



© YOSHIHITO TAKEUCHI

# *From "Recovery" to "Growth"*

## 2010

**Annual Report**

Year Ended March 31, 2010

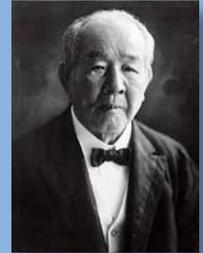


## Profile

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 "The category leader for providing new value in the environment, life science, and high-function products fields."

### 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.

## Toyobo Group's Management Vision



A "category leader" is a business that overwhelmingly dominates in a specific market or field as a result of a company's advanced unique technologies and expertise.

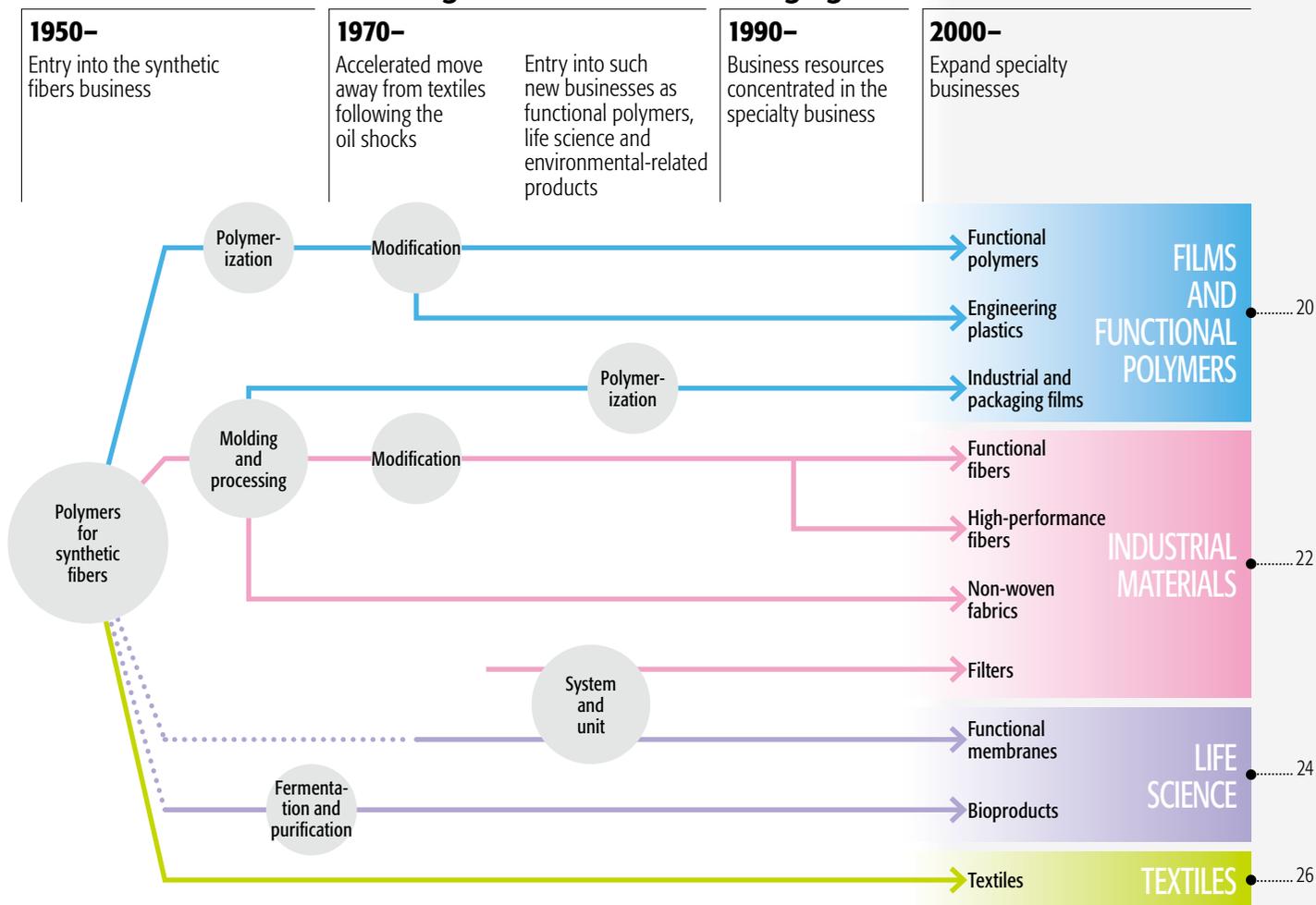
Over the past year our earnings capacity has steadily recovered, and now we are shifting our priority to achieving growth. We formulated a new medium-term management plan to be implemented through the fiscal year ending March 2014.



## Contents

Product Overview by Strategic Field.....	2
Environmental Field.....	2
Life Science Field.....	4
Automotive Field.....	6
Electronics and Information Display Field.....	8
Lifestyle and Safety Field.....	10
Consolidated Financial Highlights*.....	12
<b>To Shareholders and Investors</b> .....	14
Research and Development (R&D).....	18
Review of Operations by Business Segment.....	20

## Diversification into a Broad Range of Fields with the Changing Times



\*Financial Statements, Notes and Independent Auditors' Report  
**View/download online** at [www.toyobo.co.jp/e/annai/zaimu/](http://www.toyobo.co.jp/e/annai/zaimu/)

Quality Control.....	27
Corporate Social Responsibility.....	28
Corporate Governance.....	30
Management.....	31
Corporate History.....	32
Investor Information.....	33
Corporate Data.....	33

### Cover Caption

#### Advancement

Alongside the customers linked to us through our products, we unite the individual strengths of the Toyobo Group, and head into the future one sure step at a time.

Progress in environmental issues and finding solutions to problems such as global warming, and pollution from waste and chemical substances, is an important issue for all of humanity. Toyobo provides products and systems that draw on its unique core technologies to help conserve the global environment.

# Toyobo products help solve global environmental issues

## Principal Products 1 | Reverse osmosis membrane "HOLLOSEP" for seawater desalination

- Toyobo manufactures the reverse osmosis (RO) membrane modules that are the critical component of seawater desalination plants. These modules are employed in water production by seawater desalination plants around the world.
- In 1979, Toyobo began the world's first commercial production and sales of RO membrane modules for single-pass seawater desalination. The widespread use of Toyobo modules has earned us a reputation for reliability.
- Toyobo's desalination membranes are made of cellulose triacetate (CTA), which has superior resistance to chlorine. This helps prevent bio-fouling of the membrane, the biggest problem during the desalination process. Toyobo's membranes are highly regarded, and are being used to produce high-quality drinking water even in the Middle East, where the warm temperature and high salinity of seawater presents particular problems.
- Toyobo membranes have also been in use at Japan's largest seawater desalination plant, in Fukuoka Prefecture, since 2005.

Seawater desalination plant in Fukuoka, Japan



## Segment Topics

### (1) Establishment of the first manufacturing and sales company for RO membrane elements in Saudi Arabia

- Toyobo, in a joint venture with the Saudi Arabian company ACWA Power Holding and ITOCHU Corporation, established Arabian Japanese Membrane Company, LLC, a manufacturing and sales company for RO membrane elements for seawater desalination, in an effort to expand the seawater desalination business.
- The new company plans to begin production from March 2011.



### (2) Films for solar cell backsheets

- Solar power generation is expected to expand in the future.
- Toyobo has developed the polyester (PET) film "SHINEBEAM" (transparent and white) for solar cell backsheets.
- These films have higher durability against hydrolysis, providing about 1.5 times elongation of life compared with conventional PET backsheet films.

## Principal Products 2 VOC emissions treatment equipment and systems

- Toyobo develops systems to recover or remove the volatile organic compounds (VOCs) contained in the gas emitted during various manufacturing processes, including semiconductor, LCDs and printing. Our high-performance treatment equipment and system using a honeycomb adsorption material, of unique activated carbon fiber, helps companies meet their environmental strategies, and contributes to resource conservation.

Toyobo's VOC emissions treatment system at Sharp Corporation's Kameyama Plant



## Product Overview

RO membrane element for seawater desalination "HOLLOSEP"



Ultrafiltration (UF) membrane module for drinking water purification "DURASEP"



Low pressure RO membrane module for reuse of waste water "HOLLOSEP"



VOC emissions treatment system: VOC adsorption system "K-FILTER," VOC recovery apparatus and VOC gas concentration system



Activated carbon fiber "K-FILTER": Fibrous activated carbon that adsorbs and removes harmful substances and malodorous elements from the air



Bag filters: Filter cloth material for high-temperature bag filters



GS Catalyst PET: New catalyst, heavy metal-free



Amorphous polylactic acid resin "VYLOECOL"



Water-dispersible polyester resin "VYLONAL"



- In developed countries, medical care is becoming increasingly advanced and societies are aging, while in emerging nations medical needs are expected to increase.
- Toyobo is developing business in a wide range of medical and healthcare fields, including diagnostic enzymes, medical membranes, and contract manufacturing of pharmaceuticals.

# *Toyobo products support the progress of medicine*

## Principal Products

### 1 Compact chemiluminescent autoanalyzer "POCube"

- The need for prompt results from clinical tests has increased in recent years.
- "POCube" is a compact autoanalyzer able to perform a variety of clinical tests with high accuracy, allowing for shorter testing times, easier operation, and lower cost.
- In 2010, Toyobo launched an influenza reagent (able to distinguish the A and B strains), and is anticipating growth in sales.



## Segment Topics

### (1) FAD-GDH enzyme for self-monitoring of blood glucose sensors

- The measurement of blood glucose is essential for the diagnosis and treatment of diabetes, one of modern society's lifestyle-related diseases.
- Toyobo's "FAD-GDH" (FAD glucose dehydrogenase) realizes more accurate measurement of blood glucose levels than previous products.
- Toyobo holds the second largest market share worldwide for diagnostic enzymes, including enzymes for self-monitoring of blood glucose sensors.



### (2) Reorganizing of the biopharmaceuticals CMO business

- Toyobo Biologics Inc., engaged in the antibody drugs contract manufacturing organization (CMO) business, and Toyobo Gene Analysis Co., Ltd., engaged in the gene analysis business, merged at the end of March 2010, with Toyobo Biologics the surviving company. The merger will establish a structure for unified production of biopharmaceuticals from development to manufacture, and accelerate the expansion of Toyobo's biopharmaceuticals CMO business.

