

**Consolidated Financial Report for Six Months Ended September 30, 2007****Toyobo Co., Ltd.**

Listed on the First Section of the TSE and OSE

Stock Code: 3101

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

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(Figures are rounded to the nearest million yen.)

**1. Consolidated Business Performance****(1) Consolidated Operating Results**

Six Months ended September 30

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2007	213,433	(0.0)	13,932	(8.6)	11,476	(10.6)	5,546	(12.6)
2006	213,476	8.8	15,243	2.9	12,831	4.8	6,347	48.7
Year ended March 31, 2007	426,666		30,435		25,342		13,472	

	Net income per share	Net income per share after dilution
	Yen	Yen
2007	7.95	7.48
2006	9.11	---
Year ended March 31, 2007	19.32	19.22

(Reference) Gain on investment by equity method: Six Months ended September 30, 2007: ¥167 million

Six Months ended September 30, 2006: ¥566 million

Year ended March 31, 2007: ¥772 million,

**(2) Consolidated Financial Position**

At September 30

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2007	509,652	154,499	26.6	194.36
2006	523,080	144,722	24.1	181.00
March 31, 2007	513,191	152,224	26.0	191.28

(Reference) Total shareholders' equity: September 30, 2007: ¥135,660 million

September 30, 2006: ¥126,117 million

March 31, 2007: ¥133,521 million

### (3) Consolidated Cash Flows

Six Months ended September 30

	Cash flow provided by operating activities	Cash flow used in investing activities	Cash flow used in financing activities	Cash and cash equivalent at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
2007	13,836	(9,361)	(6,457)	12,226
2006	10,804	(6,884)	(3,241)	12,988
Year ended March 31, 2007	27,064	(2,925)	(22,439)	14,140

### 2. Dividends

Years ended/ending March 31

Record date	Dividends per share		
	Interim dividends	Year-end dividends	Total
	Yen	Yen	Yen
2007	---	5.00	5.00
2008	---		5.00
2008 (Forecast)		5.00	

### 3. Forecasts for Fiscal Year ending March 31, 2008

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

Fiscal year	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
	430,000	0.8	29,000	(4.7)	24,000	(5.3)

Fiscal year	Net income		Net income per share
	Millions of yen	%	Yen
	12,500	(7.2)	17.91

### 4. Other Items

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

### 3. Number of Shares Outstanding (Common stock)

Number of shares outstanding:

September 30, 2007: 699,027,598 shares      September 30, 2006: 699,027,598 shares

March 31, 2007: 699,027,598 shares

Number of treasury stocks:

September 30, 2007: 1,055,518 shares      September 30, 2006: 2,266,395 shares

March 31, 2007: 991,636 shares

## (Reference)

### 1. Non-Consolidated Business Performance

#### (1) Non-Consolidated Operating Results

Six Months ended September 30

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
2007	129,141	1.4	9,742	(13.4)	10,164	4.4
2006	127,331	5.1	11,248	0.8	9,732	(7.6)
Year ended March 31, 2007	255,467		22,609		19,874	

	Net income		Net income per share
	Millions of yen	%	Yen
2007	3,894	(13.4)	5.58
2006	4,498	47.3	6.44
Year ended March 31, 2007	12,391		17.75

#### (2) Non-Consolidated Financial Position

At September 30

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2007	376,174	134,381	35.7	192.49
2006	384,604	128,811	33.5	184.47
March 31, 2007	380,035	135,715	35.7	194.38

(Reference) Total shareholders' equity: September 30, 2007: ¥134,381 million, September 30, 2006: ¥128,811 million  
March 31, 2007: ¥135,715 million

## 2. Forecasts for Fiscal Year ending March 31, 2008

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	262,000	2.6	21,000	(7.1)	18,500	(6.9)

	Net income		Net income per share
	Millions of yen	%	Yen
Fiscal year	9,000	(27.4)	12.89

Note: The above forecast is based on the information available at the time of the announcement of this data.

Actual business performance may differ from the projections due to various factors in the future.

Please refer to pp. 5-8 of "Operating Results and Analysis of Financial Position" for information on performance forecast and other related matters.

## **1. Operating Results**

### **(1) Analysis of Operating Results**

During the interim period, ended September 30, 2007, the Japanese economy was bolstered by a continued increase in capital expenditures, though consumer spending remained sluggish as a sense of uncertainty lingered. Globally, economies continued to expand in Europe and China, though in the U.S. concerns of a slowdown mounted due to the market turmoil arising from the subprime loan fallout. Markets targeted by the Toyobo Group, including the automotive, consumer electronics and medical fields, lacked a sense of stability due to the continually rising prices for raw material and fuel costs over the past four years.

Under such circumstances the Toyobo Group further expanded its specialty businesses as it seeks to become a “manufacturer of high-function products that continually creates new value by utilizing its core technologies of polymerization, modification, processing, and biotechnology.”

In the specialty businesses, sales of industrial films, functional filters and other competitive products rose steadily. Earnings declined during the first quarter due to rises in fuel and raw material costs, and inventory adjustments in certain user industries, but rose during the second quarter as shipments recovered. In the textile business, we continued to narrow the business focus and move forward with restructuring, following a strategy of emphasizing asset efficiency.

