Consolidated Preliminary Financial Report for Year ended March 31, 2003 May 15, 2003

Toyobo Co., Ltd.
(Listed on First Section of both TSE and OSE)

Stock Code: **3101** (Head office: Osaka Prefecture)

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

Representative: President & Representative Director Junji Tsumura

Contact Person: Director & Manager Tateki Kato TEL: (06) 6348-3091

Date of Board Meeting for Settlement of Accounts: May 15, 2003

Applicability of US Accounting Standards: Not applicable

1 Consolidated Business Performance for Year ended March 31, 2003 (April 1, 2002 - March 31, 2003)

(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, 2003	376,377	((1.7))	19,721	(20.8)	10,500	(54.4)
Year ended March 31, 2002	383,078	((4.9))	16,332	((19.0))	6,800	((34))

	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, 2003	(6,965)	(—)	(10.11)	—	(7.7)	1.9	2.8
Year ended March 31, 2002	(13,361)	(—)	(19.34)	—	(16.7)	1.2	1.8

(Notes)
(1) Equity in income (losses) of unconsolidated subsidiaries and affiliates — Year ended March 31, 2003: (176) million yen; Year ended March 31, 2002: 665 million yen

(2) Average number of shares outstanding during period — Year ended March 31, 2003: 688,934,424 shares; Year ended March 31, 2002: 690,990,208 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, 2003	537,314	84,025	15.6	121. 98
Year ended March 31, 2002	589,408	96,603	16.4	139. 81

(Note) Number of shares outstanding at year-end (consolidated) — Year ended March 31, 2003: 688,850,125 shares; Year ended March 31, 2002: 690,973,131 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, 2003	36,215	(6,488)	(27,460)	14,991
Year ended March 31, 2002	32,428	(12,431)	(21,296)	13,823

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

Number of consolidated subsidiaries: 54 companies; Number of non-consolidated subsidiaries subject to equity method: 1 company; Number of affiliates subject to equity method: 17 companies

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

Newly consolidated: 1 company; No longer consolidated: 4 companies; Newly accounted for by equity method: - company; No longer accounted for by equity method: 1 company

2 Consolidated Performance Forecast for Year ending March 31, 2004 (April 1, 2003 - March 31, 2004)

	Net Sales	Ordinary Income	Net Income
	million yen	million yen	million yen
Half Year	185,000	7,000	2,500
Full Year	377,000	15,000	5,000

(Reference) Full-year EPS forecast 7. 26 yen

※ Please refer to P3-6 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 our 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 businesses in industrial materials, films, high polymer products and biotechnology by intensively allocating our business resources including capital investment, research and development (R&D) and human resources, while curtailing our common clothing operations.

In the fibers and textiles business, we have closed down three mills, and we are concentrating domestic production on industrial materials and functional clothing. Especially for base fabrics for automobile airbags, we are enhancing production capacity and accelerating globalization. In the films business, we are striving to achieve growth by reinforcing the production capacity of industrial films and special-purpose packaging films and by promoting added-value. In the high polymer products business, we plan to accelerate business expansion through the development of applications for high functional resins such as copolymerized polyester and acrylate, the enhancement of production capacity of high functional fibers such as DYNEEMA® and ZYLON®, and the release of new hollow fiber membranes for artificial kidneys. In the biotechnology business, we undertake contract manufacturing and development of therapeutic antibodies on a full scale. We are also working on creating new businesses, including the analysis of new genetic information, cell-free protein synthesis and cell culture.

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

3. Management Targets and Basic Profit Appropriation Policies

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, our short-term target is to achieve a return of 5% of total assets in business. In the staff division, we are making efforts to enhance risk management, review necessary functions and further improve operational efficiency.

The Toyobo Group will steadily implement these measures and expand its healthy businesses in order to increase earnings. We will also reduce interest-bearing debt, in an effort 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.

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4. Corporate Governance

Toyobo's efforts to further improve management transparency and increase enterprise value include enhancing the functions of the Board of Directors and the statutory auditors framework, improving internal control and carrying out active disclosure. We are further enhancing governance by expanding the extent to which the Board of Directors, etc. of the parent company can be involved in important matters concerning its subsidiaries and affiliates, and by further enhancing audits conducted by statutory auditors dispatched from the parent company.

We are committed to further improving managerial efficiency, in conjunction with reorganizing the entire Group. We are also striving to enforce strict compliance with legislations and corporate ethics, and reinforcing our compliance structure through the establishment of the Corporate Ethics Committee as a permanent body. Moreover, we are making improvements in risk management through the establishment of various special committees, etc.

Business Performance and Financial Position

1. Business Performance in Fiscal Year ended March 31, 2003

The Japanese economy continued to face harsh conditions in the fiscal year ended March 31, 2003. Despite the good performance of exports, especially those targeting Asia, continued deflation led to restrained capital investment and employment adjustments by companies, in addition to weak consumer spending.

