and 2006 and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to Note 14 in the notes to the consolidated financial statements which discusses the change in the Company's and its consolidated subsidiaries' business segment classification effective April 1, 2006.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 were presented solely for convenience and were translated from yen amounts as described in Note 1 of the notes to the consolidated financial statements.

KPMG AZSA & Co

KPMG AZSA & Co.

Osaka, Japan
June 28, 2007

Group Companies

[As of March 31, 2007]

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

Industrial Materials

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

Life Science

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

Textiles

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

	Equity Ownership [%]	Paid-in Capital* [Millions of Yen]	Business
Industrias Unidas, S.A.	66.1	SVC55,443	Manufacture of textiles
Toyobo Wool [Malaysia] Sdn. Bhd.	100.0	MYR8,490	Manufacture of wool yarns
Toyobo Textile [Malaysia] Sdn. Bhd.	80.0	MYR20,000	Manufacture of textiles
P.T. Toyobo Knitting Indonesia	96.5	US\$17,156	Manufacture of knitting fabrics
Toyobo do Brasil Industria Textil Ltda.	100.0	BRL19,922	Holding company of Toyobo do Brasil Ltda., real estate
Toyobo do Brasil Ltda.	—	BRL32,173	Manufacture of textiles, bio products
P.T. Shinko Toyobo Gistex Garment	30.0	US\$5,000	Sewing of shirts and sportswear
Erawan Textile Co., Ltd.	27.1	THB72,731	Manufacture of textiles

Commerce, etc.

Shinko Sangyo Co., Ltd.	100.0	¥2,497	Trading
Godo Syoji Co., Ltd.	—	¥35	Planning of uniforms

Other

Miyuki Holdings Co., Ltd.	39.6	¥1,815	Wool textiles, real estate
Toyobo Engineering Co., Ltd.	100.0	¥120	Construction, engineering, sales of equipment
Toyobo Real Estate Co., Ltd.	100.0	¥800	Real estate, insurance services
Toyobo G.M.S. Co., Ltd.	100.0	¥100	Real estate
Toyobo G.F.A. Co., Ltd.	100.0	¥50	Financial services
Toyobo Information System Create, Inc.	100.0	¥50	Development of information systems and software
Toyobo Logistics Co., Ltd.	100.0	¥40	Logistics
Toyobo Fairtone Co., Ltd.	100.0	¥100	Sales of carpets and other fiber products for interiors
Toyobo Living Service Co., Ltd.	100.0	¥100	Linen supply services
Ashimori Industry Co., Ltd.	15.8	¥8,388	Manufacture and sales of flexible hoses and materials for automobiles

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

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

Investor Information

(As of March 31, 2007)

