



## *Multi-specialty Company*



***Annual Report 2005***

Year Ended March 31, 2005

Toyobo was founded in 1882 as Osaka Boseki, the company's predecessor, by Eiichi Shibusawa, who was called the father of the Japanese modern industry. For over 120 years since then, Toyobo has experienced many business restructurings starting from the textile business and developed new business domains such as the film business, the highly-functional materials business and the bioscience and medical business, by taking advantage of its own core technologies of polymerization, modification, processing and bioscience.

Now in the 21st century, Toyobo faces a major change in the circumstances surrounding people's life and economy. The Toyobo Group aims to be a manufacturer of high-tech materials that combines and deepens these own technologies to continue creation of the new values demanded by the age. Shibusawa's personal motto, "Junrisokuyu" was that listening to reasons will lead to prosperity, which is consistent with the current corporate principle of Corporate Social Responsibility(CSR), compliance with legal regulations and corporate governance. This principle is still being inherited traditionally as a manufacturer of high-tech materials shifting from an all-round textile manufacturer.

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### Disclaimer Regarding Forward-Looking Statements

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

\* Trademarks in this report are registered in Japan.

## Consolidated Financial Highlights

TOYOB CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
Years ended March 31, 2005 and 2004

	(Unit: ¥million)			
	2005	2004	2003	2002
Net sales.....	¥ 393,686	¥ 373,066	¥ 376,377	¥ 383,078
Cost of sales.....	21,589	17,491	10,500	6,800
Income before income taxes .....	21,592	16,399	△16,396	△22,799
Net income.....	12,207	8,762	△6,965	△13,361
Total assets.....	511,813	495,969	537,314	589,408
Total stockholders' equity .....	107,518	104,033	84,025	96,603

	(Unit: ¥million)			
	2005	2004	2003	2002
Net income per share .....	¥ 17.58	¥ 12.63	¥ △10.11	¥ △19.34
Total stockholders' equity per share .....	154.64	149.32	121.98	139.81

Fibers and Textiles



### Multi-specialty Company



**TOYOB**



Plastics Products

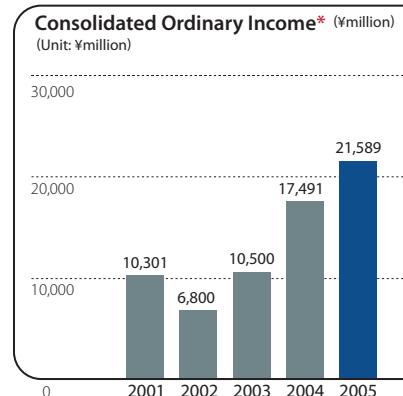
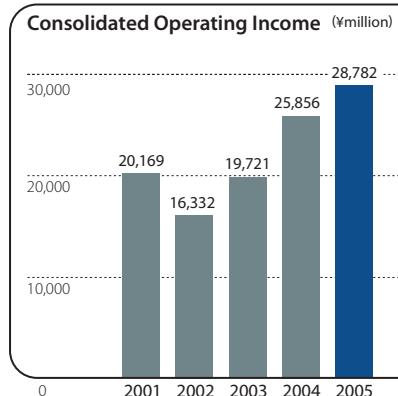
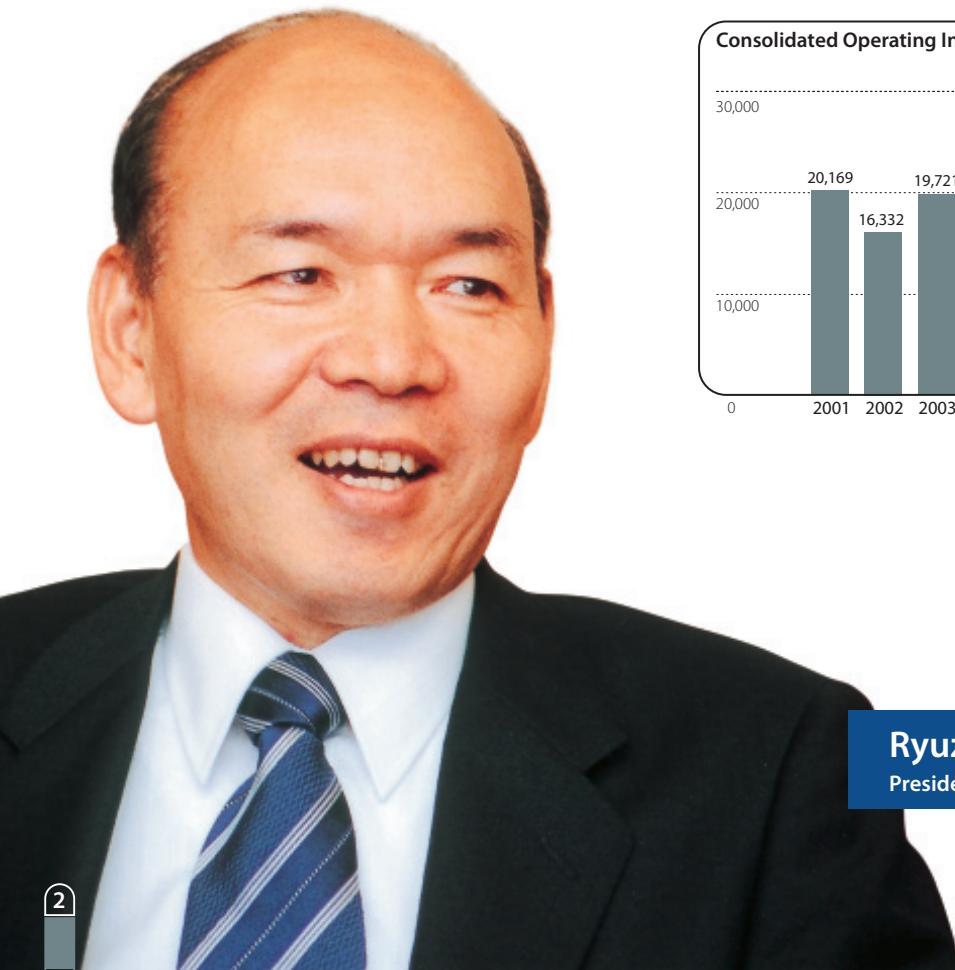
Bio, Medical and Functional Materials and Products

# Toyobo's New Challenge —Aiming to Be a Trusted Company

I assumed the presidency in succession to the former president Tsumura. I recognize that now is the time for Toyobo to gain new momentum, keenly sensing the grave responsibility.

We have conducted thorough business restructurings for these several years and successfully improved our business performance thereby. It is a great satisfaction for us to report to you that we reached a record high in operating income, ordinary income and net income in FY2004, particularly. Our complete and total increases in sales and profit in the consolidated financial statements are purely the fruit of our company-wide concerted efforts. From now on, we intend to actively invent and expand our specialty business\* based on our technologies, breaking away from the passive balance in the common textiles business. In addition, we newly introduced the corporate officer system this year to further improve our corporate governance systems for enhancement of corporate value.

\*Specialty Business: It is the business selected by our customers and operated with our competitive superiority for a long term on the basis of our own core technologies, patents and brands.



\* Ordinary Income: It is the total of operating income and non-operating income; other income is classified as non-operating income (general interest received and interest paid, profit or loss on sale of securities and expenses for adjustments on differences caused by changes in accounting standards for retirement benefits) or extraordinary profit or loss (extraordinary profit or loss on sale of fixed assets, extraordinary profit on sale of securities, extraordinary loss from revaluation of securities and restructuring-related expenses).

**Ryuzo Sakamoto,**  
President

## Our Current Status and Future Tasks

We reached a record high in operating income, ordinary income and net income in the consolidated financial statements of FY2004, by achieving complete and total increases in both sales and profit.

The sales have been on a downward trend since we achieved 568.9 billion yen in sales in FY1991, due to the restructuring of our textile business. However, the sales increase in the non-textile business (up 20.9 billion yen from FY2003) covered the sales decrease in the textile business (down 0.3 billion yen from FY2003), which led us to net sales increase for the first time in the past seven years.

We reached 28.8 billion yen in operating income and 21.6 billion yen in ordinary income, marking a record high in the past fifteen years, respectively. The net income was 12.2 billion yen recording the best gains for the second consecutive year. During these years, the surge in profit from the downturn in FY1998 to the improvement in FY2004 was attributable to expansion of our specialty business and reduction of deficit in the textiles business equally.

As we have almost completed improvement of unprofitable business on a non-consolidated basis, we believe that it is necessary to invent and grow new specialty business for the future profit increase.

We recognize our future tasks based on the financial statements of FY2004 to be as follows:

- |                                                                                                                                                                                                    |                                                                                                                                                          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>■ Enhancement of the capacities for inventing and growing specialty business</li><li>■ Completion of improving the remaining unprofitable business</li></ul> | <ul style="list-style-type: none"><li>■ Reduction of capital injection into non-specialty business</li><li>■ Improvement of financial strength</li></ul> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|

By successful achievement of these tasks, we intend to build a primary structure of spiral growth in which increased cash flows from operating activities are reinvested to operations.



## What We Aim to Be

We aim to be a manufacturer of high-tech materials that continues to create new corporate values by use of core technologies. Our major visions are as follows:

- |                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>(1) Each business of the entire group is profitable, while specialty business is invented one after another.</li><li>(2) The technical and organizational capacities are accumulated as the basis of a manufacturer to be used across the board.</li><li>(3) The organization is flexible, vital, self-directive and active.</li></ul> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

In order to achieve these goals, we set up technology stock management as our new management concept and implement the following four strategies:

- |                                                                                                                                                                                                                                                    |                                                                                                                        |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>■ Active expansion of our specialty business</li><li>■ Focus on technologies<br/>(focus on front lines, integration of technologies for further evolution and challenges for technical innovation)</li></ul> | <ul style="list-style-type: none"><li>■ Total optimization</li><li>■ Restructuring of our business portfolio</li></ul> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|

In the medium run, we aim to achieve 450.0 billion yen in sales, 38.0 billion yen in operating income and 30.0 billion yen in ordinary income, as for FY2007. This is based on the assumption that the sales and the operating income of our specialty business grow by 8% and 10% per annum, respectively.



## Acceleration of Creating Specialties by Focus on Technology Stock

The technical capacity is a source of competitive power of us as a manufacturer. We intend to strengthen the technology stock composed of self-directive and active organizational and technical capacities of front lines for enhancement of our earning capacity. The technology stock is a driving force for our future growth.

Our specialty business was invented and developed through combination and integration of several technologies, as represented by functional films developed by the combination of copolyester and our filming technology. The domains of core technologies have been expanded and developed as the base of our business through modification, processing, and molding in addition to polymerization and copolymerization. In future, we plan to strengthen our own technologies and promote combination and integration of our technologies and external resources, in order to accelerate invention of new specialty business.

### Our Major Principles:

**Inter-Divisional Collaboration and Integration of Technologies**

In the Mid-Term Management Plan, we set up our future company-wide tasks along with our special tasks. We manage operations from a cross-divisional standpoint, integrate technologies and human resources, and promote inter-divisional collaboration for achievement of our tasks as the projects under the direct control of the president.

**Flexible Management for Total Optimization and Partial Optimization**

The management of operations becomes efficient by integration of production, sales, and development activities. However, for total solution of inter-divisional issues, we need to manage flexibly from a standpoint of total optimization.

**Production Technology Innovation Focused on Front Lines**

We accept the challenge of production technology innovation based on the fundamental principle of a manufacturer. The passion and enthusiasm for technologies are our intangible assets as well as a source of competitive edge. It is a duty of the front lines to discover and solve issues by themselves and to produce satisfactory outcomes. We promote the technology innovation activities, our company-wide cross-sectional projects, for consolidation of the front-line competence.

**Concentration of Management Resources**

For active expansion of our specialty business, we invest about 80% of the total capital expenditure in our specialty business. We invest 35.0 billion yen in the coming three years to our research and development and utilize external resources (introduction of technologies) actively.

## Forecast for FY2005

We predict increases in both sales and profit in FY2005 reaching 410.0 billion yen in consolidated sales (up 16.3 billion yen on a year-on-year basis), 31.0 billion yen in operating income (up 2.2 billion yen on a year-on-year basis), 24.0 billion yen in ordinary income (up 2.4 billion yen on a year-on-year basis), and 12.5 billion yen (up 0.3 billion yen on a year-on-year basis).



**"Technology Stock is a source of our competitive power and a driving force for our future growth."**

For improvement of our financial strength, we have made efforts to increase our business earnings and to decrease interest-bearing liabilities to a large extent, simultaneously. From now on, we continue to grow our earnings by active expansion of the prime business and to improve our financial strength, aiming to reduce our interest-bearing liabilities to 50% of the total sales, which is our immediate goal.

## Basic Requirements for Business Continuation

A company in the modern age is required to fulfill the corporate social responsibility (CSR) with due considerations to preservation of global environments, contribution to the society, compliance and management of health and safety of workplaces. We develop and consolidate the structure of corporate governance systems and implement the following three strategies, which we believe to be the basic requirements for business continuation.

- (1) Observation of legal regulations and social rules
- (2) Assurance of safety in the workplaces and health enhancement by improvement of environmental hygiene
- (3) Contribution to the society through environmentally-friendly business

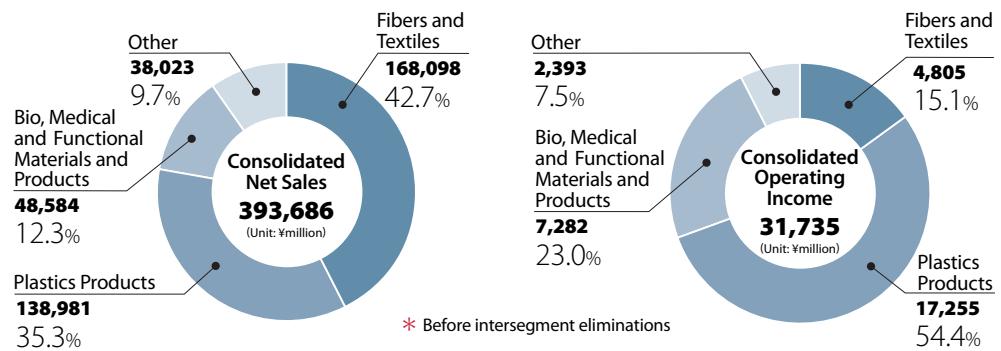
We look forward to your continued support and encouragement.

July 2005

**Ryuzo Sakamoto,**  
President

# We achieved increases both in sales and profit driven by the favorable outcome of the plastics products business.

Under the condition that the economic recovery was slowed by price hikes of raw materials and fuels and inventory cutbacks of digital appliances in the current term, our group focused on development and sales expansion of high-value-added products. As a result, we achieved increases both in sales and profit in the plastics products business represented by optical films for LCD and automobile-related resin products, despite decreases in sales and profit in our textile business under the influence of the scale-down of common clothing operations. As in the business of bio, medical and functional products and materials, which had grown at a sluggish pace in the previous term and the term earlier, we achieved favorable results both in sales and profit upon receiving the orders of the large-scale project of seawater desalination plant, the immunodiagnostics system project and the biotechnology-based pharmaceuticals production on a full scale.



## Fibers and Textiles Business

### Materials

- Polyester Filaments
- Polyester Fibers
- Nylon Filaments
- Acrylic Fiber (Exlan®)
- Polyurethane Elastic Fiber (ESPA®)
- Polyolefin Elastic Fiber DOW-XLA\*
- Cotton and Wool

### Uses

- Living and Industrial Materials**
- Nylon Base Fabrics for Automobile Airbags
- Polyester Filaments for Tire Codes
- Textiles for Bedclothes and Cushion Materials
- Textiles for Clothes**
- Sportswear, Uniforms, Shirts
- Underwear, Handkerchief and Towels

## Business Overview for the Current Term

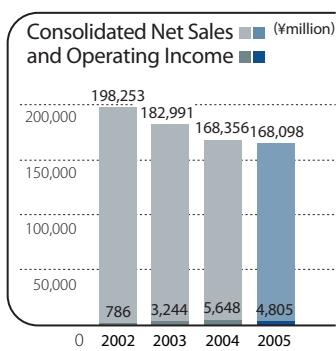
- Our business of base fabrics for airbags steadily grew along with expansion of the automobile market.
- Overall sales decreased due to a scaling down of unprofitable common textiles business.