As a result, net sales for the subject interim period were on a par with the same period of the previous fiscal year at ¥213.4 billion. Earnings fell below initial estimates, with operating income down ¥1.3 billion (8.6%) to ¥13.9 billion, ordinary income down ¥1.4 billion (10.6%) to ¥11.5 billion, and net income down ¥0.8 billion (12.6%) to ¥5.5 billion.

Results by business segment are as follows.

#### **Films and Functional Polymers**

Sales in this segment rose from the same period of the previous fiscal year as shipments of materials for consumer electronics, electrical and automotive components both in Japan and overseas recovered sharply following inventory adjustments in certain user industries during the first quarter. Earnings, however, declined due to the impact from rising prices for raw materials and fuel.

In the films business, revenue from packaging films rose on the back of sales expansion efforts centered on polyolefin films. For industrial films, the user inventory adjustments that had continued since the second half of the previous fiscal year for flat-screen televisions, personal computers and other electronics devices with liquid crystal and other optical functions, came to a close during the subject interim period, and demand recovered substantially during the second quarter.

In the functional polymers business, revenue from engineering plastics rose, centered on automotive applications. Sales of the industrial adhesive “VYLON” were strong for electronics components applications. The sales volume of photo functional materials, such as water-developable printing materials, rose sharply to North America, South America, and Asia.

As a result, sales in this segment rose ¥3.6 billion (5.8%) from the same period of the previous fiscal year to ¥65.6 billion, though operating income declined ¥0.5 billion (6.7%) to ¥7.3 billion.

## **Industrial Materials**

Sales in this segment rose as a result of new product development and an aggressive program of business expansion through enhanced marketing. Earnings, however, declined due to the impact from rising prices for raw materials and fuel.

Sales of airbag fabrics continued to rise following expanded production capacity both in Japan and overseas. Tire cord sales were down due to production level adjustments among North American manufacturers. Sales of the high-performance fiber "DYNEEMA" grew steadily for such applications as safety gloves, fishing lines, and ropes for large ships. In the functional filters field, sales rose substantially for solvent adsorption devices used for liquid crystal-related and other equipment. Significant revenue increases were also realized from "PROCON," a PPS (polyphenylene sulfide) fiber for bag filters used in thermal power plants, and various other types of filters for preventing airborne contaminants. Sales of non-woven filament fabrics rose steadily in the civil engineering, construction, automotive, and various materials fields.

As a result, sales in this segment rose ¥1.6 billion (4.5%) from the same period of the previous fiscal year to ¥37.3 billion, though operating income declined ¥0.2 billion (7.2%) to ¥2.7 billion.

## **Life Science**

This segment achieved overall increases in both revenue and earnings.

In the bio-science business, sales of research-use reagents lagged slightly, but sales of enzymes for blood glucose measuring applications continued to be strong. In contract manufacturing of pharmaceuticals, orders grew steadily, providing significant revenue growth. In the water treatment membranes business, sales rose with shipments for large-scale projects in the Middle East region, and stable demand for reverse osmosis modules both in Japan and overseas. Revenue from hollow fiber membranes for artificial kidneys rose with a recovery in sales volume.

As a result, sales in this segment rose ¥1.0 billion (6.6%) from the same period of the previous fiscal year to ¥16.3 billion, with operating income up ¥0.1 billion (3.8%) to ¥2.6 billion.

## **Textiles**

Both revenue and earnings were down in this segment as we continued to reduce the number of unprofitable products and narrow the commodity textile field, and due to the impact from rising prices for raw materials and fuel.

In the textiles business, sales rose on the back of continued strong exports to the Middle East region. Sales of textiles for sport applications increased due to the popularity of fine count, high-density textiles utilizing Toyobo's unique technologies. Sales of the acrylic fiber "EXLAN" were steady due to sales expansion for specialty products. However, a falloff of domestic demand for bedding, and a tighter focus on casual wear less subject to the vagaries of fashion, led to declines in the scale of both businesses. In the fibers business, revenue fell with the ongoing contraction of commodity textiles and other unprofitable businesses.

As a result, sales in this segment declined ¥5.5 billion (7.0%) from the same period of the previous fiscal year to ¥72.4 billion, with operating income down ¥0.5 billion (19.2%) to ¥2.0 billion.

## **Other Businesses**

In this segment, performance in the engineering, real estate, information processing services, logistics services and other businesses was essentially in line with plan.

As a result, sales in this segment declined ¥0.8 billion (3.4%) from the same period of the previous fiscal year to ¥21.9 billion, though operating income rose ¥0.1 billion (9.8%) to ¥1.2 billion.

## **Forecast for the Fiscal Year ending March 31, 2008**

The business environment during the second half of the subject fiscal year will likely be marked by such uncertainties as trends in raw material and fuel prices, and concerns of a slowdown in the U.S. economy. Under such circumstances, the Toyobo Group will actively expand its films and functional polymers, industrial materials and life science businesses by utilizing its unique technologies, while for the textiles business we will narrow the business across the Group to focus on functional textiles, thereby stabilizing earnings and raising asset efficiency.

Through these measures the Toyobo Group expects to secure earnings during the second half on par with those of the first, and for the full term of the fiscal year to March 31, 2008, forecast net sales of ¥430.0 billion (up ¥3.3 billion year on year). In terms of earnings, operating income is forecast to be ¥29.0 billion (down ¥1.4 billion), ordinary income ¥24.0 billion (down ¥1.3 billion), and net income ¥12.5 billion (down ¥1.0 billion).

