# Consolidated Preliminary Financial Report for Year ended March 31, 2002

May 21, 2002

(Listed on First Section of TSE, OSE and NSE and other stock exchanges in Japan.)

## Toyobo Co., Ltd.

Stock Code: **3,101**

(Head office: Osaka Prefecture)

(URL http://www.toyobo.co.jp)

Inquiries: Title of Responsible Person: **Director & Manager**
Name: Tateki Kato
TEL: (06) 6348-3091

Date of Board Meeting for Settlement of Accounts: May 10, 2002
Applicability of US Accounting Standards: Not applicable

## 1 Consolidated Business Performance for Year ended March 31, 2002 (April 1, 2001 - March 31, 2002)

### (1) Consolidated Business Results

All figures are round down to the nearest million yen.

| | Net Sales | | Operating Income | | Ordinary Income | |
|---|---|---|---|---|---|---|
| | million yen | % | million yen | % | million yen | % |
| Year ended March 31, 2002 | 383,078 | (4.9) | 16,332 | (19.0) | 6,800 | (34.0) |
| Year ended March 31, 2001 | 402,876 | (2.9) | 20,169 | 26.9 | 10,301 | 36.0 |

| | Net Income | | Earnings Per Share (EPS) | Fully-diluted EPS | Return On Equity (ROE) | Return on Assets (ROA) | Return on Sales (ROS) |
|---|---|---|---|---|---|---|---|
| | million yen | % | yen | yen | % | % | % |
| Year ended March 31, 2002 | (13,361) | — | (19. 34) | — | (16.7) | 1.2 | 1.8 |
| Year ended March 31, 2001 | 5,662 | — | 8. 19 | — | 7.9 | 1.9 | 2.6 |

(Notes)
(1) Equity in income (losses) of unconsolidated subsidiaries and affiliates: Year ended March 31, 2002: 665 million yen; Year ended March 31, 2001: 1,884 million yen
(2) Average number of shares outstanding during period: Year ended March 31, 2002: 690,990,208 shares; Year ended March 31, 2001: 690,994,536 shares
(3) Change in accounting standards: None
(4) Percentages of net sales, operating income and net income represent rate of change from previous period

### (2) Consolidated Financial Position

| | Total Assets | Stockholders' Equity | Ratio of Stockholders' Equity | Stockholders' Equity per Share |
|---|---|---|---|---|
| | million yen | million yen | % | yen |
| Year ended March 31, 2002 | 589,408 | 96,603 | 16.4 | 139. 81 |
| Year ended March 31, 2001 | 540,114 | 63,052 | 11.7 | 91. 25 |

(Note) Number of shares outstanding at year-end (consolidated): Year ended March 31, 2002: 690,973,131 shares; Year ended March 31, 2001: 690,993,904 shares

### (3) Consolidated Cash Flows

| | Cash flow provided by operating activities | Cash flow provided by investing activities | Cash flow used in financing activities | Cash and cash equivalents at end of year |
|---|---|---|---|---|
| | million yen | million yen | million yen | million yen |
| Year ended March 31, 2002 | 32,428 | (12,431) | (21,296) | 13,823 |
| Year ended March 31, 2001 | 17,878 | (9,530) | (10,649) | 14,010 |

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

Number of consolidated subsidiaries: 57 companies
Number of non-consolidated subsidiaries subject to equity method: 1 company
Number of affiliates subject to equity method: 18 companie

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

Newly consolidated: 3 companies
No longer consolidated: 2 companies
Newly accounted for by equity method: 1 company
No longer accounted for by equity method: —

## 2 Consolidated Performance Forecast for Year ending March 31, 2003 (April 1, 2002 - March 31, 2003)

| | Net Sales | Ordinary Income | Net Income |
|---|---|---|---|
| | million yen | million yen | million yen |
| Half Year | 190,000 | 4,500 | 2,500 |
| Full Year | 385,000 | 11,000 | 5,500 |

(Reference) Full-year EPS forecast 7. 96 yen

**(Note) Please refer to P3-7 of Appendix to Consolidated Data for assumptions of the above forecast and other related matters.**

# Management Policy

## 1. Basic Management Policy

The Toyobo Group is striving to expand and create unique businesses based on its core technologies—namely, textile technology, polymer technology and biotechnology—in four business segments: (1) fibers and textiles focusing on industrial materials and functional clothing; (2) films for packaging and industrial purposes; (3) high polymer products including high functional resins, high functional materials and functional membranes; and (4) biotechnology. We are committed to further boosting the Group's enterprise value as a *high-functional products maker* with the ability to survive the global competition and meet customers' expectations by creating superior products in these business segments.

## 2. Medium/Long-term Business Strategy and Challenges

Our management policy for the time being is to turn the Toyobo Group into a *collection of healthy businesses in tune with the times.* In line with this policy, we will aggressively expand our healthy businesses by intensively allocating and shifting our business resources including capital investment, research and development (R&D) and human resources to these businesses, while restructuring clothing fibers and textiles operations which remain in the red.

In healthy businesses, our efforts to accelerate the expansion of proprietary high functional products include globalizing our automotive textile products (such as base fabrics for automobile airbags and non-woven staple fibers), enhancing the production capacity of special-purpose films and promoting high added-value, developing applications for copolymerized polyester and other high functional resins, boosting the production capacity of high functional fibers DYNEEMA® and ZYLON® and nonwoven spunbond, reinforcing the facilities for functional membranes and launching newly-developed products. In the biotechnology field, we undertake contract manufacturing and development of therapeutic antibodies on a full scale. We are also working on creating and running new businesses, including the analysis of new genetic information and cell-free protein synthesis.

In the field of clothing fibers and textiles, we started running operations based on a customer-oriented organization that unites the Chemical Fibers Division and the Natural Fibers Division in the fiscal year ended March 31, 2002. We will curtail domestic production step by step while concentrating more on functional clothing, and operate integrally with overseas production centers, in an effort to optimize the size of the business and stabilize earnings.

In corporate research, we are committed to developing new products and fields by concentrating on growth fields adapted to the Toyobo Group's business segments.

## 3. Development of Management & Administration Organization and System

Toyobo is evolving its operations to make the divisions perform as if they are independent companies within the organization. The businesses of Toyobo's departments, subsidiaries and affiliates are evaluated on the basis of common criteria, namely, profit/loss, cash flows and Return on Assets (ROA). Especially in regards to ROA, we are striving to enhance the management and administration of the entire Group with a short-term target of achieving a return of 5% of total assets in business. We are also streamlining the organization with the aim to run businesses efficiently and consistently on a Group-wide scale.

In the staff division, we are reviewing necessary functions (such as adapting to changes in the environment and enhancing risk management) and working on further improvements in operational efficiency. For corporate governance, we are bolstering internal control by reinforcing our screening and auditing functions, in addition to holding Group-wide auditors' liaison meetings. We are also making active efforts in disclosure.

**4. Management Targets and Basic Profit Appropriation Policies**

The Toyobo Group will steadily implement these measures, eliminate loss-making businesses and expand healthy businesses in order to increase earnings. We will also endeavor to improve the asset turnover.

Dividends will be decided according to our basic policy to continue paying steady cash dividends, while taking all factors into consideration, such as the earnings situation and the need to improve our balance sheet.

## Business Performance and Financial Position

### 1. Business Performance in Fiscal Year ended March 31, 2002

The Japanese economy faced extremely harsh conditions in the fiscal year ended March 31, 2002. Exports declined due to the slowdown in the U.S. economy, consumer spending was sluggish and housing investment dropped, accompanied by restrained capital investment and employment adjustments by companies.

In such an economic climate, the Toyobo Group's efforts in the fibers and textiles business involved the restructuring of clothing fibers and textiles operations, such as concentrating on functional materials, pulling out of polynosic fibers and curtailing domestic production. In the field of industrial materials, we strove to expand the business by globalizing automobile-related materials. In the plastics business and the bio, medical, functional materials and products business, we made efforts to enhance and expand distinctive products including special-purpose films, high functional textiles, biotechnology and functional membranes by enhancing our development structure and boosting our production capacity.