Although the industrial materials business expanded in this business, the overall sales decrease was unavoidable owing to a scaling down of the unprofitable area of common clothing following the previous term (FY2003).

The sales of industrial materials business grew steadily as a result of a sales volume increase in the business of base fabrics for automobile airbags and polyester filaments for tire codes, in spite of the impacts of raw material price hikes. Above all, Toyobo Industrial Material (Thailand) Ltd., a subsidiary company selling base fabrics for airbags in Thailand, grew significantly in sales on the back of the growing global demand for airbags represented by the rapid growth of the Asian automobile market as well as the diversification in the use.

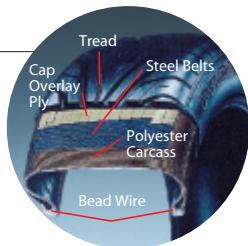
Meanwhile, in the clothing business, the performance of wool composite spun yarns and other functional textiles mainly for sportswear and underwear was favorable maintaining our distinctive originality. However, as a result of the scaling down of the unprofitable areas of common fibers for clothing and textiles for women's clothing, overall sales decreased.

Consequently, consolidated sales for this transfer decreased to 168.1 billion yen by 0.3 billion yen, down 0.2% on a year-on-year basis, while consolidated operating income was 4.8 billion yen, a decrease of 0.8 billion yen, down 14.9% on a year-on-year basis.



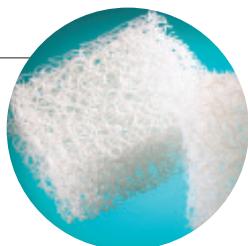
### High-Strength Polyester Filaments for Tire Codes

The tire code for reinforcing the rubber layer of a tire is a generic term for reinforcing agents used for the tread (the surface of contact with the ground) or carcasses stretched over the interior of the tread and the sidewall (the side face of a tire). We produce high-strength polyester filaments for high-performance radial tires and boast the leading share in the domestic market. They are shipped to many of the leading tire manufacturers overseas.



### Polyester Elastomer Spring Structure BREATHAIR®

It is a spring structure of high elasticity, air permeability with the void fraction of 95% and fast drying properties. In addition to the features of compression recovery and durability as high as the level of urethane, it is excellent in body pressure dispersion, which is suitable for cushion materials. It is mainly used for bedclothes, such as mats and pillows, seat coverings for trains and buses, rooftop gardening and greenbelt structures of floating islands, sports protection materials, and mattresses for nursing care.



## Future Plans and Tasks

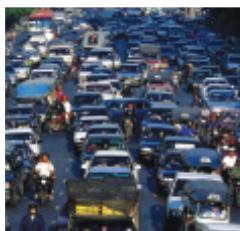
- We will increase the production volume of our nylon 66 yarn for airbag base fabrics from 12,000 t/year in the current term to 20,000 t/year by 2010.
- We will examine the feasibility of expanding Toyobo Industrial Material (Thailand) Ltd. or establishing other overseas bases in other areas to counter with the competitors advancing to the overseas markets of airbag base fabrics and automobile parts.
- We will accelerate expansion of the use of polyolefins Elastic Fiber DOW-XLA\*
- We will strengthen the brand of MUNSHINGWEAR® and consolidate our OEM product business by use of our know-how and infrastructures.
- We aim to provide solutions for our customers using the complex composition of materials.
- We improve technical capabilities and enhance funding structures of overseas affiliate companies by transfer of technologies from domestic spinning and weaving production mills.
- We also implement strategic developmental funding from domestic and external partners, led by our domestic bases and overseas affiliate companies.



### Overseas Topics

#### Establishment of China Textiles Office

China is one of the countries that gather the most attention as a production base as well as a global consumption market. Our fibers and textiles business is closely linked to the Chinese market. We established Shanghai TYB Trading Co., Ltd., in 1998 for consignment production of MUNSHINGWEAR® and sportswear clothes. In 2004, we newly established Toyobo Textile Assemblage Fashion Co., Ltd. (Jiaxing, Zhejiang-sheng) in June, and Toyoknit Changshu Co., Ltd. (Changshu, Jiangsu-sheng) in December as our sportswear clothes manufacturing subsidiaries. Furthermore, we established China Textiles Office in January 2005 in Shanghai for centralization of the textile information in China for the entire group and transmission of the local information and supporting activities for new advancement to the Chinese market. From now on, it is expected to function as a local base for the entire group operations not only as a textiles liaison



### Toyobo Group Topics

#### Toyobo Industrial Material (Thailand) Ltd.

In recent years, the use of automobile airbags has spread to Asia, Eastern Europe, as well as to Japan, Europe, and the U.S. As customers are becoming more safety-oriented, airbags are used widely for passenger and driver seats as a matter of course, and side and knee airbags are being installed in cars for more safety. Toyobo Industrial Material (Thailand) Ltd. was established in September 2001 in Bangkok, which is called the Detroit of Asia and regarded as the city of global automobile-related companies, as a manufacturing and sales company of airbag base fabrics.

## Plastics Products Business

### Films

#### Materials

Polyester, Nylon, Polypropylene, and Polyethylene Films

#### Packaging Films

General Packaging Films

Food Packaging Films

### Industrial Films

Films for Information Devices, Optical Films, and Films for Information Archiving and Printing

### Resins

Copolyester Resin VYLON® (for paints and adhesive agents)

Engineering Plastic Molding Resins

Photosensitive Resins

Acrylate Highly-Functional Resins and Fibers

Electronic Materials

### Business Overview for the Current Term

- We responded to the demand for speed in the development of LCD and optical films from electric appliances manufacturers.**
- On the back of active demand from domestic automobile manufacturers, we expanded sales of engineering plastic molding resins.**

Due to our steady sales increase of films and resins, we marked drastic increases both in sales and profit overall.

On the back of the increase in domestic demand, both packaging films and industrial films in the film business grew in sales, which led to an increase in profit.

Although the packaging films were affected by raw material price hikes, the sales of materials increased because of the rise in product prices and the sales volume growth against a backdrop of the tight demand and supply balance. The gas barrier film ECOSYAR®, which attracts attention for its innovative technology; the dual deposition of alumina and silica; the polyester-based film TEARFINE®, which tears easily because of its cellophane quality; the eco-sound polypropylene films for aqueous ink; and other new products are growing steadily.

The industrial film business ended up with significant increases in both sales and profit, owing to the steady sales growth of LCD and optical transparent polyester films for televisions and computers and of polyester-based synthetic paper CRISPER®. The positive earnings are generated by development of products with various functions in addition to transparency, adhesiveness and other basic features and by prompt response to development speed of electric appliances manufacturers, in the business of LCD and optical films, particularly.

In the business of resins, the sales increased following the previous term in consequence of our active business development in the automobile-related and electronic fields through our research and development of new products and aggressive marketing activities.

Above all, the molding resins grew in sales significantly, as they were used for various automobile parts due to the high production level attained by Japanese major automobile manufacturers internally and externally.

The sales of the copolyester resin VYLON® grew mainly in the fields of information archiving and industrial adhesives. Meanwhile, the sales of our flexible printed circuit board VYLOFLEX®, used for electronic devices such as mobile phones and plasma displays, seriously decreased from the previous term (FY2003) when the sales increased sharply, because of an inventory cutback and a price decline of digital appliances.

Consequently, the consolidated sales of this segment increased to 139.0 billion yen by 15.2 billion yen, up 12.2% on a year-on-year basis, while the consolidated operating income ended up with 17.3 billion yen increased by 3.0 billion yen, up 21.1% on a year-on-year basis.

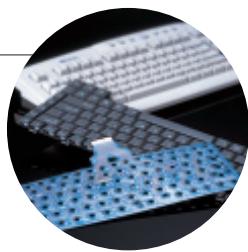
### Heat-Shrink Polyester Film SPACECLEAN®

SPACECLEAN® is a polyester film used for PET bottle labels. Extremely transparent and glossy, it achieves bright color printing. It easily adheres to many different shapes due to the feature of heat shrinkage. In recent years, many large drink companies came to use SPACECLEAN® for their PET bottle labels for hot drinks, taking advantage of the heat resistance as a distinguishing feature of a polyester material



### Copolyester Resin VYLON®

VYLON® is a copolyester resin widely used for paints, adhesive agents, coating materials, magnetic tape binders, conductive pastes, and ultraviolet/thermoset resins. As the substitute materials for polyvinyl chloride and epoxide resins, it is growing in market demand. It is used for our various eco-friendly products such as high-resistant conductive pastes not requiring a soldering process, hot-melt adhesives not using organic solvents and water dispersible resins.



### Thermoplastic Polyester Molding Resin VYLOPET®

VYLOPET® is a molding resin with heat resistance, electric properties, weather resistance, superior moldability, dimensional accuracy and other various features required to be an industrial part. By our own modification technology, we manufacture durable molded products. The molded products using VYLOPET®, with a gloss on their surface, are suitable for aluminum and other depositions. The use is widely invented for automobile parts and electric appliances applying such features.



### Ultra-Slippery and Highly Transparent Polyester Film COSMOSHINE®

The slippery feature of the film surface derives from a convex part created on the surface by the particles mixed in the film. Therefore, impurity increases more slipperiness, while transparency is deteriorated. COSMOSHINE® co-features slipperiness and transparency simultaneously, which is enabled by our high level of skills and technologies. As it is suitable for printing and adhesive to resins, COSMOSHINE® is used for printing, LCD displays for computers and mobile phones and membrane switches\* for electric appliances.

\* It is a light, thin switch using circuits formed in polyester film.



## Future Plans and Tasks

- We will start the production line of our LCD and optical polyester films (production volume: 10,000t/year) in the autumn of 2005.
- Shanghai Zidong Chemical Materials Co., Ltd., our nylon film joint venture company, will start production and sales in the autumn of 2005.
- We will accelerate the research and development of our nanolayer polyester multiphase films, heat-resistant films and readily molding films.
- We will establish global supply systems for engineering plastics and automobile-related products.
- We will develop global markets for our copolyester resin VYLON®.
- We will expand sales of the polyimide resin bilayer FPC VYLOFLEX® for digital appliances.
- We will accelerate development of next-generation electronic material parts in the New Material Development Project newly established in April 2005.



### Toyobo Group Topics

#### Establishment of Shanghai Zidong Chemical Materials Co., Ltd., Our Nylon Film Joint Venture Company

Currently, the Chinese nylon film market is growing by 20% annually. In August 2004, we established Shanghai Zidong Chemical Materials Co., Ltd., a nylon film production and sales company, jointly with Shanghai Zijiang Enterprise Group Co., Ltd., one of the leading packaging material manufacturers in China. We will start production and sales in the autumn of 2005.





## Bio, Medical and Functional Materials and Products Business

**Bio, Medical Products and Services**  
Reagents and Instruments for Biochemical Research Using Gene Engineering and Cell Engineering  
Diagnostic Reagent, Diagnostic Reagents Using Enzymes  
Gene Analysis Service  
Contract Production of Pharmaceuticals  
Hollow Fiber Membranes for Artificial Kidneys  
Medical Devices Using Materials for Suppression of Thrombus Formation  
Seawater Desalination Reverse Osmosis Membrane Module HOLLOSEP®

**Functional Materials and Products**  
PBO Fiber ZYLON®  
Ultra-High Molecular Weight Polyethylene Fiber DYNEEMA®  
Non-woven Polyester Filaments (Spunbond)  
Non-woven Polyester Staple Fibers

### Business Overview for the Current Term

- The bioscience pharmaceutical manufacturing service business was launched by PAC Biologics Inc.
- The desalination membrane business significantly increased in profit from project orders for Fukuoka Seawater Desalination Plant.

Under extremely severe situations represented by the national project for reducing healthcare spending as well as the control of research overhead due to the transformation into independent administrative institutions of national universities in the bioscience medical business, this segment grew steadily in sales after the launch of new business and new projects.

Although the biotechnology business was affected by the conservative purchase caused by the transformation into independent administrative institutions of national universities, the sales of PQQ-GLD (the glucose degrading enzyme using PQQ coenzyme) for measuring blood glucose were favorable following the previous year. Owing to the rapid increase of diabetic patients in recent years, the demand of such enzymes for user-friendly self-monitoring device of blood glucose has been growing progressively, and the sales have been increasing by 10% every year. The biotechnology business continued strong overall, as the biochemical diagnostic products and the newly launched immunodiagnostic systems already penetrated into the market.

The sales of our bioscience pharmaceutical manufacturing service business, undertaken by PAC Biologics Inc, our wholly owned subsidiary company, grew dramatically after the full-scale start of order entry in this term.

The business outcome of our hollow fiber membranes for artificial kidneys steadily grew under the situation in which dialysers are shifting from reuse to single use (on disposable dialyser is used for each dialysis) in respect of health and safety in the U.S. The business outcome of antithrombogenic coating materials was favorable owing to the frequent use for blood circuit of artificial heart lung and auxiliary artificial heart for cardiovascular surgeries.

As in the seawater desalination reverse osmosis membrane module, completion of the seawater desalination plant of the nation's largest class, which started running in June 2005 in Fukuoka City, led to a significant increase in profit, in addition to large-scale projects in Saudi Arabia and other Middle East countries.

In the functional materials business, the sales of the PPS (polyphenylene sulfide) fiber Procon® grew due to the global business development, as the use was widely expanded to filters for automobiles, incineration of urban wastes and bug filters for coal boilers.

The sales of the ultra-high molecular weight polyethylene fiber DYNEEMA® continued strong in each use. The demand for protective gloves, as well as that for tether ropes for towing boats as the main use, grew significantly owing to the high safety level.

Consequently, consolidated sales of this segment increased to 48.6 billion yen by 2.1 billion yen, up 4.4% on a year-on-year basis, while consolidated operating income ended up with 7.3 billion yen increased by 0.7 billion yen, up 11.0% on a year-on-year basis.

### Detection Reagents of SNPs Related to Drug Metabolizing Enzymes

We are developing detection reagents of SNPs, which are frequently seen in Japanese among gene sequences coding drug-metabolizing enzymes. The drug metabolizing rates depend on the SNPs type contained in the genes of drug-metabolizing enzymes. When the drug metabolizing rates are too low, the undesirable side effects are dominant. On the other hand, the potency is insufficient when the rates are too high. We believe this research on drug-metabolizing enzymes is a very important project for realizing "order-made healthcare," as it is essential to establish appropriate dosages to avoid the side effects.

### Completion of Long-Awaited Building for New Injectable Solutions Team of Otsu Pharmaceuticals Plant

Although our Otsu Pharmaceuticals Plant has satisfied Japanese Good Manufacturing Practice (GMP), it did not satisfy cGMP standards in the US. Therefore, it has been hard for us to obtain orders from domestic major manufacturers which are entering overseas markets. To rectify this situation, we have started construction of a new plant for injectable drug manufacturing, with modern facilities such as hardware for cGMP and automatic vial housing machines for freeze dryers. The plant was completed in August this year, with full-scale operations due to start in the 2nd half of FY2005.

### Seawater Desalination Reverse Osmosis Membrane Module HOLLOSEP®

As the global water shortage is worsened, the demand of seawater desalination is growing as an important technology deeply related to people's lifelines. Our seawater desalination reverse osmosis membrane module HOLLOSEP®, already boasts the leading share in the Middle East, one of the world's largest markets. In the domestic market, it is used for the Japan's largest seawater desalination plant started in June 2005 (by the Fukuoka District Water Works Agency; Production Capacity: 50,000 m<sup>3</sup>/day).