## **(2) Analysis of Financial Position**

### **Assets, Liabilities and Net Assets**

Total assets decreased by ¥3.5 billion (0.7%) from March 31, 2007, to ¥509.7 billion. This was due mainly to a decline in the market value of investment securities following declines in share prices.

Liabilities decreased by ¥5.8 billion (1.6%) from March 31, 2007, to ¥355.2 billion. This was due mainly to declines in interest-bearing debt and accrued income taxes.

Net assets increased by ¥2.3 billion (1.5%) from March 31, 2007, to ¥154.5 billion. Although the net unrealized holding gain on securities declined, there were increases in retained earnings and foreign currency translation adjustments.

As a result, the shareholders' equity ratio at the end of the interim period was 26.6%.

### **Cash Flows**

Net cash provided by operating activities increased by ¥3.0 billion from the same period of the previous fiscal year to ¥13.8 billion. The main components of operating cash flows during the interim period were ¥8.8 billion in income before income taxes; ¥9.2 billion in depreciation and amortization; and ¥5.3 billion in income taxes paid.

Net cash used in investing activities increased ¥2.5 billion from the same period of the previous fiscal year to ¥9.4 billion. This was mainly due to an increase in expenditures for the acquisition of property, plant and equipment. The main component of investing cash flows during the interim period was ¥9.0 billion in expenditures for the purchase of property, plant and equipment.

Net cash used in financing activities increased by ¥3.2 billion from the same period of the previous fiscal year to ¥6.5 billion. The main components of financing cash flows during the interim period included ¥11.9 billion in repayment of long-term debt; ¥0.3 billion in redemption of corporate bonds; and ¥3.7 billion in

cash dividends (including cash dividends to minority interests); against ¥4.9 billion in proceeds from short-term bank loans; and ¥6.1 billion in proceeds from long-term debt.

As a result, the balance of cash and cash equivalents at the end of the interim period decreased by ¥1.9 billion from March 31, 2007, to ¥12.2 billion.

### **(Reference) Indicators of Financial Position**

	March 31				September 30, 2007
	2004	2005	2006	2007	
Equity ratio (%)	21.0	21.0	24.3	26.0	26.6
Equity ratio, based on market value (%)	35.3	35.5	49.3	47.7	36.8
Interest-bearing debt to cash flow ratio (Years)	8.7	7.4	7.6	7.2	---
Interest coverage ratio (Times)	6.9	9.2	8.8	8.4	8.7
D/E ratio (Times)	2.31	2.06	1.65	1.45	1.43

Notes:

Equity ratio: shareholders' equity/ total assets

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

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

Interest coverage ratio: operating cash flows/ interest expense

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

### **(3) Basic Policy Regarding Earnings Distribution, and Dividends for the Subject Fiscal Year**

The Toyobo Group recognizes that returning earnings to shareholders is one of the highest priority issues for a corporation. The Company makes decisions regarding earnings distribution based on the principle of continually paying a stable dividend, taking into general account such factors as earnings level, financial position (retained earnings), and investment for business expansion.

In accordance with this policy, the Company plans to pay a year-end dividend for the subject fiscal year of ¥5 per share, assuming forecast net income of ¥12.5 billion.



## **2. Status of Enterprise Group**

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

### **Films and Functional Polymers:**

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

Its five consolidated subsidiaries, such as Toyo Cloth Co., Ltd., Toyo Kasei Kogyo Co., Ltd., Kureha Elastomer Co., Ltd., and 14 non-consolidated subsidiaries, such as Toyoshina Film Co., Ltd. (subject to the equity method) and affiliates, manufacture, process and sell chemical products and plastics products such as films, highly functional polymers and rubber products. They also purchase raw materials from and supply products to Toyobo Co., Ltd.

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

### **Industrial Materials:**

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

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

### **Life Science:**

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

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

### **Textiles:**

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

Its 22 consolidated domestic subsidiaries, such as Japan Exlan Co., Ltd., Sundia Inc., Miyuki Keori Co., Ltd., and its 25 non-consolidated domestic subsidiaries and domestic affiliates are engaged in the processing of textiles such as spinning, looming, and dyeing and manufacture and sale of synthetic fibers, secondary textile products, etc. They are also engaged in production, processing and sale under contract with Toyobo Co., Ltd.

Its eight consolidated overseas subsidiaries, such as Perak Textile Mills SDN.BHD, and 14 overseas affiliates manufacture and sell spun yarn, woven fabrics and processed goods. They also supply them to Toyobo Co., Ltd.

