**Consolidated Preliminary Financial Report for Year Ended March 31, 2006** November 10, 2005

**Toyobo Co., Ltd.** (Listed on First Section of both TSE and OSE)
Stock Code: **3101** (Head office: Osaka Prefecture)
(URL http://www.toyobo.co.jp)
Representative: President & Representative Director Ryuzo Sakamoto
Contact Person: Head of Finance Dept. Hiroshi Takahashi TEL: (06) 6348-3091

Date of Board Meeting for Settlement of Accounts: November 10, 2005
Applicability of US Accounting Standards: Not applicable

## 1 Consolidated Business Performance for Year ended September 30, 2005

**(April 1, 2005 - September 30, 2005)**

**(1) Consolidated Business Results** Figures are rounded off to the nearest million yen.

| | Net Sales | | Operating Income | | Ordinary Income | |
|---|---|---|---|---|---|---|
| | million yen | % | million yen | % | million yen | % |
| Year ended September 30, 2005 | 196,299 | ( 1.9 ) | 14,817 | ( 1.1 ) | 12,238 | ( 1.4 ) |
| Year ended September 30, 2004 | 192,639 | ( 4.9 ) | 14,661 | ( 19.6 ) | 12,070 | ( 31.0 ) |
| Year ended March 31, 2005 | 393,686 | | 28,782 | | 21,589 | |

| | Net Income | | Earnings per Share (EPS) | Full-diluted EPS |
|---|---|---|---|---|
| | million yen | % | yen | yen |
| Year ended September 30, 2005 | 4,269 | ( (32.1) ) | 6 . 14 | — |
| Year ended September 30, 2004 | 6,284 | ( 52.6 ) | 9 . 02 | — |
| Year ended March 31, 2005 | 12,207 | | 17 . 58 | — |

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

Year ended September 30, 2005 67 million yen; Year ended September 30, 2004 295 million yen; Year ended March 31, 2005 269 million yen

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

Year ended September 30, 2005 695,248,546 shares; Year ended September 30, 2004 696,685,856 shares; Year ended March 31, 2005 694,389,402 shares

(3) Change in accounting standards Yes

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

**(2) Consolidated Financial Position**

| | Total Assets | Stockholders' Equity | Ratio of Stockholders' Equity | Stockholders' Equity per Share |
|---|---|---|---|---|
| | million yen | million yen | % | yen |
| Year ended September 30, 2005 | 517,629 | 112,698 | 21.8 | 162.10 |
| Year ended September 30, 2004 | 496,743 | 103,648 | 20.9 | 148.78 |
| Year ended March 31, 2005 | 511,813 | 107,518 | 21.0 | 154.64 |

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

Year ended September 30, 2005 695,219,483 shares; Year ended September 30, 2004 696,650,728 shares; Year ended March 31, 2005 695,284,539 shares

**(3) Consolidated Cash Flows**

| | Cash flow provided by operating activities | Cash flow provided by investing activities | Cash flow used in financing activities | Cash and cash equivalents at end of year |
|---|---|---|---|---|
| | million yen | million yen | million yen | million yen |
| Year ended September 30, 2005 | 2,881 | 255 | (2,756) | 11,992 |
| Year ended September 30, 2004 | 13,523 | (2,625) | (13,466) | 11,734 |
| Year ended March 31, 2005 | 30,071 | 4,910 | (37,591) | 11,583 |

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

Number of consolidated subsidiaries 63 companies; Number of non-consolidated subsidiaries subject to equity method 1 company; Number of affiliates subject to equity method 15 companies

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

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

## 2 Consolidated Performance Forecast for Year ending March 31, 2006 **(April 1, 2005 - March 31, 2006)**

| | Net Sales | Ordinary Income | Net Income |
|---|---|---|---|
| | million yen | million yen | million yen |
| Full Year | 410,000 | 24,000 | 12,500 |

(Reference) Full-year EPS forecast 17. 98 yen

※ The above forecast is based on the information available at the time of the announcement of this data.
Actual business performance may differ from the projections due to various factors in the future.
Please refer to pp.6-9 of the Appendix to Consolidated Data for information on performance forecast and other related matters.

## Management Policy

### 1. Basic Management Policy

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

To date, the Toyobo Group has striven to establish a more stable earnings structure by revising its business structure and downsizing unprofitable businesses, such as common fabrics and textiles for the clothing sector, while at the same time endeavoring to expand its profitable specialty businesses. Having achieved this, the Toyobo Group now aims to promote dramatic growth of its specialty businesses by concentrating management resources on strong businesses and engaging in reforms to enhance its technology stock (core technologies + manufacturing strength), which serves as the source of its competitiveness as a manufacturer.

Further, we are committed to enhancing the governance functions of the Group as a whole and boosting our enterprise value even higher, by improving the transparency and fairness of management through the introduction of an executive officer system at the end of June 2005, and by developing risk management (such as management of environmental and safety risks) and compliance structures, including our subsidiaries and affiliates.

### 2. Medium/Long-term Business Strategy and Challenges

#### (1) Management Strategy

The Toyobo Group considers the fiscal year ending March 31, 2006 as “the first year of new reforms”, and will take on the following priority challenges, based on its *Group-wide specialty business expansion policy*:

(i) Inject resources intensively in specialty businesses and strategically roll out businesses at home and abroad;
(ii) Accelerate the enhancement of development capacity and the creation of new products and businesses;
(iii) Refine Group management by enhancing governance and demonstrating Group synergies; and
(iv) Improve asset efficiency (Continuous revision of business portfolio)

#### (2) Operations by Business Segment

Fibers and Textiles: In the field of industrial materials, the Toyobo Group will reinforce its domestic and overseas supply capacity and build a global supply chain for base fabrics for automobile airbags, which are rapidly increasing in demand. In the clothing field, the Group will strive to improve the efficiency of its asset utilization while narrowing down the scale of its involvement to the functional clothing sector.

Films: The Toyobo Group will expand its films business both in Japan and overseas, based on its ability to satisfy customers’ needs and its technological prowess. In the field of industrial films, we launched a new production line in October 2005 in response to growing demand for industrial films for liquid crystal and optical applications, and will promote a shift to higher value-added manufacturing through the development of new products. In China, Shanghai Zidong Chemical Materials Co., Ltd., a manufacturer and distributor of nylon films for packaging purposes that was jointly established by Toyobo with a local Chinese company, plans to begin full-scale production in the fiscal year ending March 31, 2006.

Highly Functional Materials: The Toyobo Group will promote the growth of specialty products which can only be made by the Group, including highly functional resins such as engineering plastics and functional adhesive resins, ultra-strong polyethylene fibers and other highly functional materials based on proprietary polymerization, reformulation and processing technologies. We will also endeavor to create new products, including by looking for synergy with other business segments. Further, we will develop a global supply chain to support the expansion overseas of customers in sectors such as the automobile, electric appliances and electronics sectors.

Bio and Medical: The Toyobo Group will create new businesses in cutting-edge fields, such as drug discovery support and cell culture based on its integrated technological strength in culturing, purification and genetic engineering. In pharmaceuticals, we will enhance the capacity of our facilities to manufacture pharmaceuticals under contract, and increase the volume of orders we accept. We will also increase our capacity to manufacture hollow fiber membranes for artificial kidneys in response to growth in demand, as well as promote further expansion of our aqua membrane business based on rising demand for desalination modules.

## 3. Management Targets and Basic Profit Appropriation Policies

The Toyobo Group has successfully increased business earnings and substantially reduced interest-bearing debt at the same time. In the future, we will continue working to increase our earnings by aggressively expanding our healthy businesses, and to improve our balance sheet by further reducing interest-bearing debt.

The businesses of Toyobo's divisions, subsidiaries and affiliates are evaluated on the basis of common criteria, namely, profit/loss, cash flows and Return on Assets (ROA). Especially in regards to ROA, we will strive to further improve the assets turnover, with the short-term target of achieving a return of at least 5% of total assets.

Dividends will be decided according to our basic policy to continue paying steady cash dividends, while taking all factors into consideration, such as the earnings situation and the need to improve our balance sheet.