### Ultra-high Molecular Weight Polyethylene Fiber DYNEEMA®

DYNEEMA® is our super fiber of which strength exceed those of aramid and steel. It is light enough to float on the water. As it is recognized as a super fiber for mooring large vessels alternatively for steel ropes, the lightness and the strength come under the spotlight. DYNEEMA® FRC is highly protective and durable against stripping and cracking of cements, as being developed as a reinforcing material for concrete structures such as roads, bridges, and tunnels. In addition, the expansiveness in an extremely low temperature and the electric isolation of DYNEEMA® are verified as outstanding features of the superconductive insulating material or constructional material in our business of superconductivity represented by linear motor cars. The applications in this field are being proved.



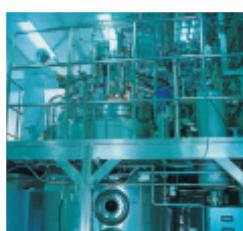
## Future Plans and Tasks

- |                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Bioscience and Medical</b> | <ul style="list-style-type: none"> <li>• Enzyme Business: Advancement to production of highly-functional materials such as foods and cosmetics other than diagnostic reagents</li> <li>• Intensive solutions for drug discovery by applications of genetic and cell technologies</li> <li>• Immunodiagnostic Reagents: Business development focused on the fields such as allergies, which are frequently seen among Japanese</li> <li>• Start-up of the new injectable solutions building of Otsu Pharmaceuticals Plant in the 2nd half of FY2005 on the back of the revision to the Medicine Act</li> <li>• Desalination Membrane Business: Expansion to the waterworks field by polysulfone membranes for removal of protozoa</li> </ul> |
| <b>Functional Materials</b>   | <ul style="list-style-type: none"> <li>• Local production of cabin and engine filters to satisfy the demand of automobile manufacturers starting overseas operations</li> <li>• Reinforcement of collaboration with our departments of filters and non-woven fabrics (AC Department and Spunbond Department) along with affiliate companies (Kureha, Ltd., Yuho Co., Ltd. and Toyobo Kankyo Techno Co., Ltd.) and global business development by the integrated management</li> </ul>                                                                                                                                                                                                                                                       |

### Toyobo Group Topics

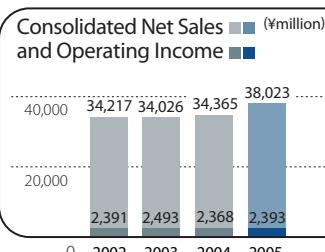
#### Full-Scale Launch of Bioscience Pharmaceutical Manufacturing Service Business by PAC Biologics Inc.

PAC Biologics Inc., our wholly-owned subsidiary of bioscience pharmaceutical development and manufacturing service, owns the cell culture tank of 4,000 liters, one of the Japan's largest facilities of manufacturing investigational new drugs with the systems in accordance with cGMP of FDA (Food and Drug Administration), which is a global standard. In June 2004, all the validations (validations of manufacturing equipment and operation processes prescribed by GMP) were completed ready for providing full-scale manufacturing services.



## Other Business

Environment-Protection-Related Instruments, Machine Tools, Engineering, Real Estate, Information Services, Materials for Automobiles and Logistics Services



### Business Overview for the Current Term

In our other business, the business performance in engineering, real estate, information technology services and logistics services was as planned. Consequently, the consolidated sales of our other business increased to 38.0 billion yen by 3.7 billion yen, up 10.6% on a year-on-year basis, while the consolidated operating profit was 2.4 billion yen.



### Our Research and Development

The role of our research and development sections in achievement of our goal (to become a highly functional manufacturer) is to cultivate our core technologies (polymer (polymerization and modification), processing, and bioscience) and to develop new technologies.

In April 2005, we merged Toyobo Research Center Co., Ltd., which had been an independent research center, and reestablished it as our Corporate Research Center for development of the system in which the technical collaboration and integration with our research and development sections of each division are accelerated. We also intend to consolidate our research and development structure by introducing feasible systems for integrating and using researchers' experiences as well as their skills and themes internally, through cultivation of human resources for research and development as our core strategy.

In the coming three years, we will spend 35.0 billion yen on our research and development for new invention and further expansion of specialty business.

### Our Major Development

#### Chemical Products

The CTP (Computer to Plate) version of COSMOLIGHT® is photosensitive flexographic printing by the aqua development CTP technology that was developed successfully for the first time in the world. It is an eco-friendly digital prepress using no developing solvent, developing instruments or carbon at all.

#### Bioscience & Medical

As for PCR\*, which is indispensable for gene tests, we successfully concluded a contract for the rights to ultrahigh-speed PCR technology and of the development right for the instrument using this technology, with Megabase Research Products Corporation. We are currently developing instruments by this technology and technologies combining DNA polymerase KOD-Plus\*, our product of high speed and high degree of accuracy. Upon the completion, we will be able to shorten PCR from one or two hours to about five minutes at the shortest.

In recent years, there are pathogenic microbes such as resistant microbes and antibiotic-resistant viruses, which are making our treatment of diseases difficult. We successfully developed the technology to detect antibiotic-resistant pathogenic microbes simply by one screening. As our immediate task, we plan to promote the project of commercializing our products for Helicobacter pylori, which is said to be a cause of stomach ulcer.

\* PCR(Polymerase Chain Reaction): To produce a large quantity of particle gene copies to increase them to the quantity required for detection  
\* DNA Polymerase: Enzyme for PCR

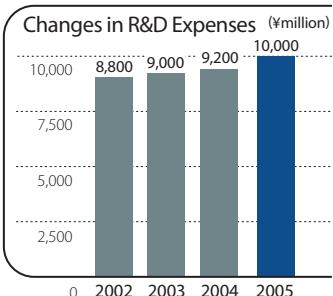
#### Fibers & Textiles

The polyolefin elastic fiber DOW-XLA\* is a new stretch fiber with completely new features such as soft and supple texture, elasticity equal to that of spandex, heat resistance (durable to 220 degrees centigrade) and chemical resistance.

#### Others

The aluminum-based catalytic agent for polyester polymerization that we have successfully developed for the first time in the world attracts the attention of domestic and external polyester manufacturers and users as well as of catalyst manufacturers and plant manufacturers, as the catalyst that solves problems and weaknesses of eco-unfriendly heavy-metal antimony, high-priced germanium and titanium of which the resin easily turns yellow.

We developed new ion exchange membranes for fuel cell with unique composition by the polymer technology. The membrane, with high power generation efficiency owing to the high proton conductivity and low methanol permeability, comes under the spotlight as a key material for the long-hour durability of direct-methanol type fuel cells often used for laptop computers, mobile phones, and outdoor-use portable electric power supplies.





## Management of Intellectual Properties

### Developing Patent Network to Maintain Our Competitive Edge

#### Enhancing Inventors' Incentives by Patent Award System.

With an enormous quantity of technologies and know-how invented through our studies and technology development over the years of fibers, textiles, films, highly functional materials, bioscience and medical products, we have promoted production and sales activities after acquisition of trademarks for our major products.

In this day and age, we are actively committed to maintenance of precious intellectual property rights and acquisition of new rights for effective use of such properties as our management resources.

As for our own products and technologies, which are our earning resources, we endeavor to develop a patent network from basic patents to peripheral technologies in order to secure competitiveness of our products.

In addition to patents, we will use trademarks as our intangible assets more effectively for enhancement of our brand value.

Although we accumulate and protect differential technologies and know-how, the protection is not sufficient in certain areas so that production and sales of the similar products by third parties may be unavoidable or we may not be able to prevent imitation of the patents or the trade secret of our group by other companies. Our group develops products and technologies considering other companies' intellectual properties.

Intellectual Properties by Division (As of March 31, 2005)

	Fibers and Textiles Division	Films Division	High Functional Products Division	Bio-science and Medical Division	Others	Total
Japan	Number of Registered Patents 554	490	758	245	54	2,101
	Number of Registered Trademarks 3,597	84	224	143	1,001	5,049
Overseas	Number of Registered Patents 102	190	514	128	324	1,258
	Number of Registered Trademarks 825	129	275	23	499	1,751
Major Brand	MANARD® MUNSHINGWEAR® ESPA® HEIM® EXLAN® [eks]® BREATHAIR®	CRISPER® SPACECLEAN® ECOSYAR® COSMOSHINE® PYLEN® HARDEN®	VYLON® DYNEEMA® ZYLON® ELITORON® PRINTIGHT® PROCON®	DIACOLOR® HOLLOSEP®		

However, our development outcomes may be regarded as infringement of their intellectual properties.

In preparation for the case that the intellectual properties of our group are infringed as just mentioned or that our group is deemed to have infringed other companies' intellectual properties, we attempt to establish our systems to respond to such infringement cases promptly.

We established the patent award system in FY1992 ahead of other companies as for the employee invention issue that draws the domestic attention in recent years, and have revised it several times to satisfy the demands of the time. In April 2005, we revised it again in reaction to the guideline of the new employee invention system issued by the Patent Office.

Since FY2000, we strive to enhance inventors' incentives by utilizing the patent application award system for the patent applications that are considered to be especially important out of those published. The summary of our intellectual properties is as follows:

## Our Basic Policy of Corporate Governance

For continuous improvement of our corporate value, we have challenged the issues of development of the board of directors and operation systems, enhancement of group governance responding to the demands of the consolidation age and reinforcement of risk management and compliance systems based on the concepts of considering promptness and accuracy in decision-making, transparency in management and fairness. While we strengthen business management of Toyobo Group from a perspective of group management integration, we improve capital efficiency, and by development of our audit system, thoroughly implement corporate governance projects. In FY2004, we newly established the Advisory Board on Executive Rules and Regulations (including one outside committee member) in order for more transparency and fairness of the group.

### Audit System

We have two full-time statutory auditors and two part-time statutory auditors (outside statutory auditors) who attend the meetings of the board of directors and other important meetings as well as periodical information exchange sessions after receiving audit plans, audit result reports from the accounting auditor and internal audit results from the Audit Group of the Credit and Audit Department. The statutory auditors contribute to development of sound internal control systems of the entire group through the solid tie-up with the statutory auditors of consolidated subsidiary companies and other group audit council.

### Internal System

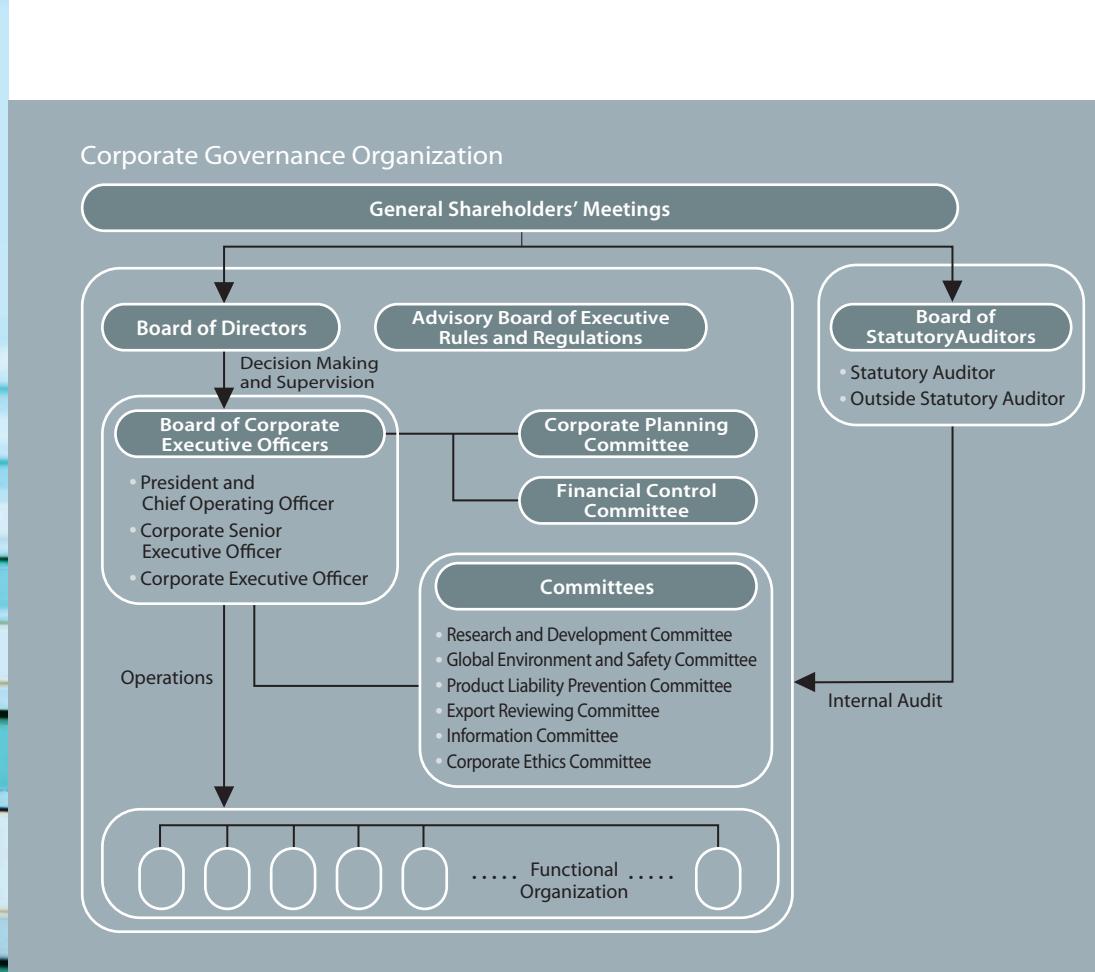
In order to monitor effectiveness of internal control system stated above, the Audit Group conducts internal audit for the entire group including our affiliate companies. In October 2003, we placed affiliate companies under each division to develop the internal system where corporate governance is more effective. We revised the important decision-making matters of the entire group for the rules for the board of directors in order to clarify the scope of participation by us pursuant to the Commercial Code.

### Introduction of Corporate Officer System

The highly functional manufacturer, for which we aim, is characterized by its diverseness and professionalism in business. Under the current environments changing from day to day, it is essential such companies to decide strategies and implement operations more swiftly. We introduced the corporate officer system in June 2005 and clearly separated the duties of decision-making and supervision by the board of directors and the operations by the corporate officers. This was intended for development of swift decision-making and solid operation systems as well as for enhancement of management transparency and fairness.

### Risk Management & Compliance System

We have committees for Global Environment and Safety, Product Liability Prevention, Export Reviewing, and Information for our risk management so that we can respond to various risks. In our compliance system, we have the Corporate Ethics Committee and the subordinate body, the EC (Ethics & Compliance) Committee, as a permanent agency. In FY2004, we established Compliance Group in the Law Department in addition to the EC Inquiry Counter established in FY2003 as an internal reporting desk for observation of legal regulations and corporate ethics. We established TOYOBO Corporate Action Guidelines in 1998 and TOYOBO Corporate Codes of Conduct in 2000.