## Technology Overview

- Injectable pharmaceutical formulation technology: Full support from formulation considerations to manufacture of investigational drug and final product
- Solid dosage drug (tablet or granule form) formulation technology: Total support from pre-formulation to industrialization considerations
- Biotechnology-derived drug ingredient formulation technology: Contract R&D for biotechnology-based drugs and production of bio-drug ingredients
- Quality testing technology: Full support for all quality testing needs related to pharmaceuticals



## Principal Products 2 *Hollow fiber membranes for artificial kidneys*

- Hemodialysis patients have been steadily increasing in number. By 2015, it is estimated that the number of patients worldwide will be more than 2.3 million.
- Based on its advanced technologies of precise micro-phase separation and pore size control, Toyobo has developed hollow fiber membranes for artificial kidneys, and commercialized them since 1981, to provide patients with a better quality of life.
- Due to their reliable high performances and qualities, these membranes have been accepted worldwide and are used for treating hemodialysis patients all over the world.



## Product Overview

Automated urine sediment analyzer "U-SCANNER II"



Fully automatic gene analyzing system "GENECUBE"



Toyobo Biologics' plant



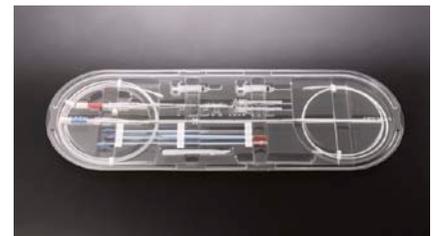
Immunoreaction enhancer response reagent "Can Get Signal"



Genetic engineering reagents "KOD-Plus-Neo" and "KODFX"



Extracorporeal circulation cannula "Flexmate"



## AUTOMOTIVE

Automobiles require extreme safety and comfort, as well as durability. Their environmental load also needs to be reduced as much as possible. Toyobo draws on its technology base in synthetic fiber to provide high-function materials for every aspect of automobiles, from interior and exterior materials to tire components, filters and other parts.

# *Toyobo products help automobiles combine safety and environmental soundness*

### Principal Products



### *Airbag fabrics*

- Toyobo offers a wide lineup of airbag fabrics highly regarded by automotive parts manufacturers, from low denier uncoated fabrics that are lightweight and compact to new types of coated fabrics for superior heat resistance. We anticipate growth in this field as a result of the increasing use of side and curtain airbags, and demand from the BRICs and other emerging nations.



## Segment Topics

### Establishment of the Fine Chemicals Division

On March 1, 2010, Toyobo merged with its wholly owned subsidiary Toyo Kasei Kogyo Co., Ltd., and established the Fine Chemicals Division. Going forward, we will strengthen the ties and integration of our lineup of modified polyolefins such as the adhesive primer "HARDLEN," engineering plastics, and high-function resins such as the industrial adhesive "VYLON."

Adhesion promoter to polyolefin "HARDLEN"



## Principal Products 2 Engineering plastics

- Automakers have set targets for raising fuel efficiency by making vehicles lighter. An expanded role for engineering plastics is expected as a means of meeting these goals. Toyobo utilizes resin design technology based on the demand characteristics of its customers, along with forming simulation technologies to provide users in Japan and overseas with a wide range of products and services.



## Product Overview

Polyamide resin "GLAMIDE"



Polyester resin for low-pressure molding "VYLOSHOT"



Crystalline polyester resin (fuel filter adhesive) "VYLON"



Thermoplastic polyester elastomer "PELPRENE"



Tetrazole gas generating agents for airbags



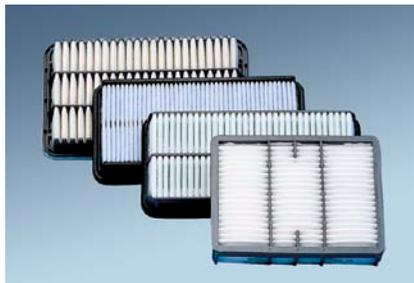
High-strength polyester fiber for tire cords



Automobile cabin filters



Automobile engine filters



Spunbond "CATENA" for automobile tonneau covers



## ELECTRONICS AND INFORMATION DISPLAY

- Components in the electronics and information display field are quickly becoming smaller, thinner and lighter. Toyobo provides the optimal films and resins for these applications.
- Toyobo utilizes its polymer, film-forming and processing technologies to provide such functional products as films for LCD and optical uses, adhesives for electronic components, and conductive paste. We have also pursued technical innovations with the launch of new products such as high heat-resistance polyimide films.

# *Toyobo products support the growth of the electronics industry*

### Principal Products

↓  
*Biaxially-oriented polyester film "COSMOSHINE"*

- "COSMOSHINE" offers a high degree of transparency, and is used in a wide range of display applications including LCD and plasma displays, and touch panels. We are also adapting the material for use in the growing market for LED and 3D televisions.



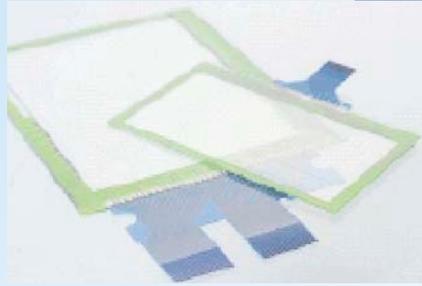
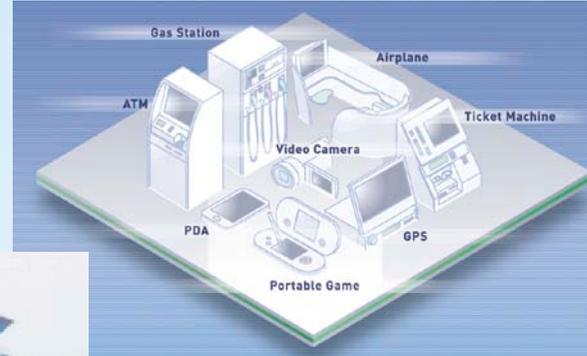
## Segment Topics

### High-melting-point biomass polyamide resin

Toyobo's high-melting-point biomass polyamide resin using biomass material was jointly developed with Arkerma in France. The product's features include a high melting point, the use of biomass material, and a low water absorption rate. We expect sales to increase in the electronics field for LEDs and other applications.

## Principal Products 2 Copolymer polyester "VYLON" series, polyamide-imide resin "VYLOMAX"

- The "VYLON" series and "VYLOMAX" with added heat resistance are used in a wide range of fields such as paints, adhesives and coatings. In the electronic components field, they are widely used for flexible printed circuit boards. Conductive paste is also used in transparent touch panels found in mobile phones, portable game devices and other electronics. We anticipate rising demand in the years ahead.



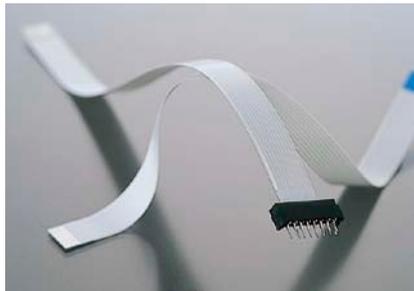
Toyobo's conductive paste used in transparent touch panels

## Product Overview

Copolymer polyester resin "VYLON" series (conductive paste)



Adhesive for flat cables



Polyamide-imide resin "VYLOMAX"



Industrial film



High heat-resistance polyimide film "XENOMAX"



Easily moldable biaxially-drawn polyester film "SOFTSHINE"



Transparent polyamide-imide film



Transparent two-layer CCL



Heat curing type polyimide solder resist ink



LIFESTYLE AND SAFETY

From food packaging films and high-strength fibers that protect the hands of workers, to functional textiles that absorb moisture and generate heat, Toyobo products help ensure a safe and comfortable lifestyle.

Toyobo products help make life more comfortable and safer



Principal Products 1 Packaging films

- Toyobo starts with the four main materials of polyester, polyamide, polypropylene and polyethylene, and applies special processing techniques such as coating and deposition to manufacture high-function film materials to meet a variety of packaging needs. Applications include food packaging, as well as cosmetics, pharmaceuticals, toiletries, and other products in a wide range of fields.



## Segment Topics

### (1) Entry into the cosmetics ingredients markets

Skin care products to counter aging, skin roughness and other skin problems have expanded in the market in recent years, with a particularly strong tendency in favor of natural ingredients. Toyobo has developed technology to efficiently produce the naturally derived raw ingredients for naturally derived skin care cosmetics. These raw materials have been revealed through scientific testing to be effective for moisturizing and anti-aging, and have drawn considerable interests from the cosmetics industries.

Cosmetics ingredients  
"PHYTOPOLYAMINE"  
and "SurfMellow"



### (2) Reception by ultra-lightweight polyamide fabric "SILFINE" of two outdoor gear-related awards

Toyobo's ultra-lightweight polyamide fabric "SILFINE" was adopted by the major U.S. outdoor apparel manufacturer Marmot for use in its spring/summer 2010 rainwear line, receiving the "2010 Outside Gear of the Year" award in the United States, and the "2009 Outdoor Industry Award" in Europe.

Marmot rainwear



## Principal Products 2 *Ultra-high-strength polyethylene fiber "Dyneema"*

- Toyobo's ultra-high-strength polyethylene fiber "Dyneema" is approximately eight times stronger than piano wire. It offers superior shock absorption, light stability and chemical resistance. Because it does not deteriorate when wet and is light enough to float in water, "Dyneema" is used in mooring cables for ships and protective gloves, as well as for helmets and other safety equipment, fishing line, and other applications in a wide range of fields.
- "Dyneema" is manufactured by Nippon Dyneema Co., Ltd., a joint venture with the Dutch firm Royal DSM N.V.



