



Toyobo Continues to Cultivate and Nurture
Its SPECIALTY BUSINESSES
to Maintain Sustainable Growth

2009
Annual Report
Year Ended March 31, 2009



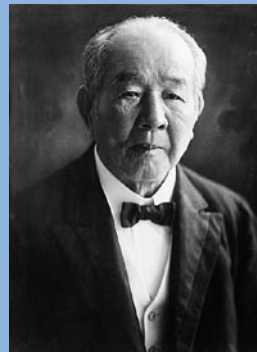
Profile

Toyobo Co., Ltd. was founded as a textile company in 1882. Over the years, the Company has adapted its business in accordance with the changing times. The most recent facet of this adaptation is a concentration of management resources in the fields of Films and Functional Polymers, Industrial Materials, and Life Science, specialty businesses that draw on Toyobo's unique core technologies in polymerization, modification, processing and biotechnology.

With this focus, we have moved into an era of accelerating growth.

Our aim is to become a manufacturer of high-function products that fuses together and deepens unique technologies, and continually generates new value.

Junri-Sokuyu: the personal motto of Toyobo's founder, Eiichi Shibusawa



The ancient proverb *Junri-Sokuyu* ("Adhering to Reason Leads to Prosperity") was one of the personal mottos of Toyobo's founder, Eiichi Shibusawa, and is the fundamental principle for Toyobo today. This calligraphy of that phrase was drawn by him nearly 80 years ago. Eiichi Shibusawa was one of the modernizers of Japan during the early 20th century, helping to found and develop more than 500 companies.

The phrase *Jun-ri-Soku-yu* is composed of four Chinese characters, the second of which ("ri") has the dual meaning of "reason" and "ethics." It expresses the idea of thinking and acting rationally and logically, as well as the need to retain respect for morality and ethics, the fundamental nature of being human, and an ethical sense of values.

Disclaimer Regarding Forward-Looking Statements

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



Ryuzo Sakamoto,
President
and Chief
Operating
Officer

We secured operating income despite a difficult business climate and posted a net loss, but this stemmed mainly from the implementation of planned restructuring measures. This program has now been completed, and profitability remains solid.

We anticipate a mild recovery in sales volume from the latter half of fiscal 2009, but expect the effects of the economic slowdown to remain unchanged through the first half. In response to these negative factors, we will seek to boost earnings by reducing fixed costs and implementing the total cost reduction program (CR100).

*Financial Statements, Notes and Independent Auditors' Report

View/download online at

www.toyobo.co.jp/e/annai/zaimu/

Cover Caption

The theme for the *2009 Annual Report* (the fiscal year ended March 2009) is "Cultivate and Nurture." The cover illustration depicting animals merrily cultivating and nurturing new shoots expresses our hope that the history and personal connections built up over our more than 120 years in business, and the rich and varied management resources that have paved our way to the future, will be passed on to the next generation in an even more exceptional form.

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Consolidated Financial Highlights

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

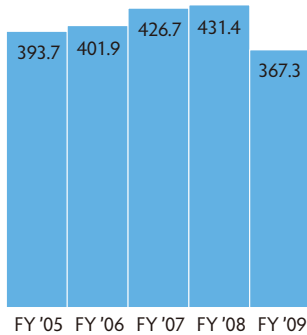
| | Millions of yen | | | | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|----------|----------|----------|----------|------------------------------------|
| | 2009 | 2008 | 2007 | 2006 | 2005 | 2009 |
| Net sales | ¥367,271 | ¥431,417 | ¥426,666 | ¥401,948 | ¥393,686 | \$3,738,888 |
| Films and functional polymers | 122,312 | 134,631 | 124,614 | 116,362 | — | 1,245,159 |
| Industrial materials | 74,656 | 76,138 | 74,391 | 68,935 | — | 760,012 |
| Life science | 33,123 | 33,961 | 32,639 | 29,667 | — | 337,198 |
| Textiles | 111,736 | 142,471 | 149,585 | 142,513 | — | 1,137,494 |
| Real estate (Note 2) | 4,649 | 4,267 | — | — | — | 47,328 |
| Other businesses (Note 2) | 20,795 | 39,950 | 45,437 | 44,471 | — | 211,697 |
| Operating income | 11,229 | 27,075 | 30,435 | 29,887 | 28,782 | 114,313 |
| Net (loss) income | (12,505) | 4,698 | 13,472 | 12,596 | 12,207 | (127,303) |
| EBITDA | 32,435 | 46,349 | 47,373 | 45,543 | 44,310 | 330,194 |
| Depreciation and amortization | 21,206 | 19,274 | 16,938 | 15,656 | 15,528 | 215,881 |
| Capital expenditure | 20,039 | 32,486 | 15,753 | 18,131 | 16,395 | 204,001 |
| R&D expenses | 10,669 | 10,877 | 10,426 | 10,079 | 9,201 | 108,612 |
| Total assets | 443,816 | 494,496 | 513,191 | 514,791 | 511,813 | 4,518,131 |
| Shareholders' equity (excluding minority interests) | 98,253 | 129,671 | 133,521 | 125,143 | 107,518 | 1,000,234 |
| Interest-bearing debt | 178,901 | 178,842 | 194,239 | 206,172 | 220,981 | 1,821,246 |
| Net cash flows (used in) provided by operating activities | (368) | 23,282 | 27,064 | 27,299 | 30,071 | (3,746) |
| Net cash flows (used in) provided by investing activities | (15,803) | (10,193) | (2,925) | (4,011) | 4,910 | (160,878) |
| Net cash flows provided by (used in) financing activities | 17,379 | (17,948) | (22,439) | (23,071) | (37,591) | 176,922 |
| Per stock data (yen): | | | Yen | | | U.S. dollars (Note 1) |
| Basic net (loss) income per share | (¥17.92) | ¥6.73 | ¥19.32 | ¥18.10 | ¥17.58 | (\$0.182) |
| Cash dividends | 3.50 | 5.00 | 5.00 | 5.00 | 5.00 | 0.036 |
| Financial ratios: | | | | | | |
| ROA (%) (Note 3) | 2.5% | 5.5% | 5.9% | 5.8% | 5.6% | |
| ROE (%) | (12.7%) | 3.6% | 10.4% | 10.8% | 11.5% | |
| Equity ratio (%) | 22.1% | 26.2% | 26.0% | 24.3% | 21.0% | |
| D/E ratio (times) | 1.82 | 1.38 | 1.45 | 1.65 | 2.06 | |

Notes: 1. The U.S. dollar amounts in this report represent translations of yen for convenience only at the rate of ¥98.23 to \$1.00.

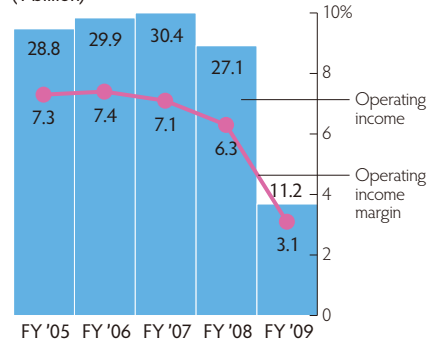
2. The real estate leasing business was previously included as part of the Other Businesses segment, but since the value of the assets in this business has exceeded 10% of the total value of assets in the segment, from the year ended March 31, 2009 the segment classification has been changed to include the Real Estate segment. Segment information for the year ended March 31, 2008 has been restated.

3. ROA: Operating income basis.

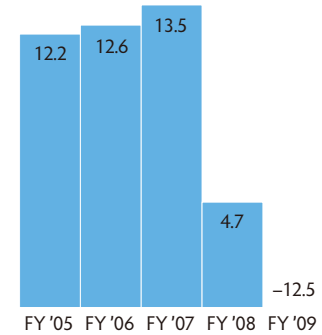
Net Sales
(¥ billion)



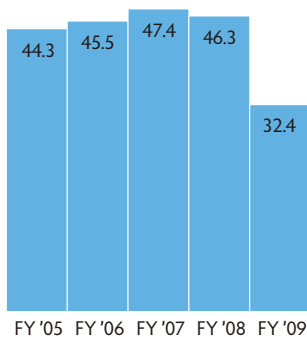
Operating Income and Operating Income Margin
(¥ billion)



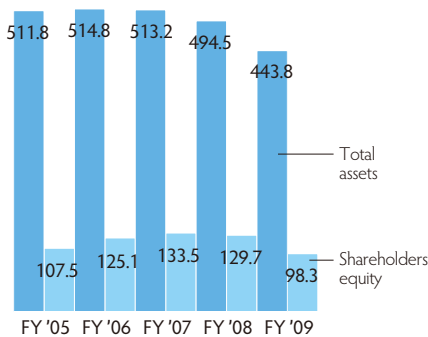
Net Income (Loss)
(¥ billion)



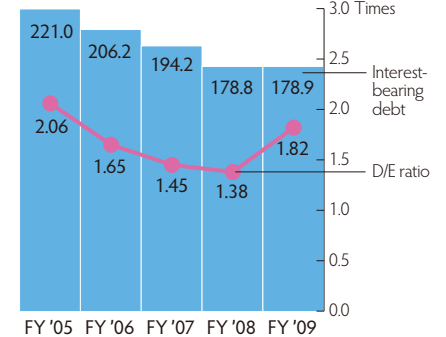
EBITDA
(¥ billion)



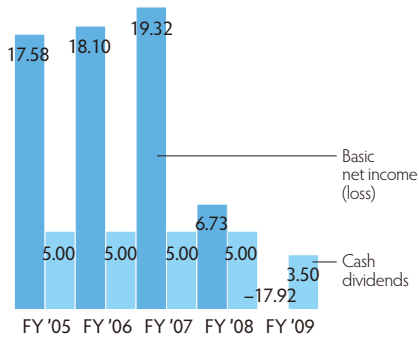
Total Assets and Shareholders' Equity
(¥ billion)



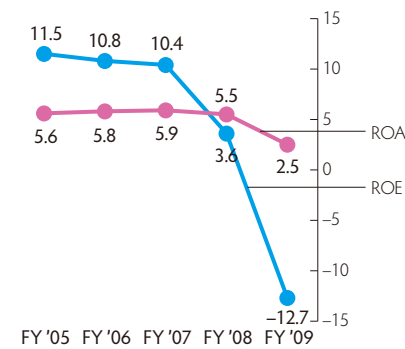
Interest-Bearing Debt and D/E Ratio
(¥ billion)



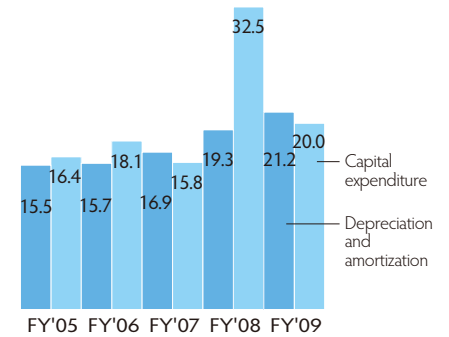
Basic Net Income (Loss) per Share and Cash Dividends
(¥)



ROA and ROE
(%)



Capital Expenditure and Depreciation and Amortization
(¥ billion)



To Shareholders and Investors



Ryuzo Sakamoto

President and Chief Operating Officer

Review of Fiscal 2009

Toyobo suffered declines in both revenue and earnings during fiscal 2009 (ended March 31, 2009). Net sales totaled ¥367.3 billion (down 14.9% year on year), and despite a difficult business climate we secured operating income of ¥11.2 billion (down 58.5%). We posted a net loss for the period of ¥12.5 billion, but this stemmed mainly from the implementation of planned restructuring measures. This program has now been completed, and profitability remains solid.