As a result, net sales for the fiscal year ended March 31, 2002 decreased by 19.8 billion yen to 383.1 billion yen (down 4.9%) on a year-on-year basis. The following is a review of our businesses by segment.

It should be noted that businesses were reclassified in the fiscal year ended March 31, 2002 as stated in segment information titled "1. Segment Information by Business Type (Note)". Year-on-year data shown here are based on figures in the previous fiscal year that have been adjusted to reflect the reclassification of businesses.

### [Fibers and Textiles]

In the fibers and textiles business, revenue decreased as a result of the poor performance of domestic clothing applications stemming from weak domestic consumption and increased product imports, which offset the overall solid performance of overseas operations (including Southeast Asia) and automobile-related materials.

In the chemical fibers division, revenue generated by polyester filaments decreased on the whole, due to the curtailment of unprofitable operations including car seats, which outweighed the good performance of sports knitwear (exemplified by its adoption as materials for World Cup Soccer uniforms). Sales of polyester staples fell due to the downsizing of operations in the unprofitable wadding field, whereas revenue generated by nonwoven fabric applications increased. Revenue generated by polyurethane elastic fiber ESPA® and nylon plummeted due to the poor performance of stockings applications. Sales of acrylic fiber EXLAN® were more or less the same as in the previous fiscal year on the whole, thanks to the steady increase in sales of moisture-absorbing exothermic material EKS®. In the field of industrial materials, building and construction materials performed poorly due to the impact of cutbacks in public works, while revenue generated by tire cords, base fabrics for automobile airbags and other automobile-related materials decreased only slightly.

In the natural fibers division, sales decreased on the whole, due to the impact of weak consumer spending and increased product imports. Sales of textiles were sluggish, as the increase in exports of spun textiles and sales of sports knitwear, etc. was offset by the poor sales of shirts, sleepwear and uniform applications. In secondary products, the decline in sales was minimized by the increase in sales of casual knitwear, notwithstanding sluggish consumer spending. Revenue generated by cotton yarns substantially decreased, owing to weak domestic demand attributable to the increase in exports of secondary products. Consequently, sales generated by the fibers and textiles business decreased by 15.2 billion yen year-on-year to 198.3 billion yen (down 7.1%). Operating income decreased by 2.6 billion yen to 800 million yen (down 77.0%).

**[Plastics]**

In the plastics business, revenue slightly decreased on the whole, due to the impact of the IT recession on industrial films, resins, etc., which offset the good performance of packaging films.

In the films division, revenue decreased as a result of the weak demand for industrial films. Revenue generated by industrial films inevitably plummeted due to the fall in the sales volume of our mainstay transparent films, amid the unprecedented IT recession in the first half of the year. On the other hand, sales generated by packaging films was comparable to the previous fiscal year's level, as the sales volume of nylon films, special polyethylene films and polypropylene films increased, notwithstanding the tough business environment associated with weak consumption.

Revenue generated by resins, chemicals, electronic materials, etc. decreased because of the impact of the recession, despite our efforts to develop new products and expand the business. Sales of high-functional resin VYLON® and electronic materials plummeted due to the severe impact of the IT recession. Sales of molding resins and photosensitive printing plates also fell short of the previous fiscal year's level, due to the impact of weak demand both in Japan and overseas. In contrast, sales of polyacrylate moisture-absorbing exothermic fiber MOISCARE® rocketed in sportswear and industrial materials applications, having established a reputation for product characteristics in the marketplace.

Consequently, sales generated by the plastics business decreased by 7.1 billion yen year-on-year to 102.1 billion yen (down 6.5%). Operating income decreased by 2 billion yen to 9.6 billion yen (down 17.0%).

**[Bio, Medical, Functional Materials and Products]**

In the bio, medical, functional materials and products business, we made business expansion efforts including developing new products and enhancing facilities. As a result, revenue generated by the bio and medical operations increased, as was the case in functional materials and products operations.

In the bio and medical fields including medical devices, revenue generated by enzymes for diagnostic reagents and genetic research reagents increased, while functional membranes continued to perform solidly. In the functional materials and products division, sales of ultra-strong polyethylene fiber DYNEEMA® and next-generation super fiber ZYLON® substantially increased, due to new markets being tapped and the worldwide increase in demand for high-tech fibers.

Consequently, sales generated by the bio, medical, functional materials and products business increased by 3.8 billion yen year-on-year to 48.5 billion yen (up 8.4%). Operating income increased by 800 million yen to 6.4 billion yen (up 14.1%).

**[Other Businesses]**

Other businesses suffered a slight decrease in revenue on the whole, due to the impact of Bon Electric Co., Ltd. being excluded from the scope of consolidation at the end of the previous fiscal year. Nevertheless, they generally performed solidly, including engineering, real estate, information processing services and logistics services.

Consequently, sales generated by other businesses decreased by 1.3 billion yen year-on-year to 34.2 billion yen (down 3.7%). Operating income increased by 100 million yen to 2.4 billion yen (up 2.4%).

As a result, the Toyobo Group's consolidated operating income decreased by 3.8 billion yen year-on-year to 16.3 billion yen (down 19.0%), and ordinary income decreased by 3.5 billion yen to 6.8 billion yen (down 34.0%). Further, extraordinary losses declared by Toyobo included the loss on disposal of property, plant and equipment mainly in the fibers and textiles business and the restructuring expenses for structural improvements totaling 9.7 billion yen, and the unrealized loss of bank stockholdings, etc. attributable to plummeting stock prices at the year-end amounting to 27 billion yen. Accordingly, the Group incurred a net loss of 13.4 billion yen, which was 19 billion yen decrease from the net income of 5.7 billion yen in the previous fiscal year.

## 2. Financial Position for Fiscal Year ended March 31, 2002

**[Assets, Liabilities and Stockholders' Equity]**

Total assets increased by 49.3 billion yen year-on-year to 589.4 billion yen (up 9.1%), as a result of the revaluation of land for business purposes pursuant to the Law Concerning Revaluation of Land, which offset the decrease in current assets due to the reduction in inventories, etc.

Total liabilities increased by 14.8 billion yen to 488.7 billion yen (up 3.1%), owing to the increase in deferred tax liabilities associated with other revaluations by the Company, which offset the decrease in interest-bearing debt partly resulting from the redemption of bonds.

Stockholders' equity increased by 33.6 billion yen to 96.6 billion yen (up 53.2%), thanks to the increase in other revaluation excess by the Company, which offset the decrease in consolidated retained earnings stemming from the net loss and other factors.

**[Cash Flows]**

Net cash provided by operating activities increased by 14.5 billion yen year-on-year to 32.4 billion yen (up 81.4%). This was due to the write-down of investment securities, depreciation and amortization, the reduction in working capital, etc., which were added to the loss before income taxes in the amount of 22.8 billion yen.

Net cash used in investing activities increased by 2.9 billion yen year-on-year to 12.4 billion yen (up 30.4%). This was primarily due to the acquisition and sale of property, plant and equipment.

Net cash used in financing activities increased by 10.6 billion yen year-on-year to 21.3 billion yen (up 100.0%). This was mainly due to the reduction of interest-bearing debt and the payment of interest and dividends.

Consequently, the closing balance of cash and cash equivalents decreased by 200 million yen year-on-year to 13.8 billion yen (down 1.3%).

### 3. Forecast for Next Fiscal Year

In the fiscal year ending March 31, 2002, the Japanese economy is expected to remain stagnant overall, despite some signs of recovery in some areas. The business environment is expected to remain uncertain, due to concerns over the further increase in imports of fiber and textile products and the rise in the cost of raw materials for chemical synthetic fibers. However, in the fibers and textiles business, the cost-cutting effects of restructuring are likely to be felt on the earnings front, as we concentrate on functional clothing based on a customer-oriented organization that integrates the Chemical Fibers Division and the Natural Fibers Division, and promote the expansion of industrial materials applications. In the plastics business and the bio, medical, functional materials and products business, we will make sales promotion efforts for high functional products by enhancing production capacity and launching newly-developed products, in anticipation of the bottoming-out of IT demand and the surge in bio- and medical-related demand. Accordingly, our consolidated business performance for the fiscal year ending March 31, 2003 is projected at 385 billion yen in net sales (up 1.9 billion yen year-on-year), 11 billion yen in ordinary income (up 4.2 billion yen), 5.5 billion yen in net income (up 18.9 billion yen).