Its two consolidated subsidiaries, such as Shinko Sangyo Co., Ltd., and two

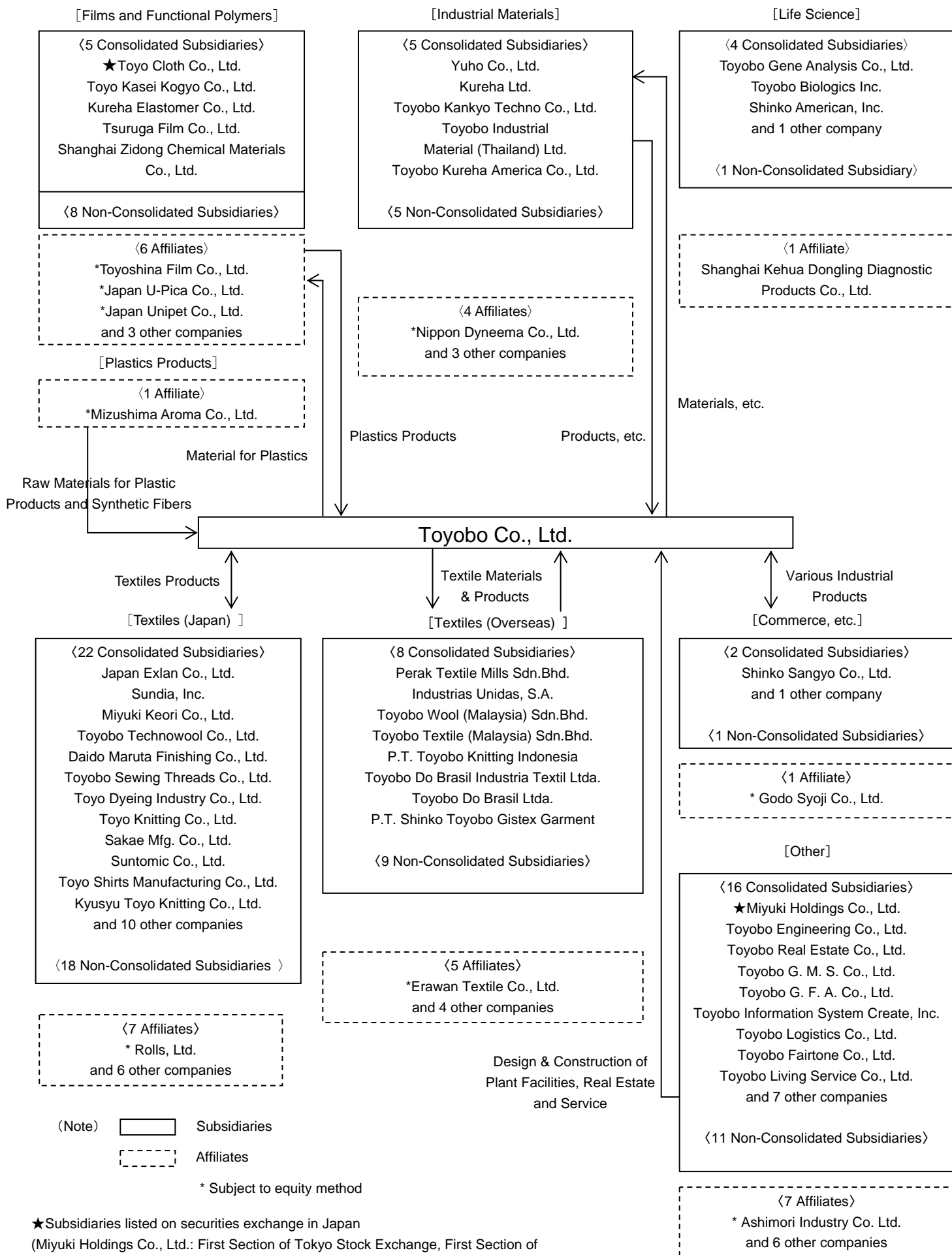
non-consolidated subsidiaries and affiliates are engaged in the distribution, etc., of textiles and various non-textile industrial products.

**Other:**

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

Its 16 consolidated subsidiaries, such as Miyuki Holdings Co., Ltd. (real estate leasing, management, etc.), Toyobo Real Estate Co., Ltd. (real estate sale and leasing), Toyobo G.M.S. Co., Ltd. (real estate leasing, management, etc.), Toyobo G.F.A. Co., Ltd. (financial services), Toyobo Information System Create, Inc. (information processing services), Toyobo Logistics Co., Ltd. (logistics services, etc.) and Toyobo Living Service Co., Ltd. (linen supply) and 18 non-consolidated companies and affiliates are engaged in the respective businesses shown in parentheses. They also provide services, etc. to Toyobo Co., Ltd.

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



### **3. Management Policy**

#### **1. Basic Management Policy**

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

#### **2. Target Managerial Indices**

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

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

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

#### **1) Business Strategies**

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

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

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

#### **2) Issues to Be Addressed**

- (i) Expansion of specialty businesses

The Toyobo Group will manage its business with the highest priority on growth and expansion of the three business segments centered on specialty businesses (films and functional polymers, industrial materials and life science). We will utilize our unique core technologies and strengths to expand production capacity, pursue global development and establish new businesses for competitive products in the five growth markets of "automobiles," "electronics and information displays," "life science," "environment," and "lifestyle and safety."

We will concentrate management resources in businesses where Toyobo has particular strengths, and that we expect to grow and develop into core businesses. We will also not adhere to a strict doctrine of independence, but proactively pursue joint ventures and technology imports with companies both in Japan and overseas.

(ii) Reform of the textile business

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

(iii) Enhancing technological capabilities

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

### **3) Business Development by Segment**

Films and Functional Polymers: In the films business, Toyobo will expand production capacity with a new production line to go into operation in spring 2008, in order to meet demand for films for LCD and optical uses, which is expected to remain on a growth path. In the functional polymers business, such as for engineering plastics, industrial functional adhesives and other products, we will actively pursue overseas expansion by enhancing our business locations in the U.S., Europe and Asia. We will also seek to commercialize the heat-resistant polyimide film XENOMAX as a next-generation electronics material.

