Consolidated Preliminary Financial Report for Year ended March 31, 2005 May 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 Junji Tsumura
Contact Person: Head of Finance Dept. Hiroshi Takahashi TEL: (06) 6348-3091
Date of Board Meeting for Settlement of Accounts: May 10, 2005
Applicability of US Accounting Standards: Not applicable

1 Consolidated Business Performance for Year ended March 31, 2005 (April 1, 2004 - March 31, 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 March 31, 2005	393,686	(5.5)	28,782	(11.3)	21,589	(23.4)
Year ended March 31, 2004	373,066	((0.9))	25,856	(31.1)	17,491	(66.6)

	Net Income		Earnings Per Share (EPS)	Fully-diluted EPS	Return On Equity (ROE)	Return on Assets (ROA)	Return on Sales (ROS)
	million yen	%	yen	yen	%	%	%
Year ended March 31, 2005	12,207	(39.3)	17. 58	—	11.5	4.3	5.5
Year ended March 31, 2004	8,762	(—)	12. 63	—	9.3	3.4	4.7

(Notes) (1) Equity in income (losses) of unconsolidated subsidiaries and affiliates: Year ended March 31, 2005 269 million yen; Year ended March 31, 2004 (24 million yen)
(2) Average number of shares outstanding during period: Year ended March 31, 2005 694,389,402 shares; Year ended March 31, 2004 693,675,522 shares
(3) Change in accounting standards: None
(4) Percentages of net sales, operating income and net income represent rate of change from previous period

(2) Consolidated Financial Position

	Total Assets	Stockholders' Equity	Ratio of Stockholders' Equity	Stockholders' Equity per Share
	million yen	million yen	%	yen
Year ended March 31, 2005	511,813	107,518	21.0	154.64
Year ended March 31, 2004	495,969	104,033	21.0	149.31

(Note) Number of shares outstanding at year-end (consolidated): Year ended March 31, 2005 695,284,539 shares; Year ended March 31, 2004 696,748,845 shares

(3) Consolidated Cash Flows

	Cash flow provided by operating activities	Cash flow provided by investing activities	Cash flow used in financing activities	Cash and cash equivalents at end of year
	million yen	million yen	million yen	million yen
Year ended March 31, 2005	30,071	4,910	(37,591)	11,583
Year ended March 31, 2004	27,736	42,213	(71,511)	13,948

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

Number of consolidated subsidiaries 68 companies; Number of non-consolidated subsidiaries subject to equity method 2 companies; Number of affiliates subject to equity method 14 companies

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

Newly consolidated 14 companies; No longer consolidated 1 company; Newly accounted for by equity method 1 company; No longer accounted for by equity method 3 companies

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
Half Year	200,000	12,000	4,500
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.4-6 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 Multi-Specialty Company, a manufacturer that continues to create highly functional products which retain their competitive advantage over an extended period of time, based on unique core technologies—namely, polymer (polymerization and reformulation) technology, processing technology and biotechnology.

To date, the Toyobo Group has revised its business structure and reduced assets especially in relation to unprofitable businesses, such as common fabrics and textiles for the clothing sector. On the other hand, we have endeavored to expand our businesses by concentrating our business resources in profitable specialty businesses. These efforts were aimed at establishing a more stable earnings structure in the Group as a whole, and switching to businesses that are more in tune with the times.

In the coming months, we will aggressively expand our competitive businesses at home and abroad, based on our *Group-wide specialty business expansion policy*. We will also start working on management reform, focusing on enhancing, integrating and evolving core technologies by taking a "back to basics" approach as a manufacturer, in order to accelerate the creation of new products and businesses.

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, including introducing technology from outside and forming technological alliances;
(iii) Refine Group management by enhancing governance and demonstrating Group synergies; and
(iv) Take measures against unprofitable businesses and reduce their assets, including affiliates.

The Toyobo Group will work on further management reform in order to enhance, integrate and evolve its proprietary core technologies (including plant capacity), by taking a "back to basics" approach as a manufacturer. Specifically, we will: (a) make efforts cutting across the entire Group, such as activities aimed at the innovation of production technologies which bolster the fundamental manufacturing capabilities; (b) implement projects under the direct control of the President with respect to specific themes, aimed at accelerating the creation of unique specialty businesses in growth markets; and (c) review the business organization, including subsidiaries and affiliates, based on technology clusters. By taking such reform measures, we will increase our wealth of technology and strive to become an enterprise that can autonomously transform and grow according to changes in the environment.

(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, we will strive to ensure stable earnings by switching to a solution-oriented business model, including product commercialization services, focusing on the functional clothing sector.