In such an economic climate, the Toyobo Group strove to improve managerial efficiency in its quest to become a high-functional products maker. In the fibers and textiles business, we integrated the Chemical Fibers Division and the Natural Fibers Division, curtailed common clothing operations, concentrated on functional products, and endeavored to expand industrial materials operations. In the non-fibers and textiles business, we bolstered development and marketing initiatives and expanded production capacity in an effort to enhance and expand our distinctive businesses including films, high functional materials and biotechnology.

As a result, net sales for the fiscal year ended March 31, 2003 decreased by 6.7 billion yen to 376.4 billion yen (down 1.7%) on a year-on-year basis.

The following is a review of our businesses by segment.

[Fibers and Textiles]

The fibers and textiles business experienced a dramatic turnaround in profits, even though sales fell short of the previous year's level due to the curtailment of unprofitable operations such as common clothing.

In the field of functional textiles including sports and underwear materials, revenue slightly increased partly as a result of the rise in sales of MUNSINGWEAR®. On the other hand, in the field of common textiles, revenue plummeted as a result of the curtailment of operations related to casual knitwear, women's clothes, etc.

In the field of common fibers, revenue decreased due to the downsizing of operations in polyester clothing, etc. In the field of functional fibers, however, sales were more or less the same as in the previous fiscal year, including polyurethane elastic fiber ESPA®.

In the field of industrial materials, sales steadily increased, thanks to the substantial growth in revenue generated by base fabrics for automobile airbags driven by the uptrend in automobile production.

Consequently, sales generated by the fibers and textiles business decreased by 15.3 billion yen year-on-year to 183 billion yen (down 7.7%). Operating income increased by 2.5 billion yen to 3.2 billion yen (up 312.7%).

[Plastics Products]

In the plastics business, both sales and profits increased on the whole due to the steady expansion of sales of films, resins, electronic materials, etc.

In the films division, revenue increased as a result of sales promotion efforts made for both packaging and industrial films under tough business conditions. In packaging films, sales on the whole were higher than in the previous fiscal year, thanks to sales promotion efforts focusing on new products, namely, nylon films and polyester films, which offset the fall in revenue generated by polypropylene films and special polyethylene films due to tough business conditions stemming from sluggish consumption. In industrial films, revenue increased dramatically, driven by the steady increase in sales of our mainstay transparent films on the back of the recovery of demand in the IT sector.

In resins, chemicals, electronic materials, etc., sales increased as a result of seeking aggressive business expansion through R&D efforts in new products. Revenue generated by high functional resin VYLON® decreased due to the fall in shipments for data recording and computer-related fields, whereas revenue generated by molding resins soared following the expansion of newly-developed products, especially in the automobile sector. Further, sales of electronic materials, which had dropped significantly due to the IT recession in the previous fiscal year, dramatically increased as a result of the rise in demand for mobile phone and DVD applications.

Consequently, sales generated by the plastics business increased by 10.4 billion yen year-on-year to 112.5 billion yen (up 10.2%). Operating income increased by 1.3 billion yen to 10.9 billion yen (up 13.6%).

[Bio, Medical, Functional Materials and Products]

In the bio, medical, functional materials and products business, the bio-science and medical fields including medical devices were characterized by the limited growth in sales of functional membranes, while revenue generated by enzymes for diagnostic reagents and genetic research reagents increased.

In the functional materials and products division, ultra-strong polyethylene fiber DYNEEMA® and next-generation super fiber ZYLON® both performed well, which led us to enhance production capacity.

Consequently, sales generated by the bio, medical, functional materials and products business decreased by 1.7 billion yen year-on-year to 46.9 billion yen (down 3.5%). Operating income decreased by 400 million yen to 5.9 billion yen (down 6.7%).

[Other Businesses]

Other businesses generally performed solidly, including engineering, real estate, information processing services and logistics services.

Consequently, sales generated by other businesses decreased by 200 million yen year-on-year to 34 billion yen (down 0.6%). Operating income increased by 100 million yen to 2.5 billion yen (up 4.3%).

As a result, the Toyobo Group’s consolidated operating income increased by 3.4 billion yen year-on-year to 19.7 billion yen (up 20.8%), and ordinary income increased by 3.7 billion yen to 10.5 billion yen (up 54.4%). However, the Group incurred a net loss of 7 billion yen, which was an improvement of 6.4 billion yen compared to the net loss of 13.4 billion yen in the previous fiscal year. This was partly attributable to the unrealized loss of bank stockholdings, etc. in the amount of 21.2 billion yen amid the sluggish stock market, which was declared as an extraordinary loss.

2. Financial Position for Fiscal Year ended March 31, 2003

[Assets, Liabilities and Stockholders' Equity]

Total assets decreased by 52.1 billion yen year-on-year to 537.3 billion yen (down 8.8%), as a result of the decrease in notes and accounts receivable partly due to the elimination of the impact of the last day of the fiscal year being a bank holiday, the reduction in inventories and the fall in the market value of investment securities.

Total liabilities decreased by 38.8 billion yen to 450 billion yen (down 7.9%), which was partly due to the decrease in notes and accounts payable also attributable to the elimination of the impact of the last day of the fiscal year being a bank holiday, and the reduction in interest-bearing debt associated with the redemption of bonds by 19.7 billion yen.