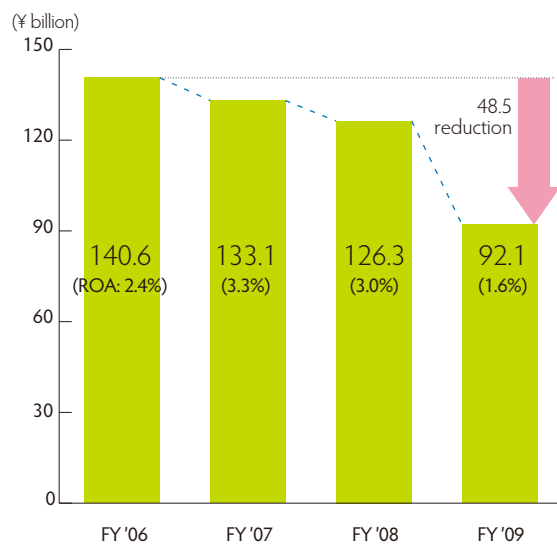
The business environment for the Toyobo Group deteriorated sharply during fiscal 2009, with continued high prices for fuel and raw materials during the first half, while in the latter half the financial crisis precipitated by the subprime loan problems in the United States began to impact the real economy. Sales held steady for products not directly impacted by the economic downturn, such as food packaging films, high-performance fibers, and products

for medical and environmental applications. However, revenue and earnings fell sharply for materials related to LCDs, electronic components, and automotive applications as sales volume declined. Operating income was hit particularly hard during the second half. The acute slowdown in the economy led to third-quarter operating income of just ¥3.0 billion, and a ¥1.5 billion operating loss in the fourth quarter, for a combined ¥1.5 billion in operating income in the second half.

Fiscal 2009 was also the final year for our restructuring program, during which we continued to move forward with our plan to withdraw from or dissolve less-profitable business, such as the sewing business, dyeing business and other non-core operations. We also implemented additional measures in response to the economic decline, such as scaling back production equipment for acrylic fibers. The ¥27.0 billion in extraordinary losses incurred mainly as a result of this restructuring, along with the

reversal of deferred tax assets, led to our first net loss in six years. However, these restructuring measures have greatly reduced our exposure to future losses. Employed capital in the Textiles business has been reduced two-thirds, from ¥140.6 billion to ¥92.1 billion, over the past three years.

■ Reduction in Capital Employed for the Textiles Business



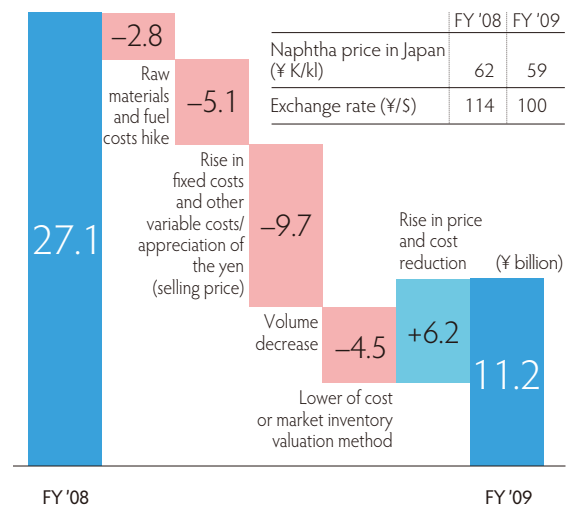
The improvement in our financial position came to a standstill as a result of the decline in shareholders' equity. In response, in February 2009 we raised ¥22.0 billion in funds through hybrid financing, which combines characteristics of debt and equity. Since these funds are recognized by rating agencies as over 70% equity capital, shareholders' equity in real terms is ¥113.7 billion with a D/E ratio of 1.63 times, effectively stemming the decline in our financial position.

We recognize that the return of profit to shareholders must be a priority issue for a company. Our basic policy regarding dividends is to maintain a

stable payment, while setting a payout amount that takes full account of the level of earnings, the financial position (retained earnings), and the investment necessary for growth. In accordance with this policy, we paid a year-end dividend for the subject fiscal year of ¥3.50 per share, a decrease of ¥1.50 per share compared to the previous fiscal year.

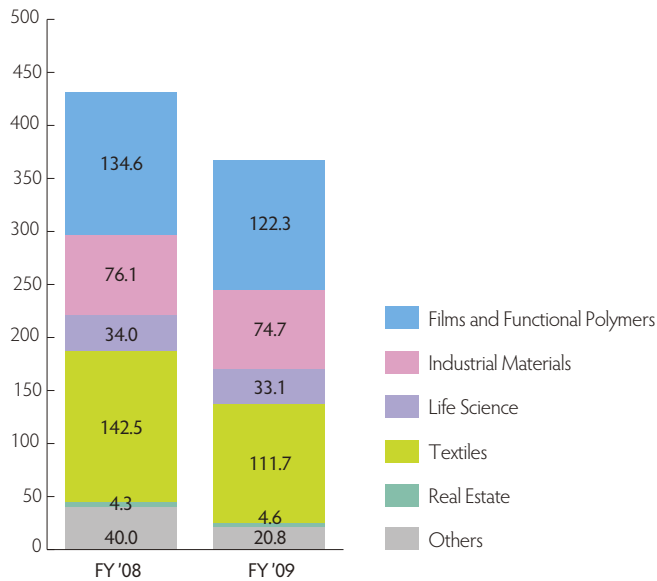
The breakdown of operating income shows that increases totaled ¥6.2 billion, consisting of ¥3.4 billion in price increases and a shift to high-margin products; and ¥2.8 billion in cost reductions realized from innovations in production technologies. However, this was offset by ¥9.7 billion in decreases, consisting of ¥9.7 billion in reduced sales volume mainly for industrial films and automotive-related materials; ¥2.8 billion in higher costs for raw materials and fuel; ¥2.8 billion in fixed costs stemming from increases in capital expenditures and research and development; and ¥2.3 billion in exchange rate adjustments on product prices, along with

■ Analysis of Changes in Operating Income [FY '08 → FY '09]

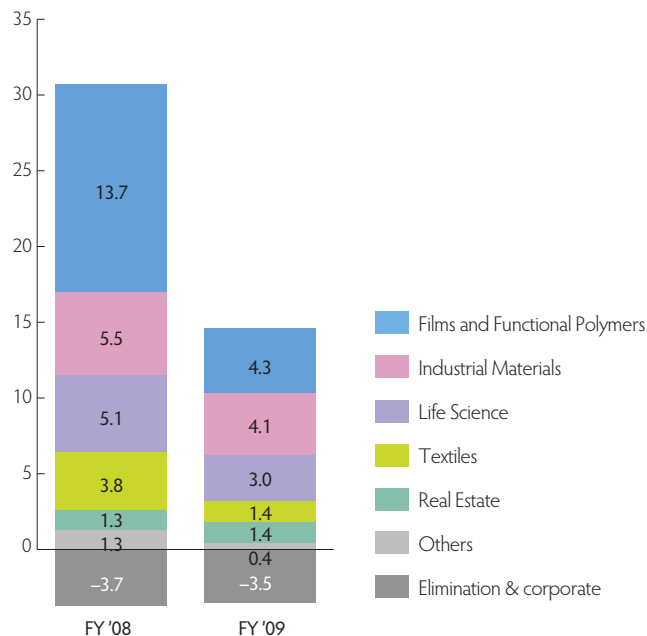


■ Performance by Segment [FY '08 → FY '09]

Net Sales
(¥ billion)



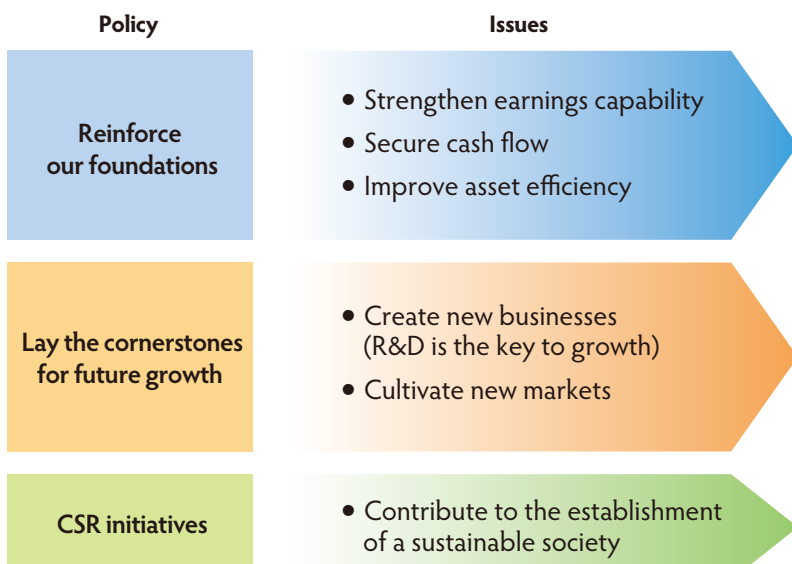
Operating Income
(¥ billion)



¥4.5 billion from the strict application of the "Accounting Standard for Measurement of Inventories" during the subject fiscal year. This new, strict accounting standard requires that any inventory held beyond a one-year business cycle be devalued to a uniform ¥1. As a result, operating income declined ¥15.8 billion.

By business segment, in the Films and Functional Polymers segment, shipments were steady for packaging films, mainly for food packaging applications. For industrial films, however, earnings declined sharply as a result of deep production cutbacks and more intense competition in the flat-panel display industry. Adding to this was a substantial slowdown in the production of functional polymers in the automotive and electronic components industries. In the Industrial Materials segment, expanded production facilities for the high-performance fiber "DYNEEMA" provided a boost in earnings. However, the segment faced difficulties in the automobile field, such as for airbag fabrics and spunbond. In the Life Science segment, for the bioproducts business, sales rose steadily for enzymes for blood glucose measuring applications, though earnings were impacted by the appreciation of the yen. For the medical membranes business, sales were impacted by the late start in the first half due to the National Health Insurance revisions implemented in April 2008. Water treatment membrane sales rose sharply on shipments for a large-scale project in the Middle East. For the Textiles segment, we systematically scaled back commodities and less-profitable products in line with our policy of emphasizing asset efficiency. Earnings from specialty fabrics to the Middle East were hurt by a downturn in regional markets and the appreciation of the yen during the latter half of the period. Earnings also declined for the acrylic fiber "EXLAN" due to a sharp falloff in exports, and a scaling back on production.

■ **Management Policies: Issues and Actions**



Management Policy

The Toyobo Group aims to be a manufacturer of high-function products that continually creates new value by utilizing its core technologies. Our medium-term business plan, announced in May 2008, was aimed at a rapid growth and expansion in specialty businesses, specifically the Films and Functional Polymers, Industrial Materials, and Life Science segments.



However, the global financial crisis has had an impact on the real economy from the second half of fiscal 2009, and the acute falloff in demand has inevitably led to deterioration in Toyobo's earnings. In view of this harsh business environment, Toyobo is pursuing a new program of reform under its management policy of "Reinforcing our foundations, laying the cornerstones for future growth."