## Board of Directors

### Directors (\*Outside Director)

Chairman, Board of Directors  
**Junji Tsumura**

President and Chief Operating Officer  
**Ryuzou Sakamoto**

Corporate Senior Executive Officer  
**Hironobu Furusawa**  
**Masahiko Hachimaru**

Director and Corporate Executive Officer  
**Fumishige Imamura**  
**Yoshihisa Kawamura**  
**Toyozo Shibamoto**

Director and Corporate Officer  
**Kenji Hayashi**  
**Shigeaki Kogamo**  
**Kazuyuki Yabuki**

Director  
**Kunihiro Ashida\***

### Corporate Officers

Corporate Executive Officer  
**Ichiji Masaki**  
**Tsuyoshi Hongo**

Corporate Officer  
**Kazuo Kurita**  
**Masaaki Sekino**  
**Seiji Nansai**

**Kanji Aono**  
**Kunio Tou**  
**Yukihiro Sogabe**

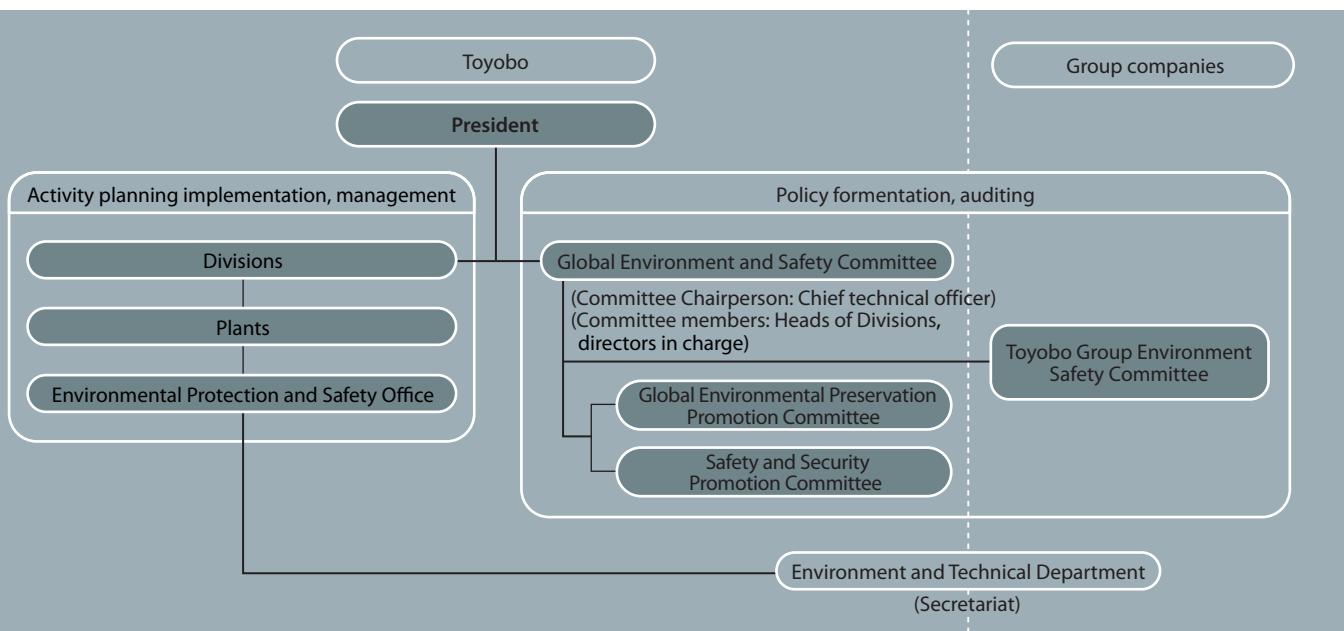
**Fumiaki Miyoshi**  
**Hiroshi Takahashi**  
**Masayuki Yoshikawa**  
**Hiroyuki Kagawa**

### Statutory Auditors (\*Outside Statutory Auditor)

**Fumio Hotogi**  
**Akichika Taki**  
**Hitoshi Kuroda\***  
**Makoto Ogasahara\***

### Reduction of Environmental Impact

Since we established the Global Environmental Charter in 1992, we have been actively committed to environmental conservation activities as one of the most important tasks in our management. Currently, we are focusing on the following activities: (1) development of environmental management systems; (2) energy plans; (3) reduction of industrial waste; (4) strict management of chemical materials; (5) promotion of eco business; (6) disclosure of environmental information; and (7) reinforcement of environmental management of affiliate companies.

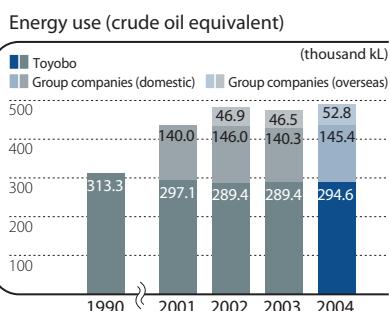


### Energy Plans

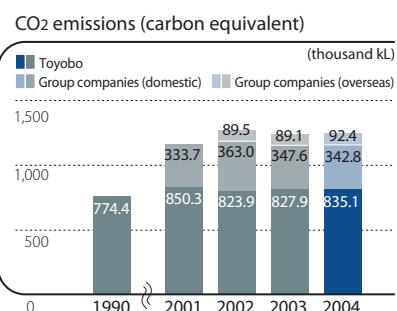
We aim to reduce our unit energy consumption by 1.5% annually, starting from FY 1990. We will promote energy conservation as well as reduction of CO<sub>2</sub> emissions with a focus on environmental protection in our equipment usage.

### Reduction of Chemical Materials

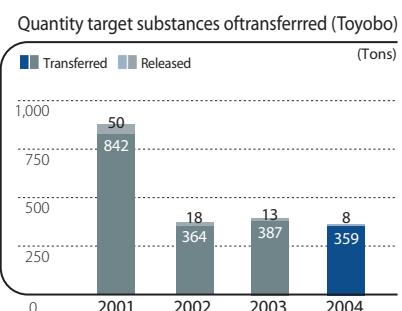
We develop our own environmental conservation systems in the runup to enforcement of legal regulations, and promote activities to reduce the emissions and transfer of chemical materials that may cause environmental pollutions. In FY 2005, we intend to work on our reduction activities by use of alternative materials, improvement of manufacturing processes and equipment, and by appropriate operations, aiming to attain a reduction of 40% compared with FY 2001.



As the volume of production increased at Toyobo and its group companies (both domestic and overseas), the quantity of energy used rose slightly.



In spite of steady improvement in CO<sub>2</sub> emission unit, the total CO<sub>2</sub> emissions rose due to increased product out.



\* Target chemical substances (FY2001: more than 5 tons handled each year, from FY2003: more than 1 ton handled each year)



## Care for Employees' Work Safety and Human Rights

Based on the philosophy that "ensuring health and safety is the fundamental premise of the corporate activities", and in a spirit of respect for human life and dignity, the Toyobo Group aims to ensure that our employees are safe, seeking to create a more hygienic environment for them, actively promote improvements in health, and build a brighter, happier workplace.

### Work Safety Activities

Our group attempts to improve the safety level based on the Principle of Health and Safety. Specifically, we have developed Plan New-TSP (Toyobo Safety Program 21), our mid-term safety plan, for all employees to share common perceptions of risk factors and for safety activities to be implemented in the management of equipment and human resources.

### Mental Health Care and Health Enhancement

Based on the Guideline for Mental Health Care issued by the Ministry of Health, Labor and Welfare, we develop various mental health care plans in cooperation with specialized agencies, establishing the 24-Hour Health Counseling Desk, a 24-hour health consultation hotline and others as demanded. To support employees' health enhancement, we provide health care programs such as lessons for physical exercises in the office and guidance to prevent obesity and smoking.

### Support for Managing Work and Family Life

For our employees to balance work and family life and to choose their lifestyles freely, we provide systems of child-care leave, family-care leave, and nursing-care leave for children in the runup to enforcement of the law. We also encourage fathers to take part in childcare, preparing an action plan based on the Next-Generation Child-Care Support Law. In addition, we have systems of volunteer leave, donor leave, and flextime.

### Equal Opportunities in Employment

We evaluate and compensate our employees based on their performance and abilities, regardless of their nationality or gender. We also promote employment of aged and handicapped people to fulfill our corporate social responsibility, introducing the employment system to hire people aged between 60 and 65 years old (the senior employee system) in the runup to enforcement of the law.

### Protection of Human Rights

We strive to increase employees' awareness about protection of human rights, aiming to provide work environments where they enjoy working in respect for each other. We have the Corporate Ethics Committee, a standing committee under the direct control of our president, which initiates enlightenment activities through annual educational programs for protection of human rights.

## Publishing Environmental and Social Report

Starting in 1999, Toyobo began publishing an Environmental Report and maintaining a Web site to foster communication with a wide range of stakeholders.

For the 2005 edition, we changed its name to the Environmental and Social Report, and we are trying to enrich the content, by expanding our reports on our social commitments and adding special features. (English version is available on our Web site)





Toyobo Industrial Material (Thailand) Ltd.



Toyobo do Brasil Ltda.\*



Shanghai TYB Trading Co., Ltd.

The Toyobo Group is active in a diverse range of fields, from textiles and plastics over bioscience and medical products to engineering, trading and distribution. Toyobo is making dedicated efforts to construct a framework where each of the group companies complements the others in terms of functionality while at the same time exhibiting unique characteristics and strengths, allowing the group to bring out the maximum synergy effect. Toyobo is also reinforcing the business management of each group company and advancing reorganization and integration of its functions from a group management perspective.

In 1955, Toyobo became the first Japanese fiber manufacturer to establish affiliated companies in El Salvador and Brazil after the war. Since then, Toyobo's network of business bases has been spreading worldwide and its business portfolio has been expanding steadily; these factors have been playing important roles in Toyobo's joint ventures, business alliances, plant export, technology exchange and so forth. Recently, Toyobo has committed itself to further expansion of the global network, such as upgrading of local supply systems for automobile related products, in order to address the ongoing globalization of the automobile industry.

### Major Consolidated Companies and Affiliates

#### Fibers and Textiles Business

##### Japan

###### **Kyushu Toyo Knitting Co., Ltd.**

Manufacture of swimwear and sportswear

###### **Kingo Shoji Co., Ltd.**

Trading of woven textiles, twist yarn, sizing, and textile goods

###### **Sakae Mfg. Co., Ltd.**

Manufacture of sportswear, ladies clothing and children's wear

###### **Sundia, Inc**

Manufacture and sale of jeans and casual wear

###### **Suntomic Co., Ltd.**

Manufacture and sale of fashionable uniforms

###### **Daido Maruta Finishing Co., Ltd.**

Roller printing and screen printing

###### **Toyo Shirts Manufacturing Co., Ltd.**

Manufacture and sale of dress shirts

###### **Toyo Dyeing Industry Co., Ltd.**

Mercerizing and processing of fabric

###### **Toyobo Interiors Co., Ltd.**

Planning, sale, design and installment of room interiors

###### **Toyobo Textile Assemblage Fashion (Jiaxing) Co., Ltd.**

Manufacture of knitted wear

###### **Toyobo Technowool Co., Ltd.**

Manufacture, processing and sale of wool yarn and wool textiles

###### **Toyobo Fairtone Co., Ltd.**

Sale of carpets, rugs and other indoor furnishings

###### **Toyobo Sewing Threads Co., Ltd.**

Manufacture and sale of sewing thread, gift products, and non-woven textiles

###### **Toyo Knitting Co., Ltd.**

Manufacture and sales of swimwear and sportswear

###### **Japan Exlan Co., Ltd.**

Manufacture and sale of acrylic fiber EXLAN® and acrylate fiber products

###### **Mizushima Aroma Co., Ltd.**

Manufacture and sale of terephthalic acid and pure terephthalic acid

##### Overseas

###### **Indonesia**

###### **P.T.Shinko Toyobo Gistex Garment**

Sewing of shirts and knits

###### **P.T. Toyobo Knitting Indonesia\***

Knitting, dyeing and sale of knit fabrics

###### **P.T. Unilon Textile Industries\***

Spinning, weaving, and finishing of cotton and polyester/cotton

###### **Malaysia**

###### **Toyobo Textile (Malaysia) Sdn. Bhd.\***

Spinning and weaving of cotton

###### **Toyobo Wool (Malaysia) Sdn. Bhd.\***

Spinning of worsted

###### **Perak Textile Mills Sdn. Bhd.\***

Spinning and weaving of cotton

###### **Thailand**

###### **Erawan Textile Co., Ltd.\***

Spinning and weaving of cotton and polyester/cotton

###### **Toyobo Industrial Material (Thailand) Ltd.\***

Sale of airbag fabrics and other industrial use fabrics

###### **China**

###### **Shanghai TYB Trading Co., Ltd.**

Sale of knitted wear

###### **Korea**

###### **Korea TYB Trading Co., Ltd.**

Sale of knitted wear

###### **El Salvador**

###### **Industrias Unidas, S.A.\***

Spinning, weaving, finishing, and yarn dyeing of cotton and polyester/cotton

###### **Brazil**

###### **Toyobo do Brasil Ltda.\***

Spinning, weaving, finishing, and yarn dyeing of cotton and polyester/cotton, raw materials for biotechnology products

###### **Toyobo do Brasil Industria Textil Ltda.\***

Holding company of Toyobo do Brasil Ltda. / Rental of real estate properties





## Plastics Products Business

### Japan

#### Kureha Elastomer Co., Ltd.

Manufacture, processing and sale of various rubber and resin products

#### Cosmo Electronics Co., Ltd.

Assembly and testing of electrical components and equipment

#### Tsuruga Film Co., Ltd.

Manufacture of cast polypropylene films

#### Toyo Kasei Kogyo Co., Ltd.

Manufacture and sale of pharmaceutical intermediates, polypropylene chloride and carbon bisulfide

#### Toyo Cloth Co., Ltd.

Manufacture and sale of bookbinding cloth, vinyl leather, synthetic leather, and plastic films

#### Toyoshina Film Co., Ltd.

Manufacture of biaxially oriented polypropylene films



#### Japan Unipet Co., Ltd.

Manufacture and sale of polyester resins for bottles

#### Japan U-Pica Co., Ltd.

Sale of the unsaturated polyester resin U-PICA®

#### Yoho Co., Ltd.

Spinning of cotton and synthetic fiber/  
Manufacture and sale of non-woven fabrics and AC filters

### Overseas

#### China

##### Santoyoko (Hong Kong) Co., Ltd.

Sale of engineering plastics

##### Shanghai Zidong Chemical Materials Co., Ltd.

Manufacture and sale of nylon films



## Bio, Medical and Functional Materials and Products Business

### Japan

#### Kureha Ltd.

Manufacture and sale of non-woven fabrics

#### Toyobo Kankyo Techno Co., Ltd.

Processing and sale of textiles/ Manufacture, processing and sale of parts for filtering equipment

#### Toyobo Gene Analysis Co., Ltd.

DNA-based analysis and other specialized diagnostic services

#### PAC Biologics Inc.

Contract manufacturing and R&D of antibody pharmaceuticals

### Overseas

#### U.S.A.

##### Shinko American Inc.\*

General trading (Affiliated company of Shinko Sangyo Co., Ltd.)

#### China

##### Shanghai Kehua Dongling Diagnostic Products Co., Ltd.

Manufacture, sale, and service of biochemical diagnostic reagents

#### Toyobo (Shanghai) Biotech Co., Ltd.

Sale and manufacture of research reagents and equipment for life sciences research



## Other Business

### Japan

#### Ashimori Industry Co., Ltd.

Manufacture and sales of automotive seatbelts, air bags, child safety seats, various industrial textile materials, fire hoses and disaster equipment

#### Godo Syoji Co., Ltd.

Sales of uniforms for office and school, and textiles for uniforms

#### Shinko Sangyo Co., Ltd.

General trading centering on fibers and textiles

#### Toyobo Engineering Co., Ltd.

Proliferation of buildings and equipments/ Sale of information devices and scientific apparatuses

#### Toyobo Sunliving, Inc.

Sale, design, installment, and supervision of furniture and room interior products

#### Toyobo Information System Create, Inc.

Provision of information systems and consultation

#### Toyobo G.F.A Co., Ltd.

Financial services and factoring for associated companies/ Securities and investment holdings

#### Toyobo G.M.S Co., Ltd.

Real estate leasing and brokerage

#### Toyobo Real Estate Co., Ltd.

Real estate leasing and brokerage/ Insurance brokerage

#### Toyobo Living Service Co., Ltd.

Linen supply/ Sale of linen products

#### Toyobo Logistics Co., Ltd.

Procurement and inspection of raw materials and final products/ Supply of inspected goods to the customer

#### Nippon Dyneema Co., Ltd.

Manufacture and sale of ultra-high molecular weight polyethylene fiber DYNEEMA®

#### Nippei Toyama Corporation

Manufacture and sale of machine tools and other machinery

#### Miyuki Holdings Co., Ltd.

Manufacture, processing and sale of various industrial textile products / Business management of Miyuki group companies by stockholdings

## Financial Review

This section is a review of our consolidated financial statements.