Stockholders' equity decreased by 12.6 billion yen to 84 billion yen (down 13.0%), after adjustments were made in regards to fluctuations in net unrealized holding gains on securities and the decrease in retained earnings due to the net loss, etc.

[Cash Flows]

Net cash provided by operating activities increased by 3.8 billion yen year-on-year to 36.2 billion yen (up 11.7%). 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 16.4 billion yen.

Net cash used in investing activities decreased by 5.9 billion yen year-on-year to 6.5 billion yen (down 47.8%). This was primarily due to the acquisition and sale of property, plant and equipment.

Net cash used in financing activities increased by 6.2 billion yen year-on-year to 27.5 billion yen (up 28.9%). 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 increased by 1.2 billion yen year-on-year to 15 billion yen (up 8.4%).

Based on the above, the ratio of stockholders' equity (= equity capital [consolidated, hereinafter the same]/total assets) declined from 16.4% in the previous fiscal year to 15.6%, whereas the ratio of stockholders' equity based on market value (= market capitalization [closing price of stock at year-end x number of shares outstanding at year-end after deducting treasury stocks]/total assets) improved from 21.3% to 22.3%. The debt redemption period (= interest-bearing debt/operating cash flow) also improved from 9.86 years to 8.28 years.

3. Forecast for Next Fiscal Year

The business environment in the fiscal year ending March 31, 2004 is expected to remain stagnant overall, although improvements are expected in some areas following the end of the War in Iraq.

There also concerns over the surge in the price of raw materials for chemical synthetic fibers, as well the growth of the Asian economy being stalled by the Severe Acute Respiratory Syndrome (SARS) pandemic. The economic outlook is therefore expected to remain uncertain.

Nonetheless, the Toyobo Group will expand the applications for industrial materials in the fibers and textiles business. The Group is also expected to reap the benefits of cost-cutting from the curtailment of unprofitable operations by concentrating on functional clothing and the closure of its three mills. 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. We expect to declare losses on the release from the substitutional portion of the government’s Welfare Pension Insurance Scheme in the amount of 7.7 billion yen as extraordinary losses, but retirement benefit expenses will decrease after the said fiscal year, so ordinary income is expected to increase by approx. 2 billion yen per year.

Accordingly, our consolidated business performance for the fiscal year ending March 31, 2004 is projected at 377 billion yen in net sales (up 600 million yen year-on-year), 15 billion yen in ordinary income (up 4.5 billion yen) and 5 billion yen in net income (up 12 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 34 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 7 consolidated overseas subsidiaries—such as PERAK TEXTILE Mills SDN. BHD.—and 16 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 two consolidated subsidiaries—such as Shinko Sangyo Co., Ltd.—and three 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 six consolidated subsidiaries—such as Toyobo Gene Analysis Co., Ltd. and Kureha Ltd.—and eight 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:

Its three consolidated subsidiaries—such as Toyobo Engineering Co., Ltd.—and five non-consolidated subsidiaries and affiliates 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 is engaged in the manufacture, sale, etc. of machine tools, etc.

Other:

Its 11 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 G.F.A. 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 19 non-consolidated subsidiaries 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.
The organization of businesses described above is illustrated on the next page

Corporate System

[Fibers and Textiles (Japan)]

〈21 Consolidated Subsidiaries〉
Japan Exlan Co., Ltd.
Toyo Wool Co., Ltd.
★Daido Maruta Finishing Co., Ltd.
Yuho Co., Ltd.
Toyobo Interiors Co., Ltd.
Toyobo Sewing Threads Co., Ltd.
Toyobo TPS Co., Ltd.
Toyo Dyeing Industry Co., Ltd.
Toyo Knitting Co., Ltd.
Sakae Mfg. Co., Ltd.
Toyobo Fairtone Co., Ltd.
Suntomic Co., Ltd.
Toyo Shirts Manufacturing Co., Ltd.
Kyushu Toyo Knitting Co., Ltd.
and 7 other companies

〈20 Non-consolidated Subsidiaries〉

〈14 Affiliates〉
*Toyo Cloth Co., Ltd.
* Miyuki Keori Co., Ltd.
*Sundia, Inc.
* Dia Keito Co., Ltd.
Kingo Shoji Co., Ltd. and 9 other companies

[Fibers and Textiles (Overseas)]

〈7 Consolidated Subsidiaries〉
PERAK TEXTILE MILLS SDN.BHD.
INDUSTRIAS UNIDAS, S.A.
TOYOBO WOOL(MALAYSIA)SDN.BHD.
TOYOBO TEXTILE(MALAYSIA)SDN.BHD.
P.T.TOYOBO KNITTING INDONESIA
TOYOBO DO BRASIL INDUSTRIA TEXTIL LTDA.
TOYOBO DO BRASIL LTDA.

〈10 Non-consolidated Subsidiaries〉

〈6 Affiliates〉
*P.T.UNILON TEXTILE INDUSTRIES.
*ERAWAN TEXTILE CO., LTD.
*DUSIT TEXTILE CO., LTD
and 3 other companies

[Synthetic Fiber Materials]

〈1 Affiliate〉
*Mizushima Aroma Co., Ltd.