## 4. Corporate Governance

### (1) Basic Approach to Corporate Governance

Toyobo has been making more efforts than ever before in line with the change of times, with a view to *ensuring speed and accuracy in decision making, ensuring management transparency and placing importance on fairness,* in order to make sustained improvements in its enterprise value. Its efforts include *developing a framework of the Board of Directors and execution of operations, enhancing Group governance adapted to the era of consolidation,* and *reinforcing risk management and compliance* *structures.*

Moreover, Toyobo has reorganized its group companies in accordance with each of its business divisions in order to strengthen the Group’s management, thus creating a structure that enables it to exercise stronger governance.

Along with reinforcing the business management of its group companies, Toyobo is committed to improving asset efficiency and exercising strict governance within the Group as a whole by improving the audit system.

In January 2004, we amended the Toyobo Board of Directors’ regulations and other regulations in order to clarify the extent to which Toyobo can be involved in affiliates’ important decision-making matters, pursuant to the Commercial Code.

Furthermore, in the fiscal year ended March 31, 2005, we established the Advisory Board on Executive Rules and Regulations (including one outside member) in an effort to ensure greater transparency and fairness.

### (2) Implementation Status of Corporate Governance Measures

#### (i) Introduction of Executive Officer System

An executive officer system will be introduced at the end of June 2005. By clearly separating the Board of Directors’ *decision-making and supervision functions* from the executive officers’ *execution functions,* we will build a framework that improves the transparency and fairness of management and enables quick decision-making and dynamic execution of operations.

*Decision-making and supervision functions* will be performed by the Board of Directors, who will make decisions on management policies, management plans and other important matters relating to the execution of operations, and supervise directors and executive officers in regards to their respective duties. The Chairman will convene and preside over the Board of Directors’ meetings. In the fiscal year ended March 31, 2005, the Board of Directors consisted of fourteen directors, including one outside director, and their term of office was halved from two years to one. In conjunction with the introduction of the executive officer system, we reduced the number of directors to eleven (including one outside director). Each and every director excluding the Chairman and the outside director will concurrently serve as an executive 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 will serve as the chief executive officer, and will convene and preside over Senior Executive Board meetings. The Senior Executive Board, which consists of executive officers holding responsible posts, will make decisions on matters relating to the execution of operations delegated by the Board of Directors. Under the Senior Executive Board, we established the Corporate Planning Committee and the Financial Control Committee, where important capital investment projects, new businesses projects, significant loan and investment projects, etc. are discussed and reported to the Senior Executive Board. In addition to the meetings of the Senior Executive Board, the President and Chief Operating Officer will convene meetings of the Executive Board, consisting of all executive officers and general managers. At Executive Board meetings, a monthly report will be presented regarding the execution of operations, Group-wide challenges that cut across the entire organization, and the progress of Group-wide projects.

**(ii) Internal Control, Internal Audit and Independent Audit Status**

Our statutory auditor system is based on two full-time statutory auditors and two part-time (outside) statutory auditors. Aside from attending important meetings such as meetings of the Board of Directors, the statutory auditors examine important approval requests and implement visiting audits on head office departments, Toyobo offices and affiliate companies. They also work to improve audit effectiveness and efficiency by acting upon audit reports and advice from independent auditors and the internal Audit Group under the Credit and Audit Department. Additionally, they facilitate improved auditing in relation to the operation of suitable internal control within the Group as a whole by developing closer relationships with the auditors of consolidated subsidiaries via the Group-wide auditors' liaison meetings.

The Audit Group under the Credit and Audit Department performs internal audits, which include group companies within their scope.

Toyobo delegates the independent audit task under the provisions of the Commercial Code and the Securities and Exchange Law to KPMG AZSA & Co. The name of the certified public accountants (CPAs) who conducted the independent audit during the period and the composition of assistants in the independent audit are as follows.

Name of CPAs who conducted independent audit

CPAs as designated employees who conducted independent audit: Mikio Maki, Koichi Inoue, Masaharu Yamamoto

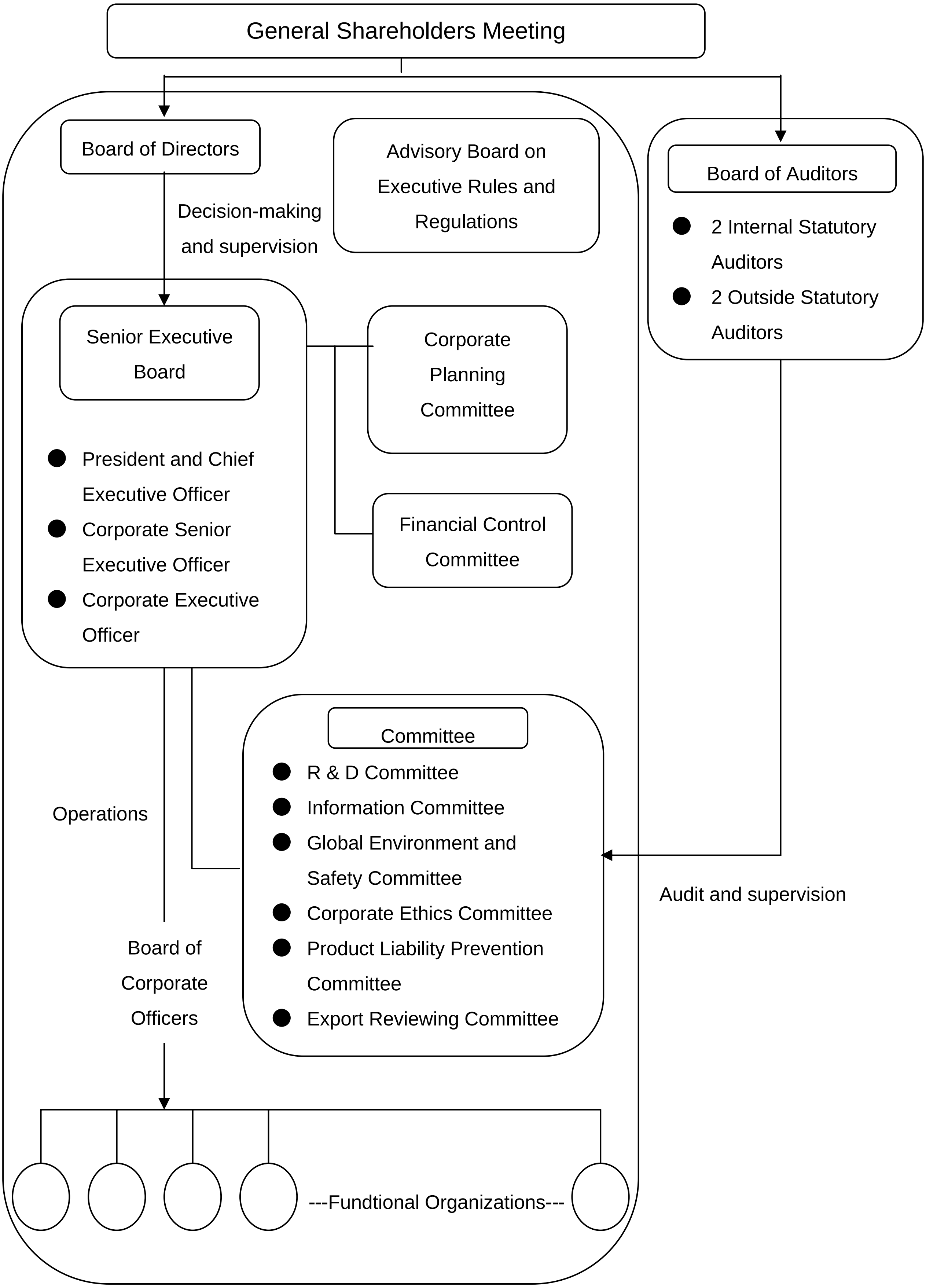
Composition of Assistants

4 CPAs and 4 junior accountants: 8 assistants in total

**(iii) Total Risk Management and Compliance Structure**

For risk management, we have developed a framework to deal with various risks throughout the Toyobo Group, based on activities of the Global Environment and Safety Committee, Product Liability Prevention Committee, Export Reviewing Committee and Information Committee.