## Status of Enterprise Group

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

**Fibers and Textiles:**

The Company (hereinafter referred to as "Toyobo Co., Ltd.") manufactures, processes and sells industrial textile products. Its 21 consolidated domestic subsidiaries—such as Japan Exlan Co., Ltd.—and its 38 non-consolidated domestic subsidiaries—such as Toyo Cloth Co., Ltd. (subject to equity method)—and domestic affiliates are engaged in the processing of textiles such as spinning, looming, weaving and dyeing and the manufacture and sale of synthetic fibers, secondary textile products, etc. They are also engaged in production, processing and sale under contract with Toyobo Co., Ltd. Mizushima Aroma Co., Ltd. (subject to equity method) manufactures and sells raw materials for synthetic fibers, and supplies them to Toyobo Co., Ltd. as well. Its 9 consolidated overseas subsidiaries—such as Perak Textile Mills Sdn. Bhd.—and 13 non-consolidated overseas subsidiaries and overseas affiliates manufacture and sell spun yarn, woven fabrics and processed goods, and supply them to Toyobo Co., Ltd. as well. Its five consolidated subsidiaries—such as Shinko Sangyo Co., Ltd.—and four non-consolidated subsidiaries and affiliates are engaged in the distribution, etc. of textiles and various non-textile industrial products.

**Plastics Products:**

Toyobo Co., Ltd. manufactures, processes and sells films, highly functional resins, electronic materials, activated carbon fibers, etc. Its six consolidated subsidiaries—such as Toyo Kasei Kogyo Co., Ltd. and Kureha Elastomer Co., Ltd.—and 15 non-consolidated subsidiaries—such as Toyoshina Film Co., Ltd. (subject to equity method)—and affiliates manufacture, process and sell chemical products and plastics products such as films, highly functional resins and rubber products. They also purchase raw materials from Toyobo Co., Ltd. and supply products to Toyobo Co., Ltd.

**Bio, Medical, Functional Materials and Products:**

Toyobo Co., Ltd. manufactures, processes and sells biochemicals such as bio-reagents, pharmaceuticals, medical devices, functional materials and products, etc. Its three consolidated subsidiaries—such as Toyobo Gene Analysis Co., Ltd. and Kureha Ltd.—and seven non-consolidated subsidiaries and affiliates provide gene analysis services and are engaged in the manufacture, sale, etc. of nonwoven fabrics. They also purchase raw materials, etc. from Toyobo Co., Ltd. and supply products, etc. to Toyobo Co., Ltd.

**Engineering:**

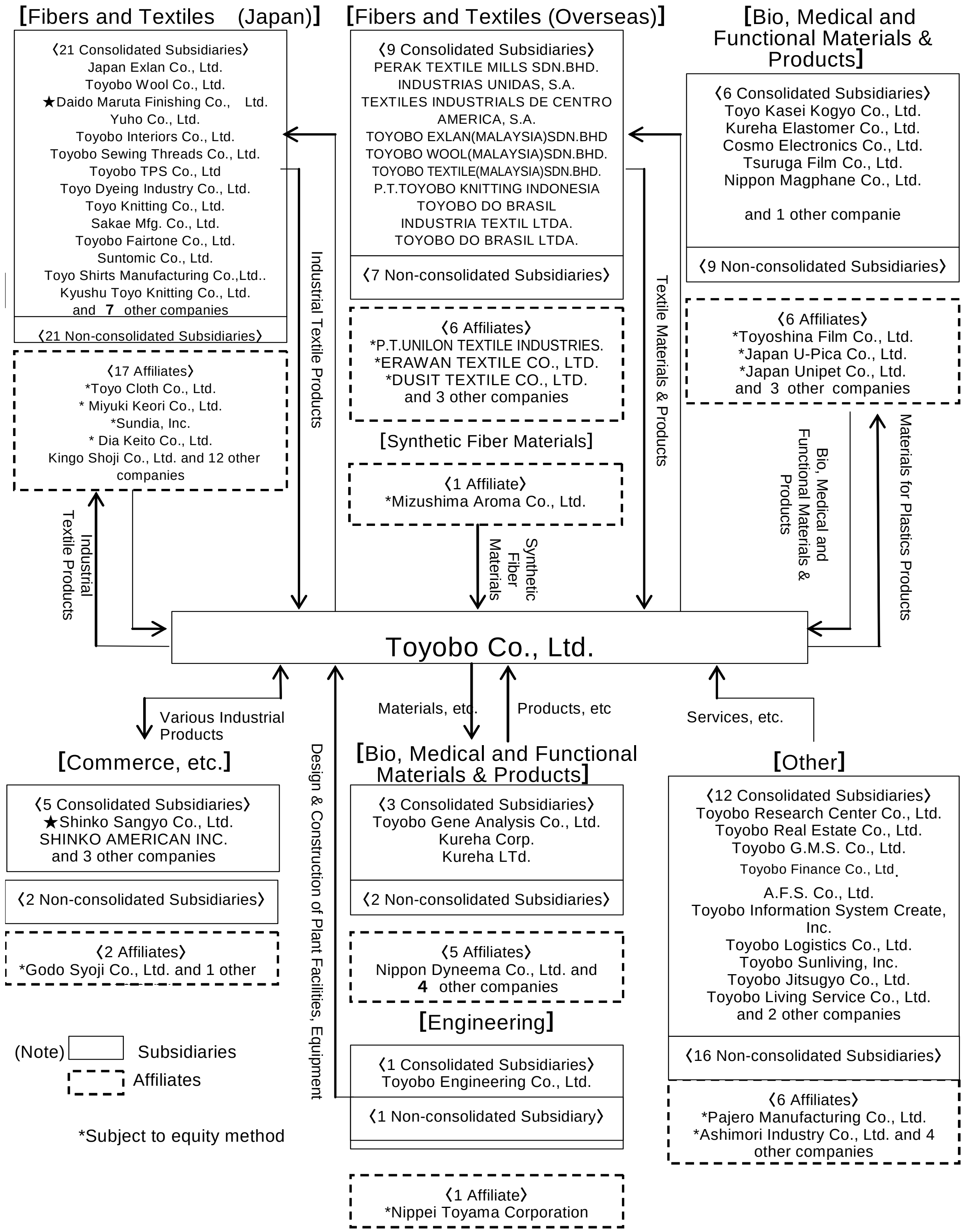
Toyobo Engineering Co., Ltd. (consolidated subsidiary) and one non-consolidated subsidiary design and construct buildings, machines, etc. and sell equipment. They are also engaged in the design, construction, etc. of plant facilities under contract with Toyobo Co., Ltd. Nippei Toyama Corporation (subject to equity method) is engaged in the manufacture, sale, etc. of machine tools, etc.

**Other:**

Its 12 consolidated subsidiaries—such as Toyobo Research Center Co., Ltd. (contract R&D), Toyobo Real Estate Co., Ltd. (real estate sale and leasing), Toyobo G.M.S. Co., Ltd. (real estate leasing, management, etc.), Toyobo Finance Co., Ltd. (financial services), A.F.S. Co., Ltd. (financial services), Toyobo Information System Create, Inc. (information processing services), Toyobo Logistics Co., Ltd. (logistics services, etc.), Toyobo Sunliving Inc. (furniture sale, etc.), Toyobo Jitsugyo Co., Ltd. (manufacture and sale of foods) and Toyobo Living Service Co., Ltd. (linen supply, etc.)—and 22 non-consolidated subsidiaries—such as Pajero Manufacturing Co., Ltd. (subject to equity method, assembly of automobiles and manufacture and processing of body)—and affiliates are engaged in the respective businesses shown in the parentheses. They also provide services, etc. to Toyobo Co., Ltd.

"Engineering" and "Other" shown above are classified as "Other Businesses" in the Segment Information by Business Type. Businesses were reclassified in the fiscal year ended March 31, 2002 as stated in segment information titled “1. Segment Information by Business Type (Note).”