Films: The Toyobo Group will expand the films business both in Japan and overseas, based on its ability to satisfy customers' needs and its technological prowess. We will enhance our capacity for industrial films for liquid crystal and optical applications as well as heat-shrink polyester films for packaging purposes, and promote higher added value through the development of new products. In China, we will launch Shanghai Zidong Chemical Materials Co., Ltd. according to plan, as part of our drive to build production bases overseas (Shanghai Zidong Chemical Materials Co., Ltd. is a manufacturer and distributor of nylon films for packaging purposes, established by Toyobo jointly with a prominent local company).

Highly Functional Materials: The Toyobo Group will increase specialty products which can only be made by the Group, including highly functional 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 collaborating with other business segments. Further, we will develop a global supply chain to support customers' expansion overseas, including those in 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 proprietary biotechnologies relating to culturing, genetic engineering, etc. In pharmaceuticals, we will enhance the capacity of our facilities for the contract manufacturing of pharmaceuticals. We will also strive to further expand our business in hollow fiber membranes for artificial kidneys. For aqua membranes, we will aggressively expand our business centering on desalination modules, now that we are in "the century of water".

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. We will continue making efforts to increase our earnings by aggressively expanding our healthy businesses and improve our balance sheet, with the short-term target of reducing interest-bearing debt to 50% of net sales.

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 is committed to enhancing the administration of its subsidiaries and affiliates in view of reinforcing Group management, and improving assets turnover and exercising strict governance within the Group as a whole by improving the audit system. 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 plan to reduce 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 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 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

We established the Audit Group under the Credit and Audit Department as an organization responsible for monitoring the effectiveness of internal control. There are five staff members who perform internal audits, including subsidiaries and affiliates, based on an annual plan. As for Group management, we reorganized our subsidiaries and affiliates with respect to each division of the parent company in October 2003, to build a structure that enables governance to be exercised more strictly. As for important matters subject to our affiliates' decision-making, we revised the regulations of the Board of Directors, etc. in January 2004 to clarify the extent to which Toyobo can be involved pursuant to the Commercial Code.

Our statutory auditor system is based on two full-time statutory auditors and two part-time (outside) statutory auditors, who attend the meeting of the Board of Directors and other important meetings, and express their opinions whenever necessary. Statutory auditors also receive reports regarding audit plans, audit results, etc. from the independent auditor, and periodically hold meetings to share information with the independent auditor. One of the staff members of the Audit Group concurrently serves as auditing staff, and reports the internal audit results to the statutory auditors and exchanges information with them. The statutory auditors also strive to improve audits to build a proper internal control system for the Toyobo Group as a whole, by enhancing cooperation with the statutory auditors of consolidated subsidiaries, including holding Group-wide auditors' liaison meetings.

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

9 CPAs and 4 junior accountants: 13 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 new Compliance Group, which was established in the Law Department in the fiscal year ended March 31, 2005, strives to enforce strict compliance together with the EC Inquiry Desk, opened as a whistle-blowing hotline in 2003. 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.

Business Performance and Financial Position

1. Business Performance in Fiscal Year ended March 31, 2005

The economic environment surrounding the Toyobo Group in the fiscal year ended March 31, 2005 was characterized by moderate economic recovery driven by steady consumer spending and solid capital investment, while crude oil and raw materials prices surged a number of times.

In such an environment, the Toyobo Group steadily expanded its unique specialty businesses in growth markets, including base fabrics for automobile airbags, films for liquid crystal, optical and packaging purposes, highly functional resins, and ultra-strong fibers. Additionally, we worked on stabilizing earnings from the textile business in the clothing field. With the mission to become a manufacturer that continues to create highly functional products, that is, a Multi-Specialty Company, we made investments aggressively both in Japan and overseas, including film-related investments, in order to attain higher growth. We also continued to make efforts in creating new products and businesses.

As a result, net sales for the fiscal year ended March 31, 2005 increased by 20.6 billion yen to 393.7 billion yen (up 5.5%) 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.

In the field of industrial materials, sales of base fabrics for automobile airbags and tire cords steadily increased, thanks to efforts to boost sales volume, which offset the impact of surging raw materials prices. Particularly noteworthy is Toyobo Industrial Materials (Thailand) Ltd.—our subsidiary in charge of distributing base fabrics for automobile airbags in Thailand—which managed to increase sales dramatically, assisted by the growth in global airbag demand. In the clothing field, fall in sales could not be avoided as a result of the scale-down of operations in unprofitable sectors such as common textiles, even though sales of functional textiles such as active sportswear had increased.

Consequently, sales generated by the fibers and textiles business decreased by 300 million yen year-on-year to 168.1 billion yen (up 0.2%). Operating income fell by 800 million yen to 4.8 billion yen (down 14.9%).

[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.