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. The Compliance Group, which was established in the Law Department, strives to enforce strict compliance together with the EC Inquiry Desk, opened as a whistle-blowing hotline. We have been enforcing strict compliance with legislations and corporate ethics, following the establishment of the Guidelines for Corporate Activities and the Standards of Staff Behavior in 1998 and 2000, respectively.


General Shareholders Meeting
Board of Directors
Advisory Board on Executive Rules and Regulations
Decision-making and supervision
Board of Auditors
2 Internal Statutory Auditors
2 Outside Statutory Auditors
Senior Executive Board
President and Chief Executive Officer
Corporate Senior Executive Officer
Corporate Executive Officer
Corporate Planning Committee
Financial Control Committee
Committee
R & D Committee
Information Committee
Global Environment and Safety Committee
Corporate Ethics Committee
Product Liability Prevention Committee
Export Reviewing Committee
Operations
Audit and supervision
Board of Corporate Officers
---Fundtional Organizations---

## Business Performance and Financial Position

### 1.Business Performance in the First Half Ended September 30, 2005

Despite concerns about the impact of surging crude oil prices and slowing exports, the economic environment surrounding the Toyobo Group in the first half was characterized by a strengthening recovery, driven by upbeat capital investment and consumer spending.

Within this environment, the Toyobo Group adopted a new management policy known as "technology stock management", aimed at raising earnings by effectively managing the technology which supports its business as a manufacturer, and promoted the growth of its competitive specialty businesses.

In the Fibers and Textiles business, the Toyobo Group increased its supply capacity of industrial material fibers and strove to further stabilize earnings from the textiles business by reducing the scale of its operations in the common textiles sector. In the Plastics Products business, we enhanced highly functional plastics products as well as industrial films for liquid crystal and optical applications, responding to rising demand for automobiles and digital home appliances. Furthermore, in the Bio and Medical Business we expanded further into cutting-edge biomedical fields where our proprietary technology stock is utilized.

As a result, net sales for the current term ended March 31, 2005 increased by 3.7 billion yen to 196.3 billion yen (up 1.9%) on a year-on-year basis.

The following is a review of our businesses by segment.

**[Fibers and Textiles]**

In the business of fibers and textiles, sales on the whole inevitably decreased due to the scale-down of unprofitable clothing-related products and common textiles, despite the increase in sales in the industrial materials field. The business overall recorded an increase in sales due to sales growth posted by a new consolidated subsidiary.

In the field of industrial materials, sales of base fabrics for automobile airbags and tire cords increased steadily despite the impact of surging raw material and fuel prices, owing to our gradual shift of price rises onto customers and efforts to boost sales volume. In the clothing field, the business environment continued to remain harsh and sales fell due to factors such as a slump in demand for polyester fiber and intensified price competition surrounding Espa, a polyurethane elastic fiber, which offset increased sales of functional textiles such as active sportswear and polyolefin elastic fiber DOW XLA.

Consequently, sales generated by the fibers and textiles business increased by 4.4 billion yen year-on-year to 86.4 billion yen (up 5.4%). Operating income fell by 100 million yen to 2.7 billion yen (down 3.3%).

**[Plastics Products]**

In the plastics products business, both sales and profits increased on the whole due to the steady expansion of sales of films, resins, etc.

Amidst sluggish sales of packaging films, the films division was buoyed by increased sales of industrial films, leading to overall growth for the division. In packaging films, sales fell due a slump in demand attributable to inventory adjustments made by converter manufacturers in response to the harsh business environment resulting from surging raw material and fuel prices.

Sales of resins continued to increase, partly due to our efforts to aggressively expand business through the research and development of new products and the enhancement of marketing efforts. Sales of highly functional resin VYLON® increased, especially in the fields of data recording and industrial adhesives. Sales of Enpla and other molding resins also grew steadily due to aggressive marketing activities targeted primarily at the automotive industry, both in Japan and overseas. However, sales of electronic materials, which consist mostly of printed circuit boards, plummeted at Toyobo Co., Ltd... and group companies because of intensified competition with competitors' products and decreased orders.

Consequently, sales generated by the plastics products business increased by 800 million yen year-on-year to 69.7 billion yen (up 1.1%). Operating income increased by 100 million yen to 9 billion yen (up 1.6%).

**[Bio, Medical, Functional Materials and Products]**

The bio, medical, functional materials and products business performed well overall, recording growth in both sales and income.

In the bio-science field, sales of reagents for research were sluggish, but were offset by increased sales of enzymes for blood sugar level testing and our new immunodiagnostic system, producing solid growth overall. Sales in the pharmaceutical contract manufacturing field also grew steadily on the back of orders for the formulation, production and testing of investigational new drugs, thanks in part to full enforcement of the amended Pharmaceutical Affairs Law. In the medial devices field, our antithrombotic coating materials maintained their high acclaim and recorded solid sales in blood bypass and artificial lung applications. Dialysis membranes for artificial kidneys also continued to post sales growth.

In the functional materials and products division, the non-woven fabrics and filters business saw sales of non-woven filaments rise but sales of non-woven staple fibers fall. Sales of filters, including bug filters for incinerators, also grew, as did sales of ultra-strong polyethylene fiber DYNEEMA®, backed by increased demand for DYNEEMA® in applications such as fishing wire, safety gloves and boat rope.

Consequently, sales generated by the bio, medical, functional materials and products business increased by 900 million yen year-on-year to 24.5 billion yen (up 3.7%). Operating income increased by 300 million yen to 3.7 billion yen (up 8.5%).

**[Other Businesses]**

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

Consequently, sales generated by other businesses decreased by 2.4 billion yen year-on-year to 15.7 billion yen (down 13.3%). Operating income totaled 900 million yen.

As a result, operating income increased by 200 million yen year-on-year to 14.8 billion yen (up 1.1%), ordinary income increased by 200 million yen to 12.2 billion yen (up 1.4%), and as impairment losses and litigation losses were accounted as extraordinary losses, net income increased by 2 billion yen to 4.3 billion yen (down 32.1%).

**2. Financial Position in the First Half Ended September 30, 2005**

**[Assets, Liabilities and Stockholders' Equity]**

Total assets at the year-end increased by 5.8 billion yen year-on-year to 517.6 billion yen (up 1.1%). This was mainly owing to an increase in inventories.

Liabilities increased by 100 million yen year-on-year to 388.1 billion yen (up 0.0%).   This was mainly due to a drop in liabilities such as accrued income tax, which offset an increase in interest-bearing debt.

Stockholders' equity increased by 5.2 billion yen year-on-year to 112.7 billion yen (up 4.8%), due to increases in retained earnings and net unrealized holding gains (losses) on other securities.

**[Cash Flows]**

Net cash provided by operating activities decreased by 10.6 billion yen year-to-year to 2.9 billion yen (down 78.7%). This was mainly attributable to increases in inventories, litigation expenses and income tax payments.

Net cash from investment activities showed a 300 million yen increase in the interim period under review, compared to a 2.6 billion yen decrease in the same period of the previous year. This was due to an increase in proceeds from the sale of investment securities.

Net cash used in investing activities decreased by 10.7 billion yen year-to-year to 2.8 billion yen (79.5%).   This was due to an increase in borrowings.

Consequently, the closing balance of cash and cash equivalents increased by 400 million yen year-on-year to 12 billion yen (up 3.5%).

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

| | Year ended March 31, 2002 | Year ended March 31, 2003 | Year ended March 31, 2004 | Year ended March 31, 2005 | Interim term ended September 30, 2005 |
|---|---|---|---|---|---|
| Ratio of stockholders' equity | 16.4% | 15.6% | 21.0% | 21.0% | 21.8% |
| Ratio of stockholders' equity based on market value | 21.3% | 22.3% | 35.3% | 35.5% | 37.6% |

Ratio of stockholders' equity: Equity capital/Total assets
Ratio of stockholders' equity based on market value: Market capitalization [Closing price of stock at year-end x Number of shares outstanding at year-end after deducting treasury stocks] / Total assets

### 3. Forecast for Current Fiscal Year

The business environment in the second half is expected to benefit from a continuation of the steady economic recovery witnessed in the first half, but the overall outlook remains uncertain due to risk factors such as surging crude oil and raw materials prices and trends in demand for digital-related materials.