### Overview of Financial Statements for Term Ended March 2005 (FY 2004)

During the term ended March 2005 (April 1, 2004 – March 31, 2005), the Japanese economy recovered moderately owing to the steady increase of exports to U.S. and China as well as to the strong consumer spending and capital expenditure in the domestic market. However, in the latter half of the term, the economic recovery was slowed by price hikes of raw materials and fuels and inventory cutbacks of digital appliances.

Under such conditions, our group focused on development and sales expansion of high-value-added products and active investment internally and externally, aiming to be a highly-functional manufacturer that continues to create new values. We also strived to enhance management efficiency and to strengthen our business structure further.

In the fibers and textiles business, we focused on high-value-added products such as functional clothes by scaling down unprofitable general-purpose textile business, while expanding the sales of base fabrics for automobile airbags and other industrial

materials following the previous term. In the chemical products and the bioscience, medical and functional materials business, we developed and provided highly-functional and high-value-added products that meet market demands for consolidation and expansion of our unique business. In our financial management, we strived to decrease interest-bearing liabilities as well as to continue reducing idle properties actively.

Consequently, the consolidated sales of the current term amounted to 393.7 billion yen, up 20.6 billion yen (5.5%) on a year-on-year basis, while the consolidated operating income and the consolidated net income increased to 28.8 billion yen by 2.9 billion yen (11.3%) and to 12.2 billion yen by 3.4 billion yen (39.3%) from 8.8 billion yen of the previous term, respectively.

The major factor of the increase of operating income was due to the favorable business outcome of our chemical products business represented by optical films for LCD and automobile-related resin products. The chemical products business and the bioscience, medical and functional materials business contributed to the increase of operating income by 3.0 billion yen and by 0.7

## Financial Section

TOYOB CO., LTD. AND CONSOLIDATED SUBSIDIARIES

<b>For the year:</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Net sales .....	¥ 402,876	¥ 383,078	¥ 376,377	¥ 373,066	<b>¥ 393,686</b>
Cost of sales .....	321,069	307,298	299,488	291,440	<b>305,494</b>
Selling, general and administrative expenses .....	61,638	59,448	57,167	55,770	<b>59,410</b>
Operating income .....	20,169	16,332	19,722	25,856	<b>28,782</b>
Other expenses .....	11,652	39,131	36,119	9,457	<b>7,190</b>
Income (loss) before income taxes .....	8,517	(22,799)	(16,397)	16,399	<b>21,592</b>
Provision for income taxes .....	2,489	(9,428)	(9,681)	7,326	<b>9,058</b>
Net income (loss) .....	5,662	(13,362)	(6,966)	8,762	<b>12,207</b>
Net income (loss) per share (yen) <sup>(1)</sup> .....	¥8.19	¥(19.34)	¥ (10.11)	¥ 12.63	<b>¥17.58</b>

### At the end of the year:

Total current assets .....	¥ 246,013	¥ 222,552	¥ 200,266	¥ 195,080	<b>¥ 203,969</b>
Property, plant and equipment .....	154,198	244,863	232,917	216,409	<b>229,197</b>
Total assets .....	540,114	589,065	537,315	495,969	<b>511,813</b>
Total long-term liabilities .....	112,781	167,031	165,969	152,086	<b>160,534</b>
Total stockholders' equity .....	63,053	96,261	84,025	104,033	<b>107,518</b>

(1) In the fiscal year ended March 31, 2003, the Company applied the Accounting Standards Related to Accounting for Net Income per Share (Corporate Accounting Standard No. 2) and Guidelines for Applying Accounting Standards Related to Net Income per Share (Guideline No. 4 for Applying Corporate Accounting Standards) to calculate net income (loss) per share. Prior year amounts of net income per share have not been restated.

billion yen, respectively, which covered the decrease of operating income in the textile business by 0.8 billion yen and eventually generated a substantial surplus. Despite the influence of fuel and material price hikes on the fibers and textiles business as well as on the chemical products business, we successfully achieved increases in profit by raising the sales price and increasing the sales volume.

## Sales

The consolidated sales of the current term were 393.7 billion yen, up 20.6 billion yen (5.5%) on a year-on-year basis.

This was due to the significant increase of the chemical products sales in spite of the decline of the textiles business due to the scale-down of general-purpose products operations. The sales of the bioscience, medical and functional material business, which had grown at a sluggish pace in the previous term and the term earlier, increased in the current term. (Please see Page 6-10 for the business overview by division.)

The sales of the non-textile business of the current term accounted for 57.4% of the total sales, up 2.5% from 54.9% on a year-on-year basis, exceeding those of the textile business just as in the previous term.

## Cost of Goods Sold and Selling and General Administrative Expenses

The cost of goods sold of the current term increased to 305.5 billion yen by 14.1 billion yen (4.8%) on a year-on-year basis, mainly due to the increase of production volume and the material and fuel price hikes. The ratio of cost of goods sold to sales improved to 77.6% by 0.5% from 78.1% of the previous term.

The selling and general administrative expenses increased to 59.4 billion yen by 3.6 billion yen (6.5%) on a year-on-year basis. This was due the increase of selling and general administrative expenses for the new consolidated subsidiaries. Within the range of former consolidation, the labor cost and other administrative expenses decreased from the previous term overall. As a result, the ratio of selling and general administrative expenses to sales was 15.1%, improved by 0.1% from 15.0% of the previous term.

## Operating Income/Non-Operating Income

The consolidated operating income of the current term ended up with 28.8 billion yen, up 2.9 billion yen (11.3%) on a year-on-year basis. (Please see Page 6-10 for the business overview by division.)

The ratio of operating income to sales improved to 7.3% by 0.4% from the previous term, while the ratio of operating income to total assets improved to 5.6% by 0.4% from 5.2% of the previous term. The non-operating income (net amount) ended up with the loss of 7.2 billion yen improved by 1.2 billion yen (14.0%) on a year-on-year basis, as the decrease of non-operating expenses due to reduction of interest cost covered the decrease of dividend revenue.

## Net Income

The consolidated income before income taxes totaled 21.6 billion yen, an increase of 5.2 billion yen from the previous fiscal year.

The total amount of corporate tax, local inhabitant tax, and business tax was 8 billion yen, an increase of 5.2 billion yen on a year-over-year basis due to the increase of consolidated subsidiaries. As a result of an increase in deferred income taxes, which amounted to 1 billion yen, a decrease of 3.5 billion yen from the previous fiscal year. The income tax after the application of the rule for tax effect accounting was 9 billion yen, an increase of 1.7 billion yen. The minority stockholder income was increased by 16 million yen to 327 million yen on a year-over-year basis.

Consequently, the consolidated net income ended up with 12.2 billion yen, up 3.4 billion yen (39.3%) on a year-on-year basis. The ratio of net income to total assets was 2.4%, while the net income per share was 17.58 yen.

## Liquidity and Source of Funds

The balance of cash flow from operating activities for the current term was 30.1 billion yen in gain. The net income before tax was 21.6 billion yen, up 5.2 billion yen (31.7%) on a year-on-year basis. However, owing to the increase of inventory assets, the decrease of allowance for employees' retirement benefits, the completion of restructuring for textile business along with the litigation cost and the increase of income tax payment, the cash flow gain from operating activities stayed at the increase of 2.3 billion yen (8.4%) from the previous term.

The balance of cash flow from investing activities for the current term was 4.9 billion yen in gain. The gain decreased by 37.3 billion yen (88.4%) from 42.2 billion yen of the previous term. This was mainly due to the completion of sale of investment securities and tangible fixed assets in the previous term for improvement of our balance sheet.

The balance of cash flow from financing activities for the current term was 37.6 billion yen in loss. The loss decreased by 33.9 billion yen (47.4%) from 71.5 billion yen of the previous term. This was mainly due to the significant decrease of repayment for short-term borrowings and long-term borrowings and of redemption for debentures from the previous term as the result of improvement of our balance sheet.

Consequently, the balance of cash and cash equivalents ended up with 11.6 billion yen, down 2.4 billion yen (17.0%) from 13.9 billion yen on a year-on-year basis.

## Assets, Liabilities and Stockholders' Equity

The balance of total assets as of the end of the current term was 511.8 billion yen, up 15.8 billion yen (3.2%) from 496 billion yen as of the end of the previous term. This was the outcome of selling unprofitable properties for improvement of our balance sheet following the previous term and of the assets of our subsidiary companies consolidated newly.

The balance of current assets as of the end of the current term was 204 billion yen, up 8.9 billion yen (4.6%) on a year-on-year basis. This was mainly due to the increase of inventory assets to 85.5 billion yen by 11.2 billion yen (15.1%) on a year-on-year basis.

The balance of fixed assets as of the end of the current term was 307.8 billion yen, up 7.0 billion yen from 300.9 billion yen on a year-on-year basis. The balance of tangible fixed assets was 229.2 billion yen, up 12.8 billion yen (5.9%) on a year-on-year basis. This was because the increase of fixed assets such as buildings, structures and lands of the newly consolidated subsidiary company covered the decrease of fixed assets by sale or disposal. The investments and others decreased to 75.3 billion yen by 6.0 billion yen (7.4%) on a year-on-year basis. This was mainly because the investment securities decreased to 51.9 billion yen by 9.0 billion yen (14.8%) on a year-on-year basis.

The balance of total liabilities as of the end of the current term was 388.1 billion yen, down 0.8 billion yen (0.2%) from 388.9 billion yen on a year-on-year basis. This was owing to the reduction of interest-bearing liabilities to 221 billion yen by 19.8 billion yen (8.2%) from 240.8 billion yen on a year-on-year basis by improvement of our balance sheet and by business earnings, despite the increase of liabilities owing to the subsidiary company newly consolidated, not only the increase of assets.

The balance of current liabilities as of the end of the current term was 227.5 billion yen, down 9.3 billion yen (39.5%) on a year-on-year basis. This was caused by the decrease of short-term borrowings to 114 billion yen by 12.4 billion yen (9.8%) on a year-on-year basis for reduction of liabilities, despite the increase of liabilities of the newly consolidated company.

The balance of fixed liabilities as of the end of the current term was 160.5 billion yen, up 8.4 billion yen (5.6%) from 152.1 billion yen on a year-on-year basis. This was mainly due to the increase of long-term borrowings and allowance for employees' retirement benefits of the newly consolidated subsidiary company and to the increase of the consolidation adjustments account to 3.4 billion yen by 3 billion yen on a year-on-year basis.

The balance of the stockholders' equity increased to 107.5 billion yen by 3.5 billion yen (33.5%) on a year-on-year basis. This was because the retained earnings increased to 9.4 billion yen by 7.4 billion yen from 2 billion yen on a year-on-year basis by the improved business performance, although the gain from securities revaluation decreased by 4.1 billion yen from the previous term by sale of investment securities.

The shareholders' equity ratio was 21.0% staying flat from the previous term. The return on asset (ROA) was 4.2% improved by 0.7% from 3.5% of the previous term.

## Risk Factors

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

### (1) Political & Economic Situations

We produce and offer a variety of fibers and textiles, plastic products, bio, medical and functional materials and products to domestic and foreign markets. In the event of political turmoil or a serious economic recession in our production bases or in major markets, our operating results or financial status may be seriously influenced by such events through the impact on our production and sales.

### (2) Decline of Retail Prices

Price cuts of our competitors may cause a decline in our retail prices or a decrease in our sales volume. In our medical business, our retail prices may drop due to lowered official price standards. Our operating results or financial status may be seriously influenced by such circumstances through a sales decrease.

### (3) Business Downturn or Retreat by Major Customers

We provide certain of our products to specific customers. In the event that such customers face a downturn in business, retreat from business, cut back inventories significantly, claim drastic rate reductions, or request production adjustments, our operating results or financial status may be seriously influenced by such events through a sales decrease.

### (4) Tariff Hikes and Import Regulations in Overseas Major Markets

Our group sells textiles, plastics products, bio medical and functional materials and products in domestic and overseas markets. In case tariff hikes or import regulations on quantity limits are imposed under antidumping laws in overseas major markets in future, our business and financial conditions may be seriously affected by the sales decrease caused by the restrictions on exports.

### (5) Credit

We have made provisions for bad debt losses based on past results and strive to minimize our credit risk under the credit management regulation. However, in the event of the bankruptcy of our major customers due to economic recession, our operating results or financial status may be seriously influenced by such events through bad debt loss.

### (6) Product Defects

For prevention of product defects, we produce a variety of products in accordance with specific quality control standards under the control of Global Environment and Safety Committee and Product Liability Prevention Committee, and are covered by product liability insurance. However, it is not guaranteed that all of our products are free from all defects, that there would be no defective product at all in future, or that compensatory payment is fully covered by the insurance. Accordingly, in case of material product defects, our operating results or financial status may be seriously influenced by compensatory payment or loss of credit.

**(7) Purchase of Raw Materials**

We purchase raw materials from various suppliers. Although the major materials are provided by a number of suppliers to some extent, there is a risk that we may not be able to purchase sufficient volume in case the suppliers have problems. Even if we can purchase such materials, purchase prices may rise suddenly. Our operating results or financial status may be seriously influenced under such circumstances by cost increases.

**(8) Intellectual Properties**

We endeavor to build and protect technology and know-how differentiated from those of our competitors' products in fibers and textiles, polymer and bio-medical fields. However, there is a risk in certain areas that we may not be able to prevent the production and sale of similar products, the violation of a patent, or the imitation of confidential business information by a third party due to insufficient protection. Although we develop products and technology while paying full attention to the intellectual property rights of other companies, we are not free from the possibility that we might infringe the intellectual property rights of other companies. Thus, in the event that our intellectual property rights are infringed or we infringe the rights of other companies, our operating results or financial status may be seriously influenced by a sales decrease or compensatory payment.

**(9) Development of New Products and New Usages**

We invest our research and development spending in the business domain of high functional products for the development of new products and new uses. However, it is not fully guaranteed that our development will be successful at all times. Our operating results or financial status may be seriously influenced under such circumstances by a decline in our future growth and profitability.

**(10) Public Regulations**

We operate our business under various public regulations on business licenses, tax and environment-related issues in domestic or foreign areas where our business sites are located. In case water restrictions or legal regulations on environment-related issues become tighter in the area where our major business sites are located, our operating results or financial status may be seriously influenced by restrictions imposed on our production activities.

**(11) Litigation**

The U.S. manufacturers of bulletproof jackets are sued for functional defects of the products (our product, PBO fiber ZYLON® is used) by the product users in class action in U.S. In some of the

lawsuits, we or our non-consolidated U.S. subsidiary company TOYOB0 AMERICA, INC. is accused and currently in litigation. We intend to establish the fact that their claim is incorrect to defend ourselves properly. However, in case we or TOYOB0 AMERICA, INC. loses the suit, our business and financial conditions may be seriously affected by the compensation claim from the users.

**(12) Foreign Exchange Rate Fluctuation**

Our operations include production and sales of our products in foreign areas. In case we suffer substantial fluctuations in the foreign exchange rate, our operating results or financial status may be seriously influenced by a sales decrease, cost increase, or lowered price competitiveness after conversion to yen.

**(13) Interest Rate Fluctuation**

In case the current level of interest rates goes up sharply, our operating results or financial status may be seriously influenced by such cases through significant increases in interest costs. In case the current level of interest rates goes down significantly, our operating results or financial status may be seriously influenced by increases in retirement benefit liability and retirement benefit expenses (expenses for differences of implicit costs).

**(14) Stock Price Volatility**

We hold a considerable amount of marketable securities. In case stock market prices decline substantially, our operating results or financial status may be seriously influenced by a decrease in the value of the securities.

**(15) Substantial Decline of Land Prices**

We own a great deal of land, most of which has already been revaluated pursuant to the Land Revaluation Law. In case land prices decline substantially, our operating results or financial status may be seriously influenced by a loss in value.