In the films division, sales of both packaging films and industrial films increased driven by the growth in domestic demand, which resulted in higher profits. In packaging films, we managed to increase the sales of all materials by marking up product prices amid tight supply and boosting the sales volume, which offset the impact of surging raw materials prices. In industrial films, sales increased dramatically due to the steady growth in the sales of transparent polyester films, especially for liquid crystal and optical applications (e.g., TVs, computers), combined with the increase in sales of polyester-based synthetic paper CRISPER®.

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 molding resins also soared, due to our aggressive marketing activities focusing on the domestic and overseas automobile sector. However, sales of electronic materials plummeted because of inventory cutbacks and falling prices in digital consumer electronic applications.

Consequently, sales generated by the plastics products business increased by 15.2 billion yen year-on-year to 139 billion yen (up 12.2%). Operating income increased by 3 billion yen to 17.3 billion yen (up 21.1%).

[Bio, Medical, Functional Materials and Products]

The bio, medical, functional materials and products business performed well overall.

Our bio-science and medical division succeeded in steadily increasing sales by launching new businesses and by winning new contracts. In the field of bio-science, sales were solid overall, due to the increase in sales of enzymes for measuring blood sugar levels and the newly-released immune diagnosis system, which offset the impact of national universities holding back their purchases due to their transformation into independent administrative institutions. Sales generated by the contract manufacturing of pharmaceuticals increased dramatically, as Toyobo's advanced pharmaceuticals manufacturing technology and quality testing technology won recognition, combined with the launch of the contract manufacturing of biopharmaceuticals in the fiscal year ended March 31, 2005. In the medial devices field, sales of our highly-acclaimed antithrombotic coating materials remained brisk for blood bypass and artificial lung applications. Sales of reverse osmosis membranes for seawater desalination soared as a result of the large contract in the Middle East, in addition to deliveries to one of Japan's biggest seawater desalination plants in Fukuoka City.

In the functional materials and products division, sales of nonwoven fabrics and filters increased, thanks to the good performance of various filters for automobiles, bug filters which remove toxic substances, etc. Sales of ultra-strong polyethylene fiber DYNEEMA® were also solid in various applications.

Consequently, sales generated by the bio, medical, functional materials and products business increased by 2.1 billion yen year-on-year to 48.6 billion yen (4.4%). Operating income increased by 700 million yen to 7.3 billion yen (up 11.0%).

[Other Businesses]

Other businesses performed more or less as planned, including engineering, real estate, information processing services and logistics services.

Consequently, sales generated by other businesses increased by 3.7 billion yen year-on-year to 38 billion yen (up 10.6%). Operating income totaled 2.4 billion yen.

As a result, the Toyobo Group reached record highs in all aspects of consolidated earnings: operating income increased by 2.9 billion yen year-on-year to 28.8 billion yen (up 11.3%), ordinary income increased by 4.1 billion yen to 21.6 billion yen (up 23.4%), and net income increased by 3.4 billion yen to 12.2 billion yen (up 39.3%).

2. Financial Position for Fiscal Year ended March 31, 2005

[Assets, Liabilities and Stockholders' Equity]

Total assets at the year-end increased by 15.8 billion yen year-on-year to 511.8 billion yen (up 3.2%). This was attributable to the increase in the assets of newly consolidated subsidiaries, which offset the sale of investment securities and property, plant and equipment aimed at improving our balance sheet as in the previous fiscal year.

Liabilities decreased by 900 million yen year-on-year to 388.0 billion yen (down 0.2%). This was due to the reduction in interest-bearing debt by 19.8 billion yen based on the aforementioned measures to improve our balance sheet and business earnings, even though liabilities of newly consolidated subsidiaries increased as did assets.

Stockholders' equity increased by 3.5 billion yen year-on-year to 107.5 billion yen (up 3.4%), due to the increase in retained earnings.

[Cash Flows]

Net cash provided by operating activities increased by 2.3 billion yen year-on-year to 30.1 billion yen (up 8.4%). This was due to adjustments to income before income taxes in the amount of 21.6 billion yen associated with depreciation and amortization, extraordinary profit/loss, etc.

Net cash provided by investing activities decreased by 37.3 billion yen year-on-year to 4.9 billion yen. This was due to the decrease in proceeds from the sale of investment securities and property, plant and equipment.

Net cash used in investing activities decreased by 33.9 billion yen year-on-year to 37.6 billion yen (47.4%). This was primarily due to the repayment of interest-bearing debt and the payment of interest and dividends.

Consequently, the closing balance of cash and cash equivalents decreased by 2.4 billion yen year-on-year to 11.6 billion yen (17.0%).