■ Stock Listings

Tokyo, Osaka

■ Transfer Agent

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

■ Independent Auditors

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

■ Common Stock

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

■ Paid-in Capital

¥43,341 million

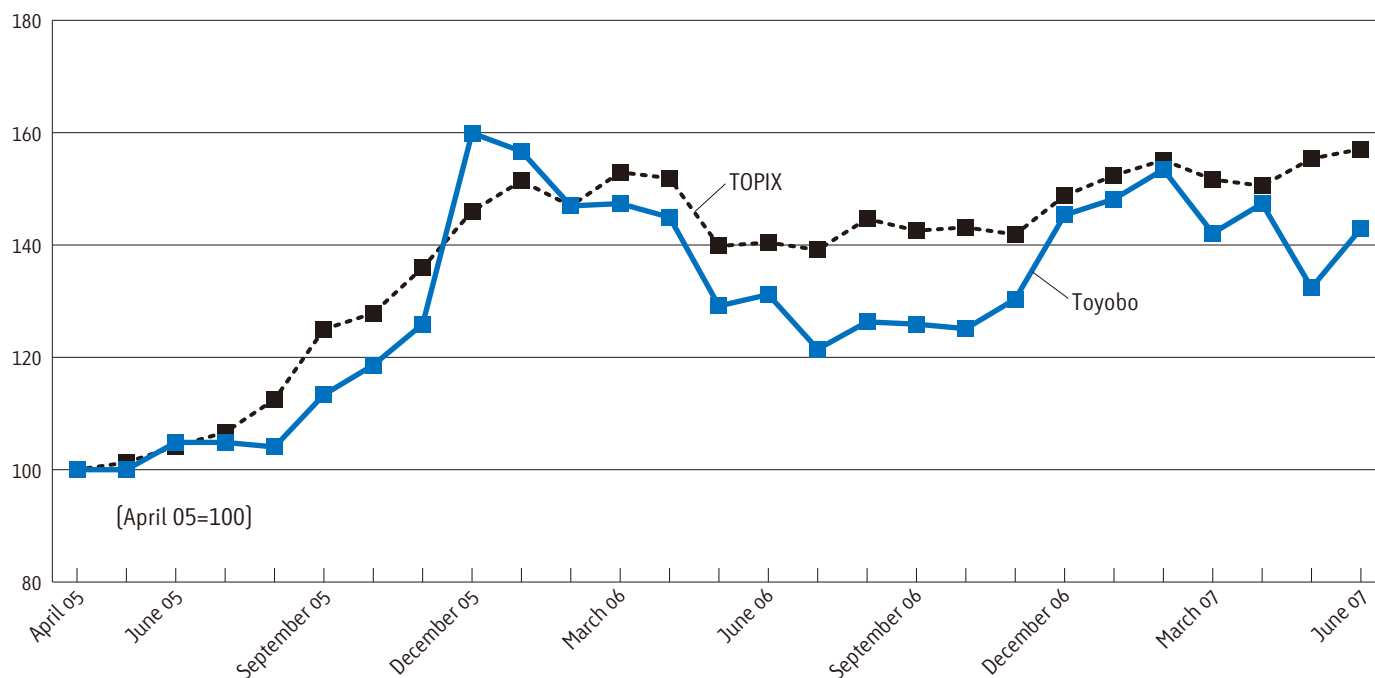
■ Number of Stockholders

97,035

■ Major Stockholders (10 largest stockholders)

	Number of shares held (thousands)	Percentage of voting rights (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	34,906	4.99
The Master Trust Bank of Japan, Ltd. (Trust Account)	23,369	3.34
Nippon Life Insurance Company	20,613	2.95
Mizuho Corporate Bank, Ltd.	13,393	1.92
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,214	1.89
Meiji Yasuda Life Insurance Company	13,129	1.88
Sumitomo Mitsui Banking Corporation	13,034	1.86
Japan Trustee Services Bank, Ltd. (Trust Account 4)	12,515	1.79
Toyukai (Contractor Share Holding)	11,527	1.65
State Street Bank and Trust Company 505019	9,209	1.32

■ Stock Price



Corporate Data

[As of March 31, 2007]

■ Head Office

2-8, Dojima Hama 2-chome,
Kita-ku, Osaka 530-8230, Japan
Telephone: +81-6-6348-3111
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■ Established

May 1882

■ Incorporated

June 1914

■ Number of Employees

3,249

■ Branches

Tokyo Branch

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

Nagoya Branch

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

■ Research Center

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

■ Overseas

Toyobo America, Inc.

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

Toyobo Co., Ltd. China Office (Shanghai)

Room F1, 16th Floor,
Jiushi Fuxing Mansion,
918 Huaihai Zhong Road,
Shanghai, China
Telephone: +86-21-64155214

■ Domestic Plants and Mills

Films manufacturing:

Inuyama Plant
Tsuruga Films Plant

Polymers manufacturing:

Tsuruga Polymers Plant
Iwakuni Polymers Plant

Functional materials manufacturing:

Tsuruga Functional Materials Plant
Iwakuni Functional Materials Plant

Biochemicals manufacturing:

Tsuruga Biochemicals Plant

Functional membrane manufacturing:

Iwakuni Membrane Plant

Pharmaceuticals manufacturing:

Otsu Pharmaceuticals Plant

Spinning, weaving and dyeing:

Nyuzen Mill
Inami Mill
Shogawa Mill

English-Language Website



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



<http://www.toyobo.co.jp/e/annai/zaimu/>

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Printed in Japan