## Product Overview

Polyester synthetic paper "CRISPER"



Inverse tapered containers



Beverage can adhesive "VYLON"



High-performance thermoplastic composite "QuickForm"



Three-dimensional spring-structured fiber "BREATHAIR"



High strength polyethylene fiber "Tsunoooga"



Application of PBO fiber "ZYLON"



Ecological nonwoven fabric "E-VOLANS," "BIO-VOLANS," and "ECO-ECULE"



High moisture absorbing exothermic fiber "MOISCARE"



Acrylic fiber



Comfort evaluation technology



# Consolidated Financial Highlights

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

	Millions of yen					Thousands of U.S. dollars (Note 1)
	2010	2009	2008	2007	2006	2010
Net sales	<b>¥318,773</b>	¥367,271	¥431,417	¥426,666	¥401,948	<b>\$3,426,193</b>
Films and functional polymers	<b>114,928</b>	122,312	134,631	124,614	116,362	<b>1,235,254</b>
Industrial materials	<b>63,157</b>	74,656	76,138	74,391	68,935	<b>678,816</b>
Life science	<b>32,377</b>	33,123	33,961	32,639	29,667	<b>347,990</b>
Textiles	<b>88,373</b>	111,736	142,471	149,585	142,513	<b>949,839</b>
Real estate (Note 2)	<b>4,564</b>	4,649	4,267	—	—	<b>49,054</b>
Other businesses (Note 2)	<b>15,374</b>	20,795	39,950	45,437	44,471	<b>165,240</b>
Operating income	<b>11,469</b>	11,229	27,075	30,435	29,887	<b>123,270</b>
Net income (loss)	<b>2,094</b>	(12,505)	4,698	13,472	12,596	<b>22,506</b>
EBITDA	<b>31,888</b>	32,435	46,349	47,373	45,543	<b>342,734</b>
Depreciation and amortization	<b>20,419</b>	21,206	19,274	16,938	15,656	<b>219,465</b>
Capital expenditure	<b>15,166</b>	20,039	32,486	15,753	18,131	<b>163,005</b>
R&D expenses	<b>10,296</b>	10,669	10,877	10,426	10,079	<b>110,662</b>
Total assets	<b>438,439</b>	443,816	494,496	513,191	514,791	<b>4,712,371</b>
Shareholders' equity (excluding minority interests)	<b>107,095</b>	98,253	129,671	133,521	125,143	<b>1,151,064</b>
Interest-bearing debt	<b>170,963</b>	178,901	178,842	194,239	206,172	<b>1,837,521</b>
Net cash flows provided by (used in) operating activities	<b>29,024</b>	(368)	23,282	27,064	27,299	<b>311,952</b>
Net cash flows used in investing activities	<b>(13,455)</b>	(15,803)	(10,193)	(2,925)	(4,011)	<b>(144,615)</b>
Net cash flows (used in) provided by financing activities	<b>(15,832)</b>	17,379	(17,948)	(22,439)	(23,071)	<b>(170,163)</b>
<b>Per stock data (yen):</b>			Yen			U.S. dollars (Note 1)
Basic net income (loss) per share	<b>¥2.88</b>	(¥17.92)	¥6.73	¥19.32	¥18.10	<b>\$0.031</b>
Cash dividends	<b>3.50</b>	3.50	5.00	5.00	5.00	<b>0.038</b>
<b>Financial ratios:</b>						
ROA (%) (Note 3)	<b>2.6%</b>	2.5%	5.5%	5.9%	5.8%	
ROE (%)	<b>2.0%</b>	(11.0%)	3.6%	10.4%	10.8%	
Equity ratio (%)	<b>24.4%</b>	22.1%	26.2%	26.0%	24.3%	
D/E ratio (times) (Note 4)	<b>1.60</b>	1.82	1.38	1.45	1.65	

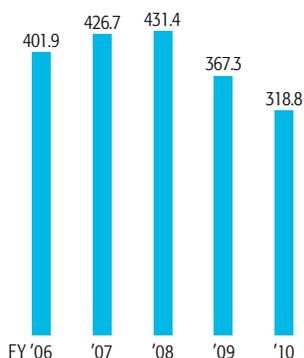
Notes: 1. The U.S. dollar amounts in this report represent translations of yen for convenience only at the rate of ¥93.04 to \$1.00.

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.

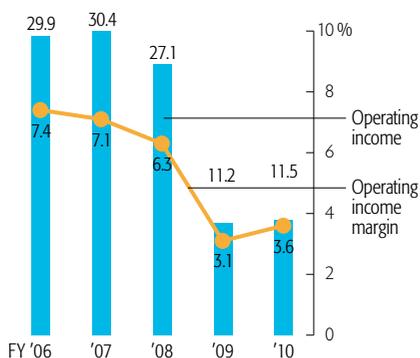
3. ROA: Operating income basis.

4. D/E ratio: Interest-bearing debt/net assets excluding minority interests.

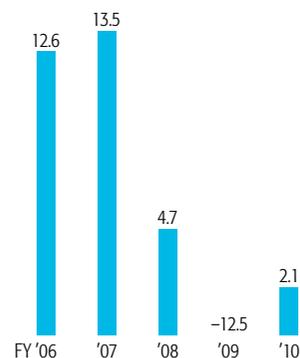
■ Net Sales  
(¥ billion)



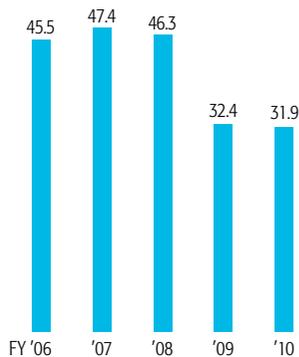
■ Operating Income and Operating Income Margin  
(¥ billion, %)



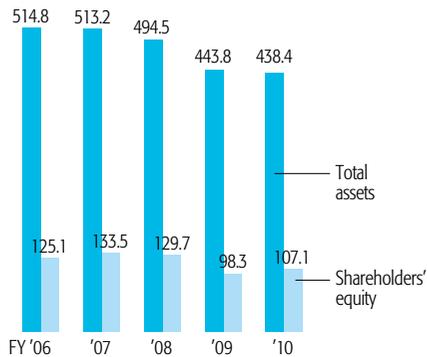
■ Net Income (Loss)  
(¥ billion)



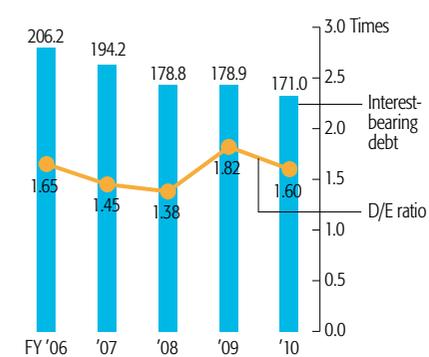
■ EBITDA  
(¥ billion)



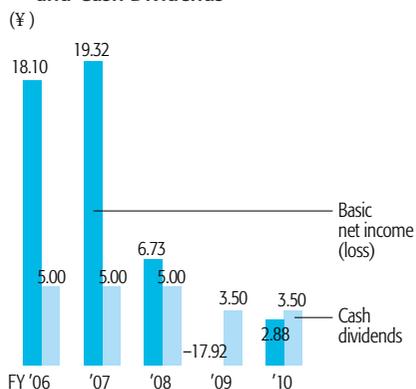
■ Total Assets and Shareholders' Equity  
(¥ billion)



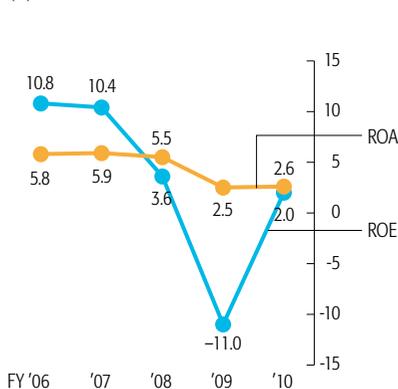
■ Interest-Bearing Debt and D/E Ratio  
(¥ billion, times)



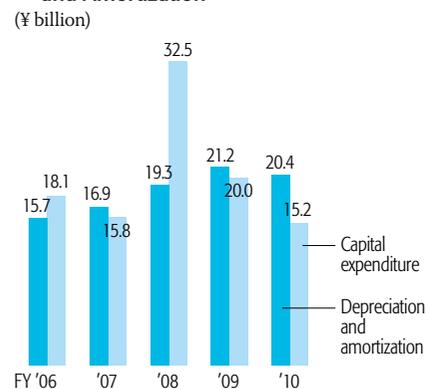
■ Basic Net Income (Loss) per Share and Cash Dividends  
(¥)



■ ROA and ROE  
(%)



■ Capital Expenditure and Depreciation and Amortization  
(¥ billion)



Financial Statements, Notes and Independent Auditors' Report

**View/download online** at [www.toyobo.co.jp/e/annai/zaimu/](http://www.toyobo.co.jp/e/annai/zaimu/)

## To Shareholders and Investors



Ryuzo Sakamoto  
President and Chief Operating Officer

**T**oyobo has overcome the crisis of deteriorating performance stemming from the global recession, and is seeking to regain growth. Over the past year, our earnings capacity has steadily recovered, and now we are shifting our priority to achieving growth.

In light of the new business environment, Toyobo recently formulated a new medium-term management plan to be implemented through the fiscal year ending March 2014. We are focusing on two aspects in particular. The first is the rising expectation for growth in the environment, energy, and life science markets. There is huge potential for Toyobo's technologies such as water treatment membranes and bioproducts to help meet growing demand and the need for greater sophistication both in Japan and abroad. The second aspect is growth in China and other overseas markets. Overseas sales currently account for just 20% of Toyobo's revenues. To achieve future growth, it will be necessary for us to actively forge alliances with foreign companies, and accelerate our expansion in overseas markets. We intend to aggressively pursue measures aimed at these two areas, and achieve growth.

### Review of Fiscal 2010

Fiscal 2010 (ended March 31, 2010) can be summed up as the year when earnings recovered from the sharp decline during the global economic downturn. During the first quarter, we posted an operating loss of ¥0.7 billion as customers continued the inventory adjustments for automotive applications that began in the previous fiscal year. From the second quarter, the electronics and information displays field recovered and expanded, led by such products as films for LCD and optical uses, and the "VYLON" series of industrial adhesives. Recovery also became evident in the lagging automotive field, with boosts in such products as engineering plastics and airbag fabrics. The fourth quarter was particularly positive, and Toyobo recorded operating income of ¥5.7 billion, regaining the level it had prior to the global recession.

We can point to three factors behind the recovery in earnings during the subject fiscal year. The first is far-reaching cost reductions. We had initially set a target for ¥7.0 billion in cuts, but ultimately cut ¥10.2 billion through a sweeping reform that included reductions in manufacturing fixed costs, lowering of variable costs, and scaling back of

administrative expenses. The second factor is an upturn in the business environment. Sales volume recovered in the Toyobo Group's main markets of electronics and information displays, and automotive products. The third factor is steady earnings in businesses less susceptible to fluctuations in the economy, such as environment and medical products and packaging films, along with positive results from new product development—which continued even under difficult business circumstances—such as the launch of simplified diagnostic systems.

As a result of these measures, although net sales decreased ¥48.5 billion (13.2%) from the previous fiscal year to ¥318.8 billion, we managed to secure operating income of ¥11.5 billion, up ¥0.2 billion (2.1%) from the previous fiscal year. Net income increased ¥14.6 billion from the previous fiscal year's net loss of ¥12.5 billion, for net income of ¥2.1 billion.