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

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005
Ratio of stockholders' equity	11.7%	16.4%	15.6%	21.0%	21.0%
Ratio of stockholders' equity based on market value	31.3%	21.3%	22.3%	35.3%	35.5%

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 Next Fiscal Year

The business environment in the fiscal year ending March 31, 2006 is expected to be characterized by the continuation of steady economic recovery in Japan, despite the slowdown in its recovery rate. On the other hand, there are some risk factors, including the trends in IT-related demand, and surging and inflated raw materials prices. The overall economic outlook is therefore expected to remain uncertain.

In such an environment, the Toyobo Group will strive to accelerate the expansion of its specialty businesses in the plastics products segment and the bio, medical, functional materials and products segment, by boosting its production capacity and by enhancing the development of new products and applications. In the fibers and textiles segment, we will continue to expand applications of base fabrics for automobile airbags and other industrial materials, and in the clothing field, concentrate on functional clothing.

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 25 consolidated domestic subsidiaries—such as Japan Exlan Co., Ltd.—and its 33 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 10 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 nine consolidated subsidiaries—such as Toyo Kasei Kogyo Co., Ltd. and Kureha Elastomer Co., Ltd.—and 17 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:

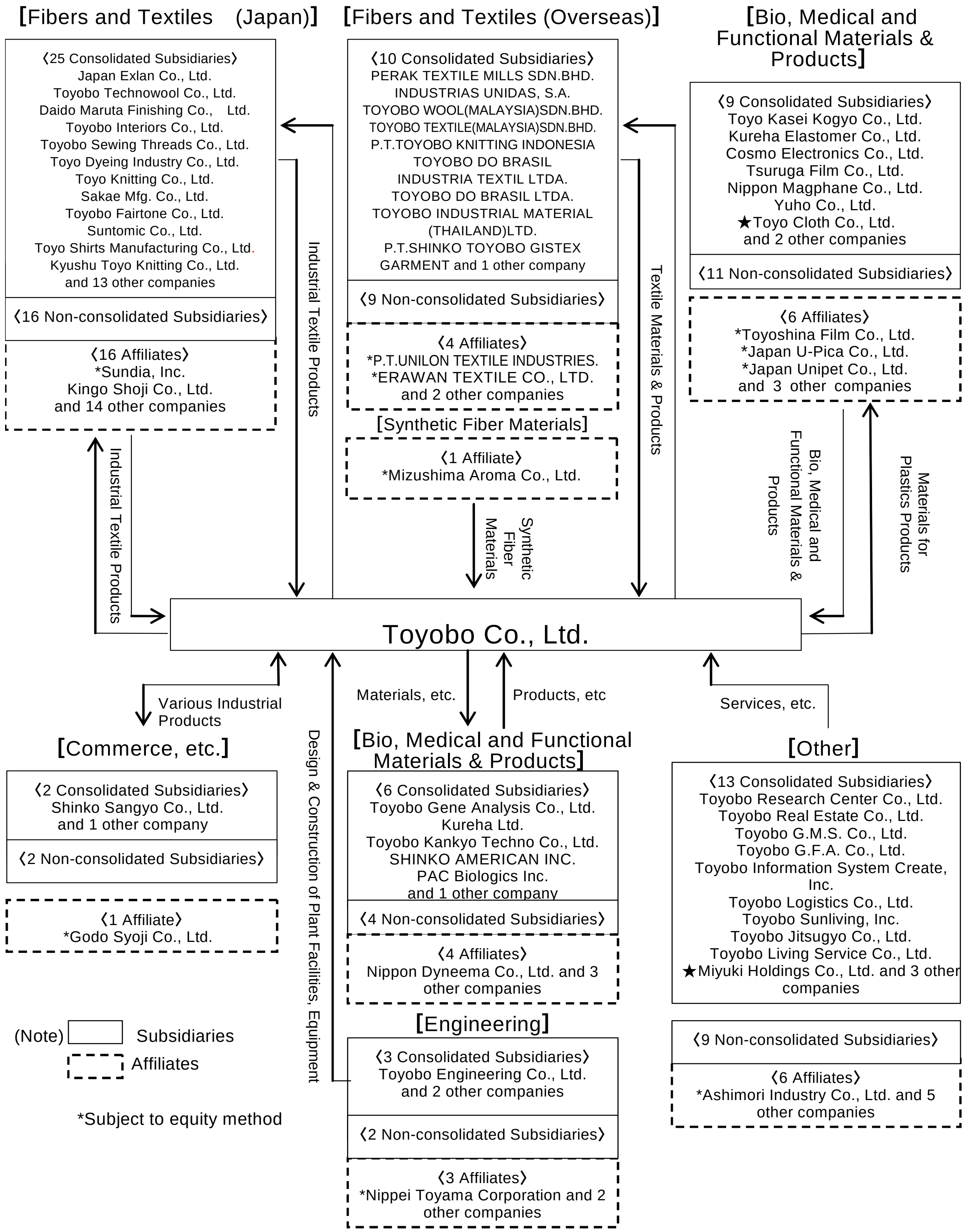
Its three consolidated subsidiaries—such as Toyobo Engineering Co., Ltd.—and five non-consolidated subsidiaries and affiliates design and construct buildings, machines, etc. and sell equipment. They are also engaged in the design, construction, etc. of plant facilities under contract with Toyobo Co.,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