[Bio, Medical and Functional Materials & Products]

〈6 Consolidated Subsidiaries〉
Toyo Kasei Kogyo Co., Ltd.
Kureha Elastomer Co., Ltd.
Cosmo Electronics Co., Ltd.
Tsuruga Film Co., Ltd.
Nippon Magphane Co., Ltd.
and 1 other companies

〈9 Non-consolidated Subsidiaries〉

〈6 Affiliates〉
*Toyoshina Film Co., Ltd.
*Japan U-Pica Co., Ltd.
*Japan Unipet Co., Ltd.
and 3 other companies

Industrial Textile Products
Textile Materials & Products
Plastics Products
Materials for Plastics Products
Synthetic Fiber Materials

Toyobo Co., Ltd.

Various Industrial Products
Design & Construction of Plant Facilities, Equipment
Materials, etc
Products, etc
Services, etc.

[Commerce, etc.]

〈2 Consolidated Subsidiaries〉
★Shinko Sangyo Co., Ltd.
and 1 other company

〈2 Non-consolidated Subsidiaries〉

〈1 Affiliate〉
*Godo Syoji Co., Ltd.

[Bio, Medical and Functional Materials & Products]

〈4 Consolidated Subsidiaries〉
Toyobo Gene Analysis Co., Ltd.
Kureha Ltd.
Toyobo Kankyo Techno Co., Ltd.
SHINKO AMERICAN INC.

〈4 Non-consolidated Subsidiaries〉

〈4 Affiliates〉
Nippon Dyneema Co., Ltd. and 3 other companies

[Engineering]

〈3 Consolidated Subsidiaries〉
Toyobo Engineering Co., Ltd.
and 2 other companies

〈1 Non-consolidated Subsidiaries〉

〈3 Affiliates〉
*Nippei Toyama Corporation and 2 other companies

[Other]

〈11 Consolidated Subsidiaries〉
Toyobo Research Center Co., Ltd.
Toyobo Real Estate Co., Ltd.
Toyobo G.M.S. Co., Ltd.
Toyobo G.F.A. Co., Ltd.
Toyobo Information System Create, Inc.
Toyobo Logistics Co., Ltd.
Toyobo Sunliving, Inc.
Toyobo Jitsugyo Co., Ltd.
Toyobo Living Service Co., Ltd.
and 3 other companies

〈14 Non-consolidated Subsidiaries〉

〈5 Affiliates〉
*Ashimori Industry Co., Ltd. and 4 other companies

(Note) [solid box] Subsidiaries
[dashed box] Affiliates

*Subject to equity method

★Subsidiaries listed on securities exchange in Japan
Shinko Sangyo Co., Ltd.: Second Section of Tokyo Stock Exchange, 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 \ Year	2002 (As of March 31, 2002) Amount	Percentage	2003 (As of March 31, 2003) Amount	Percentage	Change
(Assets)		%		%	
I Current Assets					
1. Cash and cash equivalents	14,282		15,331		1,049
2. Notes and accounts receivable	113,118		95,357		(17,761)
3. Inventories	82,767		75,868		(6,899)
4. Deferred income taxes	3,079		4,136		1,056
5. Other	10,416		10,856		440
6. Allowance for doubtful receivables	(1,113)		(1,284)		(171)
Total current assets	222,551	37.8	200,266	37.3	(22,285)
II Noncurrent Assets					
1. Property, Plant and Equipment					
(1) Buildings and structures	50,919		48,878		(2,040)
(2) Machinery and equipment	61,182		60,533		(648)
(3) Land	119,355		118,266		(1,089)
(4) Construction in progress	10,861		2,750		(8,110)
(5) Other	2,542		2,486		(56)
Total property, plant and equipment	244,862	41.5	232,916	43.3	(11,945)
2. Intangible assets					
(1) consolidated adjustment account	152		99		(52)
(2) Other	3,296		3,148		(147)
Total intangible assets	3,448	0.6	3,248	0.6	(199)
3. Investments and other noncurrent assets					
(1) Investment securities	88,328		63,421		(24,906)
(2) Loans	3,783		3,578		(205)
(3) Deferred income taxes	20,584		27,672		7,087
(4) Other	10,599		9,916		(683)
(5) Allowance for doubtful receivables	(4,751)		(3,706)		1,045
Total investments and other noncurrent assets	118,545	20.1	100,882	18.8	(17,662)
Total noncurrent assets	366,856	62.2	337,048	62.7	(29,808)
Total assets	589,408	100.0	537,314	100.0	(52,093)

Consolidated Balance Sheets

(Unit: millions of yen)