Within this environment, the Toyobo Group will strive to achieve its management targets for the fiscal year ending March 31, 2006 by launching new products, revising the prices of products already on the market and making further cuts in the cost of good sold. Furthermore, we will continue to make concentrated investment of management resources in order to actively accelerate our creation and growth of specialty businesses, in line with our medium-term aim to "become a manufacturer of highly functional products, which continually creates new value based on unique core technologies."

Based on such efforts, our consolidated business performance for the fiscal year ending March 31, 2006 is projected at 410 billion yen in net sales (up 16.3 billion yen year-on-year), 31 billion yen in operating income (up 2.2 billion yen), 24 billion yen in ordinary income (up 2.4 billion yen) and 12.5 billion yen in net income (up 300 million yen). Our aim is to reach new record highs in all aspects of earnings.

## Status of Enterprise Group

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

**Fibers and Textiles:**

The Company (hereinafter referred to as "Toyobo Co., Ltd.") manufactures, processes and sells industrial textile products. Its 24 consolidated domestic subsidiaries—such as Japan Exlan Co., Ltd.—and its 30 non-consolidated domestic subsidiaries—such as Sundia, Inc. (subject to equity method)—and domestic affiliates are engaged in the processing of textiles such as spinning, looming, weaving and dyeing and the manufacture and sale of synthetic fibers, secondary textile products, etc. They are also engaged in production, processing and sale under contract with Toyobo Co., Ltd. Mizushima Aroma Co., Ltd. (subject to equity method) manufactures and sells raw materials for synthetic fibers, and supplies them to Toyobo Co., Ltd. as well. Its nine consolidated overseas subsidiaries—such as Perak Textile Mills Sdn. Bhd.—and 13 non-consolidated overseas subsidiaries and overseas affiliates manufacture and sell spun yarn, woven fabrics and processed goods, and supply them to Toyobo Co., Ltd. as well. Its two consolidated subsidiaries—such as Shinko Sangyo Co., Ltd.—and three non-consolidated subsidiaries and affiliates are engaged in the distribution, etc. of textiles and various non-textile industrial products.

**Plastics Products:**

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

**Bio, Medical, Functional Materials and Products:**

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

**Engineering:**

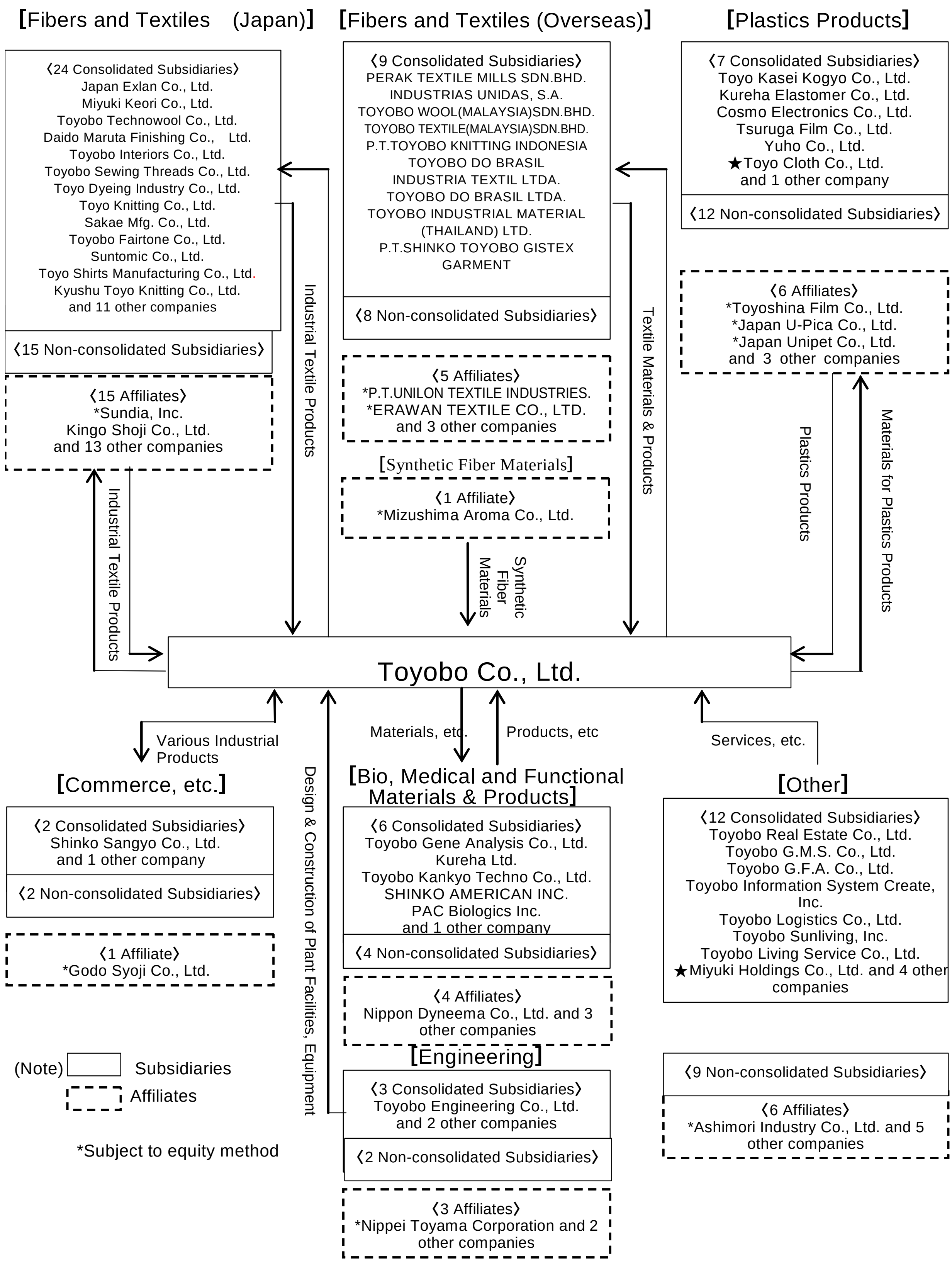
Its three consolidated subsidiaries—such as Toyobo Engineering Co., Ltd.—and five non-consolidated subsidiaries and affiliates design and construct buildings, machines, etc. and sell equipment. They are also engaged in the design, construction, etc. of plant facilities under contract with Toyobo Co.,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

**Other:**

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

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

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




★Subsidiaries listed on securities exchange in Japan

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

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

# Interim Consolidated Balance Sheets

(Unit: millions of yen)