Other:

Its 13 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

Corporate System



★Subsidiaries listed on securities exchange in Japan

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

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

Consolidated Balance Sheets

(Unit: millions of yen)

Item / Year	2004 (As of March 31, 2004) Amount	2004 Percentage	2005 (As of March 31, 2005) Amount	2005 Percentage	Change
(Assets)		%		%	
I Current Assets					
1. Cash and cash equivalents	14,913		11,889		(3,023)
2. Notes and accounts receivable	91,144		94,669		3,525
3. Inventories	74,306		85,500		(11,194)
4. Deferred income taxes	4,504		4,020		(484)
5. Other	11,921		10,125		(1,796)
6. Allowance for doubtful receivables	(1,708)		(2,234)		(526)
Total current assets	195,080	39.3	203,969	39.9	8,890
II Noncurrent Assets					
1 Property, Plant and Equipment					
(1) Buildings and structures	42,159		47,700		5,541
(2) Machinery and equipment	55,908		58,042		2,134
(3) Land	110,869		112,215		1,347
(4) Construction in progress	5,140		8,650		3,510
(5) Other	2,334		2,589		256
Total property, plant and equipment	216,410	43.6	229,197	44.7	12,787
2. Intangible assets	3,222	0.7	3,362	0.7	141
3. Investments and other noncurrent assets					
(1) Investment securities	60,842		51,858		(8,984)
(2) Loans	2,882		3,758		876
(3) Deferred income taxes	11,118		13,188		2,070
(4) Other	9,501		10,125		624
(5) Allowance for doubtful receivables	(3,086)		(3,644)		(559)
Total investments and other noncurrent assets	81,258	16.4	75,285	14.7	(5,973)
Total noncurrent assets	300,889	60.7	307,844	60.1	6,954
Total assets	495,969	100.0	511,813	100.0	15,844

Consolidated Balance Sheets

(Unit: millions of yen)

Item / Year	2004 (As of March 31, 2004) Amount	Percentage	2005 (As of March 31, 2005) Amount	Percentage	Change
(Liabilities)		%		%	
I Current Liabilities					
1. Notes and accounts payable	54,694		60,063		5,369
2. Short-term borrowings	126,425		114,001		(12,423)
3. Long-term debt due within one year	16,785		16,790		5
4. Bonds maturing within one year	10,000		300		(9,700)
5. Accrued income taxes	2,094		6,795		4,702
6. Deferred income taxes	130		101		(29)
7. Accrued expenses	3,670		3,675		6
8. Deposits received	9,200		8,947		(253)
9. Accrued employees' bonuses	4,273		4,666		393
10. Other	9,546		12,134		2,587
Total current liabilities	236,816	47.7	227,473	44.4	(9,344)
II Long-term Liabilities					
1. Bonds	20,900		20,600		(300)
2. Long-term debt	66,645		69,290		2,645
3. Deferred income taxes	5,177		6,385		1,207
4. Deferred income taxes on land revaluation	28,189		28,095		(94)
5. Employees' severance and retirement benefits	22,946		25,820		2,874
6. Directors' and statutory auditors' retirement	2,031		1,621		(410)
7. Excess of net assets acquired over cost, net	336		3,357		3,021
8. Other	5,862		5,367		(495)
Total long-term liabilities	152,086	30.7	160,534	31.4	8,449
Total liabilities	388,902	78.4	388,007	75.8	(895)
(Minority Interest)					
Minority interest in consolidated subsidiaries	3,034	0.6	16,288	3.2	13,254
(Stockholders' Equity)					
I Common stock	43,341	8.7	43,341	8.5	—
II Capital surplus	15,882	3.2	15,884	3.1	2
III Retained earnings	2,017	0.4	9,413	1.8	7,396
IV Land revaluation excess	39,652	8.0	39,897	7.8	246
V Revaluation excess-foreign	6,333	1.3	6,329	1.2	(4)
VI Net unrealized holding gains on securities	12,185	2.5	8,109	1.6	(4,077)
VII Foreign currency translation adjustments	(14,975)	(3.0)	(14,795)	(2.9)	180
VIII Less treasury stock, at cost	(402)	0.0	(660)	(0.1)	(258)
Total stockholders' equity	104,033	21.0	107,518	21.0	3,485
Total liabilities, minority interest and stockholders' equity	495,969	100.0	511,813	100.0	15,844