Industrial Materials: For airbag fabrics we will expand our production capacity both in Japan and overseas. We are also expanding production capacity for the high performance polyethylene fiber "DYNEEMA," which will become operational in early 2008. In the functional filters business, we will proactively promote growth in sales of various filters for automobiles, along with the bag filters and solvent absorption equipment that help protect the environment.

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

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

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

	September 30, 2006		September 30, 2007		March 31, 2007	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
<b>ASSETS</b>						
Current assets:						
1. Cash and cash equivalents	13,364		12,436		14,470	
2. Notes and accounts receivable	96,214		87,962		90,730	
3. Inventories	91,166		95,098		92,092	
4. Deferred income taxes	3,801		4,175		4,576	
5. Other current assets	11,047		13,609		12,038	
Allowance for doubtful receivables	(1,131)		(837)		(1,020)	
Total current assets	214,461	41.0	212,443	41.7	212,885	41.5
Fixed assets:						
1. Property, plant and equipment						
(1) Buildings and structures	48,208		47,201		47,690	
(2) Machinery and equipment	61,311		56,921		59,221	
(3) Land	116,007		116,921		116,076	
(4) Construction in progress	3,759		5,661		5,120	
(5) Other property, plant and equipment	2,847		3,426		2,778	
Total property, plant and equipment	232,131		230,130		230,885	
2. Intangible assets						
(1) Goodwill	1,112		803		979	
(2) Other intangible assets	2,303		2,003		1,891	
Total intangible assets	3,415		2,806		2,870	
3. Investments and noncurrent assets						
(1) Investment securities	52,454		41,746		45,801	
(2) Loans	5,061		3,963		4,501	
(3) Deferred income taxes	12,306		14,117		12,296	
(4) Other investments and other assets	8,182		9,381		7,726	
Allowance for doubtful receivables	(4,932)		(4,933)		(3,772)	
Total investments and other assets	73,072		64,274		66,551	
Total fixed assets	308,618	59.0	297,209	58.3	300,306	58.5
<b>Total assets</b>	<b>523,080</b>	<b>100.0</b>	<b>509,652</b>	<b>100.0</b>	<b>513,191</b>	<b>100.0</b>

	September 30, 2006		September 30, 2007		March 31, 2007	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
<b>LIABILITIES</b>						
<b>Current Liabilities:</b>						
1. Notes and accounts payable	64,820		65,344		62,793	
2. Short-term borrowings	97,292		82,689		77,436	
3. Long-term debt due within one year	40,093		18,637		21,519	
4. Bonds maturing within one year	600		10,000		300	
5. Accrued income taxes	5,026		1,986		5,123	
6. Deferred income taxes	99		79		90	
7. Accrued expenses	4,190		4,175		4,232	
8. Deposits received	11,534		13,689		15,520	
9. Accrued employees' bonuses	4,630		4,656		4,676	
10. Other current liabilities	10,220		11,135		11,766	
<b>Total current liabilities</b>	<b>238,503</b>	<b>45.6</b>	<b>212,391</b>	<b>41.7</b>	<b>203,457</b>	<b>39.6</b>
<b>Long-term Liabilities:</b>						
1. Bonds	10,000		---		10,000	
2. Convertible bond-type bond with stock acquisition rights	---		20,000		20,000	
3. Long-term debt	63,991		62,040		64,983	
4. Deferred income taxes	8,559		7,741		7,464	
5. Deferred income taxes on land revaluation	28,164		28,158		28,164	
6. Employees' severance and retirement benefits	18,906		16,896		16,989	
7. Retirement benefits for directors, operating officers and corporate auditors	1,211		1,298		1,366	
8. Negative goodwill	2,554		1,812		2,243	
9. Other long-term liabilities	6,471		4,818		6,300	
<b>Total long-term liabilities</b>	<b>139,855</b>	<b>26.7</b>	<b>142,762</b>	<b>28.0</b>	<b>157,511</b>	<b>30.7</b>
<b>Total liabilities</b>	<b>378,358</b>	<b>72.3</b>	<b>355,153</b>	<b>69.7</b>	<b>360,968</b>	<b>70.3</b>

	September 30, 2006		September 30, 2007		March 31, 2007	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
<b>NET ASSETS</b>						
Shareholders' equity:						
Common stock	43,341	8.3	43,341	8.5	43,341	8.4
Capital surplus	16,087	3.1	16,033	3.1	16,033	3.1
Retained earnings	21,320	4.1	30,140	5.9	28,131	5.5
Less treasury stock, at cost	(431)	(0.1)	(257)	(0.0)	(235)	(0.0)
Total shareholders' equity	80,316	15.4	89,256	17.5	87,269	17.0
Valuation and translation adjustments:						
Net unrealized holding gain on securities	10,433	2.0	7,008	1.4	8,909	1.7
Deferred losses on hedges	(77)	(0.0)	(113)	(0.0)	(67)	(0.0)
Land revaluation excess	39,996	7.6	39,987	7.8	39,996	7.8
Revaluation excess-foreign	6,620	1.3	6,620	1.3	6,620	1.3
Foreign currency translation adjustments	(11,171)	(2.2)	(7,099)	(1.4)	(9,206)	(1.8)
Total valuation and translation adjustments:	45,801	8.7	46,404	9.1	46,252	9.0
Minority interests in consolidated subsidiaries	18,605	3.6	18,839	3.7	18,702	3.7
Total net assets	144,722	27.7	154,499	30.3	152,224	29.7
Total liabilities and net assets	523,080	100.0	509,652	100.0	513,191	100.0