| Item \ Year | Interim term ended September 30, 2004 Amount | | Percentage | Interim term ended September 30, 2005 Amount | | Percentage | Year ended March 31, 2005 Amount | | Percentage |
|---|---|---|---|---|---|---|---|---|---|
| (Assets) | | | % | | | % | | | % |
| I Current Assets | | | | | | | | | |
| 1. Cash and cash equivalents | | 12,098 | | | 12,431 | | | 11,889 | |
| 2. Notes and accounts receivable | | 93,288 | | | 94,769 | | | 94,669 | |
| 3. Inventories | | 77,914 | | | 92,255 | | | 85,500 | |
| 4. Deferred income taxes | | 3,298 | | | 3,361 | | | 4,020 | |
| 5. Other | | 11,014 | | | 9,279 | | | 10,125 | |
| 6. Allowance for doubtful receivables | | (1,831) | | | (2,478) | | | (2,234) | |
| Total current assets | | 195,781 | 39.4 | | 209,618 | 40.5 | | 203,969 | 39.9 |
| II Noncurrent Assets | | | | | | | | | |
| 1 Property, Plant and Equipment | | | | | | | | | |
| (1) Buildings and structures | 41,878 | | | 46,967 | | | 47,700 | | |
| (2) Machinery and equipment | 58,065 | | | 55,257 | | | 58,042 | | |
| (3) Land | 111,055 | | | 113,006 | | | 112,215 | | |
| (4) Construction in progress | 7,299 | | | 11,934 | | | 8,650 | | |
| (5) Other | 2,516 | 220,813 | | 2,686 | 229,850 | | 2,589 | 229,197 | |
| 2. Intangible assets | | 3,148 | | | 1,513 | | | 3,362 | |
| 3. Investments and other noncurrent assets | | | | | | | | | |
| (1) Investment securities | 55,044 | | | 53,290 | | | 51,858 | | |
| (2) Loans | 2,713 | | | 4,845 | | | 3,758 | | |
| (3) Deferred income taxes | 12,201 | | | 12,746 | | | 13,188 | | |
| (4) Other | 10,113 | | | 10,415 | | | 10,125 | | |
| (5) Allowance for doubtful receivables | (3,069) | 77,001 | | (4,648) | 76,648 | | (3,644) | 75,285 | |
| Total noncurrent assets | | 300,962 | 60.6 | | 308,010 | 59.5 | | 307,844 | 60.1 |
| Total assets | | 496,743 | 100.0 | | 517,629 | 100.0 | | 511,813 | 100.0 |

# Interim Consolidated Balance Sheets

(Unit: millions of yen)

| Item \ Year | Interim term ended September 30, 2004 Amount | Percentage | Interim term ended September 30, 2005 Amount | Percentage | Year ended March 31, 2005 Amount | Percentage |
|---|---|---|---|---|---|---|
| (Liabilities) | | % | | % | | % |
| I Current Liabilities | | | | | | |
| 1. Notes and accounts payable | 57,864 | | 59,169 | | 60,063 | |
| 2. Short-term borrowings | 125,854 | | 117,949 | | 114,001 | |
| 3. Long-term debt due within one year | 17,420 | | 17,509 | | 16,790 | |
| 4. Bonds maturing within one year | 300 | | 10,000 | | 300 | |
| 5. Accrued income taxes | 1,679 | | 3,269 | | 6,795 | |
| 6. Deferred income taxes | 97 | | 100 | | 101 | |
| 7. Accrued expenses | 3,818 | | 3,500 | | 3,675 | |
| 8. Deposits received | 8,895 | | 8,962 | | 8,947 | |
| 9. Accrued employees' bonuses | 4,454 | | 4,623 | | 4,666 | |
| 10. Other | 9,206 | | 11,833 | | 12,134 | |
| Total current liabilities | 229,585 | 46.2 | 236,914 | 45.7 | 227,473 | 44.4 |
| II Long-term Liabilities | | | | | | |
| 1. Bonds | 20,600 | | 10,600 | | 20,600 | |
| 2. Long-term debt | 74,915 | | 69,693 | | 69,290 | |
| 3. Deferred income taxes | 6,343 | | 7,614 | | 6,385 | |
| 4. Deferred income taxes on land revaluation | 28,008 | | 28,077 | | 28,095 | |
| 5. Employees' severance and retirement benefits | 23,554 | | 25,166 | | 25,820 | |
| 6. Directors' and statutory auditors' retirement benefits | 1,280 | | 1,081 | | 1,621 | |
| 7. Excess of net assets acquired over cost, net | 236 | | 2,587 | | 3,357 | |
| 8. Other | 4,539 | | 6,324 | | 5,367 | |
| Total long-term liabilities | 159,476 | 32.1 | 151,143 | 29.2 | 160,534 | 31.4 |
| Total liabilities | 389,062 | 78.3 | 388,057 | 74.9 | 388,007 | 75.8 |
| (Minority Interest) | | | | | | |
| Minority interest in consolidated subsidiaries | 4,032 | 0.8 | 16,874 | 3.3 | 16,288 | 3.2 |
| (Stockholders' Equity) | | | | | | |
| I Common stock | 43,341 | 8.7 | 43,341 | 8.4 | 43,341 | 8.5 |
| II Capital surplus | 15,883 | 3.2 | 15,904 | 3.1 | 15,884 | 3.1 |
| III Retained earnings | 4,254 | 0.9 | 10,070 | 1.9 | 9,413 | 1.8 |
| IV Land revaluation excess | 39,772 | 8.0 | 39,870 | 7.7 | 39,897 | 7.8 |
| V Revaluation excess-foreign | 6,331 | 1.3 | 6,326 | 1.2 | 6,329 | 1.2 |
| VI Net unrealized holding gains on securities | 9,873 | 2.0 | 11,144 | 2.2 | 8,109 | 1.6 |
| VII Foreign currency translation adjustments | (15,383) | (3.1) | (13,283) | (2.6) | (14,795) | (2.9) |
| VIII Less treasury stock, at cost | (423) | (0.1) | (674) | (0.1) | (660) | (0.1) |
| Total stockholders' equity | 103,648 | 20.9 | 112,698 | 21.8 | 107,518 | 21.0 |
| Total liabilities, minority interest and stockholders' equity | 496,743 | 100.0 | 517,629 | 100.0 | 511,813 | 100.0 |

## Consolidated Interim Statement of Income

(Unit: millions of yen)

| Item \ Year | Term from April 1, 2004 to September 30, 2004 Amount | | Percentage | Term from April 1, 2005 to September 30, 2005 Amount | | Percentage | Term from April 1, 2004 to March 31, 2005 Amount | | Percentage |
|---|---|---|---|---|---|---|---|---|---|
| | | | % | | | % | | | % |
| I Net sales | | 192,639 | 100.0 | | 196,299 | 100.0 | | 393,686 | 100.0 |
| II Cost of sales | | 149,329 | 77.5 | | 151,157 | 77.0 | | 305,494 | 77.6 |
| Gross profit | | 43,310 | 22.5 | | 45,142 | 23.0 | | 88,192 | 22.4 |
| III Selling, general and administrative expenses | | 28,649 | 14.9 | | 30,325 | 15.5 | | 59,410 | 15.1 |
| Operating income | | 14,661 | 7.6 | | 14,817 | 7.5 | | 28,782 | 7.3 |
| IV Non-operating income | | | | | | | | | |
| 1. Interest income | 191 | | | 233 | | | 396 | | |
| 2. Dividend income | 1,278 | | | 734 | | | 1,470 | | |
| 3. Gain on sale of investment securities | 13 | | | − | | | 10 | | |
| 4. Rent | 335 | | | 385 | | | 762 | | |
| 5. Equity in income of unconsolidated subsidiaries and affiliates | 295 | | | 67 | | | 269 | | |
| 6. Other | 1,624 | 3,737 | 1.9 | 2,101 | 3,521 | 1.8 | 3,643 | 6,551 | 1.7 |
| V Non-operating expenses | | | | | | | | | |
| 1. Interest expense | 1,654 | | | 1,606 | | | 3,309 | | |
| 2. Retirement benefits for employees for prior periods | 868 | | | 749 | | | 1,749 | | |
| 3. Salaries paid to dispatched employees | 753 | | | 689 | | | 1,465 | | |
| 4. Loss on disposal of inventories | 973 | | | − | | | − | | |
| 5. Other | 2,080 | 6,328 | 3.2 | 3,056 | 6,100 | 3.1 | 7,220 | 13,744 | 3.5 |
| Ordinary income | | 12,070 | 6.3 | | 12,238 | 6.2 | | 21,589 | 5.5 |
| VI Extraordinary income | | | | | | | | | |
| 1. Gain on sale of property, plant and equipment | 106 | | | − | | | 248 | | |
| 2. Gain on sale of investment securities | 1,634 | 1,740 | 0.9 | 5,164 | 5,164 | 2.6 | 8,379 | 8,627 | 2.2 |
| VII Extraordinary loss | | | | | | | | | |
| 1. Loss on sale of property, plant and equipment | 43 | | | 260 | | | 2,801 | | |
| 2. Loss on disposal of property, plant and equipment | 1,178 | | | 1,405 | | | 1,930 | | |
| 3 Write-down of investment securities | − | | | 200 | | | − | | |
| 4 Special allowance for doubtful receivables | 260 | | | 457 | | | 971 | | |
| 5 Special loss on restructuring of businesses | 363 | | | 820 | | | 556 | | |
| 6 Losses related to lawsuits | 1,084 | | | 5,506 | | | 2,367 | | |
| 7 Impairment loss | − | 2,928 | 1.5 | 2,387 | 11,035 | 5.6 | − | 8,625 | 2.2 |
| Income before income taxes | | 10,881 | 5.7 | | 6,367 | 3.2 | | 21,592 | 5.5 |
| Provision for income taxes | 1,572 | | | 1,346 | | | 8,037 | | |
| Provision for income taxes (deferred) | 2,845 | 4,416 | 2.3 | 383 | 1,729 | 0.8 | 1,021 | 9,058 | 2.3 |
| Minority interest in income of consolidated subsidiaries | | 181 | 0.1 | | 369 | 0.2 | | 327 | 0.1 |
| Net income | | 6,284 | 3.3 | | 4,269 | 2.2 | | 12,207 | 3.1 |