Item \ Year	2002 (As of March 31, 2002) Amount	Percentage	2003 (As of March 31, 2003) Amount	Percentage	Change
(Liabilities)		%		%	
I Current Liabilities					
1. Notes and accounts payable	65,304		54,258		(11,046)
2. Short-term borrowings	181,483		162,487		(18,996)
3. Long-term debt due within one year	15,196		19,701		4,504
4. Bonds maturing within one year	15,000		15,000		–
5. Accrued income taxes	1,605		796		(809)
6. Deferred income taxes	113		95		(18)
7. Accrued expenses	3,855		3,850		(4)
8. Deposits received	17,025		14,228		(2,797)
9. Accrued employees' bonuses	4,720		4,239		(480)
10. Other	17,375		9,331		(8,044)
Total current liabilities	321,680	54.6	283,986	52.9	(37,693)
II Long-term Liabilities					
1. Bonds	45,300		30,900		(14,400)
2. Long-term debt	57,627		71,804		14,177
3. Deferred income taxes	822		1,208		386
4. Deferred income taxes on land revaluation	37,641		34,074		(3,567)
5. Employees' severance and retirement benefits	16,175		18,973		2,798
6. Directors' and statutory auditors' retirement benefits	2,571		2,061		(509)
7. Other	6,894		6,945		51
Total long-term liabilities	167,030	28.3	165,969	30.9	(1,061)
Total liabilities	488,711	82.9	449,956	83.8	(38,755)
(Minority Interest)					
Minority interest in consolidated subsidiaries	4,093	0.7	3,333	0.6	(759)
(Stockholders' Equity)					
I Common stock	43,341	7.4	–	–	(43,341)
II Capital reserves	14,387	2.4	–	–	(14,387)
III Revaluation excess	50,990	8.7	–	–	(50,990)
IV Revaluation excess-foreign	6,413	1.1	–	–	(6,413)
V Consolidated retained earnings	4,263	0.7	–	–	(4,263)
VI Net unrealized holding gains on securities	(10,718)	(1.8)	–	–	10,718
VII Foreign currency translation adjustments	(12,067)	(2.1)	–	–	12,067
VIII Less treasury stock, at cost	(4)	0.0	–	–	4
Total stockholders' equity	96,603	16.4	–	–	(96,603)
I Common stock	–	–	43,341	8.1	43,341
II Capital surplus	–	–	14,387	2.7	14,387
III Retained earnings	–	–	(10,038)	(1.9)	(10,038)
IV Land revaluation excess	–	–	48,074	8.9	48,074
V Revaluation excess-foreign	–	–	6,335	1.2	6,335
VI Net unrealized holding gains on securities	–	–	(2,576)	(0.5)	(2,576)
VII Foreign currency translation adjustments	–	–	(15,128)	(2.8)	(15,128)
VIII Less treasury stock, at cost	–	–	(369)	(0.1)	(369)
Total stockholders' equity	–	–	84,025	15.6	84,025
Total liabilities, minority interest and stockholders' equity	589,408	100.0	537,314	100.0	(52,093)

Consolidated Statements of Income

(Unit: millions of yen)

Item / Year	2002 (From April 1, 2001 To March 31, 2002) Amount		Percentage	2003 (From April 1, 2002 To March 31, 2003) Amount		Percentage	Change	
			%			%		
I Net sales		383,078	100.0		376,377	100.0		(6,701)
II Cost of sales		307,298	80.2		299,488	79.6		(7,810)
Gross profit		75,780	19.8		76,889	20.4		1,108
III Selling, general and administrative expenses		59,448	15.5		57,167	15.2		(2,280)
Operating income		16,332	4.3		19,721	5.2		3,389
IV Non-operating income								
1. Interest income	399			354			(45)	
2. Dividend income	749			2,088			1,338	
3. Gain on sale of investment securities	370			158			(211)	
4. Rent	1,016			889			(127)	
5. Equity in income of unconsolidated subsidiaries and affiliates	665			–			(665)	
6. Other	1,823	5,024	1.3	2,109	5,599	1.5	285	575
V Non-operating expenses								
1. Interest expense	5,102			4,479			(623)	
2. Retirement benefits for employees for prior periods	3,117			3,191			74	
3. Equity in losses of unconsolidated subsidiaries and affiliates	–			176			176	
4. Other	6,336	14,555	3.8	6,974	14,820	3.9	638	264
Ordinary income		6,800	1.8		10,500	2.8		3,700
VI Extraordinary income								
1. Gain on sale of property, plant and equipment	7,392			925			(6,466)	
2. Gain on sale of investment securities	1,011	8,403	2.1	801	1,726	0.4	(210)	(6,676)
VII Extraordinary loss								
1. Loss on sale of property, plant and equipment	–			915			915	
2. Loss on disposal of property, plant and equipment	4,211			1,207			(3,004)	
3. Loss on sale of investment securities	–			2,883			2,883	
4. Write-down of investment securities	27,017			21,167			(5,849)	
5. Special allowance for doubtful receivables	1,238			481			(757)	
6. Loss on liquidation of affiliates	66			–			(66)	
7. Special loss on restructuring of businesses	5,471	38,003	9.9	1,970	28,624	7.6	(3,501)	(9,378)
Income before income taxes (( ) = loss)		(22,799)	(6.0)		(16,396)	(4.4)		6,402
Provision for income taxes	1,950			1,615			(334)	
Provision for income taxes (deferred) (( ) = gain)	(11,379)	(9,428)	(2.5)	(11,296)	(9,680)	(2.6)	82	(252)
Minority interest in income of consolidated subsidiaries (( ) = loss)		9	0.0		(249)	(0.1)		(258)
Net income (( ) Net loss)		(13,361)	(3.5)		(6,965)	(1.9)		6,395