Consolidated Statements of Income

(Unit: millions of yen)

Item \ Year	2,004 (From April 1, 2003 To March 31, 2004) Amount		Percentage	2,005 (From April 1, 2004 To March 31, 2005) Amount		Percentage	Change	
			%			%		
Ⅰ Net sales		373,066	100.0		393,686	100.0		20,619
Ⅱ Cost of sales		291,440	78.1		305,494	77.6		14,054
Gross profit		81,626	21.9		88,192	22.4		6,565
Ⅲ Selling, general and administrative expenses		55,770	15.0		59,410	15.1		3,640
Operating income		25,856	6.9		28,782	7.3		2,926
Ⅳ Non-operating income								
1. Interest income	331			396			65	
2. Dividend income	3,445			1,470			(1,975)	
3. Gain on sale of investment securities	943			10			(932)	
4. Rent	873			762			(111)	
5. Equity in income of unconsolidated subsidiaries and affiliates	—			269			269	
6. Other	2,168	7,761	2.1	3,643	6,551	1.7	1,475	(1,210)
Ⅴ Non-operating expenses								
1. Interest expense	3,807			3,309			(498)	
2. Retirement benefits for employees for prior periods	1,879			1,749			(130)	
3. Salaries paid to dispatched employees	1,590			1,465			(125)	
4. Equity in losses of unconsolidated subsidiaries and affiliates	24			—			(24)	
5. Other	8,826	16,126	4.3	7,220	13,744	3.5	(1,606)	(2,382)
Ordinary income		17,491	4.7		21,589	5.5		4,098
Ⅵ Extraordinary income								
1. Gain on sale of property, plant and equipment	8,263			248			(8,015)	
2. Gain on sale of investment securities	10,145			8,379			(1,766)	
3. Gain on securities contributed to employee retirement benefit trust	1,602	20,010	5.4	—	8,627	2.2	(1,602)	(11,383)
Ⅶ Extraordinary loss								
1. Loss on sale of property, plant and equipment	2,606			2,801			194	
2. Loss on disposal of property, plant and equipment	4,847			1,930			2,917	
3. Special allowance for doubtful receivables	—			971			971	
4. Special loss on restructuring of businesses	5,036			556			(4,480)	
5. Losses related to lawsuits	—			2,367			2,367	
6. Loss on sale of investment securities	138			—			(138)	
7. Write-down of investment securities	768			—			(768)	
8. Loss on the release from the substantial portion of the government's Welfare Pension Insurance Scheme	7,707	21,103	5.7	—	8,625	2.2	(7,707)	(12,478)
Income before income taxes		16,399	4.4		21,592	5.5		5,193
Provision for income taxes	2,801			8,037			5,236	
Provision for income taxes (deferred) 〔( ) = gain〕	4,525	7,326	2.0	1,021	9,058	2.3	(3,504)	1,732
Minority interest in income of consolidated subsidiaries 〔( ) = gain〕		(311)	(0.1)		(327)	(0.1)		(15)
Net income		8,762	2.3		12,207	3.1		3,445

Consolidated Statement of Retained Earnings

(Unit: millions of yen)

Item / Year	2004 (From April 1, 2003 To March 31, 2004) Amount		2005 (From April 1, 2004 To March 31, 2005) Amount	
(Capital Surplus)				
I Opening balance		14,387		15,882
II Increase in retained earnings				
1. Stocks issued in exchange of shares	1,494		—	
2. Gain on sale of treasury stock	1	1,495	2	2
III Closing balance		15,882		15,884
(Retained Earnings)				
I Opening balance		(10,038)		2,017
II Increase in retained earnings				
1. Net income	8,762		12,207	
2. Increase due to increase in consolidated subsidiaries	108		—	
3. Increase due to merger	7		8	
4. Adjustments for reversal of revaluation of land	8,430	17,306	186	12,401
III Decrease in retained earnings				
1. Cash dividends	3,453		3,493	
2. Decrease due to increase in consolidated subsidiaries	86		1,105	
3. Decrease due to decrease in consolidated subsidiaries	1		—	
4. Decrease due to merger	129		72	
5. Decrease due to increase in companies subject to equity method	—		336	
6. Decrease due to additional acquisition	1,582	5,251	—	5,006
IV Closing balance		2,017		9,413

Consolidated Statements of Cash Flows

(Unit: millions of yen)