**(2) Consolidated Statements of Income**

	Six Months ended September 30				Year ended March 31, 2007	
	2006		2007		Millions of yen	%
	Millions of yen	%	Millions of yen	%		
Net sales	213,476	100.0	213,433	100.0	426,666	100.0
Cost of sales	167,635	78.5	169,236	79.3	335,369	78.6
Gross profit	45,841	21.5	44,197	20.7	91,297	21.4
Selling, general and administrative expenses	30,598	14.4	30,265	14.2	60,862	14.3
Operating income	15,243	7.1	13,932	6.5	30,435	7.1
Non-operating income:						
1. Interest income	215		230		396	
2. Dividend income	593		679		1,045	
3. Rent	407		523		761	
4. Amortization on negative goodwill	445		461		889	
5. Equity in income of unconsolidated subsidiaries and affiliates	566		167		772	
6. Other	1,011		1,210		2,363	
Total non-operating income	3,237	1.5	3,270	1.5	6,226	1.5
Non-operating expenses:						
1. Interest expense	1,603		1,599		3,229	
2. Retirement benefits for employees for prior periods	857		812		1,637	
3. Salaries paid to dispatched employees	643		595		1,275	
4. Other	2,546		2,720		5,179	
Total non-operating expenses	5,649	2.6	5,726	2.6	11,320	2.7
Ordinary income	12,831	6.0	11,476	5.4	25,342	5.9

	Six Months ended September 30				Year ended March 31, 2007	
	2006		2007		Millions of yen	%
	Millions of yen	%	Millions of yen	%		
Extraordinary gain:						
1. Gain on sale of property, plant and equipment	121		5		1,305	
2. Gain on sale of investment securities	---		81		5,154	
3. Gain on amortization of cross holding shares	5		---		5	
4. Reversal of allowance for doubtful receivables	---		69		---	
5. Compensation for transfer of property	---		1,811		---	
Total extraordinary income	127	0.1	1,967	0.9	6,464	1.5
Extraordinary loss:						
1. Loss on sale of property, plant and equipment	14		45		53	
2. Loss on disposal of property, plant and equipment	399		644		2,612	
3. Loss on deduction of property, plant and equipment	---		264		---	
4. Loss on sales of investment securities	---		2		---	
5. Write-down of investment securities	133		71		1,130	
6. Special allowance for doubtful receivables	1,105		155		825	
7. Write-down of inventories	---		1,111		2,414	
8. Loss on restructuring of businesses	850		605		2,730	
9. Losses related to lawsuits	163		1,022		780	
10. Loss on liquidation of affiliates	50		---		389	
11. Loss on impairment of fixed assets	787		716		787	
Total extraordinary loss	3,501	1.6	4,634	2.2	11,720	2.7
Income before income taxes	9,457	4.5	8,809	4.1	20,086	4.7
Provision for income taxes:						
Current	3,699		2,007		7,617	
Deferred	(824)		883		(1,518)	
	2,875	1.4	2,889	1.4	6,099	1.4
Minority interest in income of consolidated subsidiaries	235	0.1	373	0.1	515	0.1
Net income	6,347	3.0	5,546	2.6	13,472	3.2

### (3) Consolidated Statement of Changes in Net Assets

Six Months ended September 30, 2006

(Millions of yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance as of March 31, 2006	43,341	16,086	18,556	(416)	77,567
Change in six months ended September 30, 2006					
Cash dividends paid (Note)			(3,492)		(3,492)
Net income			6,347		6,347
Decrease due to increase in consolidated subsidiaries			(93)		(93)
Adjustments for reversal of revaluation of land			2		2
Purchase of treasury stock				(18)	(18)
Sale of treasury stock		1		3	4
Net change during the term under review other than shareholders' equity					
Total	---	1	2,763	(15)	2,749
Balance as of September 30, 2006	43,341	16,087	21,320	(431)	80,316

	Valuation and Translation Adjustments						Minority interest in consolidated subsidiaries	Total net assets
	Net unrealized holding gains on securities	Deferred losses on hedges	Land revaluation excess	Revaluation excess-foreign	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of March 31, 2006	12,640	---	39,998	6,620	(11,682)	47,576	17,294	142,437
Change in six months ended September 30, 2006								
Cash dividends paid (Note)								(3,492)
Net income								6,347
Decrease due to increase in consolidated subsidiaries								(93)
Adjustments for reversal of revaluation of land								2
Purchase of treasury stock								(18)
Sale of treasury stock								4
Net change during the term under review other than shareholders' equity	(2,207)	(77)	(2)	---	511	(1,775)	1,311	(464)
Total	(2,207)	(77)	(2)	---	511	(1,775)	1,311	2,285
Balance as of September 30, 2006	10,433	(77)	39,996	6,620	(11,171)	45,801	18,605	144,722

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

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance as of March 31, 2007	43,341	16,033	28,131	(235)	87,269
Change in six months ended September 30, 2007					
Cash dividends paid			(3,491)		(3,491)
Net income			5,546		5,546
Decrease due to increase in consolidated subsidiaries			(4)		(4)
Decrease due to decrease in consolidated subsidiaries			(51)		(51)
Adjustments for reversal of revaluation of land			9		9
Purchase of treasury stock				(24)	(24)
Sale of treasury stock		1		2	3
Net change during the term under review other than shareholders' equity					
Total	---	1	2,009	(22)	1,987
Balance as of September 30, 2007	43,341	16,033	30,140	(257)	89,256