Consolidated Statement of Retained Earnings

(Unit: millions of yen)

Item / Year	2002 (From April 1, 2002 To March 31, 2003) Amount		2003 (From April 1, 2002 To March 31, 2003) Amount	
(Capital Surplus)				
I Opening balance		20,364		–
II Increase in retained earnings				
1. Increase due to merger	494		–	
2. Adjustments for reversal of revaluation of land	582		–	
3. Decrease due to increase in companies subject to equity method	2	1,079	–	–
III Increase in consolidated retained earnings				
1. Cash dividends	3,454		–	
2. Decrease due to increase in consolidated subsidiaries	134		–	
3. Decrease due to decrease in consolidated subsidiaries	229	3,818	–	–
IV Net income (( ) indicates Net loss)		(13,361)		–
V Increase due to increase in companies subject to equity method		4,263		–
(Capital Surplus)				
I Opening balance		–		14,387
III Closing balance		–		14,387
(Retained Earnings)				
I Opening balance		–		4,263
II Increase in retained earnings				
1. Increase due to merger	–		132	
2. Adjustments for reversal of revaluation of land	–	–	3,747	3,879
III Decrease in retained earnings				
1. Closing balance of consolidated retained earni	–		6,965	
2. Cash dividends	–		3,454	
3. Decrease due to increase in consolidated subsidiaries	–		4,509	
4. Decrease due to decrease in consolidated subsidiaries	–		1,787	
5. Decrease due to increase in companies subject to equity method	–	–	1,464	18,181
IV Closing balance		–		(10,038)

Consolidated Statements of Cash Flows

TOYOBO

(Unit: millions of yen)

Item / Year	2002 (From April 1, 2001 To March 31, 2002) Amount	2003 (From April 1, 2002 To March 31, 2003) Amount	Change
I Cash flows provided by operating activities			
Income before income taxes	(22,799)	(16,396)	6,402
Depreciation and amortization	16,848	16,471	(377)
Amortization of consolidation difference	86	49	(37)
Allowance for doubtful receivables, net	887	(873)	(1,761)
Retirement benefits, net	1,159	2,806	1,647
Interest and dividend income	(1,149)	(2,442)	(1,293)
Interest expense	5,102	4,479	(623)
Equity in losses (income) of unconsolidated subsidiaries and affiliates	(665)	176	841
(Gain) loss on sale and disposal of property, plant and equipment, net	(3,181)	1,196	4,377
Gain on sale and unrealized holding gains on investment securities	25,635	23,091	(2,543)
Special loss on restructuring of businesses	5,400	1,887	(3,512)
Decrease in trade notes and accounts receivable	15,039	18,364	3,324
Decrease in inventories	3,408	5,421	2,012
Decrease in trade notes and accounts payable	(4,250)	(10,647)	(6,396)
Other, net	(1,973)	(3,124)	(1,150)
Total	39,549	40,458	909
Special loss on restructuring of businesses	(2,269)	(1,790)	478
Income taxes paid	(4,851)	(2,452)	2,399
Net cash provided by operating activities	32,428	36,215	3,787
II Cash flows provided by investing activities			
Net increase (decrease) in securities	1,008	—	(1,008)
Purchase of property, plant and equipment	(19,863)	(18,621)	1,241
Proceeds from disposal of property, plant and equipment	8,417	9,771	1,353
Purchase of investment securities	(11,074)	(8,259)	2,814
Proceeds from sale of investment securities	8,403	6,656	(1,746)
Interest and dividend income excluding unconsolidated subsidiaries and affiliates	1,179	2,438	1,258
Dividend income from equity method affiliates	312	2,485	2,173
Other	(815)	(960)	(145)
Net cash provided by investing activities	(12,431)	(6,488)	5,943
III Cash flows used in financing activities			
Net increase (decrease) in short-term borrowings	(14,002)	(18,433)	(4,430)
Net increase(decrease) in commercial papers	(1,000)	(5,000)	(4,000)
Proceeds from long-term debt	30,503	33,098	2,595
Repayment of long-term debt	(13,735)	(14,415)	(680)
Proceeds from issuance of bonds	20,300	600	(19,700)
Payment of bonds	(35,000)	(15,000)	20,000
Proceeds from contributions by minority stockholders	340	—	(340)
Net increase(decrease) in treasury stock	(3)	(45)	(42)
Payment of interest	(5,172)	(4,591)	580
Cash dividends	(3,454)	(3,454)	—
Cash dividends to minority interests	(72)	(219)	(146)
Net cash used in financing activities	(21,296)	(27,460)	(6,163)
IV Adjustment for foreign currency translation	980	(1,173)	(2,153)
V Decrease in cash and cash equivalents	(320)	1,092	1,412
VI Cash and cash equivalents at beginning of year	14,010	13,823	(186)
VII Increase resulting from changes in consolidated subsidiaries	133	74	(58)
VIII Cash and cash equivalents at end of year	13,823	14,991	1,167