[1. Reinforce Our Foundations]

a. Strengthen earnings capability ▶ In response to the sharp falloff in demand in the latter half of 2008, the Toyobo Group began implementing a program of emergency total cost reductions (CR100) aimed at trimming ¥10 billion in expenses. This program includes the consolidation of facilities to streamline fixed manufacturing costs and reassign personnel, the lowering of variable unit costs through overseas procurement, and reductions in the compensation paid to directors and executive officers. The deep cuts in a range of expenses it provides will help improve earnings.

b. Secure cash flow ▶ The Toyobo Group considers the securing of operating cash flow and growth in free cash flow necessary to improve its financial position. For operating cash flow, we have continued to revise our approach to inventories, and pursue more stringent inventory management, including a strict application of the lower of cost or market (LCM) rule for inventory valuation from fiscal 2009. Going forward, we plan to reduce inventory volume to a level more appropriate to sales, in order to lower our level of working capital. For investment cash flows, we will be selective regarding capital investments, scaling back near-term investment to ¥13.0 billion (down ¥7.0 billion year on year). These measures will allow us to secure free cash flow.

c. Improve asset efficiency ▶ The Toyobo Group, under its policy of reforming the business portfolio, has continued with the restructuring of its Textiles and Other Businesses segments. Going forward, in view of the difficult business environment, we will maintain this emphasis on asset efficiency. At the same time, for the specialty businesses we will reallocate resources in response to disparity in growth potential among various fields, seeking to strengthen and expand those businesses with greater growth potential, and in which Toyobo has a competitive advantage.

[2. Lay the Cornerstones for Future Growth]

Development and technological capabilities fulfill an important role for any manufacturer of high-function products beyond achieving further growth. We believe R&D to be the key for growth, and without cutting our R&D budget are working to generate and nurture new products and businesses. Through careful management of the progress of research themes, and the altering or abandoning of particular themes, we will identify which areas to preserve and which to cut, concentrating development resources and improving efficiency.

Up to this point Toyobo has focused on five markets—automotive, electronics and information displays, environmental, lifestyle and safety, and life science—developing advanced products for the needs of each. Going forward, for converging markets such as automotive and environmental, and automotive and electronics materials, we will make a company-wide effort to generate new businesses, such as environmental preservation and energy. Seeds of new business have begun to appear in the fields of bioproducts, pharmaceutical and functional membranes, such as high-productivity vectors in antibody drugs, and reverse osmosis for wastewater. We will accelerate commercialization of these new themes.

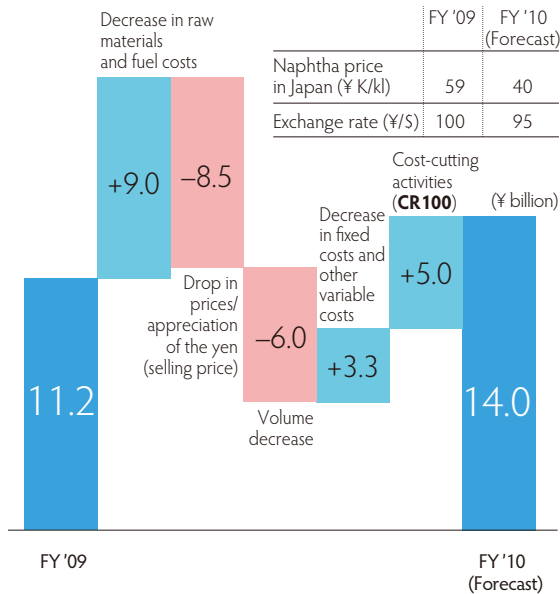


[3. CSR Initiatives]

The Toyobo Group recognizes that companies are also members of society, and must fulfill their social responsibilities, as well as contribute to the establishment of a sound, sustainable society. Toyobo's CSR Committee, chaired by the President, provides for unified assessment and monitoring of activities with regard to all stakeholders, including customers, shareholders and investors, business partners, local communities, the global environment, and employees. We have also formulated the "Toyobo Group CSR Charter" as a code of conduct for the Toyobo Group, part of our effort to consistently act in a responsible manner in all dealings with stakeholders. We believe that CSR is the foundation for corporate activity, and an integral part of business.

Toyobo will steadily implement these measures, and by enhancing asset efficiency and earnings capabilities, and improving our financial position, work to raise its corporate value.

■ **Forecasts of Changes in Operating Income**
[FY '09 → FY '10]



Considering such factors, for fiscal 2010 the Toyobo Group is forecasting net sales of ¥340.0 billion (down ¥27.3 billion, or 7% year on year), with operating income of ¥14.0 billion (up ¥2.8 billion, or 25%). Incorporating positive factors such as a decrease in extraordinary losses following the conclusion of our restructuring program, net income is forecast to increase ¥15.5 billion from the previous fiscal year to ¥3.0 billion. Dividends for fiscal 2010, despite the difficult business climate, are forecast at ¥3.50 per share, based on the forecast for net income of ¥3.0 billion.

In conclusion, I would like to offer my most sincere appreciation to our shareholders and investors, and ask for your continued support.

June 2009

Forecast for Fiscal 2010 (Ending March 31, 2010)

The business climate during fiscal 2010 will likely remain challenging, with full-scale recovery in Japan and overseas expected to take considerable time. Although the cost of raw materials and fuel, which has a considerable impact on earnings, has declined, we expect the benefits to be limited as a result of the impact from price revisions, exchange rates and other factors. We anticipate a mild recovery in sales volume from the latter half of the period, but expect the effects of the economic slowdown to remain unchanged through the first half. In response to these negative factors, we will seek to boost earning by reducing fixed costs, and continuing to move steadily forward with implementation of the total cost reduction program (CR100) already in progress.

Ryuzo Sakamoto
President and Chief Operating Officer

Research and Development Activities



Masaaki Sekino
Corporate Officer,
in Charge of Research
and Development

R&D Is the Key to Growth

Toyobo began researching synthetic fibers in the 1940s, entering the acrylic and polyester fiber businesses in the 1950s. After the oil crisis of the 1970s, we diversified into new fields such as, plastics, functional materials and bioproducts. Drawing on our core technologies of polymerization, modification and processing for polymers and biotechnology, we have successfully generated numerous specialty businesses.

The driving force for this has been R&D, and will remain so into the future.

R&D Framework

Toyobo's R&D framework is divided into two components. The Divisional R&D Department handles research themes specific to each business division to generate products in relatively short periods of time, while the Corporate R&D Department develops next-generation products and technologies from a medium- to long-term perspective.

Company-wide management of R&D is conducted by the Business Development Planning Office, which consists of the Corporate R&D Planning Department and New Business Planning Department. The Corporate R&D Planning Department coordinates R&D strategies for the entire company, including consolidating and evaluating research themes throughout the firm, determining the best allocation of R&D resources, and exploring ways to better manage and

accelerate progress with central research themes. The New Business Planning Department manages selected R&D projects and plans strategies to accelerate development through M&A, technology transfer, or other means.

R&D Policy for Fiscal 2010

Toyobo's R&D policy for fiscal 2010 (ending March 31, 2010) is to make further advancements through core technology management, and expand our research networks with overseas facilities studying polymer processing and composites, adopting the slogan "open innovation, pro-innovation." While earnings declined due to the global recession from the latter half of fiscal 2009, Toyobo still considers development to be the key to growth, and will continue to move forward with the same level of R&D spending. Further, to realize an earlier contribution to earnings from new businesses and products, the Corporate R&D Department will actively support the Divisional R&D Department. We will develop business in markets with strong growth potential, such as "Automotive" and "Electronics and Information Displays," and conduct R&D with a focus on products that contribute to environmental conservation.

Development Topics

"TOYOBO GS Catalyst" ► The development of new catalysts for polyester polymerization that do not use heavy metals is an active field of research from the standpoint of environmental measures. Toyobo has successfully developed the "TOYOBO GS Catalyst," the unique aluminum-based catalyst for polyester polymerization. The catalyst is free of heavy metals, and compared to conventional antimony-based catalysts, the resins produced have a higher transparency, which has led to development of a wide range of applications. It has recently been discovered that the resins produced also have exceptional thermal



Polyester resins—
"TOYOBO GS Catalyst" (front),
antimony-based catalyst (right),
and titan-based catalyst (back)

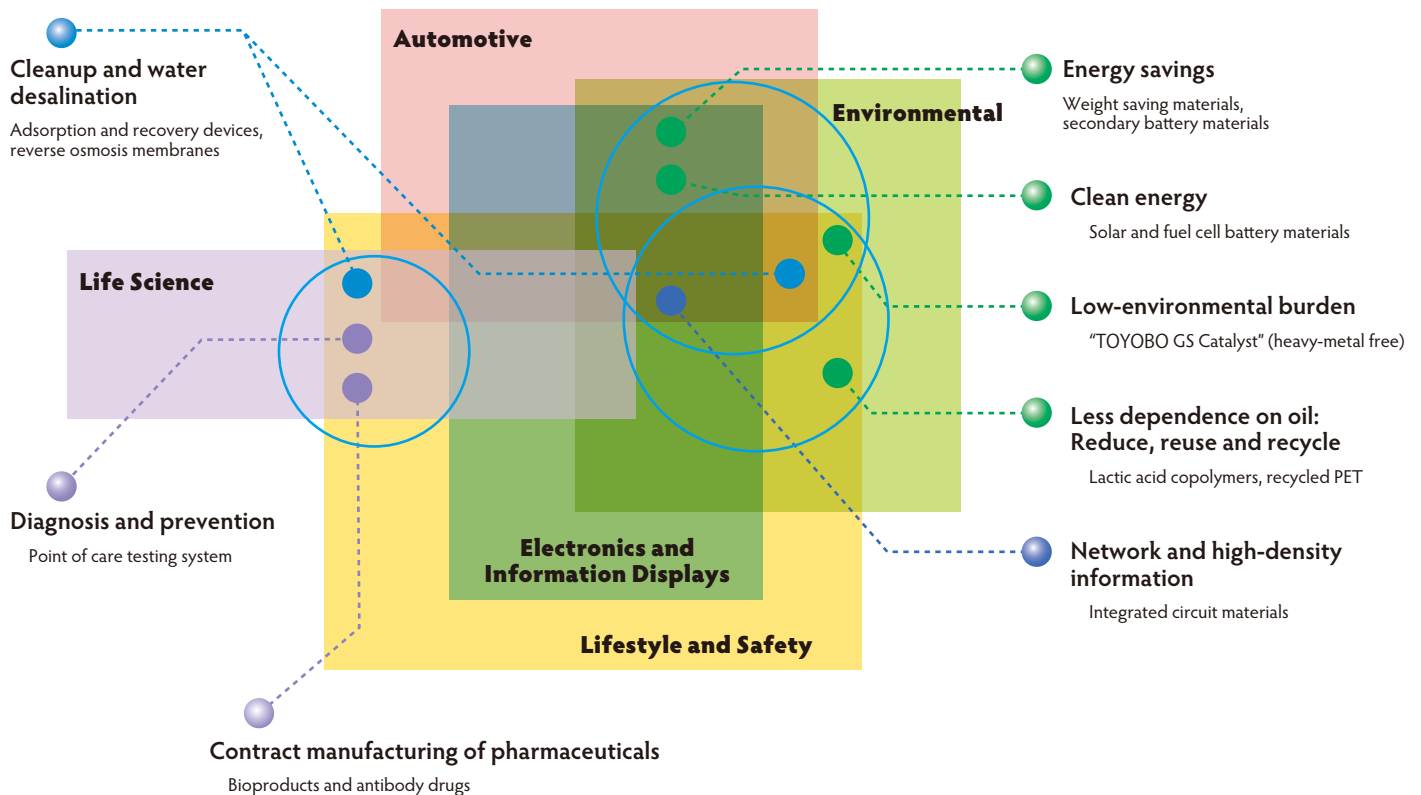
stability. Further, there is less fouling of the area around the base during the spinning process, and the blow mold used during bottle forming, improving productivity in the melting and forming process. Polyester is an environmentally friendly, recyclable material, and we believe the development of the entirely heavy metal-free "TOYOBO GS Catalyst" has made polyester even more greener. Toyobo has reconsidered the polymerization catalysts used in its own manufacturing process, and will continue to exploit the unique features offered by the "TOYOBO GS Catalyst" to expand its range of applications.