## Interim Consolidated Statement of Retained Earnings

(Unit: millions of yen)

| Item / Year | Term from April 1, 2004 to September 30, 2004 Amount | | Term from April 1, 2005 to September 30, 2005 Amount | | Term from April 1, 2004 to March 31, 2005 Amount | |
|---|---|---|---|---|---|---|
| (Capital Surplus) | | | | | | |
| I Opening balance | | 15,882 | | 15,884 | | 15,882 |
| II Increase in retained earnings | | | | | | |
| 1. Increase due to merger | – | | 20 | | – | |
| 2. Gain on sale of treasury stock | 1 | 1 | – | 20 | 2 | 2 |
| III Closing balance | | 15,883 | | 15,904 | | 15,884 |
| (Retained Earnings) | | | | | | |
| I Opening balance | | 2,017 | | 9,413 | | 2,017 |
| II Increase in retained earnings | | | | | | |
| 1. Net income | 6,284 | | 4,269 | | 12,207 | |
| 2. Increase due to merger | 8 | | – | | 8 | |
| 3. Adjustments for reversal of revaluation of land | 309 | 6,601 | 28 | 4,298 | 186 | 12,401 |
| III Decrease in retained earnings | | | | | | |
| 1. Cash dividends | 3,493 | | 3,492 | | 3,493 | |
| 2. Decrease due to increase in consolidated subsidiaries | 871 | | – | | 1,105 | |
| 3. Decrease due to decrease in consolidated subsidiaries | – | | 27 | | – | |
| 4. Decrease due to merger | – | | – | | 72 | |
| 5. Decrease due to increase in companies subject to equity method | – | 4,364 | 122 | 3,641 | 336 | 5,006 |
| IV Closing balance | | 4,254 | | 10,070 | | 9,413 |

# Interim Consolidated Statements of Cash Flows

(Unit: millions of yen)

| Item / Year | Term from April 1, 2004 to September 30, 2004 | Term from April 1, 2005 to September 30, 2005 | Term from April 1, 2004 to March 31, 2005 |
|---|---|---|---|
| | Amount | Amount | Amount |
| **I** Cash flows provided by operating activities | | | |
| Net unterim income before income taxes | 10,881 | 6,367 | 21,592 |
| Depreciation and amortization | 7,427 | 7,371 | 15,528 |
| Amortization of consolidation difference | (11) | (336) | (373) |
| Increase in allowance for doubtful receivables | 63 | 606 | 581 |
| Decrease in retirement benefits | (517) | (742) | (521) |
| Interest and dividend income | (1,547) | (967) | (1,866) |
| Interest expense | 1,654 | 1,606 | 3,309 |
| Equity in income of unconsolidated subsidiaries and affiliates | (295) | (67) | (269) |
| Impairment loss | − | 2,387 | − |
| Loss on sale and disposal of property, plant and equipment, net | 1,116 | 1,664 | 3,304 |
| Gain on sale and unrealized holding gains on investment | (1,611) | (4,964) | (8,285) |
| Special loss on restructuring of businesses | 363 | 820 | 556 |
| Losses related to lawsuits | 1,084 | 5,506 | 2,367 |
| Decrease in trade notes and accounts receivable | 1,778 | 742 | 5,324 |
| Increase in inventories | (2,210) | (5,141) | (5,239) |
| Increase (decrease) in trade notes and accounts payable | 372 | (970) | 1,158 |
| Other, net | (1,637) | 242 | (622) |
| Total | 16,909 | 14,122 | 36,543 |
| Special loss on restructuring of businesses | (363) | (753) | (556) |
| Losses related to lawsuits | (934) | (5,418) | (2,100) |
| Income taxes paid | (2,088) | (5,070) | (3,816) |
| Net cash provided by operating activities | 13,523 | 2,881 | 30,071 |
| **II** Cash flows provided by investing activities | | | |
| Purchase of property, plant and equipment | (7,679) | (9,895) | (13,657) |
| Proceeds from disposal of property, plant and equipment | 269 | 85 | 4,496 |
| Purchase of investment securities | (255) | (249) | (532) |
| Proceeds from sale of investment securities | 3,332 | 9,429 | 14,646 |
| Outlays associated with equity participation | − | (0) | (1,134) |
| Outlays associated with purchase of shares of consolidated subsidiaries due to change in scope of consolidation | − | − | (1,425) |
| Proceeds from purchase of shares of consolidated subsidiaries due to change in scope of consolidation | − | − | 739 |
| Interest and dividend income excluding unconsolidated subsidiaries and affiliates | 819 | 750 | 1,858 |
| Dividend income from equity method affiliates | 104 | 134 | 128 |
| Other | 784 | 0 | (210) |
| Net cash provided by investing activities | (2,625) | 255 | 4,910 |
| **III** Cash flows used in financing activities | | | |
| Net increase/decrease in short-term bank loans | (3,236) | 1,581 | (20,848) |
| Proceeds from long-term debt | 14,480 | 10,302 | 18,260 |
| Repayment of long-term debt | (9,469) | (9,074) | (17,628) |
| Payment of bonds | (10,000) | (300) | (10,000) |
| Stock buyback | (19) | (17) | (49) |
| Proceeds from sale of treasury stock | − | 1 | 273 |
| Payment of interest | (1,684) | (1,609) | (3,277) |
| Cash dividends | (3,493) | (3,492) | (3,493) |
| Cash dividends to minority interests | (45) | (146) | (192) |
| Payment in legal settlement of debt | − | − | (636) |
| Net cash used in financing activities | (13,466) | (2,756) | (37,591) |
| **IV** Adjustment for foreign currency translation | (644) | 124 | (4) |
| **V** Increase/decrease in cash and cash equivalents | (3,212) | 504 | (2,614) |
| **VI** Cash and cash equivalents at beginning of year | 13,948 | 11,583 | 13,948 |
| **VII** Increase resulting from changes in consolidated subsidiaries | 998 | (96) | 250 |
| **VIII** Cash and cash equivalents at term end | 11,734 | 11,992 | 11,583 |

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

**1. Scope of Consolidation**

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

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

**2. Application of Equity Method**

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

(2)There were 15 affiliates accounted for by the equity method. The names of major affiliates accounted for by the equity method are as stated in “Status of Enterprise Group”. We decided to include Minova Ltd., which was previously a consolidated subsidiary, as a company accounted for under the equity method because our equity in it decreased.

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

**3. Fiscal Year, etc. of Consolidated Subsidiaries**

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

Jun. 30: 17 companies Jul. 31: 2 companies Aug. 31: 2 companies Sep. 20: 3 companies

The respective interim financial statements of the 24 consolidated subsidiaries for the relevant interim period serve as the basis for preparing the interim consolidated financial statements. However, necessary adjustments have been made in cases where material transactions have taken place between the current fiscal year end of the consolidated subsidiaries concerned and the consolidated current fiscal year end.