Significant Accounting Policies: Basis for Preparation of Consolidated Financial Statements

1. Scope of Consolidation

(1) There are 54 consolidated subsidiaries. The names of major consolidated subsidiaries are as stated in "Status of Enterprise Group". From the fiscal year ended March 31, 2003, we decided to include Toyobo G.F.A. Co., Ltd. established in the said fiscal year in the count of consolidated subsidiaries. A.F.S. Co., Ltd. was excluded from the count of consolidated subsidiaries in the fiscal year ended March 31, 2003, as it had merged with Toyobo Finance Co., Ltd. Others excluded from the scope of consolidation in the said fiscal year were Toyobo Finance Co., Ltd., which had merged with the Company, as well as Toyobo Exlan (Malaysia) Sdn. Bhd. and Textiles Industriales De Centro America, S.A, which lost their significance after going out of business. Consolidated subsidiary Toyobo Logistics Co., Ltd. merged with non-consolidated subsidiary Toyoshina Cosmo Center 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 subsidiaries were accounted for by the equity method.

(2) There were 17 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”. In the fiscal year ended March 31, 2003, the equity method became no longer applicable to Pajero Manufacturing Co., Ltd. because its shares held by the Company were sold.

(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 23 consolidated subsidiaries that settle their accounts on a different date, as described below.

Dec. 31: 14 companies Jan. 31: 2 companies Feb. 28: 4 companies
Mar. 20: 3 companies

The respective financial statements of the 26 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.

(Change in Accounting Policies)

1. The Accounting Standard for Treasury Stock and Reversal of Statutory Reserves (Accounting Standards Board Statement No.1) has been applied since the fiscal year ended March 31, 2003. This has no impact on the profit/loss in the said fiscal year. In accordance with the revision of the regulations on consolidated financial statements, the stockholders' equity in the Consolidated Balance Sheet and the Consolidated Statement of Retained Earnings for the fiscal year ended March 31, 2003 have been prepared in compliance with the revised regulations on consolidated

financial statements.

The Accounting Standard for Earnings per Share (Accounting Standards Board Statement No.2) and the Implementation Guidance for Accounting Standard for Earnings per Share (Financial Accounting Standards Implementation Guidance No.4) have been applied since the fiscal year ended March 31, 2003. The impact on the calculations of figures of the said fiscal year is minimal.

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

(Unit: million yen)

(1) Accumulated depreciation of property, plant and equipment	358,198
(2)Principal assets pledged as collateral and secured debt	
Property, plant and equipment pledged as collateral	54,045
Investment securities pledged as collateral	5,665
Secured short-term borrowings	15,701
Secured long-term debt (including debt due within one year)	22,319
(3) Guaranteed obligations (including those based on commitment to guarantee and keepwell agreement)	7,398
(4) Discounted notes receivable and notes endorsed for transfer	2,177
(5) The following relates to non-consolidated subsidiaries and affiliates:	
Investment securities (stock)	18,841
Investments and other non current assets (contribution to capital)	423
(6) Type and total number of shares outstanding as at fiscal year end: Common stock	691,000,323 shares
(7) Type and total number of the Company's shares held by the Company, its consolidated subsidiaries and its affiliates accounted for by equity method as at fiscal year end: Common stock	2,150,198 shares

(8) Land 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 5 of the Enforcement Ordinance of the Law Concerning Revaluation of Land.

・Revaluation date: March 31, 2002

・Difference between market value of revaluated land at the fiscal year end and book value after revaluation: 8,339 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: 1,111 million yen

(9) 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

(Unit: million yen)

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

Transport and storage	9,225
Salaries, wages, bonuses, etc.	14,383
Provision for employees' bonuses	1,487
	2,592
Research and development	8,701
(2) Research and development expenses included in general and administrative expenses and manufacturing costs for the period	8,760

3. Notes to Consolidated Statements of Cash Flows

(Unit: million yen)

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

	(March 31, 2003)
Cash and cash equivalents in balance sheet	15,331
Fixed-term deposits with a term exceeding 3 months	- 340
Cash and cash equivalents in cash flow statement	14,991

Segment Information

1. Segment Information by Business Type

[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.

[Fiscal Year ended March 31, 2003] (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	182,991	112,507	46,851	34,026	376,377	－	376,377
(2) Intersegment net sales or transfer amounts	463	50	－	10,355	10,868	(10,868)	－
Net Sales	183,454	112,557	46,851	44,381	387,245	(10,868)	376,377
Operating costs and expenses	180,209	101,697	40,909	41,887	364,704	(8,048)	356,655
Operating income	3,244	10,860	5,942	2,493	22,540	(2,819)	19,721
Ⅱ. Assets, Depreciation & Amortization and Capital Expenditure							
Assets	197,311	114,389	47,395	76,694	435,790	101,524	537,314
Depreciation & Amortization	6,529	49,797	2,336	1,046	14,910	1,560	16,471
Capital Expenditure	4,242	5,826	3,672	730	14,471	1,385	15,856

Non-allocatable operating costs and expenses which have been included in "Elimination or Corporate" totaled 2,963 million yen.