# Corporate System




★Subsidiaries listed on securities exchange in Japan
(Shinko Sangyo Co., Ltd.: Listed on Second Section of Tokyo Stock Exchange and Second Section of Osaka Securities Exchange. Daido Maruta Finishing Co., Ltd.: Second Section of Osaka Securities Exchange)

# Consolidated Balance Sheets

(Unit: millions of yen)

| Item | 2001 (As of March 31, 2001) Amount | 2001 Percentage | 2002 (As of March 31, 2002) Amount | 2002 Percentage | Change |
|---|---|---|---|---|---|
| (Assets) | | % | | % | |
| Ⅰ Current Assets | | | | | |
| 1. Cash and cash equivalents | 14,773 | | 14,282 | | (490) |
| 2. Notes and accounts receivable | 129,388 | | 113,118 | | (16,269) |
| 3. Inventories | 89,397 | | 82,767 | | (6,630) |
| 4. Deferred income taxes | 2,892 | | 3,079 | | 187 |
| 5. Other | 10,549 | | 10,416 | | (133) |
| 6. Allowance for doubtful receivables | (988) | | (1,113) | | (124) |
| Total current assets | 246,013 | 45.4 | 222,551 | 37.8 | (23,461) |
| Ⅱ Noncurrent Assets | | | | | |
| 1. Property, Plant and Equipment | | | | | |
| (1) Buildings and structures | 52,045 | | 50,919 | | (1,125) |
| (2) Machinery and equipment | 63,090 | | 61,182 | | (1,907) |
| (3) Land | 29,115 | | 119,355 | | 90,240 |
| (4) Construction in progress | 7,450 | | 10,861 | | 3,411 |
| (5) Other | 2,495 | | 2,542 | | 47 |
| Total property, plant and equipment | 154,197 | 28.6 | 244,862 | 41.5 | 90,665 |
| 2. Intangible assets | | | | | |
| (1) Excess of net assets acquired over cost, net | 238 | | 152 | | (85) |
| (2) Other | 3,352 | | 3,296 | | (56) |
| Total intangible assets | 3,590 | 0.7 | 3,448 | 0.6 | (141) |
| 3. Investments and other noncurrent assets | | | | | |
| (1) Investment securities | 114,257 | | 88,328 | | (25,928) |
| (2) Loans | 4,402 | | 3,783 | | (618) |
| (3) Deferred income taxes | 12,487 | | 20,584 | | 8,096 |
| (4) Other | 9,154 | | 10,599 | | 1,445 |
| (5) Allowance for doubtful receivables | (3,989) | | (4,751) | | (762) |
| Total investments and other noncurrent assets | 136,312 | 25.2 | 118,545 | 20.1 | (17,767) |
| Total noncurrent assets | 294,100 | 54.5 | 366,856 | 62.2 | 72,755 |
| Total assets | 540,114 | 100.0 | 589,408 | 100.0 | 49,294 |

# Consolidated Balance Sheets

(Unit: millions of yen)

| Item \ Year | 2001 (As of March 31, 2001) Amount | Percentage | 2002 (As of March 31, 2002) Amount | Percentage | Change |
|---|---|---|---|---|---|
| (Liabilities) | | % | | % | |
| I Current Liabilities | | | | | |
| 1. Notes and accounts payable | 70,054 | | 65,304 | | (4,750) |
| 2. Short-term borrowings | 202,636 | | 181,483 | | (21,152) |
| 3. Long-term debt due within one year | 14,397 | | 15,196 | | 798 |
| 4. Bonds maturing within one year | 35,000 | | 15,000 | | (20,000) |
| 5. Accrued income taxes | 3,017 | | 1,605 | | (1,412) |
| 6. Deferred income taxes | 85 | | 113 | | 27 |
| 7. Accrued expenses | 4,240 | | 3,855 | | (385) |
| 8. Deposits received | 11,855 | | 17,025 | | 5,170 |
| 9. Accrued employees' bonuses | 5,038 | | 4,720 | | (318) |
| 10. Other | 14,797 | | 17,375 | | 2,578 |
| Total current liabilities | 361,124 | 66.8 | 321,680 | 54.6 | (39,443) |
| II Long-term Liabilities | | | | | |
| 1. Bonds | 40,000 | | 45,300 | | 5,300 |
| 2. Long-term debt | 41,657 | | 57,627 | | 15,969 |
| 3. Deferred income taxes | 4,038 | | 822 | | (3,216) |
| 4. Deferred income taxes on land revaluation | 3,226 | | 37,641 | | 34,415 |
| 5. Employees' severance and retirement benefits | 15,016 | | 16,175 | | 1,159 |
| 6. Directors' and statutory auditors' retirement benefits | 2,298 | | 2,571 | | 273 |
| 7. Other | 6,554 | | 6,894 | | 349 |
| Total long-term liabilities | 112,781 | 20.9 | 167,030 | 28.3 | 54,249 |
| Total liabilities | 473,905 | 87.7 | 488,711 | 82.9 | 14,806 |
| (Minority Interest) | | | | | |
| Minority interest in consolidated subsidiaries | 3,155 | 0.6 | 4,093 | 0.7 | 937 |
| (Stockholders' Equity) | | | | | |
| I Common stock | 43,341 | 8.0 | 43,341 | 7.4 | – |
| II Capital reserves | 14,387 | 2.7 | 14,387 | 2.4 | – |
| III Revaluation excess | 3,609 | 0.7 | 50,990 | 8.7 | 47,381 |
| IV Revaluation excess-foreign | – | – | 6,413 | 1.1 | 6,413 |
| V Consolidated retained earnings | 20,364 | 3.8 | 4,263 | 0.7 | (16,101) |
| VI Net unrealized holding gains on securities | (5,458) | (1.0) | (10,718) | (1.8) | (5,260) |
| VII Foreign currency translation adjustments | (13,188) | (2.5) | (12,067) | (2.1) | 1,121 |
| VIII Less treasury stock, at cost | (1) | 0.0 | (4) | 0.0 | (3) |
| Total stockholders' equity | 63,052 | 11.7 | 96,603 | 16.4 | 33,550 |
| Total liabilities, minority interest and stockholders' equity | 540,114 | 100.0 | 589,408 | 100.0 | 49,294 |

# Consolidated Statements of Income

(Unit: millions of yen)