	Valuation and Translation Adjustments						Minority interest in consolidated subsidiaries	Total net assets
	Net unrealized holding gains on securities	Deferred losses on hedges	Land revaluation excess	Revaluation excess-foreign	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of March 31, 2007	8,909	(67)	39,996	6,620	(9,206)	46,252	18,702	152,224
Change in six months ended September 30, 2007								
Cash dividends paid								(3,491)
Net income								5,546
Decrease due to increase in consolidated subsidiaries								(4)
Decrease due to decrease in consolidated subsidiaries								(51)
Adjustments for reversal of revaluation of land								9
Purchase of treasury stock								(24)
Sale of treasury stock								3
Net change during the term under review other than shareholders' equity	(1,901)	(46)	(9)	---	2,107	152	136	288
Total	(1,901)	(46)	(9)	---	2,107	152	136	2,275
Balance as of September 30, 2007	7,008	(113)	39,987	6,620	(7,099)	46,404	18,839	154,499

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

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

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

#### (4) Consolidated Statements of Cash Flows

	Six Months ended September 30		Year ended March 31, 2007
	2006	2007	
	Millions of yen	Millions of yen	Millions of yen
Cash flows from operating activities:			
1. Income before income taxes	9,457	8,809	20,086
2. Depreciation and amortization	8,283	9,203	16,938
3. Amortization of negative goodwill	(445)	(461)	(889)
4. Allowance for doubtful receivables, net	1,214	1,030	174
5. Retirement benefits, net	(1,337)	(102)	(3,265)
6. Interest and dividend income	(808)	(909)	(1,441)
7. Interest expense	1,603	1,599	3,229
8. Equity in income of unconsolidated subsidiaries and affiliates	(566)	(167)	(772)
9. Loss on impairment of fixed assets	787	716	787
10. Loss on sale and disposal of property, plant and equipment, net	291	684	1,360
11. Loss on deduction of property, plant and equipment	---	264	---
12. Gain(loss) on sale and unrealized holding gains on investment	133	(8)	(4,024)
13. Gain on amortization of cross holding shares	(5)	---	(5)
14. Compensation for transfer of property, plant and equipment	---	(1,811)	---
15. Loss on restructuring of businesses	850	605	2,730
16. Losses related to lawsuits	163	1,022	780
17. Increase (decrease) in trade notes and accounts receivable	(4,128)	2,460	1,343
18. Increase in inventories	(1,592)	(3,067)	(2,670)
19. Increase in trade notes and accounts payable	2,506	2,736	422
20. Increase in prepaid pension costs	---	(1,629)	---
21. Other, net	35	(1,354)	3,328
Total	16,442	19,619	38,109
22. Payments for restructuring costs of businesses	(430)	(582)	(1,421)
23. Payments related to lawsuits	(1,219)	(932)	(2,305)
24. Receipt of litigation liability insurance	554	432	1,269
25. Receipt of accident insurance	---	631	---
26. Income taxes paid	(4,543)	(5,332)	(8,588)
Net cash provided by operating activities	10,804	13,836	27,064

	Six Months ended September 30		Year ended March 31, 2007
	2006	2007	
	Millions of yen	Millions of yen	Millions of yen
Cash flows from investing activities:			
1. Purchase of property, plant and equipment	(7,437)	(9,045)	(14,747)
2. Proceeds from sale of property, plant and equipment	617	700	2,433
3. Purchase of investment securities	(102)	(2,026)	(793)
4. Proceeds from sale of investment securities	26	117	9,626
5. Outlays associated with equity participation	---	---	(1)
6. Proceeds from purchase of shares of subsidiaries	---	(138)	---
7. Proceeds from purchase of share of consolidated subsidiaries due to change in scope of consolidation	(87)	---	(87)
8. Interest and dividend income excluding unconsolidated subsidiaries and affiliates	825	909	1,466
9. Dividend income from affiliates for by equity method	67	88	161
10. Other, net	(794)	35	(985)
Net cash used in investing activities	(6,884)	(9,361)	(2,925)
Cash flows from financing activities:			
1. Increase (decrease) in short-term bank loans	2,383	4,913	(17,744)
2. Proceeds from long-term debt	19,050	6,100	31,701
3. Repayment of long-term debt	(9,371)	(11,879)	(39,726)
4. Proceeds from issuance of corporate bonds with stock purchase rights	---	---	19,988
5. Payment of bonds	(10,000)	(300)	(10,300)
6. Payment for purchase of treasury stock	(18)	(24)	(47)
7. Proceeds from sale of treasury stock	4	3	746
8. Payment of interest	(1,560)	(1,591)	(3,206)
9. Cash dividends	(3,492)	(3,491)	(3,492)
10. Cash dividends to minority interests	(236)	(188)	(360)
Net cash used in financing activities	(3,241)	(6,457)	(22,439)
Adjustment for foreign currency translation	44	180	165
Increase (decrease) in cash and cash equivalents	723	(1,802)	1,866
Cash and cash equivalents at beginning of the period	11,894	14,140	11,894
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	306	(111)	306
Increase resulting from changes in consolidated subsidiaries	65	---	74
Cash and cash equivalents at end of the period	12,988	12,226	14,140