**4. Accounting Standards**

(1) Valuation Standard and Method of Significant Assets

Available-for-sale securities:

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

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

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

(2) Depreciation Method of Significant Depreciable Assets

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

(Changes to Accounting Policies)

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

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

In line with this change, depreciation increased by 118 million yen (compared to if the existing straight-line method had been used), while operating income, ordinary income and net income before income taxes each fell by 88 million yen. The effect on each business segment is stated in the relevant section of this report.

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

(3) Accounting Standards for Significant Allowances and Reserves

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

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

Reserve for employees' severance and retirement benefits: A reserve for employees' severance and retirement benefit obligations at the end of the first half is stated on the basis of the projected amount of retirement benefit obligations and pension assets at the end of the interim period of this consolidated fiscal year. The excess of the projected benefit obligations over the total of the fair value of pension assets as of April 1, 2000 and the liabilities for severance and retirement benefits recorded as of April 1, 2000 ("net transition obligations") is recognized as an expense and divided and allocated equally to each year over a period of fifteen years (or equally to each year over a period of five years in the case of some listed consolidated subsidiaries, etc.).
However, the net transition obligations are quickly amortized in the event of the mass retirement of employees who were employed on April 1, 2000.
Prior service costs are recognized as expenses using the straight-line method over a period of ten years (a certain number of years not exceeding the average remaining employment period of the employee at the time of accrual). Actuarial gains/losses are recognized as expenses using the straight-line method over a period of ten years (a certain number of years not exceeding the average remaining employment period of the employee at the time of accrual) starting from the following consolidated fiscal year.

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

(4) Accounting Method of Significant Lease Transactions
Financial lease transaction are treated in the same manner as ordinary lease transactions except those in which the ownership of the leased property is deemed to have been transferred to the borrower.

(5) Significant Hedge Accounting Method
Hedge accounting method: Special accounting treatment and deferred hedge accounting for interest-rate swaps
Hedging instruments and hedged items: Risks associated with fluctuations in the exchange rate and interest rate are hedged by using forward foreign exchange contracts, interest-rate swap contracts and other such instruments.

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

Method of evaluating effectiveness of hedging:

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

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

Consumption taxes are excluded.

(Changes to Significant Accounting Policies)

Accounting Standard for Impairment of Non-current Assets

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

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

## 5. Scope of Funds in Consolidated Statements of Cash Flows

Funds (cash and cash equivalents) in the Consolidated Statements of Cash Flows consist of cash on hand, readily-available deposits, and fixed-term deposits with a term of no more than three months which are readily convertible and subject to an insignificant risk of changes in value.

## Notes to Consolidated Financial Statements

### 1. Notes to Consolidated Balance Sheets

(Unit: millions of yen)

| | Year ended September 30, 2004 | Year ended September 30, 2005 | Year ended March 31, 2005 |
|---|---|---|---|
| (1) Accumulated depreciation of property, plant and equipment | 353,850 | 366,703 | 365,564 |
| (2)Principal assets pledged as collateral and secured debt | | | |
| Property, plant and equipment pledged as collateral | 41,782 | 36,962 | 40,947 |
| Investment securities pledged as collateral | 35 | 57 | 38 |
| Secured short-term borrowings | 9,814 | 334 | 916 |
| Secured long-term debt (including debt due within one year) | 22,766 | 13,382 | 19,290 |
| (3) Guaranteed obligations (including those based on commitment to guarantee and keepwell agreement) | 4,517 | 6,877 | 4,966 |
| (4) Discounted notes receivable and notes endorsed for transfer | 1,258 | 22 | 28 |
| (5) The following relates to non-consolidated subsidiaries and affiliates: Investment securities (stock) | 16,931 | 13,878 | 13,560 |
| Investments and other non | | | |

| | | | |
|---|---|---|---|
| current assets (contribution to capital) | 372 | 1,533 | 1,509 |

## 2. Notes to Consolidated Statements of Income

(Unit: millions of yen)

| | Interim term from April 1, 2004 to September 30, 2004 | Interim term from April 1, 2005 to September 30, 2005 | Term from April 1, 2004 to March 31, 2005 |
|---|---|---|---|
| (1) Principle Items and Amounts of Selling, General and Administrative Expenses | | | |
| Transport and storages | 4,705 | 4,729 | 9,421 |
| Salaries, wages, bonuses, etc. | 6,699 | 7,600 | 15,964 |
| Provision for employees' bonuses | 1,512 | 1,443 | 1,630 |
| Reserve for employees' severance and retirement benefits | 712 | 461 | 1,609 |
| Research and development | 4,502 | 4,827 | 9,162 |

(2) Impairment Losses

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

| Location | Usage | Type |
|---|---|---|
| Toyobo Co., Ltd. and Toyobo Real Estate Co., Ltd. (Naruto, Tokushima Prefecture) | Idle assets | Leaseholds, Structures |
| Miyuki Holdings Co., Ltd. | Business assets | Buildings and structures, |

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

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

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

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

**3. Notes to Consolidated Statements of Cash Flows**

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

(Unit: million yen)

| | Interim term from April 1, 2004 to September 30, 2004 | Interim term from April 1, 2005 to September 30, 2005 | Term from April 1, 2004 to March 31, 2005 |
|---|---|---|---|
| Cash and cash equivalents in balance sheet | 12,098 | 12,431 | 11,889 |

| | | | |
|---|---|---|---|
| Fixed-term deposits with a term exceeding 3 months | (364) | (439) | (306) |
| Cash and cash equivalents in cash flow statement | 11,734 | 11,992 | 11,583 |

Segment Information

1. Segment Information by Business Type

# Segment Information

## 1. Segment Information by Business Type

**[Interim Term ended April 1, 2004 to September 30, 2004]** (Unit: millions of yen)

| | Fibers & Textiles | Plastics Products | Bio, Medical and Functional Materials and Products | Other Businesses | Total | Elimination or Corporate | Consolidated |
|---|---|---|---|---|---|---|---|
| Ⅰ. Net Sales and Operating Income | | | | | | | |
| (1) Net sales to external customers | 81,943 | 68,899 | 23,630 | 18,167 | 192,639 | — | 192,639 |
| (2) Intersegment net sales or transfer amounts | 193 | 148 | — | 5,032 | 5,373 | (5,373) | — |
| Net Sales | 82,136 | 69,047 | 23,630 | 23,199 | 198,012 | (5,373) | 192,639 |
| Operating costs and expenses | 79,314 | 60,157 | 20,252 | 22,384 | 182,107 | (4,129) | 177,978 |
| Operating income | 2,822 | 8,890 | 3,378 | 815 | 15,905 | (1,244) | 14,661 |

Non-allocatable operating costs and expenses which have been included in "Elimination or Corporate" totaled 1,224 million yen.

**[Interim Term ended April 1, 2005 to September 30, 2005]** (Unit: millions of yen)

| | Fibers & Textiles | Plastics Products | Bio, Medical and Functional Materials and Products | Other Businesses | Total | Elimination or Corporate | Consolidated |
|---|---|---|---|---|---|---|---|
| Ⅰ. Net Sales and Operating Income | | | | | | | |
| (1) Net sales to external customers | 86,359 | 69,690 | 24,506 | 15,744 | 196,299 | — | 196,299 |
| (2) Intersegment net sales or transfer amounts | 202 | 75 | — | 6,059 | 6,336 | (6,336) | — |
| Net Sales | 86,561 | 69,765 | 24,506 | 21,803 | 202,635 | (6,336) | 196,299 |
| Operating costs and expenses | 83,832 | 60,731 | 20,840 | 20,892 | 186,295 | (4,813) | 181,482 |
| Operating income | 2,729 | 9,034 | 3,666 | 911 | 16,340 | (1,523) | 14,817 |

Non-allocatable operating costs and expenses which have been included in "Elimination or Corporate" totaled 1,331 million yen.