Item / Year	2004 (From April 1, 2003 To March 31, 2004) Amount	2005 (From April 1, 2004 To March 31, 2005) Amount	Change
I Cash flows provided by operating activities			
Income before income taxes	16,399	21,592	5,193
Depreciation and amortization	15,425	15,528	104
Amortization of consolidation difference	(16)	(373)	(357)
Allowance for doubtful receivables, net	(198)	581	779
Retirement benefits, net	3,972	(521)	(4,493)
Interest and dividend income	(3,777)	(1,866)	1,911
Interest expense	3,807	3,309	(498)
Equity in losses (income) of unconsolidated subsidiaries and	24	(269)	(293)
(Gain) loss on sale and disposal of property, plant and	(809)	3,304	4,113
Gain on sale and unrealized holding gains on investment	(10,182)	(8,285)	1,896
Special loss on restructuring of businesses	4,954	556	(4,398)
Losses related to lawsuits	−	2,367	2,367
Decrease in trade notes and accounts receivable	5,348	5,324	(24)
Increase in inventories	(114)	(5,239)	(5,125)
Increase (decrease) in trade notes and accounts payable	(1,527)	1,158	2,685
Other, net	(1,197)	(622)	575
Total	32,108	36,543	4,435
Special loss on restructuring of businesses	(2,868)	(556)	2,312
Losses related to lawsuits	−	(2,100)	(2,100)
Income taxes paid	(1,504)	(3,816)	(2,312)
Net cash provided by operating activities	27,736	30,071	2,334
II Cash flows provided by investing activities			
Purchase of property, plant and equipment	(13,699)	(13,657)	42
Proceeds from disposal of property, plant and equipment	18,041	4,496	(13,545)
Purchase of investment securities	(386)	(532)	(146)
Proceeds from sale of investment securities	34,900	14,646	(20,254)
Outlays associated with equity participation	(55)	(1,134)	(1,079)
Outlays associated with purchase of shares of consolidated subsidiaries due to change in scope of consolidation	−	(1,425)	(1,425)
Proceeds from purchase of shares of consolidated subsidiaries due to change in scope of consolidation	−	739	739
Interest and dividend income excluding unconsolidated subsidiaries and affiliates	3,036	1,858	(1,177)
Dividend income from equity method affiliates	599	128	(471)
Other	(223)	(210)	13
Net cash provided by investing activities	42,213	4,910	(37,304)
III Cash flows used in financing activities			
Decrease in short-term bank loans	(40,827)	(20,848)	19,978
Proceeds from long-term debt	13,247	18,260	5,013
Repayment of long-term debt	(21,323)	(17,628)	3,694
Payment of bonds	(15,000)	(10,000)	5,000
Stock buyback	−	(49)	(49)
Proceeds from sale of treasury stock	−	273	273
Payment of interest	(4,034)	(3,277)	757
Cash dividends	(3,453)	(3,493)	(40)
Cash dividends to minority interests	(121)	(192)	(71)
Payment in legal settlement of debt	−	(636)	(636)
Net cash used in financing activities	(71,511)	(37,591)	33,920
IV Adjustment for foreign currency translation	19	(4)	(23)
V Decrease in cash and cash equivalents	(1,543)	(2,614)	(1,072)
VI Cash and cash equivalents at beginning of year	14,991	13,948	(1,043)
VII Increase resulting from changes in consolidated subsidiaries	499	250	(250)
VIII Cash and cash equivalents at end of year	13,948	11,583	(2,365)

Significant Accounting Policies: Basis for Preparation of Consolidated Financial Statements

1. Scope of Consolidation

(1) There are 68 consolidated subsidiaries. The names of major consolidated subsidiaries are as stated in "Status of Enterprise Group". From the fiscal year ended March 31, 2005, we decided to include Toyo Dyeing Industry Co., Ltd. established in the said fiscal year (head office: Nishiwaki City, Hyogo Prefecture) in the count of consolidated subsidiaries, as well as PAC Biologics Inc., Toyobo Industrial Material (Thailand) Ltd. and P.T. Shinko Toyobo Gistex Garment, in consideration of their significance. We also decided to include Toyo Cloth Co., Ltd. and Miyuki Holdings Co., Ltd. in the count of consolidated subsidiaries rather than companies accounted for by the equity method, following the additional acquisition of their shares. In conjunction with this, we decided to include the subsidiaries of Miyuki Holdings Co., Ltd. (i.e., Miyuki Keori Co., Ltd., Miyuki Life Co., Ltd., Miyuki Sales Co., Ltd., Lan Clothing Co., Ltd., Chukyo Sangyo Co., Ltd., Miyuki Elex Co., Ltd., Angle-Miyuki Co., Ltd. and Minova Ltd.) in the count of consolidated subsidiaries. Toyo Dyeing Industry Co., Ltd. (head office: Gifu City) was excluded from the count of consolidated subsidiaries in the fiscal year ended March 31, 2005, as it had merged with Toyobo Sewing Threads 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) Two non-consolidated subsidiaries were accounted for by the equity method.