| Item \ Year | 2001 (From April 1, 2000 To March 31, 2001) Amount | | Percentage | 2002 (From April 1, 2001 To March 31, 2002) Amount | | Percentage | Change | |
|---|---|---|---|---|---|---|---|---|
| | | | % | | | % | | |
| Ⅰ Net sales | | 402,876 | 100.0 | | 383,078 | 100.0 | | (19,797) |
| Ⅱ Cost of sales | | 321,069 | 79.7 | | 307,298 | 80.2 | | (13,770) |
| Gross profit | | 81,806 | 20.3 | | 75,780 | 19.8 | | (6,026) |
| Ⅲ Selling, general and administrative expenses | | 61,637 | 15.3 | | 59,448 | 15.5 | | (2,189) |
| Operating income | | 20,169 | 5.0 | | 16,332 | 4.3 | | (3,836) |
| Ⅳ Non-operating income | | | | | | | | |
| 1. Interest income | 390 | | | 399 | | | 9 | |
| 2. Dividend income | 1,025 | | | 749 | | | (275) | |
| 3. Gain on sale of investment securities | 683 | | | 370 | | | (313) | |
| 4. Rent | 874 | | | 1,016 | | | 141 | |
| 5. Equity in income of unconsolidated subsidiaries and affiliates | 1,884 | | | 665 | | | (1,218) | |
| 6. Other | 2,409 | 7,267 | 1.8 | 1,823 | 5,024 | 1.3 | (585) | (2,243) |
| Ⅴ Non-operating expenses | | | | | | | | |
| 1. Interest expense | 5,759 | | | 5,102 | | | (656) | |
| 2. Retirement benefits for employees for prior periods | 3,358 | | | 3,117 | | | (241) | |
| 3 Other | 8,018 | 17,135 | 4.2 | 6,336 | 14,555 | 3.8 | (1,682) | (2,579) |
| Ordinary income | | 10,301 | 2.6 | | 6,800 | 1.8 | | (3,500) |
| Ⅵ Extraordinary income | | | | | | | | |
| 1. Gain on sale of property, plant and equipment | 2,679 | | | 7,392 | | | 4,713 | |
| 2. Gain on sale of investment securities | 3,021 | 5,700 | 1.4 | 1,011 | 8,403 | 2.1 | (2,010) | 2,703 |
| Ⅶ Extraordinary loss | | | | | | | | |
| 1 Loss on disposal of property, plant and equipment | 2,650 | | | 4,211 | | | 1,561 | |
| 2 Loss on sale of investment securities | 676 | | | 27,017 | | | 26,340 | |
| 3. Special allowance for doubtful receivables | 642 | | | 1,238 | | | 596 | |
| 4 Liquidation of affiliates | 59 | | | 66 | | | 6 | |
| 5 Special loss on restructuring of businesses | 3,456 | 7,484 | 1.9 | 5,471 | 38,003 | 9.9 | 2,015 | 30,519 |
| Income before income taxes | | 8,517 | 2.1 | | (22,799) | (6.0) | | (31,316) |
| Provision for income taxes | 5,346 | | | 1,950 | | | (3,395) | |
| Provision for income taxes (deferred) | (2,856) | 2,489 | 0.6 | (11,379) | (9,428) | (2.5) | (8,522) | (11,917) |
| Minority interest in loss of consolidated subsidiaries | | – | – | | 9 | 0.0 | | 9 |
| Minority interest in income of consolidated subsidiaries | | 366 | 0.1 | | – | – | | (366) |
| Net income (( ) = loss) | | 5,662 | 1.4 | | (13,361) | (3.5) | | (19,023) |

# Consolidated Statement of Retained Earnings

(Unit: millions of yen)

| Item / Year | 2001 (From April 1, 2000 To March 31, 2001) Amount | | 2002 (From April 1, 2001 To March 31, 2002) Amount | |
|---|---|---|---|---|
| I Opening balance of consolidated retained earnings | | 18,129 | | 20,364 |
| II Increase in consolidated retained earnings | | | | |
| 1. Increase due to merger | – | | 494 | |
| 2. Adjustments for reversal of revaluation of land | – | | 582 | |
| 3. Increase due to increase in companies subject to equity method | 31 | 31 | 2 | 1,079 |
| III Decrease in consolidated retained earnings | | | | |
| 1. Cash dividends | 3,454 | | 3,454 | |
| 2. Decrease due to increase in consolidated subsidiaries | 3 | | 134 | |
| 3. Decrease due to decrease in consolidated subsidiaries | – | 3,457 | 229 | 3,813 |
| IV Net income (( ) = loss) | | 5,662 | | (13,361) |
| V Closing balance of consolidated retained earnings | | 20,364 | | 4,263 |

# Consolidated Statements of Cash Flows

(Unit: millions of yen)

| Item \ Year | 2001 (From April 1, 2000 To March 31, 2001) Amount | 2002 (From April 1, 2001 To March 31, 2002) Amount | Change |
|---|---|---|---|
| **I** Cash flows provided by operating activities | | | |
| Income before income taxes (loss) | 8,517 | (22,799) | (31,316) |
| Depreciation and amortization | 17,486 | 16,848 | (637) |
| Amortization of consolidation difference | 111 | 86 | (25) |
| Allowance for doubtful receivables, net | (770) | 887 | 1,658 |
| Increase in reserve for retirement benefits | 606 | 1,159 | 553 |
| Interest and dividend income | (1,415) | (1,149) | 266 |
| Interest expense | 5,759 | 5,102 | (656) |
| Equity in losses (income) of unconsolidated subsidiaries and affiliates | (1,884) | (665) | 1,218 |
| (Gain) loss on sale and disposal of property, plant and equipment, net | (29) | (3,181) | (3,152) |
| Gain on sale and unrealized holding gains on investment securities | (2,502) | 25,635 | 28,137 |
| Special loss on restructuring of businesses | 3,312 | 5,400 | 2,088 |
| Increase (decrease) in trade notes and accounts receivable | (3,736) | 15,039 | 18,775 |
| Increase (decrease) in inventories | (2,199) | 3,408 | 5,607 |
| Increase (decrease) in trade notes and accounts payable | 3,888 | (4,250) | (8,138) |
| Other, net | (120) | (1,973) | (1,853) |
| Total | 27,022 | 39,549 | 12,526 |
| Special loss on restructuring of businesses | (3,312) | (2,269) | 1,042 |
| Income taxes paid | (5,831) | (4,851) | 979 |
| Net cash provided by operating activities | 17,878 | 32,428 | 14,549 |
| **II** Cash flows provided by investing activities | | | |
| Net increase (decrease) in securities | 2,065 | 1,008 | (1,057) |
| Purchase of property, plant and equipment | (19,139) | (19,863) | (724) |
| Proceeds from disposal of property, plant and equipment | 3,062 | 8,417 | 5,354 |
| Purchase of investment securities | (4,731) | (11,074) | (6,343) |
| Proceeds from sale of investment securities | 7,228 | 8,403 | 1,174 |
| Proceeds from sale of shares of subsidiaries due to change in scope of consolidation | 1,162 | — | (1,162) |
| Interest and dividend income excluding unconsolidated subsidiaries and affiliates | 1,403 | 1,179 | (223) |
| Dividend income from equity method affiliates | 227 | 312 | 84 |
| Other | (810) | (815) | (4) |
| Net cash provided by investing activities | (9,530) | (12,431) | (2,901) |
| **III** Cash flows used in financing activities | | | |
| Increase (Decrease) in short-term bank loans | 23,466 | (14,002) | (37,469) |
| Net increase in commercial papers | 6,000 | (1,000) | (7,000) |
| Proceeds from long-term debt | 8,890 | 30,503 | 21,612 |
| Repayment of long-term debt | (14,571) | (13,735) | 835 |
| Proceeds from issuance of bonds | — | 20,300 | 20,300 |
| Payment of bonds | (25,000) | (35,000) | (10,000) |
| Proceeds from contributions by minority stockholders | — | 340 | 340 |
| Net increase (decrease) in treasury stock | 0 | (3) | (2) |
| Payment of interest | (5,881) | (5,172) | 709 |
| Cash dividends | (3,454) | (3,454) | — |
| Payment in legal settlement of debt | (100) | (72) | 27 |
| Net cash used in financing activities | (10,649) | (21,296) | (10,646) |
| **IV** Adjustment for foreign currency translation | 475 | 980 | 504 |
| **V** Increase (Decrease) in cash and cash equivalents | (1,826) | (320) | 1,506 |
| **VI** Cash and cash equivalents at beginning of year | 15,832 | 14,010 | (1,821) |
| **VII** Increase resulting from changes in consolidated subsidiaries | 4 | 133 | 128 |
| **VIII** Cash and cash equivalents at end of year | 14,010 | 13,823 | (186) |

## Significant Accounting Policies: Basis for Preparation of Consolidated Financial Statements

### 1. Scope of Consolidation

(1) There are 57 consolidated subsidiaries. The names of major consolidated subsidiaries are as stated in "Status of Enterprise Group". From the fiscal year ended March 31, 2002, we decided to include Toyobo Wool Co., Ltd. and Toyobo G.M.S. Co., Ltd. established in the said fiscal year in the count of consolidated subsidiaries, as well as Toyobo do Brasil Ltda. which previously traded under the name Brasilana Productos Texteis Ltda. in consideration of its significance. Nihon Magfan Co., Ltd. was excluded from the count of consolidated subsidiaries in the fiscal year ended March 31, 2002, as it had merged with the Company. Canobolas Wooltopmaking Pty. Ltd. was also excluded, having lost its significance after closing down its business. Further, consolidated subsidiary Toko Sangyo Co., Ltd. merged with non-consolidated subsidiary Toyobo Distribution Co., Ltd. and was renamed Toyobo Logistics Co., Ltd.