*GS: Green & Sustainable

Wine filtration membranes ▶ Toyobo has succeeded in developing wine filtration membranes by adapting spinning technologies for artificial kidney hollow fiber membranes. Recently, "cross-flow filtration" using membranes has become a prevalent method in separation processes. Field tests were carried out in wineries by the leading German bio-engineering company, and the results were promising: sufficient high filtration rate and excellent durability. Now, the membranes have been adopted in numerous wineries in Europe and South America.

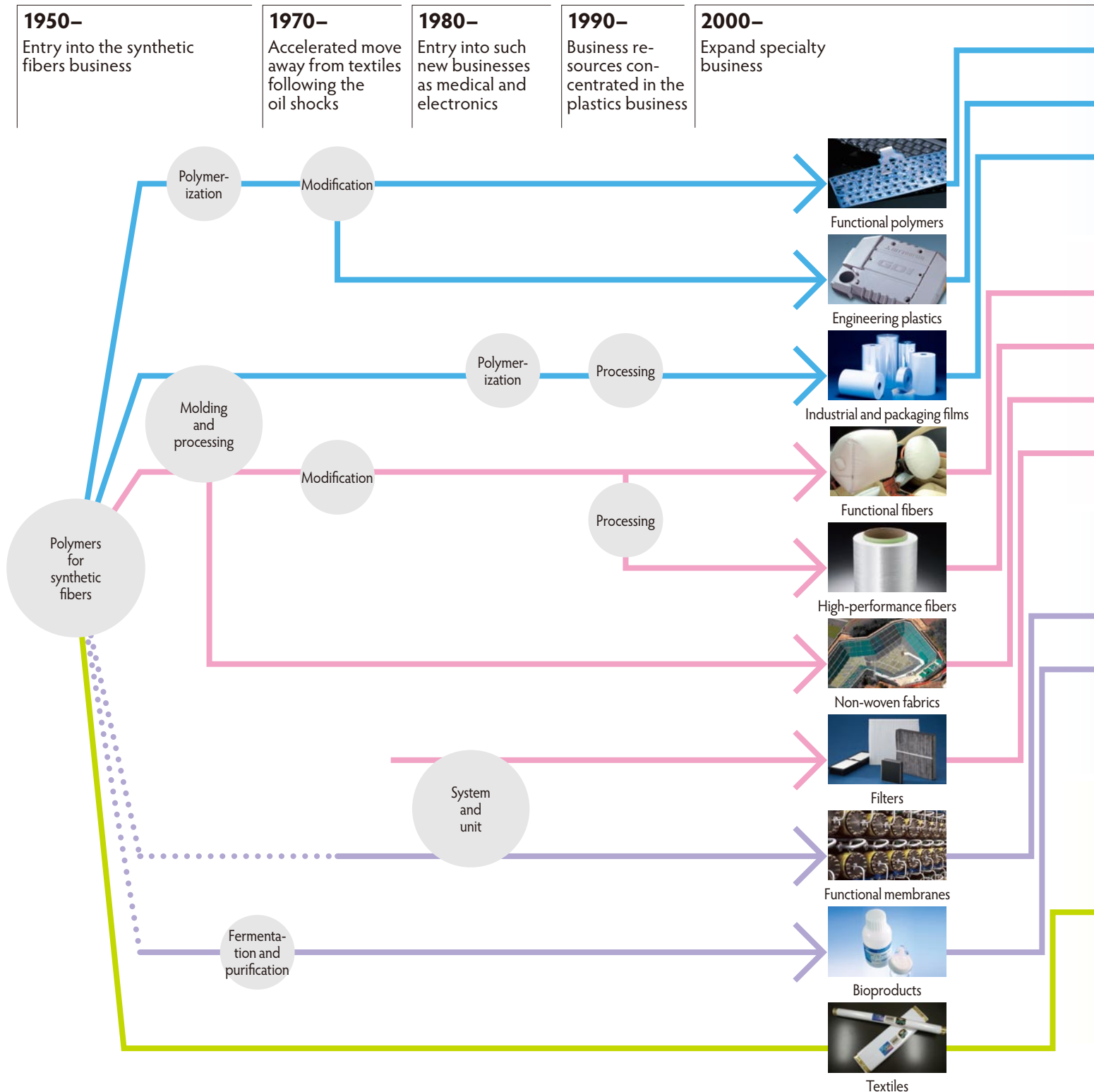
■ **Direction and Potential for Toyobo's R&D**

- Core Technologies: Polymerization, Modification, Processing and Biotechnology
- Product development utilizing technology fusion and business diversity



Technology Evolution and Business Segments

Diversification into a Broad Range of Fields with the Changing Times



Principal Products

Business Segments

Industrial Films

- For LCD and optical use (PET films), other industrial uses, synthetic paper

Packaging Films

- For food packaging use (PET, polyolefin, PA), heat-shrink PET films

Functional Polymers

- Engineering plastics
- Industrial adhesives, coatings
- Photo-sensitive printing plates
- Acrylate polymers
- Electronic materials

**FILMS
AND
FUNCTIONAL
POLYMERS**

Functional Fibers

- Airbag fabrics, polyester yarn for tire cords

High-Performance Fibers

- "DYNEEMA" (ultra-strength polyethylene fiber)
- "ZYLON" (PBO fiber): extreme heat-resistance, high tenacity

Functional Filters and Non-Woven Fabrics

- Functional filters for automobiles, indoor, anti-pollution
- Solvent adsorption materials and units (activated carbon fibers)
- Non-woven fabrics for automobile parts

**INDUSTRIAL
MATERIALS**

Bioproducts

- Enzymes for diagnostics, diagnostic systems, reagents for research

Pharmaceuticals

- Contract manufacturing (injection, pharmaceutical intermediates, raw-pharmaceuticals)

Equipment and Devices

Medical Membranes

- Artificial kidney hollow fiber membranes

Water Treatment Membranes

- Seawater desalination reverse osmosis
- UF membranes

**LIFE
SCIENCE**

Textiles

- Functional textiles (for sportswear, underwear, thoub)

Apparel

- "MUNSINGWEAR," apparel manufacturing

Fibers for Clothes

- Synthetic fibers

Acrylic Fibers

- "EXLAN": acrylic fibers, "(eks)": acrylate fibers

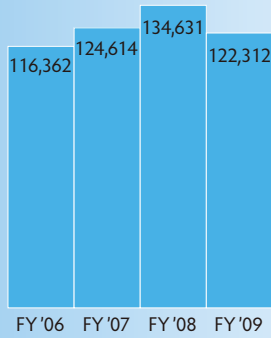
TEXTILES

Toyobo at a Glance

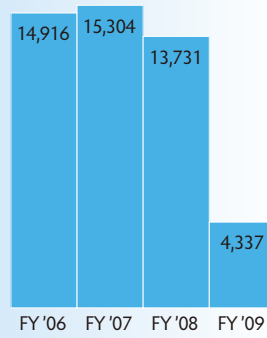


FILMS AND FUNCTIONAL POLYMERS

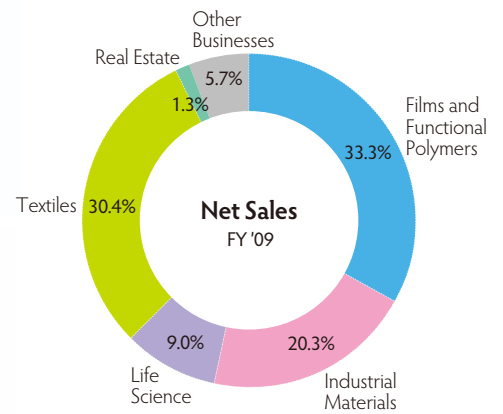
Net Sales
(¥ million)



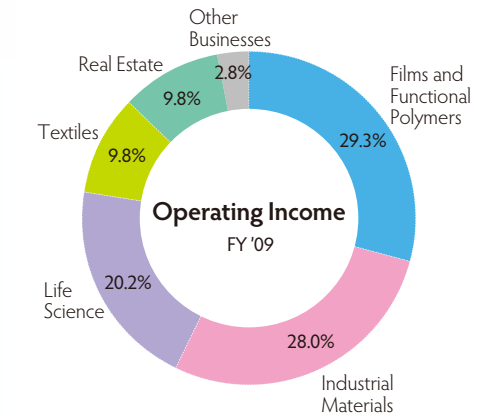
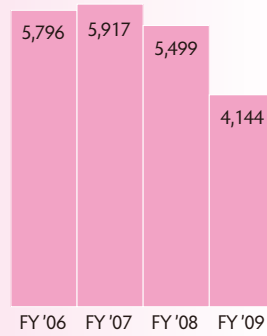
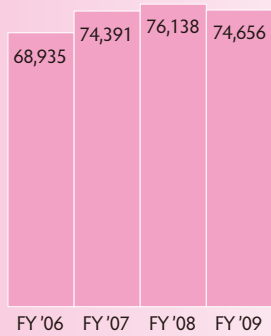
Operating Income
(¥ million)



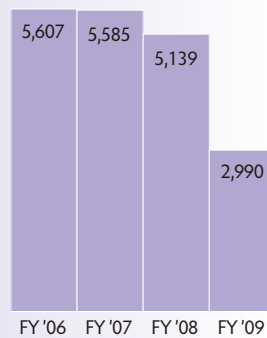
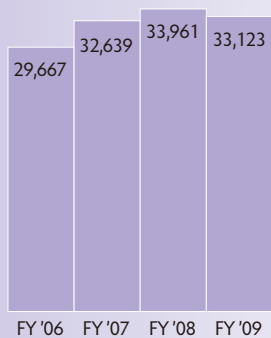
Percentage by Business Segments
(%)



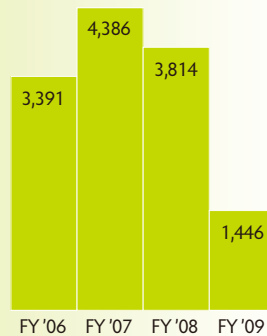
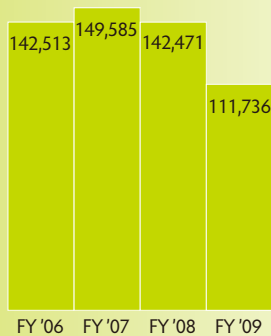
INDUSTRIAL MATERIALS



LIFE SCIENCE



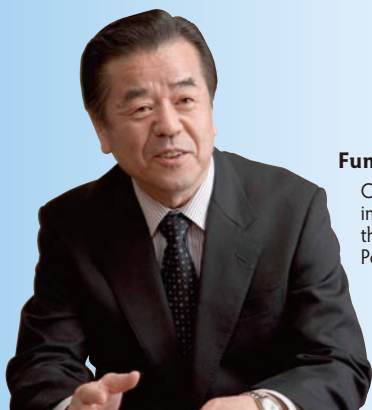
TEXTILES



Change in Classification of Business Segments

The real estate leasing business was previously included as part of the Other Businesses segment, but since the value of the assets in this business has exceeded 10% of the total value of assets in the segment, from the year ended March 31, 2009 the segment classification has been changed to include the Real Estate segment.