In terms of financial position, under its policy of emphasizing cash flow Toyobo generated cash flow from operating activities of ¥29.0 billion, due mainly to an extensive reduction in inventories (down ¥13.3 billion year on year). We reduced interest-bearing debt by ¥7.9 billion to ¥171.0 billion, and improved the D/E ratio from 1.82 times in the previous fiscal year to 1.60 times.

### Outlook for Fiscal 2011

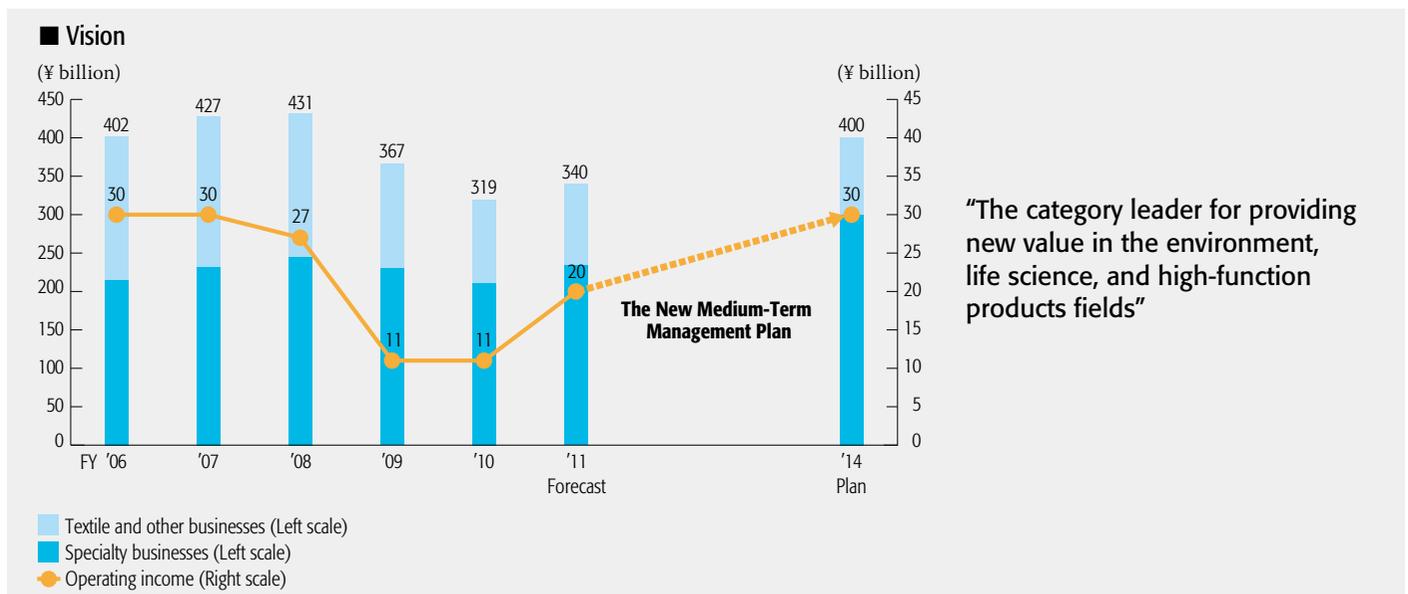
While the outlook for the business climate during fiscal 2011 (ending March 2011) is far from rosy, considering

such factors for concern as the scaling back of emergency stimulus measures by governments around the world, rising fuel and raw material costs, and the appreciation of the yen. However, we anticipate increases in both revenue and earnings due to such factors as the recovery in sales volume in the automotive-related field (which had declined sharply in the first half of the subject fiscal year), the introduction and growth of new products such as extra-thick films for flat panel displays (which have already begun to show positive results), and sweeping cost reductions. For fiscal 2011 the Toyobo Group is forecasting net sales of ¥340.0 billion (up ¥21.2 billion year on year), with operating income of ¥20.0 billion (up ¥8.5 billion), and net income of ¥5.0 billion (up ¥2.9 billion).

### The New Medium-Term Management Plan (Fiscal 2011 to 2014)

To give a quick overview of Toyobo's performance over the past five years, through fiscal 2008 the expansion of the automotive and LCD markets supported the growth of our specialty businesses. Performance deteriorated sharply in fiscal 2009, as rising prices for fuel and raw materials in the first half was followed by the global economic recession in the second. Earnings recovered in fiscal 2010 due to the implementation of cost reductions, along with an upturn in the business climate.

This experience reaffirmed for us the underlying strength of earnings in the environment and life science businesses,



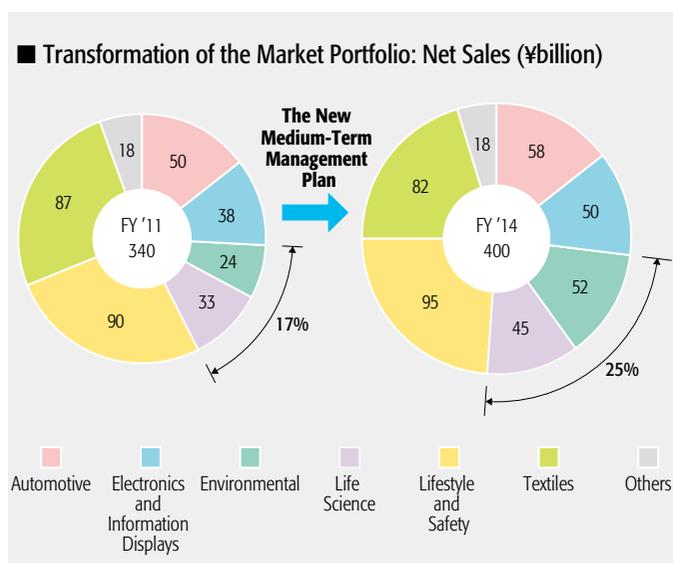
which are less susceptible to effects of the economy and raw material prices. Concurrently, until fiscal 2009 Toyobo successfully implemented a structural reform program for its textiles and non-core businesses. This greatly reduced the risk of future losses, but the issue of improving financial soundness remains.

In consideration of the lessons of the past few years, Toyobo formulated a new medium-term management plan for the period through fiscal 2014 (ending March 2014). The vision is for Toyobo to become “The category leader for providing new value in the environment, life science, and high-function products fields.” A “category leader” is a business that overwhelmingly dominates in a specific market or field as a result of a company’s unique technologies and expertise. We will expand our strong businesses both in Japan and abroad, and work to generate the next category-leading businesses. We anticipate 8% annual growth in our specialty businesses, and will continue to manage the textiles and other businesses with an emphasis on asset efficiency. We expect the specialty business fields to account for 75% of sales by fiscal 2014, establishing a high-earning business portfolio.

The three main issues to be addressed in the medium-term management plan are as follows.

### 1. Proactive Expansion in the Environmental and Life Science Fields

Toyobo plans to increase the proportion of its sales in the environmental and life science fields from the current 17% to 25%, and shift to a business portfolio of growth fields. These



are less susceptible to movements in fossil fuel prices and economic cycles, and hold the promise of steady demand growth both in Japan and overseas. We expect expansion in these two fields to account for ¥40.0 billion of the forecast ¥66.0 billion in sales growth in the specialty businesses.

In the environmental field, Toyobo will expand its businesses for water treatment membranes, as well as launch new businesses such as highly durable films for solar cell backsheets. In the life science field, Toyobo is anticipating growth in sales of such new products as enzymes for high-precision blood glucose measurement, and new membranes. We intend to concentrate management resources in these growth fields to proactively expand existing business and generate new business.

### 2. Overseas Business Development

Overseas sales currently account for just 20% of Toyobo’s revenue. Measures targeting China and other overseas growth markets are essential for business expansion. We are planning to derive one-third of the forecast ¥66.0 billion in sales growth from overseas sales.

Toyobo has several businesses in which it can aggressively expand overseas, such as films for LCD and optical uses for electronics and information displays, engineering plastics for the automotive industry, water treatment membranes for the environmental field and diagnostic systems for the life science field.

Toyobo is actively pursuing alliances with local companies to hasten growth in overseas sales. One example of this is a joint venture established with a firm in Saudi Arabia to manufacture and sell modules for seawater desalination.

### 3. Improvement of the Product Portfolio

Toyobo comprises a wide range of specialty businesses. However, no product, no matter how exceptional, is immune to commoditization. Even in our existing businesses, we will continue to actively renew and upgrade products to enhance added value.

For example, in the film business, Toyobo is shifting to new applications such as extra-thick films used for flat panel displays and films used in solar cell backsheets. In the bioscience business, we are seeking to expand on our previous base in diagnostic enzymes to provide diagnostic systems.

The key to these improvements of the product portfolio is research and development. We plan to invest ¥40 billion in R&D mainly for the specialty business fields over the next four years.



We will make a concerted effort to bring business divisions together to strengthen development and produce results quickly.

In terms of capital expenditures, Toyobo is planning to invest ¥65.0 billion over the next four years. In addition to

businesses with strong demand such as films, denatured polyolefins, and water treatment membranes, we plan to expand production capacity for such new products as a high-melting-point biomass polyamide resin using biomass material, which was jointly developed with Arkema in France.

As a result of the steady implementation of these measures, our targets for fiscal 2014 are net sales of ¥400 billion, with operating income of ¥30 billion. In terms of our financial position, Toyobo will enhance soundness by increasing earnings capacity and asset efficiency. We will return the D/E ratio to less than 1.5 times as quickly as possible, and have set a medium-term goal of lowering the ratio to nearly 1.0 times.

■ Targets for FY '14

		FY '10	FY '11 forecast		FY '14 target
Net sales		¥319	¥340	Annual growth ratio 8%	¥400
Specialty	Composition ratio	210	234		300
		66%	69%		75%
Operating income		11	20		30
Ratio to sales		3.6%	5.9%		7.5%
D/E ratio (Times)		1.6	1.5		1.0

**CSR as the Foundation of Corporate Activity**

Toyobo celebrates the 128th anniversary of its founding this year. I believe the reason we have been able to continue for over a century is the continual revision of our business portfolio in response to changes in the business environment. And more than anything else, it is because of the trust that has long been placed in us by society.

Toyobo has already established a governance structure founded on the ideas of ensuring management transparency and emphasizing fairness, and we will continue to work to ensure strong governance. In terms of addressing environmental issues, we are reducing CO<sub>2</sub> emissions and taking other steps to counter global warming. We also contribute to environmental conservation by offering such products as solvent adsorption systems and water treatment membranes.