(2) Non-consolidated subsidiaries are excluded from the scope of consolidation because all of them are small and do not, as a whole, materially affect the consolidated financial statements.

### 2. Application of Equity Method

(1) One non-consolidated subsidiary was accounted for by the equity method. In the fiscal year ended March 31, 2002, the equity method was newly applied to investments in non-consolidated subsidiary Textil Toyobo Ltda. in consideration of its significance.

(2)There were 18 affiliates accounted for by the equity method. The names of major affiliates accounted for by the equity method are as stated in "Status of Enterprise Group".

(3)Non-consolidated subsidiaries and affiliates not accounted for by the equity method are excluded from the scope of the equity method because all of them are small and do not, as a whole, materially affect the consolidated financial statements.

### 3. Fiscal Year, etc. of Consolidated Subsidiaries

There are 25 consolidated subsidiaries that settle their accounts on a different date, as described below.

Dec. 31: 16 companies Jan. 31: 2 companies Feb. 28: 4 companies Mar. 20: 3 companies

The respective financial statements of the 25 consolidated subsidiaries for the relevant fiscal year serve as the basis for preparing the consolidated financial statements. However, necessary adjustments have been made in cases where material transactions have taken place between the fiscal year end of the consolidated subsidiaries concerned and the consolidated fiscal year end.

**4. Accounting Standards**

(1) Valuation Standard and Method of Significant Assets

Available-for-sale securities:

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

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

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

(2) Depreciation Method of Significant Depreciable Assets

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

Intangible assets: Depreciated using the straight-line method. Software used within the company are depreciated using the straight-line method over its useful life within the company (i.e., five years).

(3) Accounting Standards for Significant Allowances and Reserves

Allowance for doubtful receivables: With respect to normal trade accounts receivable, an allowance to prepare against losses incurred from bad debt is stated at an amount based on the actual rate of bad debts in the past, whereas for certain doubtful receivables, the estimated uncollectible amount is stated according to an assessment of collectability on a case-by-case basis.

Accrued employees' bonuses: The amount expected to be required for the payment of employee's bonuses is stated.

Reserve for employees' severance and retirement benefits: A reserve for employees' severance and retirement benefits is stated on the basis of the projected amount of retirement benefit obligations and pension assets at the end of the consolidated fiscal year. The excess of the projected benefit obligations over the total of the fair value of pension assets as of April 1, 2000 and the liabilities for severance and retirement benefits recorded as of April 1, 2000 ("net transition obligations" 46,692 million yen) is recognized as an expense and divided and allocated equally to each year over a period of fifteen years (or equally to each year over a period of five years in the case of some consolidated subsidiaries, etc.). However, the net transition obligations are quickly amortized in the event of the mass retirement of employees who were employed on April 1, 2000.

Prior service costs are recognized as expenses using the straight-line method over a period of ten years (a certain number of years not exceeding the average remaining employment period of the employee at the time of accrual). Actuarial gains/losses are recognized as expenses using the straight-line method over a period of ten years (a certain number of years not exceeding the average remaining employment period of the employee at the time of accrual) starting from the following consolidated fiscal year.

Reserve for directors' and statutory auditors' retirement benefits: A reserve for directors' and statutory auditors' retirement benefits are stated at the estimated amount as of the end of the consolidated fiscal year based on internal regulations. Retirement benefits payable to the directors and statutory auditors of some consolidated subsidiaries are recognized as expenses at the time of disbursement.

(4) Accounting Method of Significant Lease Transactions

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

(5) Significant Hedge Accounting Method

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

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

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

Method of evaluating effectiveness of hedging:

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

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

Consumption taxes are excluded.

**5. Valuation of Assets and Liabilities of Consolidated Subsidiaries**

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

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

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

**7. Treatment of Profit Appropriation Items, etc.**

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

**8. Scope of Funds in Consolidated Statements of Cash Flows**

Funds (cash and cash equivalents) in the Consolidated Statements of Cash Flows consist of cash on hand, readily-available deposits, and fixed-term deposits with a term of no more than three months which are readily convertible and subject to an insignificant risk of changes in value.

## Notes to Consolidated Financial Statements

### 1. Notes to Consolidated Balance Sheets

| | |
|---|---|
| (1) Accumulated depreciation of property, plant and equipment | 353,588 million yen |
| (2)Principal assets pledged as collateral and secured debt | |
| Property, plant and equipment pledged as collateral | 52,760 million yen |
| Secured short-term borrowings | 17,359 million yen |
| Secured long-term debt (including debt due within one year) | 25,814 million yen |
| (3) Guaranteed obligations (including those based on commitment to guarantee and keepwell agreement) | 5,581 million yen |
| (4) Discounted notes receivable and notes endorsed for transfer | 2,489 million yen |
| (5) The following relates to non-consolidated subsidiaries and affiliates: | |
| Investment securities (stock) | 22,281 million yen |
| Investments and other non current assets (contribution to capital) | 374 million yen |
| (6) Accounting procedures for bills maturing at the end of the fiscal year and cash settlements on the set date (which involves cash settlement on the due date of the bill under the same terms and conditions as the bill) assume settlement on the day on which the bill was cleared or the day on which cash was received/paid. As the last day of the fiscal year ended March 31, 2002 was a holiday for financial institutions, the following bills, etc. maturing at the end of the said fiscal year are included in the closing balance. | 8,768 million yen<br>6,206 million yen |

(7) Revaluation excess

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

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

- Revaluation Method: Value was calculated according to the method set forth in Article 2-1, 2-3, 2-4 and 2-5 of the Enforcement Ordinance of the Law Concerning Revaluation of Land.
- Revaluation date: March 31, 2002
- Book value before revaluation: 29,838 million yen
- Book value before revaluation: 113,800 million yen

(ii) One consolidated subsidiary

- Revaluation Method: Value was calculated according to the method set forth in Article 2-4 of the Enforcement Ordinance of the Law Concerning Revaluation of Land.
- Revaluation date: March 31, 2000
- Difference between market value of revaluated land at the fiscal year end and book value after revaluation: 563million yen

(8) Revaluation Excess-foreign

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

## 2. Notes to Consolidated Statements of Income

(1) Principle Items and Amounts of Selling, General and Administrative Expenses

| | |
|---|---|
| Transport and storage | 9,450 million yen |
| Salaries, wages, bonuses, etc. | 16,019 million yen |
| Provision for employees' bonuses | 1,553 million yen |
| | 2,183 million yen |
| Research and development | 8,932 million yen |
| (2) Research and development expenses included in general and administrative expenses and manufacturing costs for the period | 8,987 million yen |

## 3. Notes to Consolidated Statements of Cash Flows

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

| | (March 31, 2002) |
|---|---|
| Cash and cash equivalents in balance sheet | 14,282 million yen |
| Fixed-term deposits with a term exceeding 3 months | (459 million yen) |
| Cash and cash equivalents in cash flow statement | 13,823 million yen |

## Segment Information

### 1. Segment Information by Business Type

**[Fiscal Year ended March 31, 2001]** (Unit: million yen)

| | Fibers & Textiles | Plastics Products | Bio, Medical and Functional Materials and Products | Other Businesses | Total | Elimination or Corporate | Consolidated |
|---|---|---|---|---|---|---|---|
| Ⅰ. Net Sales and Operating Income | | | | | | | |
| (1) Net sales to external customers | 213,434 | 109,164 | 44,753 | 35,524 | 402,876 | – | 402,876 |
| (2) Intersegment net sales or transfer amounts | 281 | 34 | – | 9,382 | 9,697 | (9,697) | – |
| Net Sales | 213,715 | 109,198 | 44,753 | 44,906 | 412,573 | (9,697) | 402,876 |
| Operating costs and expenses | 210,302 | 97,674 | 39,171 | 42,569 | 389,718 | (7,011) | 382,706 |
| Operating income | 3412 | 11,523 | 5,581 | 2,336 | 22,854 | (2,685) | 20,169 |
| Ⅱ. Assets, Depreciation & Amortization and Capital Expenditure | | | | | | | |
| Assets | 202,904 | 95,655 | 40,473 | 88,448 | 427,481 | 112,632 | 540,114 |
| Depreciation & Amortization | 7,813 | 4,374 | 2,144 | 1,238 | 15,569 | 1,916 | 17,486 |
| Capital Expenditure | 5,534 | 5,539 | 2,598 | 4,599 | 18,270 | 849 | 19,119 |

Non-allocatable operating costs and expenses which have been included in "Elimination or Corporate" totaled 3,000 million yen.