FILMS AND FUNCTIONAL POLYMERS



Fumiaki Miyoshi

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

Business Division Policy

This segment consists of the films and functional polymers business units. We provide specialty products to meet market needs, based on such processing technologies as polymer reforming and film production.

Results for Fiscal 2009

Sales volume fell sharply in the second half of fiscal 2009 with the acute downturn in the business environment, marked by inventory adjustments among customers in the household electronics, automotive and electronics components fields, as well as continued appreciation of the yen. Sales totaled ¥122.3 billion (down 9.2% year on year), with operating income of ¥4.3 billion (down 68.4%).



Industrial films
"COSMOSHINE"

Industrial films ▶ Toyobo's polyethylene terephthalate (PET) film "COSMOSHINE" has a favorable reputation in the market for its high transparency and good adhesion, and has gained a broad range of users in the PET film market for flat-panel displays. However, both sales and earnings were down considerably in this business as a result of slowdown in the flat panel display market and fiercer competition, and sluggish sales of films for ceramic condenser applications from the second half of the fiscal year.

Packaging films ▶ This business consists mainly of films for food packaging. Toyobo is a leading supplier of packaging films in Japan, offering a wide range of materials including polyolefin, PET and polyamide. Sales have risen in recent years as greater safety consciousness has kept demand steady for domestically produced products. Sales rose for the subject fiscal year as well, reflecting strong demand during the first half of the period.

Engineering plastics ▶ This business handles PET, polyamide, and polyester elastomer materials, utilizing mixing, compounding and mold simulation technologies to produce headlight components, engine covers, interior materials and other automotive products widely used by Japanese auto part manufacturers. The thermoplastic polyester



elastomer "PELPRENE" is a substitute for synthetic rubber, with a high durability that has led to its use in automotive applications, mainly CVJ boots. The product lineup was also further expanded with the addition of "GRILUX E." Both sales and earnings fell considerably in this business during the subject fiscal year as a result of the downturn in the automotive market.

"VYLON" series of industrial adhesives ▶ Toyobo holds the top market share in this business, mainly due to its advanced technology in compositional design for copolyesters, and ability to meet the specific needs of its customers. Both sales and earnings dropped considerably in this business during the subject fiscal year due to the falloff in orders for applications for data and recording devices, and electronics components.

Product and Market Trends

Toyobo has identified the three market sectors of electronics and information displays, automotive, and environmental and energy as growth fields for this segment.

In the electronics and information displays sector, we have finally begun to see signs of recovery in East Asia for the films for liquid crystal and optical applications used in flat-panel displays (for which demand fell sharply the previous fiscal year), due in part to Chinese government policies to subsidize consumer purchases of household electronics. Full-scale recovery in the North American and European markets,

however, is expected to take some time. Toyobo will continue to develop new technologies, cut costs further, and respond to the needs of the market.

In the automotive sector, we anticipate new business opportunities as automobile production recovers in the BRICs and other developing countries, and cars are made lighter and incorporate more electronic components. For engineering plastics, we provide precision development for automobile design, and are enhancing our marketing structure and product lineup. In response to the increasing use of automotive electronics, we will offer next-generation printed circuit board materials with superior thermal properties.

Strategies

[New Product Development]

Glass-fiber reinforced nylon resin ▶ "JF-30G" glass-fiber reinforced nylon resin is a material with exceptional modulus and strength developed with advanced compound and polymer alloy technologies. Its flexural strength is superior to that of metals or carbon-fiber reinforced resins, and as a substitute for steel or magnesium alloy is accelerating the trend toward lighter weights and thin-walled design in the automotive and electronic device fields.

Amorphous polylactic acid "VYLOECOL" ▶ Polylactic acid is one of the most common biodegradable, bio-based resins. But because ordinary polylactic acid is crystalline in nature it does not dissolve in ethyl acetate or other general-purpose sol-



Packaging films



An application of polyester elastomer "PELPRENE"



An application of polyester engineering plastic "VILOPET"

vents, making it unsuitable for use in inks, adhesives or paints. "VYLOECOL" is the world's first amorphous (noncrystalline) polylactic acid, created from Toyobo's polymerization technology. Because it dissolves in general-purpose solvents, "VYLOECOL" can be used in inks, adhesives and paints. The use of bioplastics is increasing rapidly as a means of environmental conservation, particularly in Europe. Development has already begun on using "VYLOECOL" in packaging material.

Resist ink for electronic circuits ▶ Toyobo has begun marketing polyimide resist ink for flexible printed circuits. Drawing on its polymer modification technologies, Toyobo has developed a heat curing solder-resist ink that will not crack or warp, while at the same time is non-halogen and flame-retardant. The ink can be applied directly onto the circuit board to form an insulating film, allowing for substantial reductions in work-hours required for the commonly used insulating film lamination method. Toyobo is also in the process of developing photosensitive resist ink for next-generation fine-pitch circuits.

[Overseas Business Strategy]

For engineering plastics, Toyobo continues to expand its automotive-related facilities in China, Thailand and North America. In the United States, to bolster our technical service we have stationed engineers in Detroit on a full-time basis, while in China and Thailand our local supply capacity is steadily increasing. For the "VYLON" series of industrial

adhesives, we are actively expanding sales of hot-melt adhesives, polyamide-imides, and polylactic acid (PLA) coatings. For the photo-functional materials business, we anticipate an increase in overseas business with the proactive switchover from analogue to digital printing.

[Capital Expenditure Plan]

Toyobo is scaling by capital investment in fiscal 2010 (ending March 31, 2010) as part of its measures to reduce costs. The Films and Functional Polymers segment is focusing on capital spending to lower costs, and will improve the profitability of mainstay products such as PET films for liquid crystal and optical applications. In addition, we plan to acquire testing devices and compact production equipment necessary for the development of next-generation products.

Outlook for Fiscal 2010

We forecast segment sales of ¥120.0 billion in fiscal 2010, with operating income of ¥4.8 billion. Since we anticipate that sluggish demand and difficult business conditions will continue through the first half of the period, we will implement a far-reaching program of equipment consolidation and cost reductions. At the same time, we expect a quick contribution to earnings from short-term development projects, and are preparing for the next growth stage by accelerating development of next-generation new products.



An application of conductive paste industrial adhesive "VYLON"

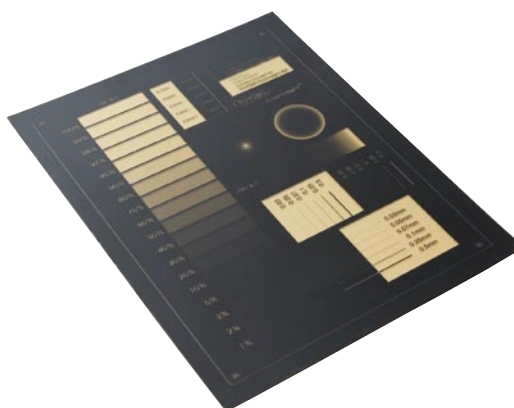
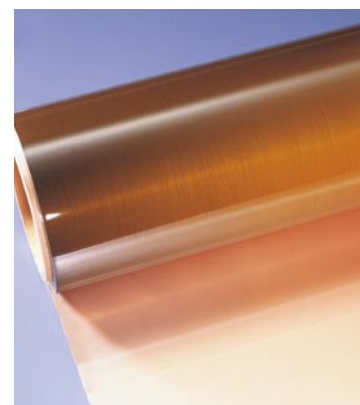


Photo-sensitive printing plates "PRINTIGHT"



Polyamide-imide dual-layer FCL

INDUSTRIAL MATERIALS



Kazumasa Kouyama
Corporate Officer,
in Charge of
the Industrial Materials
Segment

Business Division Policy

This segment consists of a wide range of functional materials, including materials for such automotive applications as airbags, tire reinforcement, interiors and engine filters, high-strength and heat-resistant materials for use in ship mooring cables and fire-fighting clothing, and a wide variety of bag filters and air purification filters used in thermal power stations and other facilities. We also continue to develop next-generation materials, and have high expectations for Toyobo's technology development capabilities. We are planning further business expansion, and will continue to offer unique

functional materials to benefit the environment and safety.

Results for Fiscal 2009

Sales in this segment declined ¥1.5 billion (1.9%) from the previous fiscal year to ¥74.7 billion, with operating income down ¥1.4 billion (24.6%) to ¥4.1 billion. We had targeted aggressive expansion in this segment for such products as automotive components, high-performance fibers, and functional filters, but sales of automotive components fell sharply from the second half of fiscal 2009.

Airbag fabrics sales declined as a result of the worldwide production adjustments for automobiles during the second half of the subject fiscal year. Tire cord sales rose slightly despite the decline in automobile production, as expansion of market share and other measures minimized the impact. Sales of the high-performance fiber "DYNEEMA" rose on the back of continued strong demand for such applications as safety gloves, fishing lines, and mooring cables. In the filters field, sales were up slightly for the functional filters used in such applications as automotive components, office equipment and home electronics. Revenue from spunbond declined due to a slowdown in construction and automotive-related demand.



Airbag fabrics



Ultrahigh-strength polyethylene fiber "DYNEEMA" and its applications



An application of PBO fiber "ZYLON"

Product and Market Trends

Airbag fabrics ▶ The business has continued to expand, with growth deriving from weaving and processing innovation that enables airbag fabrics to be used without coating, along with yarn manufacturing technologies to create highly flexible and strong filaments for more compact airbags, and our quality assurance systems to ensure safety. Toyobo now has a greater than 50% share of the market among Japanese manufacturers of airbags. Demand has temporarily declined with the global economic downturn, but we expect growth to resume, taking into account rising car ownership mainly in developing countries, and a rise in the number of cars equipped with airbags.

Tire cords ▶ The tire cord market shrank during the second half of fiscal 2009, and sales volume fell temporarily. However, as the leading supplier to tire manufacturers with a long track record of stable supply, Toyobo increased its market share by building trust, reducing costs, and shifting to high-profit items. We will continue to concentrate on full-scale production and marketing efforts.

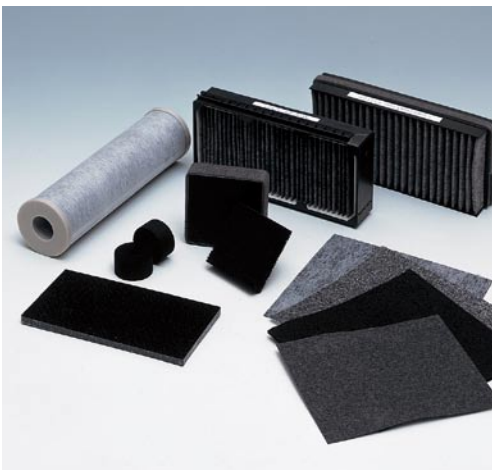
High-performance fibers ▶ "DYNEEMA" is an ultra-strong polyethylene fiber with a light weight (a relative density of 0.97). Sales have risen in all application categories, including fishing line, safety gloves,

rope and netting. To meet this robust demand, in early 2010 we will increase production capacity with an additional production line at Nippon Dyneema Co., Ltd., a joint venture with the Dutch firm Royal DSM N.V. Further capacity increases are also being planned.

The poly-benzobisoxazole (PBO) fiber "ZYLON" possesses some of the highest levels of strength, elastic modulus, heat and flame resistance among organic fibers. We are currently developing applications where the fiber's outstanding performances can be fully utilized.