(2)There were 14 affiliates accounted for by the equity method. The names of major affiliates accounted for by the equity method are as stated in "Status of Enterprise Group". We decided to apply the equity method to Takaoka Co., Ltd., an affiliate of Miyuki Holdings Co., Ltd., which became a consolidated subsidiary in the fiscal year ended March 31, 2005. The equity method is no longer applied to Toyo Cloth Co., Ltd. or Miyuki Holdings Co., Ltd., as they are now included in the count of consolidated subsidiaries following the additional acquisition of their shares, or Dusit Textile Co., Ltd., due to the completion of its liquidation.

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

Dec. 31: 17 companies Jan. 31: 2 companies Feb. 28: 4 companies Mar. 20: 3 companies

The respective financial statements of the 26 consolidated subsidiaries for the relevant fiscal year serve as the basis for preparing the consolidated financial statements. However, necessary adjustments have been made in cases where material transactions have taken place between the fiscal year end of the consolidated subsidiaries concerned and the consolidated fiscal year end.

4. Accounting Standards

(1) Valuation Standard and Method of Significant Assets

Available-for-sale securities:

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

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

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

(2) Depreciation Method of Significant Depreciable Assets

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

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

Prior service costs are recognized as expenses using the straight-line method over a period of 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 statutory auditors' retirement benefits: A reserve for directors' and statutory auditors' retirement benefits are stated at the estimated amount as of the end of the consolidated fiscal year based on internal regulations. Retirement benefits payable to the directors and statutory auditors of some consolidated subsidiaries are recognized as expenses at the time of disbursement.

(4) Accounting Method of Significant Lease Transactions

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

(5) Significant Hedge Accounting Method

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

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

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

Method of evaluating effectiveness of hedging:

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

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

Consumption taxes are excluded.

5. Valuation of Assets and Liabilities of Consolidated Subsidiaries

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

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

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

7. Treatment of Profit Appropriation Items, etc.

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

8. Scope of Funds in Consolidated Statements of Cash Flows

Funds (cash and cash equivalents) in the Consolidated Statements of Cash Flows consist of cash on hand, readily-available deposits, and fixed-term deposits with a term of no more than 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: million yen)

	2004	2005
(1) Accumulated depreciation of property, plant and equipment	341,622	365,564
(2)Principal assets pledged as collateral and secured debt		
Property, plant and equipment pledged as collateral	43,626	40,947
Investment securities pledged as collateral	39	38
Secured short-term borrowings	8,621	916
Secured long-term debt (including debt due within one year)	20,035	19,290
(3) Guaranteed obligations (including those based on commitment to guarantee and keepwell agreement)	7,809	4,966
(4) Discounted notes receivable and notes endorsed for transfer	1,534	147
(5) The following relates to non-consolidated subsidiaries and affiliates:		
Investment securities (stock)	17,655	13,560
Investments and other non current assets (contribution to capital)	389	1,509
(6) Type and total number of shares outstanding as at fiscal year end: Common stock	699,027,598 shares	699,027,598 shares

(7) Type and total number of the Company's shares held by the Company, its consolidated subsidiaries and its affiliates accounted for by equity method as at fiscal year end: Common stock	2,278,753 shares	3,743,059 shares

(8) Land revaluation excess

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

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

- Revaluation Method: Value was calculated according to the method set forth in Article 2-1, 2-3 and 2-4 of the Enforcement Ordinance of the Law Concerning Revaluation of Land.
- Revaluation date: March 31, 2002
- Difference between market value of revaluated land at the fiscal year end and book value after revaluation: 15,058 million yen

(ii) One consolidated subsidiary

- Revaluation Method: Value was calculated according to the method set forth in Article 2-4 of the Enforcement Ordinance of the Law Concerning Revaluation of Land.
- Revaluation date: March 31, 2002
- Difference between market value of revaluated land at the fiscal year end and book value after revaluation: 1,772 million yen

(9) Revaluation Excess-foreign

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

2. Notes to Consolidated Statements of Income

(Unit: million yen)

	2004	2005
(1) Principle Items and Amounts of Selling, General and Administrative Expenses		
Transport and storage	9,091	9,421
Salaries, wages, bonuses, etc.	14,641	15,964
Provision for employees' bonuses	1,465	1,630
	2,169	1,313
Research and development	9,017	9,162
(2) Research and development expenses included in general and administrative expenses and manufacturing costs for the period	9,043	9,201

3. Notes to Consolidated Statements of Cash Flows

(Unit: million yen)

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

	(As of March 31, 2004)	(March 31, 2005)
Cash and cash equivalents in balance sheet	14,913	11,889
Fixed-term deposits with a term exceeding 3 months	(964)	(306)
Cash and cash equivalents in cash flow statement	13,948	11583