**[Fiscal Year ended March 31, 2002]** (Unit: million yen)

| | Fibers & Textiles | Plastics Products | Bio, Medical and Functional Materials and Products | Other Businesses | Total | Elimination or Corporate | Consolidated |
|---|---|---|---|---|---|---|---|
| Ⅰ. Net Sales and Operating Income | | | | | | | |
| (1) Net sales to external customers | 198,253 | 102,079 | 48,528 | 34,217 | 383,078 | – | 383,078 |
| (2) Intersegment net sales or transfer amounts | 550 | - | - | 12,053 | 12,603 | (12,603) | – |
| Net Sales | 198,803 | 102,079 | 48,528 | 46,270 | 395,681 | (12,603) | 383,078 |
| Operating costs and expenses | 198,016 | 92,519 | 42,158 | 43,878 | 376,573 | (9,827) | 366,746 |
| Operating income | 786 | 9,560 | 6,369 | 2,391 | 19,108 | (2,775) | 16,332 |
| Ⅱ. Assets, Depreciation & Amortization and Capital Expenditure | | | | | | | |
| Assets | 236,782 | 116,935 | 48,291 | 90,372 | 492,381 | 97,027 | 589,408 |
| Depreciation & Amortization | 7,135 | 4,586 | 2,315 | 1,269 | 15,306 | 1,541 | 16,848 |
| Capital Expenditure | 5,013 | 11,744 | 3,860 | 647 | 21,264 | 1,124 | 22,388 |

Non-allocatable operating costs and expenses which have been included in "Elimination or Corporate" totaled 3,094 million yen.

(Note) Toyobo's businesses had traditionally been divided into three types of businesses, namely, "fibers and textiles business", "plastics business" and "other businesses", according to product types/characteristics and market similarities. In the fiscal year ended March 31, 2002, we reclassified our businesses to assure consistency with the classification of profit centers within the Company, to reflect the growing strategic importance of our biotechnology business, medical business, etc. As a result, we decided to add some of the businesses previously included in "other businesses" to the "plastics business", and present some other businesses in a new category, "bio, medical, functional materials and products business".
Moreover, in order to present the Toyobo Group's business status more appropriately, costs and expenses of the administration division including the general administration division of the parent company which had previously been included in non-allocatable operating costs and expenses were allocated to each business in the fiscal year ended March 31, 2002. Figures in the previous fiscal year are shown according to the new business classification.

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

| | |
|---|---|
| Fibers & Textiles: | Natural fibers, synthetic fibers and secondary textile products |
| Plastics Products: | Films, synthetic resins, activated carbon fibers, chemical products, rubber products, etc. |
| Bio, Medical and Functional Materials and Products: | Biochemicals such as bio-reagents, pharmaceuticals, medical devices, functional materials and products, etc. |
| Other Businesses: | Design and construction of buildings, structures, etc., real estate, information processing services , logistics services, etc. |

### 2. Segment Information by Region

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

### 3. Overseas Sales

**[Fiscal Year ended March 31, 2001]**

(Unit: million yen)

| | Southeast Asia | Other Regions | Total |
|---|---|---|---|
| I Overseas sales | 27,829 | 26,462 | 54,292 |
| II Consolidated sales | | | 402,876 |
| III Percentage of overseas sales | 6.9% | 6.6% | 13.5% |

**[Fiscal Year ended March 31, 2002]**

(Unit: million yen)

| | Southeast Asia | Other Regions | Total |
|---|---|---|---|
| I Overseas sales | 27,147 | 27,717 | 54,865 |
| II Consolidated sales | | | 383,078 |
| III Percentage of overseas sales | 7.1% | 7.2% | 14.3% |

## Dealings with Stakeholders

None.

## Securities

### [Previous Consolidated Fiscal Year End] (As of March 31, 2001)

**1. Available-for-sale Securities with Fair Market Value**

(Securities whose value declared in Consolidated Balance Sheets exceeds the acquisition cost) (Unit: million yen)

| | Acquisition Cost | Value declared in Consolidated Balance Sheets | Difference |
|---|---|---|---|
| Stocks | 9,437 | 12,899 | 3,462 |
| Other | 43 | 44 | 1 |
| Subtotal | 9,480 | 12,943 | 3,463 |

(Securities whose value declared in Consolidated Balance Sheets does not exceed the acquisition cost)

| | Acquisition Cost | Value declared in Consolidated Balance Sheets | Difference |
|---|---|---|---|
| Stocks | 87,601 | 77,203 | (10,398) |
| Other | 584 | 429 | (155) |
| Subtotal | 88,185 | 77,632 | (10,553) |

**2. Available-for-sale Securities Sold during the Fiscal Year ended March 31, 2001** (Unit: million yen)

| Amount Sold | Total Gain on Sale | Total Loss on Sale |
|---|---|---|
| 9,027 | 3,247 | (219) |

**3. Breakdown of Securities lacking Market Valuation and Value declared in Consolidated Balance Sheets**

(1) Available-for-sale securities

Non-listed stocks (excluding over-the-counter securities) 2,015 million yen

Securities with similar characteristics to deposits 665 million yen

(2) Subsidiaries' stocks and affiliates' stocks

Non-consolidated subsidiaries' stocks and affiliates' stocks 21,643 million yen

**4. Subsidiaries' Stocks and Affiliates' Stocks with Fair Market Value** (Unit: million yen)

| | Value declared in Consolidated Balance Sheets | Market Value | Difference |
|---|---|---|---|
| Subsidiaries' stocks | 4,786 | 2,837 | (1,948) |
| Affiliates' stocks | 8,534 | 7,962 | (571) |

(Note) This is based on non-consolidated financial statements.

### [Latest Consolidated Fiscal Year End] (As of March 31, 2002)

**1. Available-for-sale Securities with Fair Market Value**

(Securities whose value declared in Consolidated Balance Sheets exceeds the acquisition cost) (Unit: million yen)

| | Acquisition Cost | Value declared in Consolidated Balance Sheets | Difference |
|---|---|---|---|
| Stocks | 9,102 | 11,998 | 2,896 |
| Other | – | – | – |
| Subtotal | 9,102 | 11,998 | 2,896 |

(Securities whose value declared in Consolidated Balance Sheets does not exceed the acquisition cost)

| | Acquisition Cost | Value declared in Consolidated Balance Sheets | Difference |
|---|---|---|---|
| Stocks | 64,949 | 49,545 | (15,404) |
| Other | 608 | 421 | (187) |
| Subtotal | 65,557 | 49,966 | (15,591) |

**2. Available-for-sale Securities Sold during the Fiscal Year ended March 31, 2002** (Unit: million yen)

| Amount Sold | Total Gain on Sale | Total Loss on Sale |
|---|---|---|
| 6,869 | 1,384 | 3 |

**3. Breakdown of Securities lacking Market Valuation and Value declared in Consolidated Balance Sheets**

(1) Available-for-sale securities

Non-listed stocks (excluding over-the-counter securities) 4,082 million yen

Securities with similar characteristics to deposits 4 million yen

(2) Subsidiaries' stocks and Affiliates' stocks

Non-consolidated subsidiaries' stocks and affiliates' stocks 22,281 million yen

**4. Subsidiaries' Stocks and Affiliates' Stocks with Fair Market Value** (Unit: million yen)

| | Value declared in Consolidated Balance Sheets | Market Value | Difference |
|---|---|---|---|
| stocks | 4,786 | 2,324 | (2,461) |
| Affiliates' stocks | 8,534 | 6,545 | (1,988) |

(Note) This is based on non-consolidated financial statements.