Functional filters and non-woven fabrics ▶ Toyobo offers a range of products that draw on its expertise with adsorbent and flame-retardant materials, non-woven fabric and filter manufacturing technologies. These include products to aid environmental conservation, a variety of filters for automotive, office equipment and home electronics use, automotive interiors and components, and construction materials.

Greater awareness of the need for global environmental conservation in recent years sharpened the focus on reductions in volatile organic compounds



Activated carbon fibers "K-FILTER"



Solvent adsorption equipment



Bag filters made of "PROCON" and "TOYOBO P84"

(VOCs). Solvent adsorption equipment incorporating the activated carbon fiber "K-FILTER" helps to prevent emissions of solvents into the atmosphere, as well as conserve resources by allowing their recovery and reuse. Such equipment is in use at a wide range of manufacturing plants both in Japan and overseas, including LCD and semiconductor producers and printing factories, and sales have risen. Environmental conservation is a global issue, and we expect needs for this type of technology to increase.

"PROCON," a polyphenylene sulfide (PPS) fiber for bag filters, is increasingly being used at thermal power plants and waste processing centers, where it is effective in preventing airborne contaminants. We expect sales to remain strong in overseas markets.

Spunbond (non-woven filament fabrics) are used in automotive interiors, spring bearings, and "CATENA" tonneau covers. Toyobo's subsidiary, Kureha Ltd., manufactures automotive filters using non-woven staple fabrics both in Japan and overseas. **"BREATHAIR"** ▶ "BREATHAIR" is a three-dimensional spring structure formed from random coil configuration elastomeric resin. It is a lightweight cushioning material with high durability, as well as recyclable. It offers excellent buffer effects and comfort, as confirmed by scientific measurement and sensory assessments. With these advantages, "BREATHAIR" has grown rapidly, especially in the

market for railcar seats and healthcare products. It has gained prominence in the industry as an environmentally friendly alternative to urethane foam and metal springs.

Strategies

Though the automotive market in Japan is shrinking temporarily, over the medium term we will actively seek to increase our share of the supply of materials to Japanese automakers.

As demand for environmentally friendly products is growing overseas, we will strengthen our sales structure through alliances with local corporations and other means in an effort to expand our market share.

Outlook for Fiscal 2010

We forecast segment sales of ¥70.5 billion in fiscal 2010 (ending March 31, 2010), with operating income of ¥4.9 billion. We expect the market to remain sluggish during the first half of the fiscal year as a result of inventory adjustments among automotive-related companies, and will secure earnings through far-reaching cost reductions and inventory cutbacks. We anticipate earnings to increase in the second half of the fiscal year as sales volume improves.



Tonneau covers made of spunbond "CATENA"



Three-dimensional spring-structured fiber "BREATHAIR"

LIFE SCIENCE



Kazuo Kurita
Corporate Officer,
in Charge of
the Life Science Segment

Business Division Policy

This segment handles the medical services, health-care and well-being markets. It consists of the medical and water treatment membranes business developed from Toyobo's fiber processing technologies, the bioproducts business derived from our fermentation and purification technologies, and the contract manufacturing of pharmaceuticals. We have actively pursued expansion in this stable, growth field that is less impacted by fluctuations in the economy.

Results for Fiscal 2009

Sales in this segment declined ¥0.8 billion (2.5%) from the previous fiscal year to ¥33.1 billion,

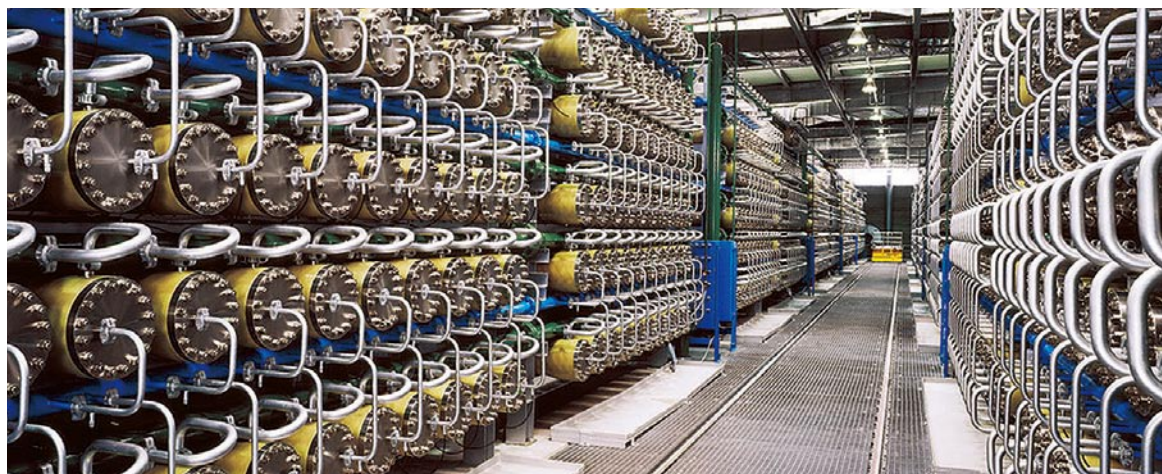
despite strong sales from contract manufacturing of pharmaceuticals and water treatment membranes, mainly as a result of the considerable decline in the medical membranes business. Operating income was also down ¥2.1 billion (41.8%) to ¥3.0 billion as a result of the appreciation of the yen.

In the bioproducts business, sales rose steadily for enzymes for blood glucose measuring applications and diagnostic systems, but declined for reagents for research use. In contract manufacturing of pharmaceuticals, sales rose with the continued acquisition of large-scale contracts. Sales of membranes for medical use were down, as increases from an ongoing switchover to a new membrane type failed to absorb first-half declines. Revenue from water treatment membranes rose substantially on the back of shipments for a large-scale project in the Middle East.

Product and Market Trends

Bioproducts ▶ As the market for diabetes testing expands, Toyobo's new enzymes for blood glucose measuring applications have emerged as the leading product in terms of both quality and sales. To expand applications to other fields, we are also drawing on our fermentation technologies to develop raw materials for use in cosmetics.

The diagnostic systems market continues to grow steadily in the BRICs, particularly China. Toyobo is



Seawater desalination plant in Fukuoka, Japan

moving forward with product development utilizing its advantage of an integrated production and marketing structure, from raw materials for reagents to the reagents and diagnostic system devices. Looking ahead, we plan to expand beyond Japan with full-scale business expansion in overseas markets.

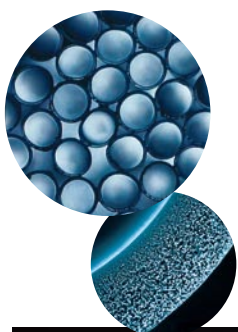
Medical membranes ▶ The global market for membranes for artificial kidneys is growing, particularly in developing countries, but aggressive expansion of production capacity among leading manufacturers has led to oversupply. Along with our cellulose acetate (CA) and cellulose triacetate (CTA) as the main membrane materials for artificial kidneys, polysulfone (PSF) and polyethersulfone (PES) have been accepted in the market. We will expand our market share by launching new PES membranes, manufactured using state-of-the-art technology, as well as by enhancing the biocompatibility of CA and CTA membranes.

Water treatment membranes ▶ The growing world population has led to concerns of shortages of safe drinking water, and raised expectations for the water treatment membrane business.

Toyobo's reverse osmosis membranes for seawater desalination are made of CTA, which has

superior resistance to chlorine, helping to prevent membrane bio-fouling and allowing for the stable production of high-quality water. The superior performance of Toyobo membranes has been particularly recognized in the Gulf Cooperation Council (GCC), the world's largest market for desalination and the area with the greatest potential for growth of microorganisms. These membranes are in use at many large-scale plants in the region, giving Toyobo a large share of the market. Demand for desalination remains firm, and we will focus on the Middle East region to expand sales of CTA hollow fiber reverse osmosis membranes, which offer superior bio-fouling resistance, and have a strong track record for stable plant operation over several years.

The need to remove chlorine-resistant protozoan from water supplies has risen in recent years. In response, Toyobo has introduced for the Japanese market PES UF membranes, which offer superior fouling resistance and durability. These membranes have been adopted for use at the Kouzan Water Treatment Plant (daily water production capacity of 80,000m³) in Tottori Prefecture, the largest membrane filtration plant for drinking water in Japan.



Hollow fiber membranes for artificial kidneys



Kouzan Water Treatment Plant in Tottori, Japan



Reagent for life science research

We are also stepping up development of low-pressure reverse osmosis membranes for the promising wastewater reuse market.

Contract manufacturing of pharmaceuticals ▶

Pharmaceutical companies have increasingly contracted out production since the revisions to Japan's Pharmaceutical Affairs Law. Toyobo is steadily producing injectable pharmaceuticals that conform to overseas Good Manufacturing Practice (GMP) standards, and has received numerous business inquiries. Our main strength is the ability to provide a complete service, from the initial development support to the final product manufacturing, combining formulation and testing under a single company. In cooperation with Toyobo Biologics Inc., we are also able to offer an integrated service from manufacturing of raw biopharmaceuticals to formulation. We will continue to focus on contract manufacturing of biopharmaceuticals.

Strategies

Bioproducts: We will introduce new culturing equipment to expand our production structure for enzymes for blood glucose measuring applications, and work to expand our market share in Europe and North America.

Water treatment membranes: More than 80% of sales are in overseas markets. We will accelerate efforts to develop business in the water and wastewater reuse markets outside the Middle East, including Asia, North America and Europe.

Outlook for Fiscal 2010

We forecast segment sales of ¥35.0 billion in fiscal 2010 (ending March 31, 2010), with operating income of ¥3.7 billion. In bioproducts, we will market our new enzymes for blood glucose measuring applications worldwide, and launch new raw materials for cosmetics. In contract manufacturing of pharmaceuticals we will acquire new large-scale contracts. In medical membranes, we will expand sales of our mainstay CTA and CA products, and launch PES membranes to increase market share. In water treatment membranes, we will continue to expand our market share in the Middle East.



Enzymes for diagnostic reagents



"U-SCANNER" diagnostic system for measuring kidney functions



Otsu Pharmaceuticals Plant

TEXTILES



Hiroyuki Kagawa
Corporate Executive Officer,
in Charge of
the Textiles Segment

Business Division Policy

The Textiles segment is composed of synthetic fibers for apparel, as well as spinning, weaving, knitting, dyeing, sewing, and the wholesaling and trading of textiles in Japan and overseas. The main drivers for this business are high-value-added functional materials for apparel, developed with Toyobo's unique technologies. These are increasingly being used in fabric for sportswear, underwear, and Arabic traditional men's wear of the Middle East (thoub). Under our policy of emphasizing asset efficiency, we have stabilized earnings by scaling back commodity products and less profitable business fields, and narrowing our focus to functional and specialty apparel.