**(16) Downgrade in Rating**

In case credit rating agencies downgrade our issued debentures, our operating results or financial status may be seriously influenced by the impact on funding.

**(17) Casualties**

We carry out strict plant control and strive to prevent damages caused by casualties at our business sites. However, in case of massive earthquakes, wind and flood damage, snow damage, and other natural disasters, our operating results or financial status may be seriously influenced under such circumstances as our production activities may be interrupted.

## Consolidated Balance Sheets

TOYOB CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
Years ended March 31, 2005 and 2004

<b>ASSETS</b>	Millions of yen		Thousands of U.S. dollars (Note 1)
	<b>2005</b>	<b>2004</b>	<b>2005</b>
<b>Current assets:</b>			
Cash and cash equivalents (Notes 2 and 9) .....	¥ 11,889	¥ 14,913	\$ 110,709
Notes and accounts receivable:			
Trade .....	94,669	91,144	881,544
Other .....	4,651	5,152	43,309
Allowance for doubtful receivables .....	(2,234)	(1,708)	(20,803)
	97,086	94,588	904,050
Inventories (Note 5) .....	85,500	74,306	796,164
Deferred income taxes (Note 6) .....	4,020	4,504	37,434
Other current assets (Note 9) .....	5,474	6,769	50,973
Total current assets .....	203,969	195,080	1,899,330
<b>Investments and noncurrent assets:</b>			
Investment securities (Notes 3 and 9):			
Unconsolidated subsidiaries affiliates .....	15,069	18,044	140,320
Other .....	38,356	43,273	357,165
Loans .....	3,758	2,882	34,994
Deferred income taxes (Note 6) .....	13,188	11,118	122,805
Other investments and noncurrent receivables .....	8,558	9,027	79,691
Allowance for doubtful receivables .....	(3,644)	(3,086)	(33,932)
	75,285	81,258	701,043
<b>Property, plant and equipment (Note 9):</b>			
Land .....	112,215	110,877	1,044,930
Buildings and structures .....	115,717	103,232	1,077,540
Machinery and equipment .....	335,873	318,409	3,127,600
Tools, furniture and fixtures .....	22,306	20,366	207,710
Construction in progress .....	8,650	5,148	80,548
	594,761	558,032	5,538,328
Less accumulated depreciation .....	365,564	341,623	3,404,079
	229,197	216,409	2,134,249
<b>Other assets:</b>			
Intangible assets .....	3,362	3,222	31,306
	3,362	3,222	31,306
<b>Total assets</b> .....	<b>¥ 511,813</b>	<b>¥ 495,969</b>	<b>\$ 4,765,928</b>

See accompanying notes.

<b>LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY</b>		Thousands of U.S. dollars (Note 1)	
	Millions of yen	2005	2004
<b>Current liabilities:</b>			<b>2005</b>
Short-term borrowing (Notes 7 and 9) .....	¥ 114,001	¥ 126,425	<b>\$ 1,061,561</b>
Long-term debt due within one year (Notes 7 and 9) .....	17,090	26,785	<b>159,140</b>
Notes and accounts payable:			
Trade .....	60,063	54,694	<b>559,298</b>
Other .....	13,428	11,290	<b>125,040</b>
	73,491	65,984	<b>684,338</b>
Employees' savings deposits .....	6,160	6,064	<b>57,361</b>
Customers' deposits (Note 9) .....	2,787	3,136	<b>25,952</b>
Accrued employees' bonuses .....	4,666	4,273	<b>43,449</b>
Accrued income taxes .....	6,795	2,094	<b>63,274</b>
Deferred income taxes (Note 6) .....	101	130	<b>940</b>
Other current liabilities .....	2,382	1,925	<b>22,181</b>
Total current liabilities .....	227,473	236,816	<b>2,118,195</b>
<b>Long-term liabilities:</b>			
Long-term debt due after one year (Notes 7 and 9) .....	89,890	87,545	<b>837,043</b>
Employees' severance and retirement benefits (Note 8) .....	25,820	22,946	<b>240,432</b>
Directors' and statutory auditors' retirement benefits .....	1,621	2,031	<b>15,095</b>
Deferred income taxes on land revaluation (Note 13) .....	28,095	28,189	<b>261,617</b>
Deferred income taxes (Note 6) .....	6,385	5,177	<b>59,456</b>
Excess of net assets acquired over cost, net .....	3,357	336	<b>31,260</b>
Other long-term liabilities .....	5,366	5,862	<b>49,967</b>
Total long-term liabilities .....	160,534	152,086	<b>1,494,870</b>
<b>Contingent liabilities (Note 10)</b>			
<b>Minority interest in consolidated subsidiaries</b> .....	<b>16,288</b>	3,034	<b>151,671</b>
<b>Stockholders' equity:</b>			
Common stock			
Authorized - 2,000,000,000 shares			
Issued - 699,027,598 shares in 2005 and 2004 .....	43,341	43,341	<b>403,585</b>
Capital surplus .....	15,884	15,882	<b>147,909</b>
Retained earnings .....	9,413	2,017	<b>87,652</b>
Land revaluation excess (Note 13) .....	39,897	39,652	<b>371,515</b>
Revaluation excess – foreign (Note 14) .....	6,329	6,333	<b>58,935</b>
Net unrealized holding gains on securities .....	8,109	12,185	<b>75,510</b>
Foreign currency translation adjustments .....	(14,795)	(14,975)	<b>(137,769)</b>
Less treasury stock, at cost			
(3,743 thousand shares in 2005 and 2,311 thousand shares in 2004) .....	(660)	(402)	<b>(6,145)</b>
<b>Total stockholders' equity</b> .....	<b>107,518</b>	104,033	<b>1,001,192</b>
<b>Total liabilities, minority interests and stockholders' equity</b> .....	<b>¥ 511,813</b>	¥ 495,969	<b>¥ 4,765,928</b>

See accompanying notes.

## Consolidated Statements of Income

TOYOB CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
Years ended March 31, 2005 and 2004

	Millions of yen	Thousands of U.S. dollars (Note 1)	
	<b>2005</b>	2004	<b>2005</b>
<b>Net sales (Note 12)</b>	<b>¥ 393,686</b>	¥ 373,066	<b>\$ 3,665,947</b>
<b>Cost of sales</b>	<b>305,494</b>	291,440	<b>2,844,716</b>
Gross profit	88,192	81,626	<b>821,231</b>
<b>Selling, general and administrative expenses</b>	<b>59,410</b>	55,770	<b>553,217</b>
Operating income (Note 12)	28,782	25,856	<b>268,014</b>
<b>Other income (expenses)</b>			
Interest and dividend income	1,866	3,777	<b>17,376</b>
Interest expense	(3,309)	(3,807)	<b>(30,813)</b>
Gain on sale of securities	8,389	11,088	<b>78,117</b>
Loss on sale of securities	–	(138)	–
Gain on sale of property, plant and equipment	248	8,263	<b>2,309</b>
Loss on disposal of property, plant and equipment	(4,731)	(7,454)	<b>(44,054)</b>
Gain on securities contributed to employee retirement benefit trust	–	1,602	–
Special loss on restructuring of businesses (Note 15)	(556)	(5,036)	<b>(5,177)</b>
Write-down of investment securities	(103)	(768)	<b>(959)</b>
Special allowance for doubtful receivables	(971)	–	<b>(9,042)</b>
Equity in income (loss) of unconsolidated subsidiaries and affiliates	269	(24)	<b>2,505</b>
Retirement benefits for employees for prior periods	(1,749)	(1,879)	<b>(16,286)</b>
Salaries paid to dispatched employees	(1,465)	(1,590)	<b>(13,642)</b>
Losses related to lawsuits	(2,367)	–	<b>(22,041)</b>
Losses on the release from the substitutional portion of the government's			
Welfare Pension Insurance Scheme	–	(7,707)	–
Other, net	(2,711)	(5,784)	<b>(25,245)</b>
	<b>(7,190)</b>	(9,457)	<b>(66,952)</b>
<b>Income before income taxes</b>	<b>21,592</b>	16,399	<b>201,062</b>
<b>Provision for income taxes (Note 6)</b>			
Current	8,037	2,801	<b>74,840</b>
Deferred	1,021	4,525	<b>9,507</b>
	<b>9,058</b>	7,326	<b>84,347</b>
<b>Minority interest in income of consolidated subsidiaries</b>	<b>(327)</b>	(311)	<b>(3,045)</b>
<b>Net income</b>	<b>¥ 12,207</b>	¥ 8,762	<b>\$ 113,670</b>
			U.S. dollars (Note 1)
	Yen		
<b>Net income per share</b>	<b>¥ 17.58</b>	¥ 12.63	<b>\$ 0.164</b>
<b>Cash dividends applicable to the year</b>	<b>5.00</b>	5.00	<b>0.047</b>

See accompanying notes.

## Consolidated Statements of Stockholder's Equity

TOYOB CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
Years ended March 31, 2005 and 2004

	Millions of yen	Thousands of U.S. dollars (Note 1)	
	2005	2004	2005
<b>Common stock:</b>			
Opening balance .....	¥ 43,341	¥ 43,341	\$ 403,585
Closing balance .....	<b>¥ 43,341</b>	<b>¥ 43,341</b>	<b>\$ 403,585</b>
<b>Capital surplus:</b>			
Opening balance .....	¥ 15,882	¥ 14,387	\$ 147,890
Stock issued in exchange of shares .....	-	1,494	-
Gain on sale of treasury stock .....	2	1	19
Closing balance .....	<b>¥ 15,884</b>	<b>¥ 15,882</b>	<b>\$ 147,909</b>
<b>Retained earnings</b>			
Opening balance .....	¥ 2,017	¥ (10,039)	\$ 18,782
Net income .....	<b>12,207</b>	8,762	<b>113,670</b>
Adjustments for the effects of changes in consolidated subsidiaries .....	<b>(1,105)</b>	21	<b>(10,290)</b>
Adjustment for changes in investments accounted for by the equity method .....	<b>(336)</b>	-	<b>(3,129)</b>
Appropriations:			
Cash dividends – ¥ 5 per share .....	<b>(3,493)</b>	(3,453)	<b>(32,526)</b>
Adjustments for merger .....	<b>(63)</b>	(122)	<b>(587)</b>
Adjustments for reversal of revaluation of land .....	<b>186</b>	8,430	<b>1,732</b>
Adjustments for additional acquisition .....	<b>–</b>	(1,582)	<b>–</b>
Closing balance .....	<b>¥ 9,413</b>	<b>¥ 2,017</b>	<b>\$ 87,652</b>
<b>Land revaluation excess</b>			
Opening balance .....	¥ 39,652	¥ 48,075	\$ 369,234
Reversal of land revaluation excess .....	<b>(186)</b>	(8,423)	<b>(1,732)</b>
Increase resulting from changes in equity .....	<b>431</b>	–	<b>4,013</b>
Closing balance .....	<b>¥ 39,897</b>	<b>¥ 39,652</b>	<b>\$ 371,515</b>
<b>Revaluation excess – foreign</b>			
Opening balance .....	¥ 6,333	¥ 6,336	\$ 58,972
Adjustments for the effects of currency exchange .....	<b>(4)</b>	(3)	<b>(37)</b>
Closing balance .....	<b>¥ 6,329</b>	<b>¥ 6,333</b>	<b>\$ 58,935</b>
<b>Net unrealized holding gains (losses) on securities</b>			
Opening balance .....	¥ 12,185	¥ (2,577)	\$ 113,465
Increase (decrease) in holding gains (losses) .....	<b>(4,076)</b>	14,762	<b>(37,955)</b>
Closing balance .....	<b>¥ 8,109</b>	<b>¥ 12,185</b>	<b>\$ 75,510</b>
<b>Foreign currency translation adjustments</b>			
Opening balance .....	<b>¥ (14,975)</b>	¥ (15,129)	<b>\$ (139,445)</b>
Foreign currency translation adjustments .....	<b>180</b>	154	<b>1,676</b>
Closing balance .....	<b>¥ (14,795)</b>	¥ (14,975)	<b>\$ (137,769)</b>
<b>Treasury stock</b>			
Opening balance .....	¥ (402)	¥ (369)	\$ (3,743)
Treasury stock purchased .....	<b>(258)</b>	(33)	<b>(2,402)</b>
Closing balance .....	<b>¥ (660)</b>	¥ (402)	<b>\$ (6,145)</b>
<b>Number of shares of common stock authorized (thousands)</b> .....	<b>2,000,000</b>	2,000,000	
<b>Number of shares of common stock issued (thousands)</b>			
Opening balance .....	<b>699,028</b>	691,000	
Stock issued in exchange of shares .....	–	8,028	
Closing balance .....	<b>699,028</b>	699,028	

See accompanying notes.

## Consolidated Statements of Cash Flows

TOYOB CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
Years ended March 31, 2005 and 2004

	Millions of yen	Thousands of U.S. dollars (Note 1)
	<b>2005</b>	<b>2004</b>
<b>Cash flows provided by operating activities:</b>		
Income before income taxes .....	¥ 21,592	¥ 16,399
Depreciation and amortization .....	15,528	15,425
Amortization of consolidation difference .....	(373)	(16)
Retirement benefits, net .....	(521)	3,972
Allowance for doubtful receivables, net .....	581	(198)
(Gain) loss on sale and disposal of property, plant and equipment, net .....	3,304	(809)
Gain on sale of securities .....	(8,389)	(10,951)
Write-down of investment securities .....	103	768
Equity in losses (income) of unconsolidated subsidiaries and affiliates .....	(269)	24
Interest and dividend income .....	(1,866)	(3,777)
Interest expense .....	3,309	3,807
Special loss on restructuring of businesses .....	556	4,954
Losses related to lawsuits .....	2,367	–
Decrease in trade notes and accounts receivable .....	5,324	5,348
Increase in inventories .....	(5,239)	(114)
Increase (decrease) in trade notes and accounts payable .....	1,158	(1,527)
Other, net .....	(622)	(1,197)
Total .....	36,543	32,108
Special loss on restructuring of businesses .....	(556)	(2,868)
Losses related to lawsuits .....	(2,100)	–
Income taxes paid .....	(3,816)	(1,504)
Net cash provided by operating activities .....	30,071	27,736
<b>Cash flows provided by investing activities:</b>		
Purchase of property, plant and equipment .....	(13,657)	(13,699)
Proceeds from disposal of property, plant and equipment .....	4,496	18,041
Purchase of investment securities .....	(532)	(386)
Proceeds from sale of investment securities .....	14,646	34,900
Interest and dividend income excluding unconsolidated subsidiaries and affiliates .....	1,858	3,036
Purchase of investment securities of consolidated subsidiaries .....	(686)	–
Dividend income from equity method affiliates .....	128	599
Other, net .....	(1,343)	(278)
Net cash provided by investing activities .....	4,910	42,213
<b>Cash flows used in financing activities:</b>		
Cash dividends .....	(3,493)	(3,453)
Cash dividends to minority interests .....	(192)	(121)
Decrease in short-term bank loans .....	(20,849)	(40,827)
Proceeds from long-term debt .....	18,260	13,247
Repayment of long-term debt .....	(17,628)	(21,323)
Payment of bonds .....	(10,000)	(15,000)
Payment of interest .....	(3,277)	(4,034)
Decrease in treasury stock .....	223	0
Payment in legal settlement of debt .....	(636)	–
Net cash used in financing activities .....	(37,592)	(71,511)
<b>Adjustment for foreign currency translation</b> .....	(4)	19
<b>Net decrease in cash and cash equivalents</b> .....	(2,615)	(1,543)
<b>Cash and cash equivalents at beginning of year</b> .....	13,948	14,992
<b>Increase resulting from changes in consolidated subsidiaries</b> .....	250	499
<b>Cash and cash equivalents at end of year (Note 2)</b> .....	¥ 11,583	\$ 107,859

See accompanying notes.