## Contract Amount, etc. of Derivative Transactions, Fair Value and Unrealized

This information is omitted because all derivative transactions performed by the Toyobo Group are subject to hedge accounting, or correspond to derivative transactions subject to foreign-currency receivables and payables, etc. pursuant to the Accounting Standard for Foreign Currency Translation.

## Lease Transactions

**1. Borrower**

Notes on financial lease transactions except those in which the ownership of the leased property is deemed to have been transferred to the borrower.

(1) Acquisition price of leased property, accumulated depreciation and closing balance of accrued lease payments (Unit: million yen)

| | 2001 From April 1, 2000 To March 31, 2001 | | | 2002 From April 1, 2001 To March 31, 2002 | | |
|---|---|---|---|---|---|---|
| | Acquisition price | Accumulated depreciation | Closing balance of accrued lease payments | Acquisition price | Accumulated depreciation | Closing balance of accrued lease payments |
| Machinery & transport equipment | 1,394 | 835 | 559 | 837 | 384 | 453 |
| Property, plant and equipment, etc. | 2,199 | 1,282 | 917 | 1,994 | 1,250 | 744 |
| Intangible assets, etc. | 812 | 424 | 388 | 960 | 464 | 496 |
| Total | 4,405 | 2,541 | 1,864 | 3,791 | 2,098 | 1,693 |

The acquisition price is calculated by including the interest paid because the closing balance of accrued lease payments accounts for a small percentage of the closing balance of property, plant and equipment, etc.

(2) Closing balance of accrued lease payments (Unit: million yen)

| | 2001 | 2002 |
|---|---|---|
| No more than 1 year | 677 | 648 |
| More than 1 year | 1,187 | 1,045 |
| Total | 1,864 | 1,693 |

The closing balance of accrued lease payments is calculated by including the interest paid because the closing balance of accrued lease payments accounts for a small percentage of the closing balance of property, plant and equipment, etc.

(3) Lease payments and depreciation (Unit: million yen)

| | 2001 | 2002 |
|---|---|---|
| Lease payments | 879 | 759 |
| Depreciation | 879 | 759 |

(4) Calculation method of depreciation

Depreciated using the straight-line method, assuming that the lease period is the useful life of the leased property and the salvage value is zero.

Notes on operating lease transactions

Accrued lease payments (Unit: million yen)

| | 2001 | 2002 |
|---|---|---|
| No more than 1 year | – | 333 |
| More than 1 year | – | 1,974 |
| Total | – | 2,308 |

**2.**

Notes on operating lease transactions

Accrued lease payments (Unit: million yen)

| | 2001 | 2002 |
|---|---|---|
| No more than 1 year | 631 | 375 |
| More than 1 year | 9,873 | 4,690 |
| Total | 10,504 | 5,065 |

## Tax Effect Accounting

1 Main Components of Deferred Tax Assets and Liabilities

| | (Unit: million yen) |
|---|---|
| Deferred tax assets | |
| Accrued employees' bonuses | 1,215 |
| Accrued enterprise tax | 34 |
| Employees' severance and retirement benefits | 4,218 |
| Directors and statutory auditors' retirement benefits | 1,080 |
| Allowance for doubtful receivables | 698 |
| Write-down of investment securities | 358 |
| Tax losses carried forward | 3,956 |
| Unrealized income eliminated from consolidation | 10,263 |
| Investment in subsidiaries | 1,952 |
| Net unrealized holding gains on securities | 2,281 |
| Other | 1,774 |
| Subtotal of deferred tax assets | 27,829 |
| Valuation allowance | (4,202) |
| Total deferred tax assets | 23,627 |
| Deferred tax liabilities | |
| Reserve for deferred gain on sale of property | (261) |
| Undistributed earnings of overseas subsidiaries and affiliates | (437) |
| Consolidation adjustment for allowance for doubtful receivables | (201) |
| Total deferred tax liabilities | (899) |
| Net deferred tax assets | 22,728 |

In addition to the above, deferred tax liabilities associated with land revaluation in the amount of 37,641 million yen has been declared.

2 Main Contributors to Significant Difference Between Statutory Effective Tax Rate and Rate of Tax (Enterprise Tax, etc.) Incurred after Tax Effect Accounting, If Any

| | (Unit: %) |
|---|---|
| Domestic Statutory Tax Rate | 42.0 |
| (Adjustment) | |
| Proceeds from non-inclusion of gains from dividend income, etc. | 0.2 |
| Expenses from non-inclusion of losses from entertainment expenses, etc. | (1.0) |
| Equity in losses (income) of affiliates | 1.4 |
| Unrealized income eliminated from consolidation not subject to tax effect accounting | (2.6) |
| Valuation allowance | (1.5) |
| Other | 2.9 |
| Rate of tax (enterprise tax, etc) incurred after tax effect accounting | 41.4 |

# Retirement Benefits

**1 Outline of Adopted Retirement Benefit Scheme**

The Company and its domestic consolidated subsidiaries have defined-benefit schemes, i.e., welfare pension fund scheme (the Company), tax-qualified pension scheme (18 consolidated subsidiaries) and lump-sum payment scheme. In some cases, extra retirement benefits outside the scope of actuarial retirement benefit obligations based on retirement benefit accounting are paid in the event of the retirement of an employee and in other such events.

2 Notes to Retirement Benefit Obligations (As of March 31, 2002)

| | (Unit: million yen) |
|---|---|
| a. Retirement benefit obligations | (129,558) |
| b. Pension assets | 50,440 |
| c. Unfunded retirement benefit obligations (a + b + c) | (79,118) |
| d. Unamortized net transition obligation | 39,916 |
| e. Unrecognized actuarial gains/losses | 25,961 |
| f. Unrecognized prior service costs (decrease in costs) (Note 1) | (2,934) |
| g. Net accrued retirement benefits reflected in Consolidated Balance Sheets (d + e + f + g) | (16,175) |
| h. Prepaid pension expenses | 0 |
| i. Reserve for retirement benefits (h - i) | (16,175) |

(Note) 1. **Figures include the substitutional portion of the government's Welfare Pension Insurance Scheme.**
2. Primarily due to the revision of the Company's welfare pension fund scheme in January 2001.
3. Some subsidiaries adopt the simplified method in calculating retirement benefit obligations.

3 Notes to Retirement Benefit Expenses (from April 1, 2001 to March 31, 2002)

| | (Unit: million yen) |
|---|---|
| a. Service costs (Note 2) | 3,404 |
| b. Interest costs | 3,884 |
| c. Expected investment returns | (1,766) |
| d. Amortization of net transition obligation existing on April 1, 2000 | 3,238 |
| e. Amortization of actuarial gains/losses | 1,232 |
| f. Amortization of prior service costs (Note 3) | (332) |
| g. Retirement benefit expenses (a + b + c + d + e + f) | 9,660 |

(Note) 1. In addition to retirement benefit expenses stated above, extra retirement benefits in the amount of 1,446 million yen have been paid and declared as an extraordinary loss, etc.
2. The amount of employee contributions to the welfare pension fund is deducted.
3. Mainly due to the revision of the Company's welfare pension fund scheme in January 2001.
4. Retirement benefit expenses of consolidated subsidiaries which adopt the simplified method are stated in "a. Service costs" and "d. Amortization of net transition obligation existing on April 1, 2000".

4 Basis of Calculation of Retirement Benefit Obligations

| | |
|---|---|
| a. Method of allocating projected retirement benefits over period | Straight-line standard |
| b. Discount rate | 2.5% - 3.0% |
| c. Expected rate of investment returns | 3.0% - 3.5% |
| d. Years over which prior service costs are amortized | 10 years (Amortized using the straight-line method over a certain number of years not exceeding the average remaining employment period of the employee at the time of accrual) |
| e. Years over which actuarial gains/losses are amortized | 10 years (Amortized using the straight-line method over a certain number of years not exceeding the average remaining employment period of the employee at the time of accrual, starting from the following fiscal year) |
| f. Years over which net transition obligation existing on April 1, 2000 is amortized | Mainly 15 years. Five years in the case of some publicly-held subsidiaries, etc. However, net transition obligation is quickly amortized in the event of mass retirement of employees. |