Results for Fiscal 2009

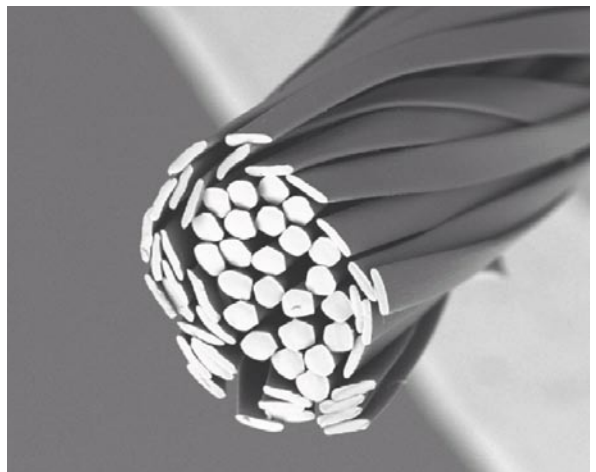
Toyobo sought to stabilize earnings in this segment in line with its policy of emphasizing asset efficiency. However, rising prices for fuel and raw materials, the rapid appreciation of the yen, falloff in consumer spending in the economic slowdown, and the strict application of accounting standards for valuation of inventories resulted in sales of ¥111.7 billion (down 21.6% year on year), with operating income of ¥1.4 billion (down 62.1%). Capital employed, as a result of the restructuring program, was reduced to ¥92.1 billion, from ¥140.6 billion in the fiscal year to March 2006.

Product and Market Trends

In the textiles field, sportswear fabric sales rose for high-density woven fabric using fine count nylon filaments, polyester, knitted fabric, and other products utilizing Toyobo's unique technologies. Sales for underwear applications were also positive on strong sales of functional materials using Toyobo's distinctive acrylic microfibers and specialty nylon filaments. Export volume to the Middle East increased on the market value commanded for high-quality, distinctive fabrics, though sales growth was slow due to the impact from appreciation of the yen. Revenue from fabric for bedding linens, shirts and work uniforms was down sharply as a result of efforts to scale back unprofitable businesses, and a falloff in demand.



Distinctive fabrics for Arabic traditional men's wear of the Middle East (thoub)



"DRYCUBE" sophisticated yarn

In the products field, sales were strong for "MUNSINGWEAR" and other sportswear applications. Production of the acrylic fiber "EXLAN" was scaled back following a falloff in exports.

Strategies

We will pursue product development centered on functional apparel, including fabric for traditional costumes of the Middle East (thoub), underwear and sportswear, combining our core business of high-order spinning technology compounding filaments and staple fibers, with techniques to evaluate and quantify the "comfort" that people feel.

For traditional costumes of the Middle East (thoub), we will strengthen product development in line with shifting trends, targeting high-end products. In underwear, for autumn and winter we will continue to develop products based on acrylic microfibers, while for spring and summer we will step up development of functional products using high-order compound spun yarns incorporating fine count nylon filaments. In sportswear, we will develop products that organically combine specialty synthetic fiber materials with functional finishing.

Business Restructuring

In line with the "master plan" for the Textiles segment (targeting operating income ROA of 5% or higher), during fiscal 2009 we withdrew from or

scaled back less-profitable businesses, narrowed the focus to functional textiles, and substantially reduced the amount of capital employed in the segment.

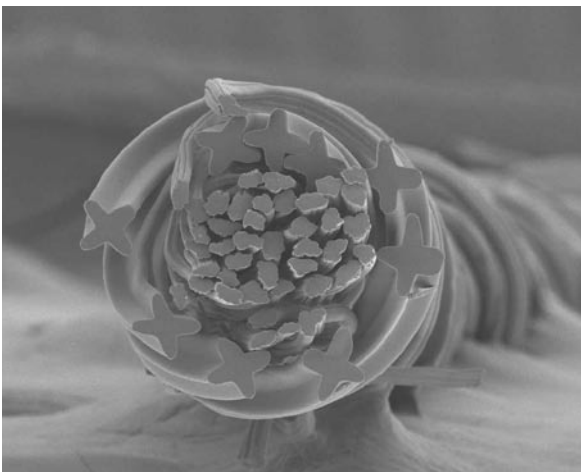
We will continue to cut costs by shrinking administrative overhead and reducing fixed assets to a more appropriate level, aiming to meet the targets for the emergency cut reduction measures being implemented throughout the Company. We will also work to reduce inventory levels, and improve asset efficiency.

Outlook for Fiscal 2010

We forecast segment sales of ¥96.5 billion in fiscal 2010 (ending March 31, 2010), with operating income of ¥2.0 billion.

To secure profit in a business climate where revenues are falling due to the slowdown in demand, Toyobo will focus its effort on the development-oriented trading company Toyobo Specialties Trading Co., Ltd., utilizing the core technologies of the Toyobo Group to establish a value chain centered on functional textiles that integrates development, production and sales, and provides higher degrees of added value to attract customers.

For all the group companies in this segment, we will continue to scale back less-profitable businesses, increase asset efficiency, and stabilize earnings.



"SALARIS" high-order compound spun yarn



Comfort evaluation technology

Corporate Social Responsibility

CSR Principles

Toyobo's fundamental principle for CSR lies in the ancient proverb, *Junri-Sokuyu* ("Adhering to Reason Leads to Prosperity"). This maxim, espoused by the Song neo-Confucian scholar Cheng Yi (1033–1107), was a favorite of Toyobo's founder, Eiichi Shibusawa, and to this day remains at the heart of our philosophy. *Junri* ("Adhering to Reason") means thinking and acting rationally and logically, as well as expresses the need to have respect for morality and ethics, the nature of being human, and an ethical sense of values.

This ideal of "Adhering to Reason Leads to Prosperity" is at the core of our CSR, from which our management vision and policies are derived.

CSR Initiatives

For many years Toyobo's corporate ethics were overseen by the Ethics Committee, chaired by the President. In March 2008 this was renamed the CSR Committee, and provides a framework for the unified oversight and administration of Toyobo's relationship with all stakeholders, including customers, shareholders and investors, business partners, local communities, employees and the global environment.



The CSR Charter formulated at that time commits Toyobo to actively fulfill its social responsibility, and to contribute to the development of a sound and sustainable society. Under this philosophy Toyobo has implemented a program of measures, including the following.

1. Crisis management training ► Toyobo has established several committees to handle risk management, including the Global Environment and Safety Committee, the Product Liability Prevention/Quality Assurance Committee, and the Internal Control Committee, providing a solid framework for dealing with risk. To put this structure into practice, we regularly conduct crisis management trainings based on possible scenarios, focusing on actions to prevent any impairment in corporate value.

In December 2008 we conducted a training envisioning a case of compliance violation, putting together a crisis response headquarters to confirm the command structure, and disclosure to stakeholders. We plan to conduct additional crisis management training in 2009.

2. Environmental measures ► Toyobo recognizes that consideration for the global environment is a fundamental principle for corporate activity, and believes it has a social responsibility to pursue environmental conservation at all levels in the business process, from product development to design, manufacturing, sales, disposal and recycling.

During fiscal 2009 we strengthened our pollution control management framework, revising and expanding the structures and methods to ensure full compliance with laws and regulations. Measures to help prevent global warming, such as reductions in CO₂ emissions, have been implemented in all manufacturing and logistics divisions, as well as at group companies.

Toyobo has also strengthened its measures to reduce its output of industrial waste and harmful chemical substances. We took steps to reduce the environmental burden with products free of hazardous chemicals, and conservation of energy and resources. Specific measures included a drastic

reduction in truck transport from our facility in Tsuruga, Fukui Prefecture with modal shift to transport via ships using the Tsuruga port.



Tsuruga port

3. Environmental Business Award from “eco japan cup 2008” ▶ Toyobo’s efforts in the water treatment membranes business were recognized with an Environmental Business Award at the “eco japan cup 2008”, a contest for “discovering and growing seeds of green business” sponsored by the Ministry of Internal Affairs and Communications, the Ministry of the Environment, the NPO Environmental Business Women, and Sumitomo Mitsui Banking Corporation.

Toyobo’s seawater desalination membranes, which have superior resistance to chlorine, are considered a very effective solution to prevent biological fouling in the RO process. The superior bio-fouling resistance allows for minimizing the chemical consumption and for stable production of high-quality water at low cost. The main material (cellulose triacetate) used in these membranes is made from a natural material. These factors were highly rated for their contribution to lowering the environmental burden.

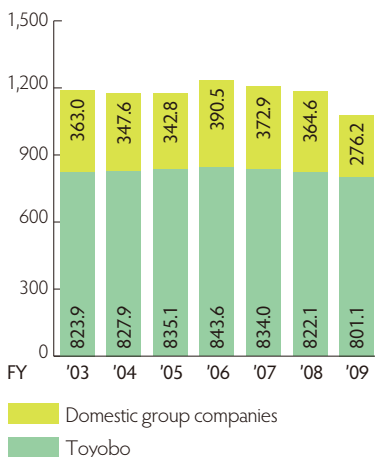


Upcoming CSR Initiatives

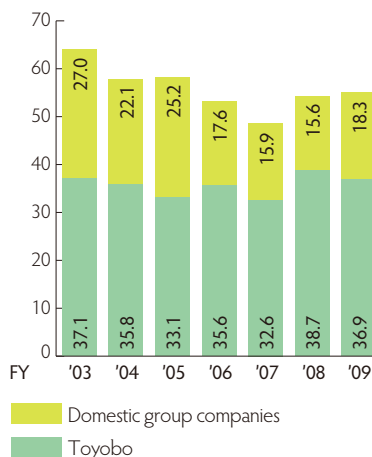
Toyobo will clarify its initiatives for fiscal 2010 through the formulation of its medium-term CSR plan, with specific measures for each committee. The plan activities reflect an analysis of shifts in the perception, values or actions of stakeholders with regard to the Company, and whether these are being emphasized in the various measures.

The business climate has changed radically from last year, and Toyobo was forced to modify its business plan in response, but our philosophy toward CSR remains unchanged. We will continue to act with responsibility toward society, while adapting to the changing times.

Volume of CO₂ Emissions (Thousand t)



Industrial Waste Generated (Thousand t)



Selected for Inclusion in the FTSE4Good Index



FTSE4Good

Toyobo has been included in the FTSE4Good Global Index, which was established by FTSE International Limited, an independent company jointly owned by the U.K. newspaper *The Financial Times* and the London Stock Exchange. The index selects for inclusion in the index companies pursuing corporate social responsibility (CSR) initiatives, based on the following criteria: environmental sustainability; human rights; countering bribery; supply chain labor standards; and climate change.

Corporate Governance

Basic Policy on Corporate Governance

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

Corporate Governance Structure

Board of Directors' meeting and executive officer system ► Toyobo has adopted the Executive Officer System to enhance management transparency and fairness by clearly separating decision-making and oversight from business execution.

Decision-making and oversight are conducted by the Board of Directors, who make decisions on management policies, management plans and other important matters regarding the execution of business operations, as well as supervise directors and executive officers in regard to their respective duties. The Board of Directors consists of 10 members, one of whom is an outside director charged with enhancing the transparency of decision-making. All directors, with the exception of the Chairman and outside director, also serve as executive officers to provide speedy and accurate decision-making in a professional manner for a variety of business operations.

Business execution is centered on the Board of Corporate Executive Officers, consisting of executive officers overseeing the various divisions and chaired by the President and COO, which meets regularly more than once a month. The Board of Corporate Executive Officers makes decisions on matters relating to business execution as delegated by the Board of Directors. The President and COO convenes the Board of Corporate Officers once a month to report on business execution and the status of company-wide projects.

Corporate auditor system and auditing structure

► The Board of Corporate Auditors consists of two full-time corporate auditors and two part-time corporate auditors, who are outside auditors. They attend meetings of the Board of Directors and other important meetings, and provide their opinion as

necessary. Toyobo has retained KPMG AZSA & Co. as its financial auditor in accordance with the Public Accounting Act.

The Internal Audit Department monitored the effectiveness of internal controls. It conducts internal auditing according to an annual schedule.