All Toyobo managers and employees, in accordance with our corporate principle of *Junri-Sokuyu* ("Adhering to Reason Leads to Prosperity"), will continue to act with constant responsibility toward all stakeholders.

**Shareholder Returns**

Toyobo considers providing returns to shareholders to be one of its highest priorities. Our basic policy regarding dividends is to continually provide a stable dividend, in an amount determined through a comprehensive consideration of such factors as improving the financial position, profit levels, and retention of earnings for future investment. In accordance with this policy, Toyobo paid a year-end dividend for fiscal 2010 of ¥3.50 per share. For fiscal 2011, we plan to pay a dividend of ¥3.50 per share, based on the forecast net income of ¥5.0 billion.

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

June 2010

**Ryuzo Sakamoto**  
President and Chief Operating Officer

## Research and Development (R&D)

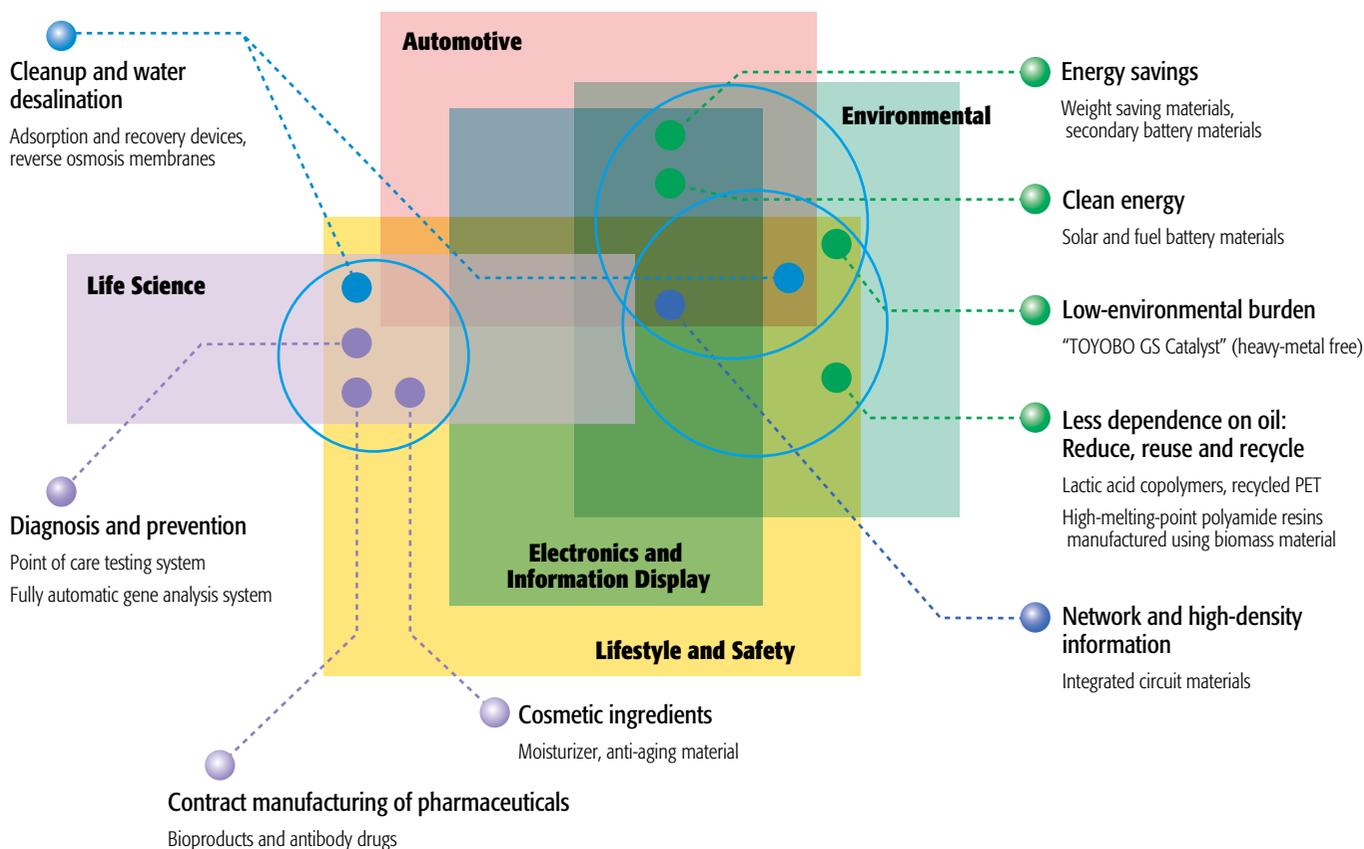


**Masaaki Sekino**  
Corporate Officer,  
in Charge of Research  
and Development

### R&D Policy

Toyobo seeks to become “The category leader for providing new value in the environment, life science, and high-function products fields.” The R&D policy to achieve this is “Expand innovative research themes and generate unique businesses.” A “category leader” is a business that overwhelmingly dominates in a specific market or field as a result of a company’s advanced unique technologies and expertise. Examples of category leaders are artificial kidney hollow fiber membranes, highly transparent optical polyester films, enzymes for clinical diagnostics, and copolymerized polyester resins for paints and coatings. Going forward, among the expected new category leading products are heavy-metal free catalysts for polyester polymerization and high-melting-point polyamide resins

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



***New product development is our main focus***

manufactured using biomass material. At the same time, for existing businesses in the Automotive and the Electronics and Information Display fields, we will pursue R&D in response to changes in customer needs and markets, and expand our business operations.

### Toyobo's R&D Framework

Toyobo's R&D framework comprises the Divisional R&D Department and Corporate R&D Department. The Divisional R&D Department focuses on research themes that are close to market and need to be commercialized in a relatively short period of time, while the Corporate R&D Department handles research themes that incorporate new technologies, and have the potential for expansion in the future. Toyobo is currently focusing on research themes such as "XENOMAX," a polyimide film with high heat-resistance and excellent thermal dimensional stability that has potential as a material for next-generation electronics packaging, and polymer electrolyte membranes for fuel cells, which will help address environmental issues. Other areas of the R&D framework, such as the Analysis Center and the Intellectual Property Department, also provide support for the Toyobo Group.

### Further Strengthening of R&D in the Environment, Life Science, and High-Function Products Fields

Toyobo has applied its core technologies of polymerization, polymer modification, polymer processing, and biotechnology to a wide range of business fields. For example, polymerization of synthetic fibers for apparel has been applied in the high-function resins business. Manufacturing techniques for hollow fiber membranes and technologies for activated carbon fiber have also been adapted to reverse osmosis membranes for seawater desalination, solvent adsorption equipment and other products in the environment field, while biotechnology has

been applied to various products in the life science field. Such technologies have made a considerable contribution to Toyobo's business expansion.

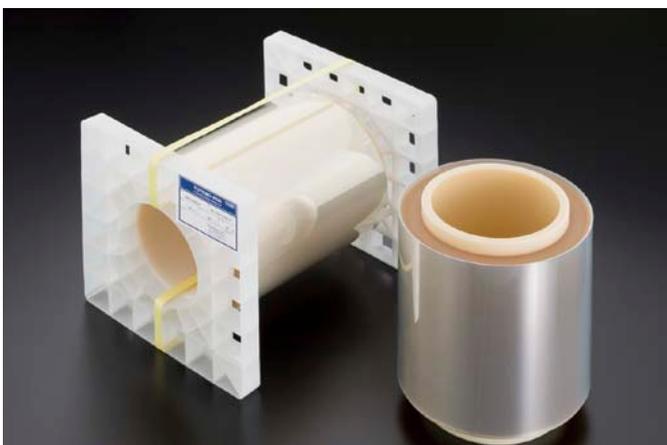
Toyobo has developed polyester films for solar cell backsheets using technologies acquired in polyester films for industrial uses. Also, by improving earlier solvent adsorption technologies we created a recovery system for solvents generated during the manufacturing process for lithium ion batteries. Toyobo will accelerate its R&D program through collaboration, technology transfer and technical or business alliances with external partners.

### Product Development Highlights

#### Fully automatic gene analysis system "GENECUBE"

▶ Toyobo has applied gene analysis technology acquired through the development of research reagents to diagnostic systems to develop "GENECUBE," a fully automatic gene analysis system combining both simplicity and rapidity. For the initial launch we developed reagents targeting *Helicobacter pylori*, which is regarded as a cause of ulcers, and sold this together with the system. We are further expanding the test items, focusing on infectious diseases such as tuberculosis, chlamydia, and influenza. Toyobo will draw on its technologies in such areas as microbial culture, protein purification and gene recombination to expand its lineup of products for the life science field.

**New high-function films** ▶ Toyobo provides films with unique optical properties. Through application of this technology, we have developed such products as "viewing angle extension films" that significantly widen the field of view for LCD televisions and other displays, and "LED illumination diffusion films" that can be used for the illumination of LEDs. Toyobo will continue to utilize its advanced technologies in film-forming and surface treatment to bring high-value-added films to market.



Polymer electrolyte membranes for fuel cells



Analysis center

## Review of Operations by Business Segment

# FILMS AND FUNCTIONAL POLYMERS



**Fumiaki Miyoshi**

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

### Business Division Policy

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

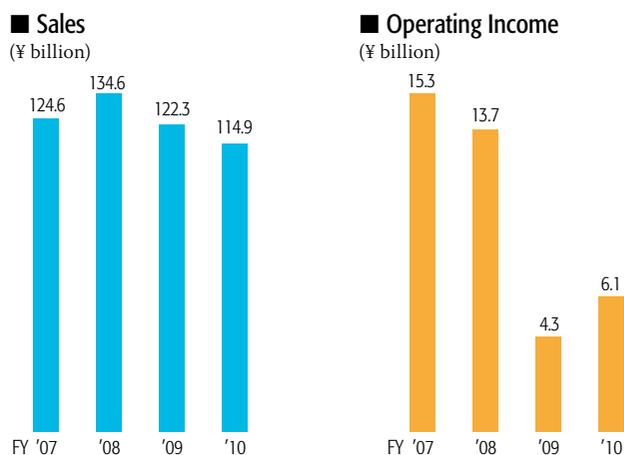
### Results for Fiscal 2010

Sales in this segment declined during fiscal 2010 as a result of the lingering impact on the home electronics, automotive and other industries from the rapid deterioration in the economy during the first half that began in the previous fiscal year. Earnings, however, rose as sales steadily recovered in the second half, along with the implementation of cost-cutting measures and other factors.

In the films business, for packaging films, which consists mainly of food packaging films, despite an increase in sales volume, revenue was down on revised sales prices following a decline in the price of raw materials at the end of the previous fiscal year. For industrial films, revenue increased as sales volume rose on a sharp upturn in demand for LCD and optical uses.