**[Term from April 1, 2004 to March 31, 2005]** (Unit: millions of yen)

| | Fibers & Textiles | Plastics Products | Bio, Medical and Functional Materials and Products | Other Businesses | Total | Elimination or Corporate | Consolidated |
|---|---|---|---|---|---|---|---|
| Ⅰ. Net Sales and Operating Income | | | | | | | |
| (1) Net sales to external customers | 168,098 | 138,981 | 48,584 | 38,023 | 393,686 | — | 393,686 |
| (2) Intersegment net sales or transfer amounts | 446 | 281 | 12 | 10,255 | 10,994 | (10,994) | — |
| Net Sales | 168,544 | 139,262 | 48,596 | 48,278 | 404,680 | (10,994) | 393,686 |
| Operating costs and expenses | 163,739 | 122,007 | 41,314 | 45,885 | 372,944 | (8,041) | 364,904 |
| Operating income | 4,805 | 17,255 | 7,282 | 2,393 | 31,735 | (2,953) | 28,782 |

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

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

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

In conjunction with this change, the operating expenses of the Plastics Products Division and Bio, Medical, Functional Materials and Products Division increased by 80 million yen and 8 million yen respectively (compared to if the existing straight-line method had been used), and the operating incomes of each Division declined by the same amounts.

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

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

## 2. Segment Information by Region

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

## 3. Overseas Sales

**[Interim Term from April 1, 2004 to September 30, 2004]**

(Unit: millions of yen)

| | Southeast Asia | Other Regions | Total |
|---|---|---|---|
| I Overseas sales | 18,415 | 12,962 | 31,376 |
| II Consolidated sales | | | 192,639 |
| III Percentage of overseas sales | 9.6% | 6.7% | 16.3% |

**[Interim Term from April 1, 2005 to September 30, 2005]**

(Unit: millions of yen)

| | Southeast Asia | Other Regions | Total |
|---|---|---|---|
| I Overseas sales | 18,525 | 14,504 | 33,029 |
| II Consolidated sales | | | 196,299 |
| III Percentage of overseas sales | 9.4% | 7.4% | 16.8% |

**[Term from April 1, 2004 to March 31, 2005]**

(Unit: millions of yen)

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

## Securities

**[Interim term ended September 30, 2004]**

**1. Available-for-sale Securities with Fair Market Value** (Unit: millions of yen)

| | Acquisition Cost | Value declared in Consolidated Balance Sheets | Difference |
|---|---|---|---|
| Stocks | 16,600 | 32,554 | 15,954 |
| Other | 5 | 5 | 0 |
| Subtotal | 16,605 | 32,559 | 15,954 |

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

(1) Available-for-sale securities

Non-listed stocks
(excluding over-the-counter securities) 5,554 million yen
Securities with similar characteristics to deposits 1 million yen

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

| | Value declared in Consolidated Balance Sheets | Market Value | Difference |
|---|---|---|---|
| Subsidiaries' stocks | 497 | 1,058 | 562 |
| Affiliates' stocks | 8,265 | 6,793 | (1,472) |

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

**[Interim term ended September 30, 2005]**

**1. Available-for-sale Securities with Fair Market Value** (Unit: millions of yen)

| | Acquisition Cost | Value declared in Consolidated Balance Sheets | Difference |
|---|---|---|---|
| Stocks | 12,352 | 33,115 | 20,763 |
| Other | 15 | 16 | 1 |
| Subtotal | 12,367 | 33,131 | 20,764 |

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

(1) Available-for-sale securities

Non-listed stocks
(excluding over-the-counter securities) 5,840 million yen
Contributions to investment enterprise partnership, etc. 441 million yen

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

| | Value declared in Consolidated Balance Sheets | Market Value | Difference |
|---|---|---|---|
| Subsidiaries' stocks | 6,909 | 8,657 | 1,749 |
| Affiliates' stocks | 5,884 | 10,312 | 4,428 |

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

**[Term ended March 31, 2005]**

**1. Available-for-sale Securities with Fair Market Value** (Unit: millions of yen)

| | Acquisition Cost | Value declared in Consolidated Balance Sheets | Difference |
|---|---|---|---|
| Stocks | 15,646 | 31,893 | 16,247 |
| Other | 15 | 14 | (1) |
| Subtotal | 15,661 | 31,907 | 16,246 |

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

(1) Available-for-sale securities

Non-listed stocks
(excluding over-the-counter securities) 5,555 million yen
Non-listed debt secirities 300 million yen
Contributions to investment enterprise partnership, etc. 536 million yen

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

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

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

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

The details are disclosed through EDINET and thus are not presented here.

## Lease Transactions

The details are disclosed through EDINET and thus are not presented here.

[References for Financial Data ]

## Net Sales and Operating Income by Business Segment（Results／Forecast）

(Unit: hundred millions of yen)

| | | | Net Sales | | | | | Operating Income | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Year ended March 31, 2003 | Year ended March 31, 2004 | Year ended March 31, 2005 First of the year：Result Full Year：Forecast | The year before Change | Change (%) | Year ended March 31, 2003 | Year ended March 31, 2004 | Year ended March 31, 2005 First of the year：Result Full Year：Forecast | The year before Change (%) | Change (%) |
| Fibers & Textiles | | First of the year | 861 | 819 | 864 | 44 | 5.4 | 29 | 28 | 27 | (1) | (3.3) |
| | | Latter of the year | 823 | 862 | 896 | 35 | 4.0 | 28 | 20 | 28 | 8 | 39.7 |
| | | Full year | 1,684 | 1,681 | 1,760 | 79 | 4.7 | 56 | 48 | 55 | 7 | 14.5 |
| Plastics Products | Plastics Products | First of the year | 521 | 614 | 669 | 55 | 9.0 | 59 | 77 | 88 | 11 | 13.8 |
| | | Latter of the year | 562 | 658 | 731 | 73 | 11.1 | 63 | 79 | 91 | 12 | 15.8 |
| | | Full year | 1,083 | 1,272 | 1,400 | 128 | 10.1 | 122 | 156 | 179 | 23 | 14.8 |
| | Electronic Materials | First of the year | 64 | 75 | 28 | (47) | (62.9) | 6 | 12 | 3 | (9) | (78.3) |
| | | Latter of the year | 91 | 43 | 42 | (1) | (2.2) | 14 | 5 | 4 | (1) | (28.5) |
| | | Full year | 155 | 118 | 70 | (48) | (40.8) | 20 | 17 | 6 | (11) | (63.6) |
| | Total | First of the year | 585 | 689 | 697 | 8 | 1.1 | 65 | 89 | 90 | 1 | 1.6 |
| | | Latter of the year | 653 | 701 | 773 | 72 | 10.3 | 77 | 84 | 95 | 11 | 13.2 |
| | | Full year | 1,238 | 1,390 | 1,470 | 80 | 5.8 | 142 | 173 | 185 | 12 | 7.2 |
| Bio, Medical and Functional Materials and Products | | First of the year | 224 | 236 | 245 | 9 | 3.7 | 31 | 34 | 37 | 3 | 8.5 |
| | | Latter of the year | 242 | 250 | 275 | 25 | 10.2 | 35 | 39 | 43 | 4 | 11.0 |
| | | Full year | 465 | 486 | 520 | 34 | 7.0 | 66 | 73 | 80 | 7 | 9.9 |
| Other Businesses | | First of the year | 167 | 182 | 157 | (24) | (13.3) | 11 | 8 | 9 | 1 | 11.8 |
| | | Latter of the year | 177 | 199 | 193 | (6) | (3.0) | 13 | 16 | 12 | (4) | (24.7) |
| | | Full year | 344 | 380 | 350 | (30) | (8.0) | 24 | 24 | 21 | (3) | (12.2) |
| Elimination or Corporate | | First of the year | | | | | | (13) | (12) | (15) | (3) | 22.4 |
| | | Latter of the year | | | | | | (17) | (17) | (16) | 1 | (7.7) |
| | | Full year | | | | | | (30) | (30) | (31) | (1) | 5.0 |
| Total | | First of the year | 1,836 | 1,926 | 1,963 | 37 | 1.9 | 123 | 147 | 148 | 2 | 1.1 |
| | | Latter of the year | 1,895 | 2,010 | 2,137 | 127 | 6.3 | 136 | 141 | 162 | 21 | 14.6 |
| | | Full year | 3,731 | 3,937 | 4,100 | 163 | 4.1 | 259 | 288 | 310 | 22 | 7.7 |