Strengthening of group governance ► Toyobo has strengthened the management of group companies, and enhanced its auditing structure to improve asset efficiency for the entire group, and ensure thorough governance. For group management, Toyobo has reorganized its group companies along business division lines, and established the Group Management Office to strengthen company-wide governance.

Risk Management Structure

Toyobo has established the Planning Council and Management Council under the Board of Corporate Executive Officers to deliberate beforehand, from a professional perspective, any major capital expenditures, new business proposals, significant investments or other initiatives, and manage any business risk. For management of specific risks, Toyobo has established the CSR Committee, chaired by the President, for overall risk management, under which it has established the Global Environment and Safety Committee, Product Liability Prevention/Quality Assurance Committee, Compliance Committee, Export Reviewing Committee, Internal Control Committee, Information Committee, and Research and Development Committee, which handle the various risks facing the Toyobo Group as a whole.

Compliance Structure

Toyobo has established the Compliance Committee, chaired by the director in charge of compliance, and the Compliance Inquiring Counter for internal reporting of compliance issues. We have formulated the Toyobo Corporate Action Guidelines and Toyobo Corporate Code of Conduct, distributed to employees to ensure they are aware of compliance with laws and corporate ethics. We have also established the Compliance Group within the Law Department to be the administrative department in charge of compliance.

Management

As of June 26, 2009

Board of Directors



Chairman of the Board
Junji Tsumura



President
Ryuzo Sakamoto



Director
Fumishige Imamura



Director
Kenji Hayashi



Director
Fumiaki Miyoshi



Director
Hiroyuki Kagawa



Director
Kazuo Kurita



Director
Masaaki Sekino



Director
Kazumasa Kouyama



Director
Kunihiro Ashida*

* Outside Director

Board of Corporate Auditors

Kazuyuki Yabuki
Hiroshi Takahashi
Shusaku Nishio*
Hiroshi Nishiura*

* Outside Corporate Auditor

Corporate Officers

■ Chief Operating Officer
Ryuzo Sakamoto

■ Corporate Senior Executive Officer
Fumishige Imamura

■ Corporate Executive Officers
Kenji Hayashi
Fumiaki Miyoshi
Hiroyuki Kagawa
Kunio Tou

■ Corporate Officers
Kazuo Kurita
Masaaki Sekino
Kazumasa Kouyama
Yukihiro Sogabe
Masayuki Yoshikawa
Osamu Izukawa
Shinichi Onizuka
Setsuo Shimomichi
Toshiyuki Matsui
Hiroshi Takabayashi
Yukio Kawasaki
Kunio Yano
Ryoichi Sakamoto

Group Companies

(As of March 31, 2009)

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

Industrial Materials

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

Life Science

| | | | |
|---|-------|-----------|---|
| Toyobo Gene Analysis Co., Ltd. | 100.0 | ¥90 | Contract research of biopharmaceuticals |
| Toyobo Biologics Inc. | 100.0 | ¥100 | Contract manufacturing of pharmaceuticals |
| Toyobo (Shanghai) Biotech Co., Ltd. | 100.0 | ¥50 | Manufacture and sales of bioproducts for life science |
| Shanghai Kehua Dongling Diagnostic Products Co., Ltd. | 30.0 | US\$1,600 | Manufacture of diagnostic reagents |

Textiles

| | | | |
|---------------------------------|-------|-----------|---|
| Japan Exlan Co., Ltd. | 80.0 | ¥2,000 | Manufacture of acrylic fibers and acrylate products |
| Toyobo Technowool Co., Ltd. | 100.0 | ¥100 | Manufacture and processing of wool fabrics |
| Toyobo Sewing Threads Co., Ltd. | 100.0 | ¥100 | Sales of sewing threads, spanbonds |
| Toyo Knitting Co., Ltd. | 100.0 | ¥92 | Sewing of sportswear |
| Sundia, Inc. | 80.2 | ¥100 | Sewing of jeans |
| Suntomic Co., Ltd. | 75.0 | ¥50 | Manufacture of uniforms |
| Perak Textile Mills Sdn. Bhd. | 60.0 | MYR16,839 | Manufacture of textiles |

| | Equity Ownership (%) | Paid-in Capital* (Millions of Yen) | Business |
|---|----------------------|------------------------------------|--|
| Industrias Unidas, S.A. | 92.6 | SVC55,443 | Manufacture of textiles |
| Toyobo Wool (Malaysia) Sdn. Bhd. | 100.0 | MYR8,490 | Manufacture of wool yarns |
| Toyobo Textile (Malaysia) Sdn. Bhd. | 100.0 | MYR20,000 | Manufacture of textiles |
| P.T. Toyobo Knitting Indonesia | 96.5 | US\$17,156 | Manufacture of knitting fabrics |
| Toyobo do Brasil Industria Textil Ltda. | 100.0 | BRL19,922 | Holding company of Toyobo do Brasil Ltda., real estate |
| Toyobo do Brasil Ltda. | — | BRL32,173 | Manufacture of textiles, bioproducts |
| P.T. Shinko Toyobo Gistex Garment | 30.0 | US\$5,000 | Sewing of shirts and sportswear |

Commerce

| | | | |
|--------------------------------------|-------|--------|-----------------|
| Toyobo Specialties Trading Co., Ltd. | 100.0 | ¥2,500 | Trading company |
|--------------------------------------|-------|--------|-----------------|

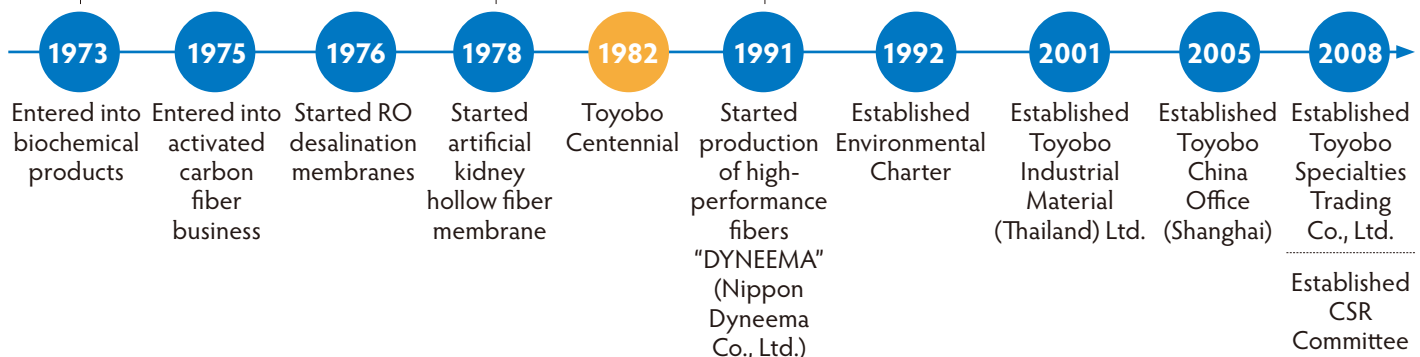
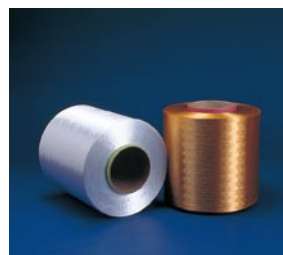
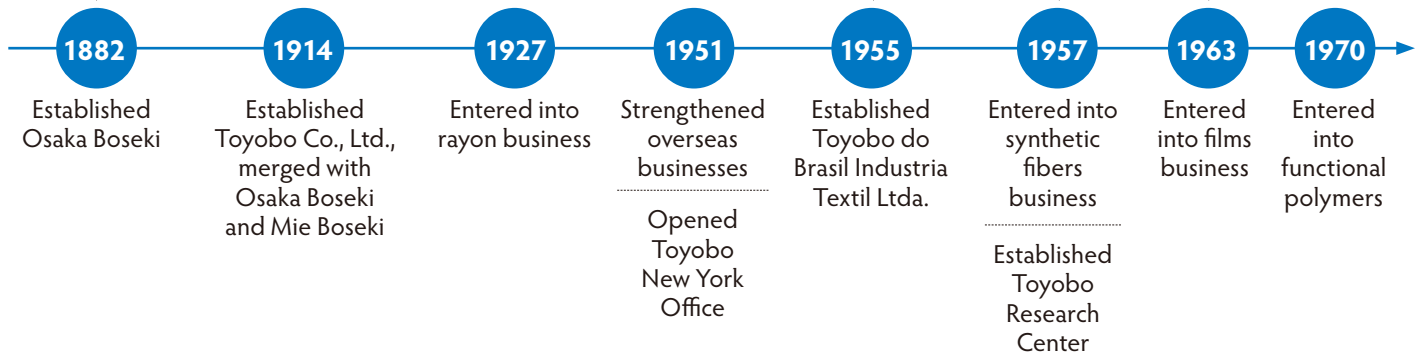
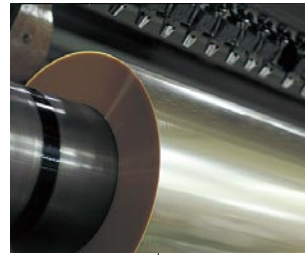
Others

| | | | |
|--|-------|--------|---|
| Miyuki Holdings Co., Ltd. | 39.6 | ¥1,815 | Wool textiles, real estate, electronics devices |
| Toyobo Real Estate Co., Ltd. | 100.0 | ¥800 | Real estate, insurance services |
| Toyobo Engineering Co., Ltd. | 100.0 | ¥120 | Construction, engineering, sales of equipment |
| Toyobo Logistics Co., Ltd. | 100.0 | ¥40 | Logistics |
| Toyobo Information System Create, Inc. | 100.0 | ¥50 | Development of information systems and software |
| Toyobo G.F.A. Co., Ltd. | 100.0 | ¥50 | Financial services |
| Toyobo Fairtone Co., Ltd. | 100.0 | ¥100 | Sales of carpets and other fiber products for interiors |
| Toyobo Living Service Co., Ltd. | 100.0 | ¥100 | Linen supply services |

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

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

Corporate History



Investor Information

(As of March 31, 2009)

■ Stock Listings

Tokyo, Osaka

■ Stock Code

3101

■ 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

101,555

■ Major Stockholders

(10 largest stockholders)

| | Number of shares held (thousands) | Percentage of voting rights (%) |
|---|--------------------------------------|------------------------------------|
| Japan Trustee Services Bank, Ltd. (Trust Account 4) | 30,844 | 4.41 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 29,770 | 4.26 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 23,625 | 3.38 |
| Nippon Life Insurance Company | 20,613 | 2.95 |
| Mizuho Corporate Bank, Ltd. | 13,393 | 1.92 |
| The Bank of Tokyo–Mitsubishi UFJ, Ltd. | 13,214 | 1.89 |
| Toyukai (Contractor Share Holding) | 13,129 | 1.88 |
| Sumitomo Mitsui Banking Corporation | 13,034 | 1.86 |
| Meiji Yasuda Life Insurance Company | 11,829 | 1.69 |
| Toyobo Employee Stockholders' Association | 9,116 | 1.30 |

Corporate Data

(As of March 31, 2009)

■ Head Office

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

■ Established

May 1882

■ Incorporated

June 1914

■ Number of Employees

3,124 (Nonconsolidated)
11,181 (Consolidated)

■ Branches

Tokyo Branch

Higashi-Gotanda Square Building,
10-2, Higashi Gotanda 2-chome,
Shinagawa-ku, Tokyo 141-8633, Japan
Telephone: +81-3-6422-4800

Nagoya Branch

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Nagoya 460-0008, Japan
Telephone: +81-52-261-1311

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