In the functional polymers business, revenue from the “VYLON” series of industrial adhesives increased on expanded sales to China and other parts of Asia, centered on electronic components applications. Engineering plastics steadily recovered for mainstay automotive applications.

As a result, sales in the Films and Functional Polymers segment declined ¥7.4 billion (6.0%) from the previous fiscal year to ¥114.9 billion, while operating income rose ¥1.8 billion (40.5%) to ¥6.1 billion.



# Answering your needs is our job

## Strategies

### 1) New Product Development

**Hydrolysis-resistant polyester film “SHINEBEAM” for solar cell backsheets** ▶ The hydrolysis-resistant polyester film “SHINEBEAM” has been developed for solar cell backsheet use for the purpose of environmental load reduction. It provides weather resistance including hydrolysis resistance and heat durability, and is environmentally friendly because no heavy metals are used in the polymerization process. Toyobo has developed and sells two types of film, a clear type that is optimal for the outermost layer of backsheet, and a white type that has excellent reflectivity and weather resistance for inner layer uses.

### **Polyester resin for low-pressure molding**

**“VYLOSHOT”** ▶ The polyester resin for low-pressure molding “VYLOSHOT” for adhesive and sealing materials offers excellent thermal shock resistance across a broad temperature range from minus 50°C to over 100°C. It also provides exceptional forming processability, chemical resistance and moisture-resistant electrical properties. We will draw on these characteristics to expand sales in the electronic devices and automotive fields.

### **Biomass high-melting-point polyamide resin “VYLOAMIDE” for LEDs and other cutting-edge electronic components**

▶ In engineering plastics, in April 2010 Toyobo concluded a business alliance with the French company Arkema for the production and sale of a new polyamide resin that has a high melting point and is

manufactured using biomass materials. The biomass high-melting-point polyamide resin “VYLOAMIDE” features the use of biomass material and a low water absorption rate. We expect to develop a market in the electronics and automotive fields for applications that require heat resistance and dimensional stability.

### 2) Global Business Development

For the “VYLON” series of industrial adhesives, Toyobo is actively expanding sales of hot-melt adhesives, polyamide-imides, and polylactic coatings to support market expansion in the IT and environmental fields. For the polyolefin adhesion promoter “HARDLEN” used in primer for automobile bumpers and other applications, we will actively develop sales in BRIC nations as well as North America.

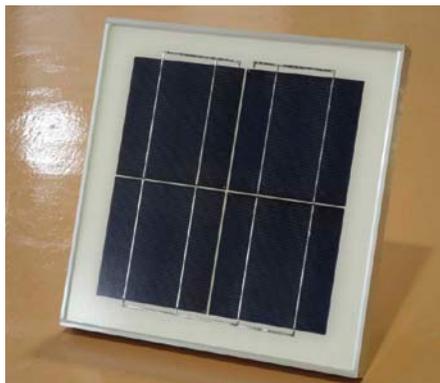
### Outlook for Fiscal 2011

For the Films and Functional Polymers segment in fiscal 2011, we forecast sales of ¥127.0 billion, with operating income of ¥11.0 billion.

We will improve the product mix for industrial films with the launch of solar cell backsheets and expanded sales of touch panel films. We will also expand industrial CPPs (masking films), regain lost ground in shrink films through new manufacturing methods, expand sales volume of functional polymers such as the “VYLON” series and engineering plastics, and accelerate overseas business development.



Biaxially-oriented polyester film “COSMOSHINE”



Hydrolysis-resistant polyester film “SHINEBEAM”



An application of polyester elastomer “PELPRENE”

# INDUSTRIAL MATERIALS



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

## Business Division Policy

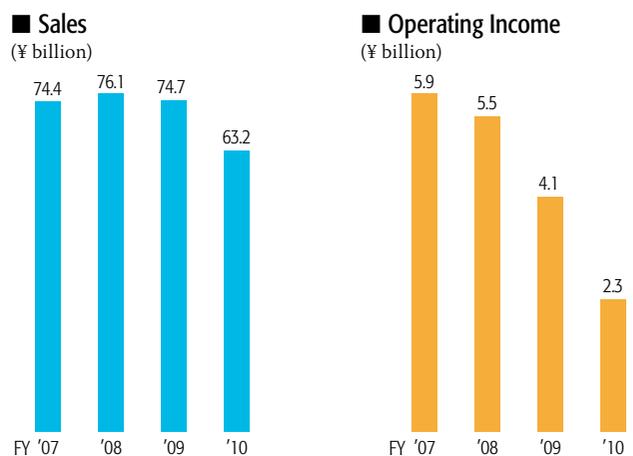
The Industrial Materials segment supplies a wide range of Toyobo's functional materials, mainly automotive-related products such as airbags fabrics and tire cords, but also high-performance fibers and environmental products. We are planning further business expansion, and will continue to offer unique functional materials to benefit the environment and safety.

## Results for Fiscal 2010

The difficult circumstances facing the Industrial Materials segment that began in the second half of fiscal 2008 continued during fiscal 2010, with a sharp downturn centered on the mainstay automotive-related materials field. Shipments began to increase in the second quarter as demand recovered, but this upturn was insufficient to regain the ground lost at the beginning of the fiscal year, and both revenue and earnings declined from the previous fiscal year.

The business foundation for airbag fabrics and tire cords is recovering, but revenue decreased as a result of the drawn-out impact from the falloff in automobile production at the

beginning of the period. Sales of the high-performance fiber "Dyneema," manufactured by Nippon Dyneema Co., Ltd., a joint venture with the Dutch firm Royal DSM N.V., declined mainly due to the economic slowdown, though demand from such applications as safety gloves recovered from the latter half of the year. In the filters field, sales rose for the functional filters used in automobiles, office equipment and



household appliances. VOC emissions treatment equipment and systems declined as a result of a falloff in orders that stemmed from client companies scaling back capital expenditures. Sales of spunbond decreased due to sluggish demand for construction and automotive applications.

As a result, sales in the Industrial Materials segment declined ¥11.5 billion (15.4%) from the previous fiscal year to ¥63.2 billion, with operating income down ¥1.8 billion (43.7%) to ¥2.3 billion.

## Strategies

### 1) New Applications Development

**VOC emissions treatment equipment and systems** ▶ We will expand sales in China and other areas of Asia, including launching an N-Methylpyrrolidone (NMP) recovery system for lithium battery manufacturing plants, demand for which is expected to grow in the future.

**BREATHAIR** ▶ The BREATHAIR mattress for nursing care utilizes a three-dimensional spring construction for greater dispersion of pressure on the body, and is effective in preventing bedsores. Its breathable material and ability to be washed in water makes it more sanitary. We plan to establish BREATHAIR in the nursing care market as a “water-washable mattress.” Going forward, we will develop a range of applications and expand sales overseas, focusing on Europe.

### 2) Capital Expenditures

The new production facility for Dyneema began operating in June 2010, enhancing production capacity by 800 tonnes per year, from 1,600 tonnes to 2,400 tonnes annually. The system is primarily employed for such applications as gloves, fishing line, and rope.

### Outlook for Fiscal 2011

For the Industrial Materials segment in fiscal 2011, we forecast sales of ¥72.0 billion, with operating income of ¥4.5 billion.

In airbag fabrics, Toyobo will aggressively expand sales, focusing on Asia. The enhanced production capacity for “Dyneema” is expected to contribute to greater sales and earnings.

In the environmental field, we anticipate rising demand for VOC emissions treatment systems in response to tighter regulations on VOC emissions in Asia, and will actively expand sales.



VOC emissions treatment equipment and systems



Three-dimensional spring-structured fiber “BREATHAIR”



Mooring cable made of ultrahigh-strength polyethylene fiber “Dyneema”

# LIFE SCIENCE



**Kazuo Kurita**

Corporate Executive Officer, in Charge of the Life Science Segment

## Business Division Policy

This segment handles the medical services, healthcare 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.

In the water treatment membranes (reverse osmosis membrane modules for seawater desalination) business, deliveries to new desalination plants were completed, though orders for replacement membranes were strong.

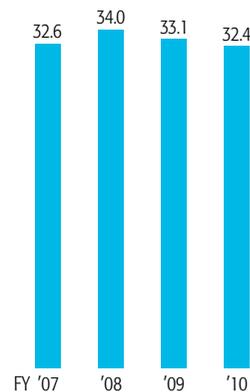
As a result, sales in the Life Science segment declined ¥0.7 billion (2.3%) from the previous fiscal year to ¥32.4 billion, while operating income rose ¥1.0 billion (34.6%) to ¥4.0 billion.

## Results for Fiscal 2010

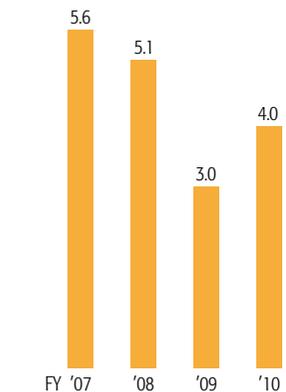
Sales in the Life Science segment declined overall due to the completion of delivery of water treatment membranes to new desalination plants, but earnings increased as a result of the development of unique and distinctive products for the bioproducts and medical fields.

In the bioproducts field, growth in enzymes for diagnostic reagents was sluggish due to the appreciation of the yen, but the business for diagnostic systems expanded with the introduction of new products, and sales of research-use reagents grew steadily as a result of the restructuring of some businesses. The contract manufacturing of pharmaceuticals business recorded increased sales on steady growth for both pharmaceutical formulations and clinical trial drugs. Sales of medical membranes were stable.

■ Sales  
(¥ billion)



■ Operating Income  
(¥ billion)



## Strategies

### 1) Joint Venture

#### *Expansion of the water treatment membranes*

**business** ▶ We will engage in aggressive expansion for RO membrane modules for seawater desalination, and full-scale introduction of new membranes.

The seawater desalination market in the Middle East region is primed for continued expansion. Toyobo has established a joint venture in Saudi Arabia for the manufacture and sale of RO membrane elements for seawater desalination, which will serve as its focal point for its expanding sales of desalination membrane elements throughout Saudi Arabia, as well as other countries in the Middle East and North Africa. In ultrafiltration (UF) membranes for drinking water, Toyobo acquired approval in the United States in 2010 and began marketing the system. In RO membranes for reuse of wastewater, we will form tie-ups with major engineering manufacturers, and develop the business in the Middle East, as well as China and other areas of Asia.