## 1 BASIS OF PRESENTING FINANCIAL STATEMENTS

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

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

In the year ended March 31, 2005, the Company did not adopt early the new accounting standard for impairment of fixed assets

("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). The new accounting standard is required to be adopted in periods beginning on or after April 1, 2005, but the standard does not prohibit earlier adoption. The Company has begun its analysis of possible impairment of fixed assets. The Company cannot currently estimate the effect of adoption of the new standard, because the Company has not yet completed its analysis. However, adoption of the new standard could have a material effect on the Company's financial statements. The new standard must be adopted by the year ended March 31, 2006.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2005, which was ¥107.39 to U.S. \$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### Consolidation

The consolidated financial statements include the accounts of the Company and its 68 (55 in 2004) significant substantially controlled subsidiaries. Investments in 16 (18 in 2004) non-consolidated subsidiaries and affiliates, for which the Company has significant influence, are accounted for by the equity method. Intercompany transactions and accounts have been eliminated. Significant differences between the cost of investments and the equity in their net assets at dates of acquisition are amortized over five years.

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

The accounts of 17 consolidated subsidiaries are included on the basis of their fiscal years, which end on December 31 (January 31 for 2, February 28 for 4 and March 20 for 3 other subsidiaries). These subsidiaries do not prepare, for consolidation purposes, statements for the period, which corresponds with the fiscal year of the Company. When there are significant transactions between their respective fiscal year ends and the Company's year end, necessary adjustments are made to reflect such transactions properly in the accompanying consolidated financial statements.

### Allowance for doubtful receivables

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

### Securities

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

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

Investments in partnerships similar to investments in limited partnerships, previously were presented in "Other assets", are included in "Investments and other assets," in the current year, in accordance with the revision of a certain portion of the Securities and Exchange Law (the 97th issue on June 9, 2004). The total amounts of such investments as of March 31, 2005 and 2004 were ¥536 million (\$4,991 thousand) and ¥465 million, respectively.

### Inventories

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

### Property, plant and equipment

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

Overseas consolidated subsidiaries principally use the straight-line method.

**Software**

The Company includes software in intangible assets and amortizes it using the straight-line method over the estimated useful life of five years.

**Research and development**

Expenses relating to research and development activities are charged to income when incurred. Research and development expenses were ¥9,201 million (\$ 85,678 thousand) and ¥9,043 million, respectively, for the years ended March 31, 2005 and 2004.

**Bond issuance costs**

Bond issuance costs are charged to income when incurred.

**Finance leases**

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

**Bonuses**

The Company and its domestic consolidated subsidiaries follow the Japanese practice of paying bonuses to employees in June and December. The Company and its domestic subsidiaries accrue the estimated amounts of employees' bonuses at the balance sheet date, based on estimated amounts to be paid in the subsequent period. Bonuses to directors and statutory auditors, which are subject to approval at the stockholders' meeting, are accounted for as an appropriation of retained earnings.

**Stockholders' equity**

Under the Japanese Commercial Code, the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The Japanese Commercial Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal reserve until the total amount of legal reserve and additional paid-in capital equals 25% of common stock. The total amount of legal reserve and additional paid-in capital of the Company has reached 25% of common stock, and therefore the Company is not required to provide any more legal reserve. The legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the stockholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for dividends by resolution of stockholders' meeting. Legal reserve is included in retained earnings in the accompanying financial statements.

**Income taxes**

The Company provides income taxes at the amounts currently payable and deferred income taxes pertaining to loss carryforwards,

timing differences between financial statements and tax reports and in respect of the elimination of unrealized intercompany profits and other adjustments for consolidation purposes. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

**Employees' severance and retirement benefits**

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

The Company also has a contributory funded pension plan which covers substantially all employees.

The Companies provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets.

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

**Directors' and statutory auditors' retirement benefits**

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

**Translation of foreign currencies**

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

Foreign currency financial statements: Assets and liabilities are translated at year-end exchange rates. Stockholders' equity is translated at historical exchange rates. Income and expenses are translated at year-end exchange rates. Resulting translation adjustments are reflected in the consolidated financial statements as "Foreign currency translation adjustments" and in minority interests.

### Derivatives and hedge accounting

The Company states derivative financial instruments at fair value and recognizes changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

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

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

1. If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
  - (a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the statement of operations in the period which includes the inception date, and
  - (b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.
2. If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

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

The following summarizes hedging derivative financial instruments used by the Companies and items hedged:

#### Hedging instruments:

- Forward foreign exchange contracts
- Interest rate swap contracts

#### Hedged items:

- Future transactions denominated in foreign currencies
- Foreign currency receivables and payables
- Interest expense on borrowings

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

### Cash and cash equivalents

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

The reconciliations of cash and cash equivalents in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2005, and 2004 are as follows.

	Millions of yen	Thousands of U.S.dollars	
	2005	2004	2005
Cash and cash equivalents in the balance sheet .....	¥ 11,889	¥ 14,913	\$ 110,709
Time deposits maturing after three months .....	(306)	(965)	(2,850)
Cash and cash equivalents in the cash flow statement .....	¥ 11,583	¥ 13,948	\$ 107,859

For the year ended March 31, 2005, at the time of acquiring additional shares of newly consolidated subsidiary, Miyuki Holdings Co., Ltd., which includes 8 subsidiaries, its assets and liabilities, the cost for the share acquisition, and the net proceeds to acquire the shares were as follows:

	Millions of yen	Thousands of U.S.dollars
Current assets .....	¥ 16,525	\$ 153,878
Non-current assets .....	27,598	256,989
Net book value in excess of (less than) cost of share acquisition .....	(3,350)	(31,195)
Current liabilities .....	(9,435)	(87,857)
Non-current liabilities .....	(7,318)	(68,144)
Minority interest .....	(13,247)	(123,354)
Cost for share acquisition at the beginning of current period .....	(6,758)	(62,930)
Cost for share acquisition in current period .....	4,015	37,387
Cash and cash equivalents .....	(2,590)	(24,118)
Net cash outflow to acquire the shares of newly consolidated subsidiaries .....	¥ (1,425)	\$ (13,269)

For the year ended March 31, 2005, at the time of acquiring additional shares of newly consolidated subsidiary, Toyo Cloth Co., Ltd., its assets and liabilities, the cost for the share acquisition, and the net proceeds to acquire the shares were as follows:

	Millions of yen	Thousands of U.S.dollars
Current assets .....	¥ 4,809	\$ 44,781
Non-current assets .....	4,458	41,512
Net book value in excess of (less than) cost of share acquisition .....	109	1,015
Current liabilities .....	(5,102)	(47,509)
Non-current liabilities .....	(2,248)	(20,933)
Minority interest .....	(1,093)	(10,178)
Cost for share acquisition at the beginning of current period .....	(689)	(6,416)
Cost for share acquisition in current period .....	244	2,272
Cash and cash equivalents .....	(983)	(9,153)
Net proceeds to acquire the shares of newly consolidated subsidiaries .....	¥ 739	\$ 6,881

### Net income per share

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

### 3 SECURITIES

The following tables summarize acquisition costs, book values (fair values) of securities with available fair values as of March 31, 2005 and 2004:

#### Available-for-sale securities

	Millions of yen					
	2005			2004		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
<b>Securities with book values exceeding acquisition costs:</b>						
Equity securities .....	¥ 14,824	¥ 31,192	¥ 16,368	¥ 17,280	¥ 37,024	¥ 19,744
<b>Securities with book values not exceeding acquisition costs:</b>						
Equity securities .....	¥ 822	¥ 701	¥ (121)	¥ 843	¥ 734	¥ (109)
Other .....	15	14	(1)	5	5	-
Total .....	¥ 837	¥ 715	¥ (122)	¥ 848	¥ 739	¥ (109)

	Thousands of U.S. dollars		
	2005		
	Acquisition cost	Book value	Difference
<b>Securities with book values exceeding acquisition costs:</b>			
Equity securities .....	\$ 138,039	\$ 290,455	\$ 152,416
<b>Securities with book values not exceeding acquisition costs:</b>			
Equity securities .....	\$ 7,654	\$ 6,528	\$ (1,127)
Other .....	140	130	(9)
Total .....	\$ 7,794	\$ 6,658	\$ (1,136)

The following table summarizes book values of available-for-sale securities with no available fair values as of March 31, 2005 and 2004:

	Book value		
	Millions of yen		Thousands of U.S. dollars
	2005	2004	
<b>Non-listed equity securities .....</b>			
Cash equivalents .....	¥ 5,555	¥ 5,424	\$ 51,727
Non-listed bonds .....	-	4	-
Other .....	300	-	2,794
Total .....	536	-	4,991
	¥ 6,391	¥ 5,428	\$ 59,512

The following table summarizes available-for-sale securities sold in the years ended March 31, 2005 and 2004:

	Book value		
	Millions of yen		Thousands of U.S. dollars
	2005	2004	
<b>Total sales of available-for-sale securities .....</b>			
Related gains .....	¥ 14,314	¥ 34,901	\$ 133,290
Related losses .....	8,389	11,088	78,117
	-	138	-

## 4 DERIVATIVES AND HEDGE ACCOUNTING

The Company and its consolidated subsidiaries enter into forward foreign exchange and interest rate swap transactions to control risks related to foreign currencies and interest rates. Forward foreign exchange contracts are used to hedge the risk of fluctuations in foreign currency exchange rates with respect to foreign currency receivables and payables and future transactions denominated in foreign currencies resulting from import and export transactions, and the interest rate swap transactions are used to reduce financing costs and to hedge the risk of fluctuations in interest rates as to short-term borrowings and long-term debt. Hedging derivative financial instruments used by the Companies and items hedged are summarized at Significant Accounting Politics. The Company and its consolidated subsidiaries deal with highly rated international

financial institutions as counterparty to these transactions to minimize credit risk exposure. Derivative transactions related to normal operations are entered into by each operational division, and the processing of the transactions, such as settlements, are controlled by the finance division. Derivative transactions related to financial transactions are entered into by the operational division in accordance with established policies approved by the Board of Directors. Outstanding positions of derivative transactions are controlled by the finance division and the actual results of derivative transactions are reported to the Board of Directors.

At March 31, 2005 and 2004 hedge accounting has been applied to all derivatives, so outstanding positions as of March 31, 2005 and 2004 are not disclosed.

## 5 INVENTORIES

Inventories at March 31, 2005 and 2004 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	<b>2005</b>	<b>2005</b>
	2004	
Finished goods.....	¥ 56,715	\$ 528,122
Work in process .....	19,369	5,569
Raw materials .....	6,913	14,694
Supplies.....	2,503	2,083
	<b>¥ 85,500</b>	<b>\$ 796,164</b>
	<b>      </b>	<b>      </b>

## 6 INCOME TAXES

The Companies are subject to a number of taxes based on income, which, in the aggregate, indicated a statutory income tax rate in Japan of approximately 41% for 2005 (42% for 2004).

The actual effective tax rate in the accompanying consolidated

statement of income for the year ended March 31, 2005 differs from the normal statutory tax rate by less than 5%, and therefore, the above reconciliation is not required to be disclosed.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2005 and 2004 are as follows:

	Millions of yen	Thousands of U.S. dollars	
	<b>2005</b>	2004	<b>2005</b>
<b>Deferred tax assets:</b>			
Accrued employees' bonuses .....	¥ 2,016	¥ 1,718	\$ 18,773
Accrued enterprise tax .....	110	107	1,024
Employees' severance and retirement benefits .....	10,626	8,605	98,948
Directors and statutory auditors' retirement benefits .....	664	833	6,183
Allowance for doubtful receivables .....	1,058	855	9,852
Write-down of investment securities .....	1,857	466	17,292
Tax losses carried forward .....	4,154	3,621	38,681
Unrealized income .....	10,072	9,359	93,789
Investment in subsidiaries .....	-	1,034	-
Buildings acquired through merger .....	-	290	-
Securities acquired through merger .....	419	765	3,902
Other .....	1,477	961	13,754
<b>Total deferred tax assets</b> .....	<b>32,453</b>	28,615	<b>302,198</b>
<b>Valuation allowance</b> .....	<b>(7,275)</b>	(2,051)	<b>(67,743)</b>
<b>Net deferred tax assets</b> .....	<b>25,178</b>	26,564	<b>234,455</b>
<b>Deferred tax liabilities:</b>			
Net unrealized holding gains on securities .....	(6,633)	(8,038)	(61,766)
Reserve for deferred gain on sale of property .....	(611)	(828)	(5,690)
Undistributed earnings of overseas subsidiaries and affiliates .....	(418)	(342)	(3,892)
Consolidation adjustment for allowance for doubtful receivables .....	(155)	(269)	(1,443)
Valuation difference of subsidiaries .....	(1,821)	(46)	(16,957)
Land acquired through merger .....	-	(1,858)	-
Tax deferred gains on assets transferred to a new company .....	(2,580)	(2,580)	(24,025)
Tax deferred gains on spin-off .....	(2,238)	(2,288)	(20,840)
<b>Total deferred tax liabilities</b> .....	<b>(14,456)</b>	(16,249)	<b>(134,612)</b>
<b>Net deferred tax assets</b> .....	<b>¥ 10,722</b>	¥ 10,315	<b>\$ 99,843</b>

	Millions of yen	Thousands of U.S. dollars	
	<b>2005</b>	2004	<b>2005</b>
<b>Reconciliation</b>			
to Balance Sheet accounts			
<b>Current assets</b> .....	¥ 4,020	¥ 4,504	\$ 37,434
<b>Investments and noncurrent assets</b> .....	13,188	11,118	122,805
<b>Current liabilities</b> .....	(101)	(130)	(940)
<b>Long-term liabilities</b> .....	(6,385)	(5,177)	(59,456)
<b>Total</b> .....	<b>¥ 10,722</b>	¥ 10,315	<b>\$ 99,843</b>

## 7 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2005 and 2004 consisted of short-term notes, generally for 365 days, bearing interest at an average of 0.79% and 0.82%, respectively. Long-term debt at March 31, 2005 and 2004 consisted of the following:

	Millions of yen	Thousands of U.S. dollars	
	<b>2005</b>	2004	<b>2005</b>
<b>Unsecured:</b>			
2.30% bonds due 2004.....	¥      -	¥ 10,000	\$      -
0.44% bonds due 2005.....	300	300	2,794
0.86% to 0.92% bonds due 2006.....	10,300	10,300	95,912
0.72% bonds due 2007.....	300	300	2,794
1.3 % bonds due 2008.....	10,000	10,000	93,118
<b>Long-term loans, principally maturing through 2010 at the weighted average rate of 1.26% as of March 31, 2005</b>			
Secured.....	19,290	20,035	179,626
Unsecured.....	66,790	63,395	621,939
<b>Total</b> .....	<b>106,980</b>	114,330	<b>996,183</b>
<b>Less amount due within one year</b> .....	<b>17,090</b>	26,785	<b>159,140</b>
	<b>¥ 89,890</b>	<b>¥ 87,545</b>	<b>\$ 837,043</b>

The aggregate annual maturities of long-term debt outstanding as of March 31, 2005 are as follows:

	Millions of yen	Thousands of U.S. dollars	
2006.....	¥ 17,090	\$ 159,140	
2007.....	43,556	405,588	
2008.....	12,084	112,524	
2009.....	23,387	217,776	
2010.....	5,277	49,139	
Thereafter.....	5,586	52,016	
	<b>¥ 106,980</b>	<b>\$ 996,183</b>	

The Company has an overdraft contract and credit commitments from three banks in order to perform efficient financing. Total unused credit available to the Company at March 31, 2005 was ¥21,000 million (\$195,549 thousand).