## Segment Information

### 1. Industry Segments

[Six Months ended September 30, 2006]

(Millions of yen)

	Films and functional polymers	Industrial materials	Life science	Textiles	Other businesses	Total	Elimination or corporate	Consolidated
I. Net sales and operating income								
(1) Net sales to external customers	62,015	35,682	15,290	77,859	22,630	213,476	---	213,476
(2) Intersegment net sales and transfer amounts	97	31	60	140	4,959	5,287	(5,287)	---
Net sales	62,112	35,713	15,350	77,999	27,589	218,763	(5,287)	213,476
Operating costs and expenses	54,289	32,785	12,853	75,564	26,513	202,006	(3,773)	198,233
Operating income	7,823	2,927	2,497	2,434	1,076	16,757	(1,513)	15,243

Non-allocatable operating costs and expenses which have been included in "Elimination or Corporate" totaled ¥1,480 million.

[Six Months ended September 30, 2007]

(Millions of yen)

	Films and functional polymers	Industrial materials	Life science	Textiles	Other businesses	Total	Elimination or corporate	Consolidated
I. Net sales and operating income								
(1) Net sales to external customers	65,603	37,289	16,294	72,391	21,857	213,433	---	213,433
(2) Intersegment net sales or transfer amounts	171	22	84	89	5,423	5,789	(5,789)	---
Net sales	65,774	37,311	16,378	72,481	27,280	219,223	(5,789)	213,433
Operating costs and expenses	58,477	34,594	13,785	70,513	26,099	203,468	(3,967)	199,501
Operating income	7,296	2,717	2,592	1,968	1,181	15,755	(1,822)	13,932

Non-allocatable operating costs and expenses which have been included in "Elimination or Corporate" totaled ¥1,735 million.

#### Changes in Accounting Methods

Toyobo and its domestic consolidated subsidiaries, in accordance with revisions to the corporate tax code, have changed their depreciation method for tangible fixed assets. Tangible fixed assets acquired on and after April 1, 2007 are depreciated in accordance with the provisions of the revised corporate tax code.

Compared to the previous interim period using the same method, Films and Functional Polymers increased ¥25 million; Industrial Materials ¥7 million; Life Science ¥11 million; Textiles ¥5 million; Other Businesses ¥8 million; and Elimination or Corporate ¥5 million; with corresponding decreases in operating income.

#### Additional Information

Toyobo and its domestic consolidated subsidiaries, in accordance with revisions to corporate tax code, apply the following accounting for tangible fixed assets acquired on and before March 31, 2007. When the depreciated value of a tangible fixed asset reaches 5% of its acquisition cost (under the depreciation method applicable before revision) in a certain fiscal year, the difference between such value (5% of the acquisition cost) and the memorandum value of the asset is depreciated in an equal amount over five years from the next fiscal year. This amount is included in depreciation expenses.

In accordance with this change, compared with the previous method, Films and Functional Polymers increased ¥304 million; Industrial Materials ¥151 million; Life Science ¥89 million; Textiles ¥227 million; Other Businesses ¥19 million; and Elimination or Corporate ¥43 million; with corresponding decreases in operating income.



[Fiscal Year ended March 31, 2007]							(Millions of yen)	
	Films and functional polymers	Industrial materials	Life science	Textiles	Other businesses	Total	Elimination or corporate	Consolidated
I. Net sales and operating income								
(1) Net sales to external customers	124,614	74,391	32,639	149,585	45,436	426,666	---	426,666
(2) Intersegment net sales or transfer amounts	180	88	132	260	9,963	10,623	(10,623)	---
Net sales	124,794	74,479	32,771	149,845	55,399	437,289	(10,623)	426,666
Operating costs and expenses	109,490	68,561	27,186	145,460	52,928	403,625	(7,395)	396,231
Operating income	15,304	5,917	5,585	4,386	2,471	33,663	(3,228)	30,435

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

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

Films and Functional Polymers:	Packaging films, industrial films, industrial adhesives, engineering plastics, photo-functional materials, etc.
Industrial Materials:	Fiber materials for automobiles, high-performance fibers, functional filters, non-woven fabrics, etc.
Life Science:	Bio-science products such as diagnostic enzymes, pharmaceutical production, hollow fiber membrane for artificial kidneys, desalination membranes, etc.
Textiles:	Functional textiles, apparel products, apparel textiles, apparel fibers, etc.
Other Businesses:	Design and construction of buildings and machinery, rental and management of real estate, information processing services, logistics services, etc.

## 2. Geographic Segments

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

## 3. Overseas Sales

[Six Months ended September 30, 2006]		(Millions of yen)	
	Southeast Asia	Other areas	Total
I. Overseas sales	19,160	17,929	37,088
II. Consolidated sales			213,476
III. Percentage of overseas sales to total consolidated sales	9.0%	8.4%	17.4%

[Six Months ended September 30, 2007]		(Millions of yen)	
	Southeast Asia	Other areas	Total
I. Overseas sales	21,075	21,012	42,087
II. Consolidated sales			213,433
III. Percentage of overseas sales to total consolidated sales	9.9%	9.8%	19.7%

[Year ended March 31, 2007]		(Millions of yen)	
	Southeast Asia	Other areas	Total
I. Overseas sales	36,817	38,930	75,748
II. Consolidated sales			426,666
III. Percentage of overseas sales to total consolidated sales	8.7%	9.1%	17.8%