### 2) New Applications Development

**Diagnostic systems** ▶ Toyobo will expand sales of the “POCube” system focusing on small clinics, as well as develop the business overseas. In addition to C-reactive protein testing, we plan to increase sales with additional reagents to measure highly pathogenic avian influenza (limited to research use), PSA (prostate-specific antigen test for prostate cancer), and influenza (with the ability to distinguish between A and B types).

We have also begun to expand sales of the fully automatic gene analysis system “GENECUBE” to hospitals, and alongside the “U-SCANNER” system already being sold, will aggressively market the system both in Japan and overseas.

### 3) Sales Expansion

**Contract manufacturing of pharmaceuticals** ▶ The revision to Japan’s Pharmaceutical Affairs Act provided greater momentum to the trend of pharmaceutical companies producing drugs under contract. Toyobo is one of the few companies in Japan specializing in contract manufacturing. We have a new facility able to produce injectable pharmaceuticals in accordance with global GMP standards, and receive many inquiries. Toyobo’s strength lies in its ability to provide support for the entire process, from the initial development stages to manufacture and quality testing. The Toyobo Group is also able to handle all stages of producing biotechnology-based pharmaceuticals, from drug ingredients to finished product, and will focus on increasing orders in this field.

## Outlook for Fiscal 2011

For the Life Science segment in fiscal 2011, we forecast sales of ¥35.0 billion, with operating income of ¥4.5 billion. Shipments for a new project in the RO membrane modules for seawater desalination business will begin during fiscal 2011. We will also introduce new products and step up sales activities for functional membranes, as well as diagnostic systems and ingredients for cosmetics.



RO membrane modules



Compact chemiluminescent autoanalyzer “POCube”



Otsu pharmaceuticals plant

# TEXTILES



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

## Business Division Policy

The Textiles segment is the driver for high-value-added functional materials for apparel, developed with Toyobo's unique technologies, which are increasingly being used in fabric for sportswear, underwear, and Arabic traditional menswear of the Middle East (thoub). In accordance with 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 2010

Commodity and less profitable products in this segment were scaled back in line with Toyobo's policy of emphasizing asset efficiency, and both revenue and earnings decreased as a result of sluggish sales to department stores. Sales amounted to ¥88.4 billion (down 20.9% year on year), with operating income of ¥0.4 billion (down 71.1%). Capital employed, as a result of the restructuring program, was reduced to ¥83.1 billion, from ¥92.1 billion in fiscal 2009.

## Product Trends in Major Business Markets

In the textiles field, sales were solid for such applications as underwear, sportswear, student shirts and uniforms, but revenue declined sharply due to a falloff in demand for fabric for thoub, along with the appreciation of the yen. In the apparel products business, revenue declined due to the market slowdown, while Toyobo moved forward with efforts to withdraw from the market for less profitable products and cut costs. Sales of the acrylic fiber "EXLAN" were supported by growth in exports to China.

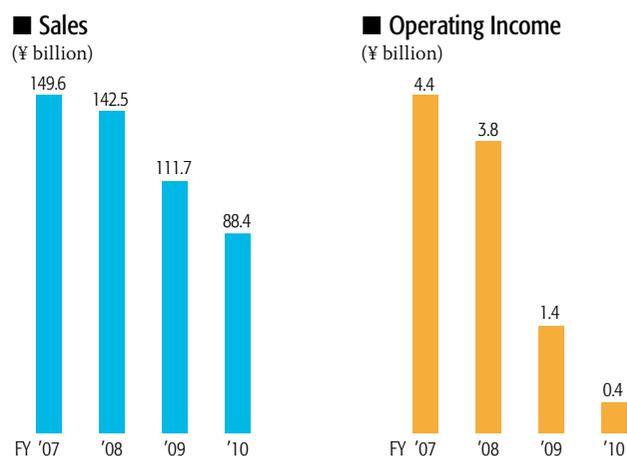
## Outlook for Fiscal 2011

For the Textiles segment in fiscal 2011, we forecast sales of ¥87.0 billion, with operating income of ¥1.0 billion.

In functional apparel materials, we anticipate growth in both fabric and finished goods for sportswear and uniform applications, and will recover sales of fabric for thoub by offering new cellulose-based products. We will also stabilize earnings through lateral market development, such as by adapting functional material for sportswear to bedding and other applications.



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



## Quality Control

### Quality Assurance Principle

We will always consider the customer's standpoint, and with each employee thoroughly committed to putting quality first, and giving consideration to safety, the environment and the protection of information, will develop and provide products and services that are useful to society.

The Toyobo Group will conduct quality assurance assessments and maintain a thorough understanding of

the status of the quality assurance structure to identify any potential issues, with the aim of ensuring an impermeable quality assurance structure.

Based on the evaluation checklist, we will maintain a thorough understanding of current conditions and identify any issues, and strive to address any such issues in order to make constant improvements in quality control.

#### Yoshifumi Maruoka

Dyneema Production Dept.  
Tsuruga Functional Materials Plant

“ I'm in charge of development and quality assurance for the high-performance fiber 'Dyneema.' One of our business partners once made a suggestion for revising our measuring method. I felt it would be difficult to implement due to cost and other issues, but was reluctant to abandon the idea because of the potential improvement in quality control. After much trial and error, we were finally able to adopt the suggested measurement method. I remain dedicated to the development and quality assurance of the material I manage, as well as ensuring safety in the workplace. ”



#### Kazuhiro Tanaka

Senior General Manager  
Medical Operating Department

“ Our somewhat unusual factory specializing in contract production of pharmaceuticals, incorporates a structure able to provide a full range of support to our users, the pharmaceutical companies, from the initial development stage through drug formulation and quality testing. If even the tiniest amount of a foreign substance is discovered to have been mixed in with the drug during the production process, the production line is immediately stopped, and shipments of the entire production lot ceased. The principle that production will not resume until safety has been assured may sound obvious, but we strictly adhere to this extremely important standard. ”



**Careful attention to quality assurance and safety have established "Toyobo" as a reliable brand**

# Corporate Social Responsibility

## CSR Initiatives

Toyobo has established a CSR Committee, chaired by the President, as the center of its CSR structure. The committee provides a framework for the unified management and oversight of Toyobo’s relationship with all stakeholders, including customers, shareholders and investors, business partners, local communities, employees and the global environment.

CSR activities are governed by the CSR Charter, which commits the Toyobo Group to actively fulfill its social responsibilities, and to contribute to the development of a sound and sustainable society.

Under this philosophy, the Toyobo Group has implemented a program of measures, including the following.

### 1. Environmental Measures

Toyobo has strengthened its pollution control framework, revising and expanding management structures and procedures to ensure full compliance with laws and regulations. Reductions in CO<sub>2</sub> emissions and other measures to prevent global warming have been implemented in all manufacturing and logistics divisions, as well as at Group companies.

Toyobo has also expanded its environmental business, developing and commercializing products with a low environmental load, such as products free of hazardous chemicals, and those that help conserve energy and resources.

A specific example of reductions in CO<sub>2</sub> emissions is the modal shift from truck to rail for the transport of raw materials and products between Toyobo and producers. Rail transport generates just one-seventh of the CO<sub>2</sub> volume emitted by trucking, and has attracted much attention in terms of environmental preservation.

Toyobo has also begun consolidating shipments with a beverage producer. This reduces the number of trucks needed for transport, and helps to further reduce CO<sub>2</sub> emissions.

### 2. Safety Measures

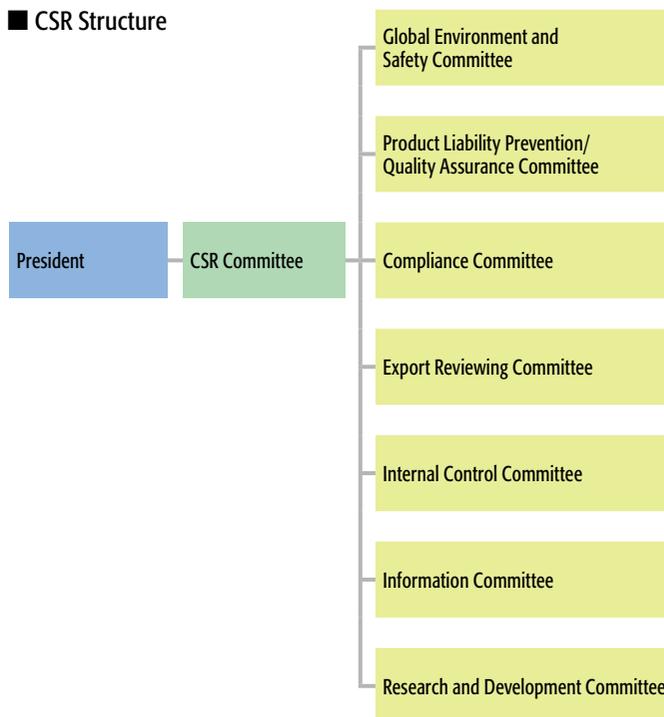
The Toyobo Group has formulated a medium-term plan for occupational safety, comprising the three pillars of “Revise safety activities,” “Create a work environment in which disasters cannot occur,” and “Enhance worker awareness.” In addition to this plan, the Toyobo Group has put in place priority safety activities for each business division in line with changes in the production conditions or environment, in order to reduce the number of industrial accidents.

Toyobo’s president also visits production sites to provide guidance on safety education and training to foresee risks in a changing workplace, with the aim of eliminating industrial disasters.

### 3. 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, crisis management training sessions envisioning a range of possible scenarios are conducted on a regular basis, focusing on actions to prevent any impairment in corporate value.

#### ■ CSR Structure



Training sessions were conducted four times in fiscal 2010. In March 2010, Toyobo conducted training assuming a product liability issue. We formed a crisis response headquarters, and confirmed the content of the command structure, and disclosure to stakeholders. Additional training sessions are planned for fiscal 2011.

#### 4. The Ideal Toyobo Employee

Human resources are the foundation of CSR. Toyobo has compiled an image of the “ideal employee” as a model for the everyday activities of its workers. It is our hope that individual employees striving to emulate this ideal will lead to the realization of our vision for Toyobo.

##### *The Ideal Toyobo Employee*

- A person able to consider the perspective of the customer, and create new value
- A person able to envision an ideal, and implement reforms
- A person with a sense of ownership and responsibility, who works diligently to accomplish tasks
- A person who actively builds networks within and outside the Company
- A person able to actively take part in teams, and share job satisfaction

#### Upcoming CSR Initiatives

The Toyobo Group believes that corporate, business and CSR activities should be part of an integrated whole. Actively integrating CSR measures into management strategies is important for the sustainable development of the corporate group.