## 8 EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The liabilities for severance and retirement benefits included in the liability sections of the consolidated balance sheets as of March 31, 2005 and 2004 consist of the following:

	Millions of yen	Thousands of U.S. dollars
	2005	2004
Projected benefit obligation .....	¥ 73,051	¥ 68,156
Fair value of pension assets .....	(21,933)	(16,874)
Employee retirement benefit trust .....	(3,035)	(2,684)
Unrecognized net transition obligation .....	(16,533)	(18,195)
Unrecognized actuarial differences .....	(7,668)	(9,727)
Unrecognized prior service costs .....	1,938	2,270
Liability for severance and retirement benefits .....	<b>¥ 25,820</b>	<b>¥ 22,946</b>
		<b>\$ 240,432</b>

The aggregate annual maturities of long-term debt outstanding as of March 31, 2005 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2005	2004
Service costs – benefits earned during the year .....	¥ 2,756	¥ 2,451
Interest cost on projected benefit obligation .....	1,557	1,813
Expected return on plan assets .....	(634)	(261)
Amortization of net transition obligation .....	1,929	2,072
Amortization of actuarial differences .....	1,384	1,751
Amortization of prior service costs .....	(332)	(332)
Losses on the release from the substitutional portion of the government's Welfare Pension Insurance Scheme .....	–	7,707
Employees' severance and retirement benefit expenses .....	<b>¥ 6,660</b>	<b>¥ 15,201</b>
		<b>\$ 62,017</b>

The discount rates used by the Companies are 2.0% to 2.5% for the years ended March 31, 2005 and 2004. The rates of expected return on plan assets used by the Companies is 2.5% to 3.5% for the years ended March 31, 2005 and 2004. The estimated amount of all retirement benefits to be paid at future retirement dates is

allocated equally to each service year using the estimated number of total service years. Past service costs are recognized as an expense in equal amounts over ten years, and actuarial gains/losses are recognized in statement of income using the straight-line method over ten years.

## 9 ASSETS PLEDGED AS COLLATERAL

At March 31, 2005, assets pledged as collateral for secured long-term debt of ¥19,290 million (\$179,626 thousand), short-term debt of ¥916 million (\$8,530 thousand) and customers' deposits of ¥1,223 million (\$11,388 thousand) were as follows:

	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents .....	¥ 3	\$ 28
Investment securities .....	38	354
Property, plant and equipment-net of accumulated depreciation .....	40,947	381,292
Other current assets .....	160	1,490
	<b>¥ 41,148</b>	<b>\$ 383,164</b>

## 10 CONTINGENT LIABILITIES

At March 31, 2005, the Companies were contingently liable as follows:

	Millions of yen	Thousands of U.S. dollars
	¥ 28	\$ 261
<b>As endorser of notes discounted</b>	¥ 28	\$ 261
<b>As guarantor of indebtedness of:</b>		
Unconsolidated subsidiaries and affiliates	¥ 4,002	\$ 37,266
Other companies	193	1,797
Employees (housing loans)	771	7,179
	<b>¥ 4,966</b>	<b>\$ 46,242</b>

## 11 LEASES

Lease payments for finance leases which do not transfer ownership and do not have bargain purchase provisions were ¥642 million (\$5,978 thousand) and ¥531 million for the years ended March 31, 2005 and 2004, respectively. Future minimum lease payments

for the remaining lease periods, as of March 31, 2005, including interest, were ¥560 million (\$5,215 thousand) due within one year and ¥838 million (\$7,803 thousand) due beyond one year.

Original lease obligations, accumulated payments and remaining payments of leased properties were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
<b>Machinery and equipment:</b>			
Original lease obligation	¥ 725	¥ 539	\$ 6,751
Payments made	399	329	3,715
Remaining payments	<b>¥ 326</b>	<b>¥ 210</b>	<b>\$ 3,036</b>
<b>Tools, furniture and fixtures</b>			
Original lease obligation	¥ 2,131	¥ 1,872	\$ 19,844
Payments made	1,365	1,088	12,711
Remaining payments	<b>¥766</b>	<b>¥ 784</b>	<b>\$ 7,133</b>
<b>Intangible assets</b>			
Original lease obligation	¥ 734	¥ 754	\$ 6,835
Payments made	429	387	3,995
Remaining payments	<b>¥ 305</b>	<b>¥ 367</b>	<b>\$ 2,840</b>

Future minimum lease payments under operating leases for the remaining lease periods, as of March 31, 2005, were ¥14,095 million (\$131,251 thousand), of which ¥2,004 million (\$18,661 thousand) is due within one year.

Future minimum lease receipts as lessor under operating leases for the remaining lease periods, as of March 31, 2005, were ¥1,367 million (\$12,729 thousand), of which ¥159 million (\$1,481 thousand) is due within one year.

## 12 SEGMENT INFORMATION

The Companies' operations are classified into four industry segments as follows:

**Fibers and Textiles:** Man-made fibers, natural fibers and textile goods

**Plastics:** Films and resins for various industrial applications

**Bio, medical and functional materials and products:** Biochemistry articles, medical supplies, functional materials and products, biomedical products

**Other business:** Plant equipment and engineering, real estate, information processing service, logistics service and other

Year ended March 31, 2005	Millions of yen							
	Net sales to external customers	Intersegment net sales or transfer amounts	Net sales	Operating costs and expenses	Operating income	Identifiable assets	Depreciation and amortization	Capital expenditure
<b>Fibers and textiles</b> .....	¥ 168,098	¥ 446	¥ 168,544	¥ 163,739	¥ 4,805	¥ 172,707	¥ 5,678	¥ 5,502
<b>Plastics</b> .....	138,981	281	139,262	122,007	17,255	126,829	5,209	4,904
<b>Bio, medical and functional materials and products</b> .....	48,584	12	48,596	41,314	7,282	50,546	2,326	4,649
<b>Other businesses</b> .....	38,023	10,255	48,278	45,885	2,393	110,516	924	174
<b>Total</b> .....	393,686	10,994	404,680	372,945	31,735	460,598	14,137	15,229
<b>Elimination or Corporate Consolidated</b> .....	—	(10,994)	(10,994)	(8,041)	(2,953)	51,215	1,391	1,166
	¥ 393,686	¥ —	¥ 393,686	¥ 364,904	¥ 28,782	¥ 511,813	¥ 15,528	¥ 16,395

Year ended March 31, 2004	Millions of yen							
	Net sales to external customers	Intersegment net sales or transfer amounts	Net sales	Operating costs and expenses	Operating income	Identifiable assets	Depreciation and amortization	Capital expenditure
<b>Fibers and textiles</b> .....	¥ 168,356	¥ 406	¥ 168,762	¥ 163,113	¥ 5,649	¥ 177,939	¥ 5,778	¥ 4,087
<b>Plastics</b> .....	123,825	120	123,945	109,700	14,245	123,802	5,214	3,760
<b>Bio, medical and functional materials and products</b> .....	46,520	—	46,520	39,962	6,558	48,050	2,178	3,007
<b>Other businesses</b> .....	34,365	8,937	43,302	40,933	2,369	66,058	751	1,579
<b>Total</b> .....	373,066	9,463	382,529	353,708	28,821	415,849	13,921	12,433
<b>Elimination or Corporate Consolidated</b> .....	—	(9,463)	(9,463)	(6,498)	(2,965)	80,120	1,504	897
	¥ 373,066	¥ —	¥ 373,066	¥ 347,210	¥ 25,856	¥ 495,969	¥ 15,425	¥ 13,330

Year ended March 31, 2005	Thousands of U.S. dollars							
	Net sales to external customers	Intersegment net sales or transfer amounts	Net sales	Operating costs and expenses	Operating income	Identifiable assets	Depreciation and amortization	Capital expenditure
<b>Fibers and textiles</b> .....	\$ 1,565,304	\$ 4,153	\$ 1,569,457	\$ 1,524,714	\$ 44,743	\$ 1,608,222	\$ 52,873	\$ 51,234
<b>Plastics</b> .....	1,294,171	2,617	1,296,788	1,136,112	160,676	1,181,013	48,505	45,665
<b>Bio, medical and functional materials and products</b> .....	452,407	112	452,519	384,710	67,809	470,677	21,659	43,291
<b>Other businesses</b> .....	354,065	95,493	449,558	427,274	22,284	1,029,109	8,604	1,620
<b>Total</b> .....	3,665,947	102,375	3,768,322	3,472,810	295,512	4,289,021	131,641	141,810
<b>Elimination or Corporate Consolidated</b> .....	—	(102,375)	(102,375)	(74,877)	(27,498)	476,907	12,953	10,858
	\$ 3,665,947	\$ —	\$ 3,665,947	\$ 3,397,933	\$ 268,014	\$ 4,765,928	\$ 144,594	\$ 152,668

Corporate operating costs and expenses of ¥2,800 million (\$26,073 thousand) and ¥3,027 million for the years ended March 31, 2005 and 2004, respectively, mainly consist of administrative and fundamental research department expenses. Corporate assets

of ¥101,148 million (\$941,875 thousand) and ¥110,025 million at March 31, 2005 and 2004, respectively, mainly consist of cash, marketable securities and assets of the administrative and fundamental research departments.

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

	Millions of yen	Thousands of U.S. dollars
	<b>2005</b>	<b>2004</b>
Southeast Asia .....	¥ 35,935	\$ 334,621
Other areas .....	27,824	24,527
Total .....	<b>¥ 63,759</b>	<b>\$ 593,714</b>

Principal countries and areas in each segment are:

Southeast Asia ··· China, Korea, Taiwan, Malaysia, Indonesia, and Thailand  
Other areas ··· America, Germany, Brazil, and Saudi Arabia

## 13 LAND REVALUATION EXCESS

Applying the law on revaluation of land, the Company, two consolidated subsidiaries and an affiliate accounted for by the equity method, revaluated their land for business use on March 31, 2002 and included the increase in land value, net of income taxes and minority interests, in stockholders' equity. The current value of the land on March 31, 2005, fell ¥15,058 million (\$140,218 thousand) in comparison with the book value of the land after revaluation.

Also, applying the law on revaluation of land, a consolidated subsidiary, revaluated its land for business use on March 31, 2000 and included the increase in land value, net of income taxes and minority interests, in stockholders' equity. The current value of the land on March 31, 2005 fell ¥1,772 million (\$16,501 thousand) in comparison with the book value of the land after revaluation.

## 14 REVALUATION EXCESS - FOREIGN

Applying the local company law, two consolidated subsidiaries in Brazil and their unconsolidated subsidiary, accounted for by the equity method, revaluated their land, buildings and structures, and included the increase in their assets value in stockholders' equity.

As accounting principles and practices generally accepted in Brazil

are different from the accounting and disclosure requirements under Japanese GAAP, the two consolidated subsidiaries in Brazil did not record deferred income taxes on their revaluations. As a result, in the years ended March 31, 2005 and 2004, respectively, deferred income taxes of ¥1,414 million (\$13,167 thousand) and ¥1,356 million were not recorded.

## 15 SPECIAL LOSS ON RESTRUCTURING OF BUSINESSES

During the year ended March 31, 2005, the Company incurred special losses for additional severance payments for early retirement of ¥470 million (\$4,377 thousand), and losses in the fiber business of ¥86 million (\$801 thousand), which are included in total restructuring losses of ¥556 million (\$5,177 thousand) in the consolidated statement of income.

During the year ended March 31, 2004, the Company incurred

special losses for additional severance payments for early retirement of ¥1,925 million, losses in the fiber business of ¥485 million, losses due to restructuring in the cotton fiber business of ¥576 million, and in the fiber business a write-down of inventories of ¥2,050 million, which are included in total restructuring losses of ¥5,036 million in the consolidated statement of income.

## 16 LAWSUITS

In the U.S., lawsuits have been filed by users of bulletproof vests etc. against makers alleging that performance of the bulletproof vests is inadequate. The American bulletproof vest makers manufactured and sold the products using "ZYLON®" fiber, a product of the

Company. In some of the lawsuits, the Company and TOYOB AMERICA, INC., an unconsolidated subsidiary in the U.S., are defendants, which is under dispute. The Company maintains that the other parties claims are wrong and is defending itself.

## 17 SUBSEQUENT EVENT

At the ordinary stockholders' meeting of the Company held on June 29, 2005, appropriations of retained earnings for the year ended March 31, 2005 were duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends - ¥5.00 (\$0.047) per share .....	<b>¥ 3,492</b>	<b>\$ 32,517</b>

**To the Shareholders and Board of Directors of  
Toyobo Co., Ltd.:**

We have audited the accompanying consolidated balance sheets of Toyobo Co., Ltd. and consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Toyobo Co., Ltd. and subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

KPMG AZSA & Co.

Osaka, Japan  
June 29, 2005

## Corporate Data (Non - consolidated)

### ■ Head office

2-8 Dojima Hama 2-chome,  
Kita-ku, Osaka 530-8230, Japan  
Telephone: 81-6-6348-3190  
Facsimile: 81-6-6348-3206

### ■ Established

May 1882

### ■ Incorporated

June 1914

### ■ Number of employees

3,183 (As of March, 2005)

### ■ Branches

#### Tokyo Branch

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

#### Nagoya Branch

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

### ■ Research Center

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

### ■ Plants and mills (As of July, 2005)

#### Chemical fibers manufacturing:

Tsuruga Fiber Plant  
Iwakuni Fiber Plant

#### Cotton and chemical fibers spinning, weaving and dyeing:

Nyuzen Mill  
Inami Mill  
Shogawa Mill

#### Films manufacturing:

Inuyama Plant  
Tsuruga Films Plant

#### Functional products manufacturing:

Tsuruga Functional  
Products Plant

#### Biochemicals manufacturing:

Tsuruga Biochemicals Plant

#### Functional membrane manufacturing:

Iwakuni Membrane Plant

#### Pharmaceuticals manufacturing:

Otsu Pharmaceuticals Plant

#### Polymers manufacturing:

Tsuruga Polymers Plant  
Iwakuni Polymers Plant

Tsuruga Center  
Tsuruga Chemical Fibers Plant  
Tsuruga Films Plant  
Tsuruga Functional Products Plant  
Tsuruga Polymers Plant  
Tsuruga Biochemicals Plant  
Tsuruga Institute of Biotechnology

Iwakuni Plant  
Iwakuni Chemical Fibers Plant  
Iwakuni Polymers Plant  
Iwakuni Membrane Plant

**Head Office**

**Tsuruga Center**

**Tsuruga Chemical Fibers Plant**

**Tsuruga Films Plant**

**Tsuruga Functional Products Plant**

**Tsuruga Polymers Plant**

**Tsuruga Biochemicals Plant**

**Tsuruga Institute of Biotechnology**

**Iwakuni Plant**

**Iwakuni Chemical Fibers Plant**

**Iwakuni Polymers Plant**

**Iwakuni Membrane Plant**

**Nyuzen Mill**

**Inami Mill**

**Shogawa Mill**

**Inuyama Plant**

**Tokyo Branch**

**Nagoya Branch**

**Otsu Pharmaceuticals Plant**

**Research Center**

## Investor Information (As of March, 2005)

### ■ Stock listings

Tokyo, Osaka

### ■ Transfer agent

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

### ■ Independent auditors

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

### ■ Common stock

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

### ■ Paid-in capital

¥43,341 million

### ■ Number of stockholders

96,836

### ■ Major stockholders (Ten largest stockholders)

	Number of shares held (thousands)	Percentage of voting rights (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	60,465	8.65
The Master Trust Bank of Japan, Ltd. (Trust Account)	34,330	4.91
Mizuho Corporate Bank, Ltd.	21,705	3.11
Nippon Life Insurance Company	13,393	1.92
Meiji Yasuda Life Insurance Company	13,129	1.88
Sumitomo Mitsui Banking Corporation	13,034	1.86
Toyukai (Contractor Share Holding)	10,988	1.57
The Bank of Tokyo-Mitsubishi,Ltd.	10,740	1.54
Toyobo Employees Stockholders' Association	10,037	1.44
Japan Trustee Services Bank, Ltd. (Employee Pension Trust Account, The Chuo Mitsui Trust and Banking Co., Ltd.)	9,054	1.30

# TOYOB0 CO., LTD.

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