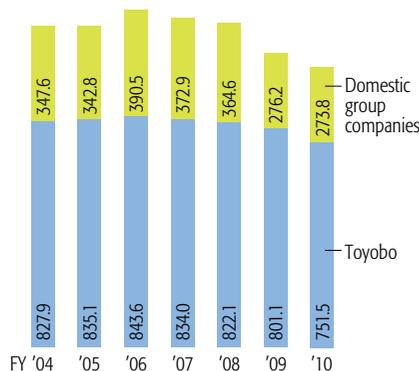
The Toyobo Group’s vision is to be the category leader for providing new value in the areas of environment, life sciences, and functional products. A category leader means being the top in specialized fields, and striving for a leading position. We believe that providing new value to stakeholders, and contributing to society, is the essence of the Toyobo Group’s CSR activities.

Toyobo has already formulated a medium-term CSR plan for fiscal 2011 that outlines areas of responsibility for each committee, and specific issues to be addressed. The Toyobo Group remains committed to continuing its efforts toward ongoing reform and establishing a strong corporate position, while adhering to the principles of CSR. We will continue to act with responsibility toward society, while adapting to the changing times.

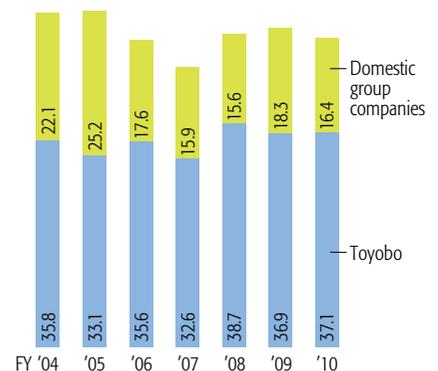


Toyobo employees conduct a safety inspection at the Iwakuni Production Center.

■ Volume of CO<sub>2</sub> Emissions  
(Thousand t)



■ Industrial Waste Generated  
(Thousand t)



# Corporate Governance

## Basic Policy

The Toyobo Group, to respond to the changing times and enhance sustainable corporate value, 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 governance structure, as well as bolster risk management and compliance structures.

## Toyobo's Governance Structure

Toyobo, as a "Company with Auditors" as defined by the Companies Act, appoints one outside director to its nine-member Board of Directors, and has adopted the Executive Officer System to clearly separate decision-making and oversight function from business execution.

Decision-making and oversight are conducted by the Board of Directors. The term of office for a director is set at one year in order to clarify the responsibility of that director. The role of the outside director is to ensure transparency and fairness in Toyobo's corporate management.

Business execution is conducted by the Board of Corporate Executive Officers and Board of Corporate Officers, convened by the President and COO. The role of these bodies includes making decisions on matters relating to business execution as delegated by the Board of Directors, and reporting on companywide projects.

The auditing structure consists of four auditors, two of whom are outside auditors. Auditors attend meetings of the Board of Directors and other important meetings and provide their opinion, as well as oversee the business execution of directors through such means as operational audits of each division. Toyobo has retained KPMG AZSA & Co. as its accounting auditor in line with the Companies Act.

The Internal Audit Department conducts internal audits, including at Group companies. Internal audits include monitoring to assess the effectiveness of internal controls.

## Risk Management Structure

Toyobo has established the Planning Council and Management Council under the Board of Corporate Executive Officers. These bodies examine any significant new business proposals, investments or other initiatives prior to their implementation, and take steps to manage any business risks. For management of specific risks, Toyobo has established the CSR Committee, chaired by the President, for overall risk management. Subcommittees under this body consist of 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.

## Strengthening of Group Governance

Toyobo has put in place a structure for company-wide corporate governance by establishing a special division in its Finance Department to manage affiliated companies, and reorganizing its Group companies by business division. For the auditing structure, Toyobo's in-house auditors conduct oversight in alliance with the auditors of affiliated companies through the Group auditing boards and other bodies.

## Compliance Structure

Toyobo has established the Compliance Committee to conduct decision-making and oversight for Toyobo's compliance activities, with compliance planning and strategy provided by the Compliance Group within the Legal Department. Toyobo has also formulated the Toyobo CSR Charter and Toyobo Corporate Code of Conduct, and taken steps to ensure that the rules are universally understood.

# Management

As of June 29, 2010

## Board of Directors



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  
Setsuo Shimomichi  
Shusaku Nishio\*\*  
Hiroshi Nishiura\*\*

\*\* Outside Corporate Auditor

## Corporate Officers

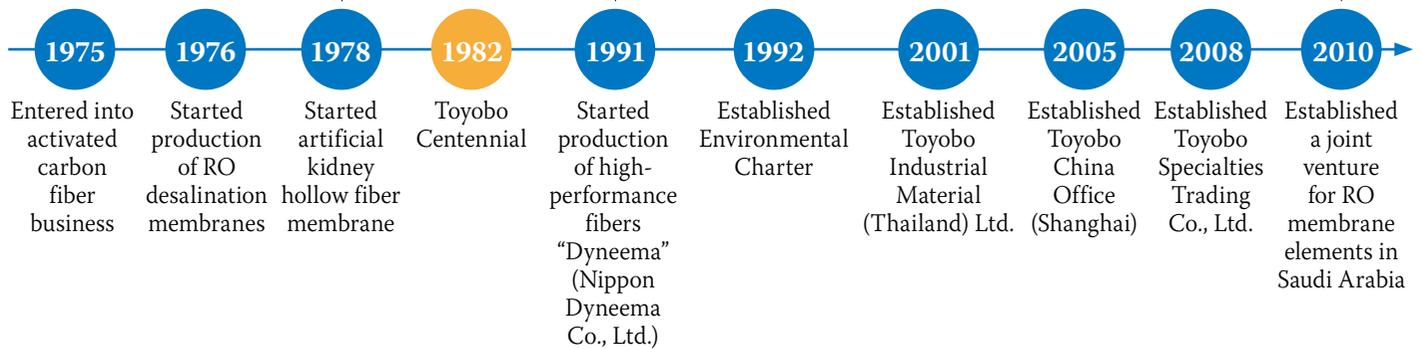
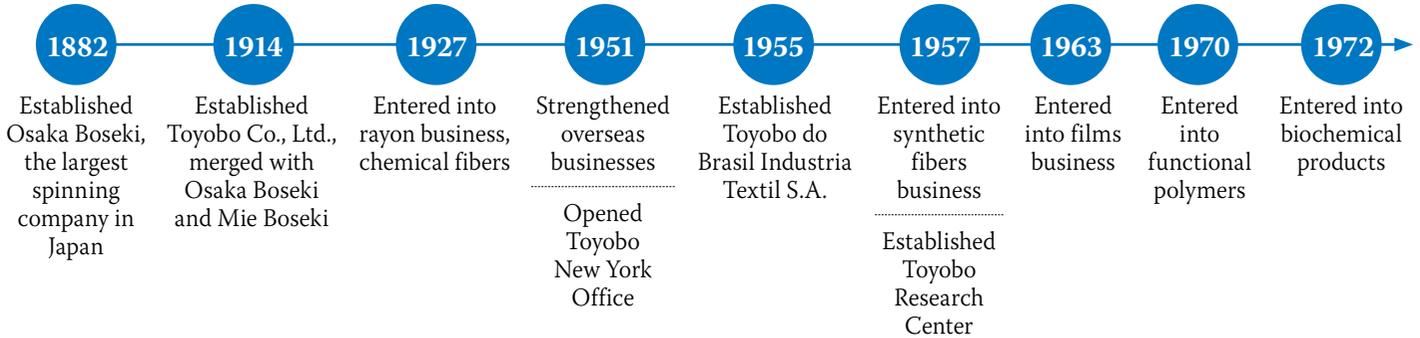
■ Chief Operating Officer  
Ryuzo Sakamoto

■ Corporate Senior Executive Officers  
Fumishige Imamura  
Kenji Hayashi

■ Corporate Executive Officers  
Fumiaki Miyoshi  
Hiroyuki Kagawa  
Kazuo Kurita  
Kanji Aono  
Yukihiro Sogabe  
Masayuki Yoshikawa

■ Corporate Officers  
Masaaki Sekino  
Kazumasa Kouyama  
Hiroshi Takahashi  
Shinichi Onizuka  
Toshiyuki Matsui  
Hiroshi Takabayashi  
Yukio Kawasaki  
Kunio Yano  
Ryoichi Sakamoto  
Kensho Sugi  
Shigeki Sano  
Seiji Narahara

# Corporate History



# Investor Information

(As of March 31, 2010)

## ■ 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: 750,487,922 shares

## ■ Paid-in Capital

¥43,341 million

## ■ Number of Stockholders

103,557

## ■ Major Stockholders

(10 largest stockholders)

	Number of shares held (thousands)	Percentage of voting rights (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	28,497	3.80
Nippon Life Insurance Company	21,885	2.92
The Master Trust Bank of Japan, Ltd. (Trust Account)	21,141	2.82
Mizuho Corporate Bank, Ltd.	13,393	1.78
Toyukai (Contractor Share Holding)	13,319	1.77
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,214	1.76
Sumitomo Mitsui Banking Corporation	13,034	1.74
Meiji Yasuda Life Insurance Company	11,029	1.47
Toyobo Employee Stockholders' Association	9,917	1.32
Japan Trustee Services Bank, Ltd. (The Chuo Mitsui Trust and Banking Company, Limited Employee Pension Trust)	9,054	1.21

# Corporate Data

(As of March 31, 2010)

## ■ 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

3,260 (Nonconsolidated)  
10,398 (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

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

## ■ Overseas

### Toyobo America, Inc.

950 Third Ave. 17th Floor,  
New York, NY 10022 U.S.A.  
Telephone: +1-212-317-9245

### Toyobo Co., Ltd. China Office (Shanghai)

Room 2008, Shanghai International Trade Center, 2201 Yan An Road (West), Shanghai, China  
Telephone: +86-21-6270-7535/7536

### Toyobo Co., Ltd. Europe Office

Klosterstrasse 18, 40211  
Dusseldorf, Germany  
Telephone: +49-(0)211-976229-0



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

## TOYOBO CO., LTD.

2-8, Dojima Hama 2-chome,  
Kita-ku, Osaka 530-8230, Japan  
Telephone: +81-6-6348-3111  
URL <http://www.toyobo.co.jp>

## INVESTOR RELATIONS

Telephone: +81-6-6348-3044  
E-mail: [ir\\_g@toyobo.jp](mailto:ir_g@toyobo.jp)



F1065K

Printed in Japan