(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, 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%

[Fiscal Year ended March 31, 2003]

(Unit: million yen)

	Southeast Asia	Other Regions	Total
I Overseas sales	31,780	24,636	56,417
II Consolidated sales			376,377
III Percentage of overseas sales	8.4%	6.5%	15.0%

Dealings with Stakeholders

None.

Securities

[Previous 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
Subsidiaries' stocks	4,786	2,324	(2,461)
Affiliates' stocks	8,534	6,545	(1,988)

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

[Latest Consolidated Fiscal Year End] (As of March 31, 2003)

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	5,518	8,328	2,810
Other	—	—	—
Subtotal	5,518	8,328	2,810

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

	Acquisition Cost	Value declared in Consolidated Balance Sheets	Difference
Stocks	37,252	30,085	(7,167)
Other	270	260	(10)
Subtotal	37,522	30,345	(7,177)

2. Available-for-sale Securities Sold during the Fiscal Year ended March 31, 2003 (Unit: million yen)

Amount Sold	Total Gain on Sale	Total Loss on Sale
6,560	959	2,883

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) 5,907 million yen

Non-listed bonds 4 million yen

(2) Subsidiaries' stocks and Affiliates' stocks

Non-consolidated subsidiaries' stocks and affiliates' stocks 18,841 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	2,051	(2,734)
Affiliates' stocks	8,534	4,897	(3,636)

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

Contract Amount of Derivative Transactions, Market Value and Valuation Gains/Losses

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.

	From April 1, 2001 To March 31, 2002			From April 1, 2002 To March 31, 2003		
	Acquisition price	Accumulated depreciation	Closing balance of accrued lease	Acquisition price	Accumulated depreciation	Closing balance of accrued lease
Machinery & transport equipment	837	384	453	1,073	578	495
Property, plant and equipment, etc.	1,994	1,250	744	1,945	1,178	767
Intangible assets, etc.	9,630	464	496	644	325	319
Total	3,791	2,098	1,693	3,662	2,081	1,581

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)

	2002	2003
No more than 1 year	648	584
More than 1 year	1,045	996
Total	1,693	1,581

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

	2002	2003
Lease payments	759	721
Depreciation	759	721

(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

	2002	2003
No more than 1 year	333	738
More than 1 year	1,974	2,233
Total	2,308	2,971.0

2. Lender

Notes on operating lease transactions

Accrued lease payments

	2002	2003
No more than 1 year	375	372
More than 1 year	4,690	4,287
Total	5,065	4,659

Tax Effect Accounting

1 Main Components of Deferred Tax Assets and Liabilities

	(Unit: million yen)
Deferred tax assets	
Accrued employees' bonuses	1,333
Accrued enterprise tax	52
Employees' severance and retirement benefits	5,943
Directors and statutory auditors' retirement benefits	845
Allowance for doubtful receivables	780
Write-down of investment securities	526
Tax losses carried forward	13,090
Unrealized income eliminated from consolidation	9,705
Unrealized gain on available-for-sale securities	1,818
Buildings, etc. acquired through merger	290
Securities acquired through merger	2,895
Other	995
Subtotal of deferred tax assets	38,272
Valuation allowance	(4,620)
Total deferred tax assets	33,652
Deferred tax liabilities	
Reserve for deferred gain on sale of property	(747)
Undistributed earnings of overseas subsidiaries and affiliates	(295)
Consolidation adjustment for allowance for doubtful receivables	(117)
Valuation difference of subsidiaries' assets	(131)
Assumed land for merger	(1,858)
Total deferred tax liabilities	(3,148)
Net deferred tax assets	30,504

In addition to the above, deferred tax liabilities associated with land revaluation in the amount of 34,074 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.	2.2
Expenses from non-inclusion of losses from entertainment expenses, etc.	(1.4)
Equity in losses (income) of affiliates	(1.3)
Unrealized income eliminated from consolidation not subject to tax effect accounting	2.3
Valuation allowance	(0.7)
Investment in subsidiaries	(1.6)
Adjustments for merger	20.4
Other	(2.9)
	59.0

3 Following the promulgation of the law concerning the partial amendment of the Local Tax Law, etc. (2003 Law No.9) on March 31, 2003, the statutory tax rate applied to deferred tax assets and deferred tax liabilities in the fiscal year ended March 31, 2003 (limited to those expected to be extinguished on or after April 1, 2004) was reduced from the previous fiscal year’s 42.0% to 41.0%.
As a result, the amount of deferred tax assets (after deducting the amount of deferred tax liabilities) decreased by 302 million yen, and the provision for income taxes (deferred) and net unrealized holding gains (losses) on securities declared in the fiscal year ended March 31, 2003 increased by 258 million yen and 44 million yen, respectively.
Deferred tax liabilities on land revaluation decreased by 851 million yen.

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 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, 2003)

	(Unit: million yen)
a. Retirement benefit obligations	(125,077)
b. Pension assets	43,618
c. Unfunded retirement benefit obligations (a + b + c)	(81,459)
d. Unamortized net transition obligation	36,546
e. Unrecognized actuarial gains/losses	30,466
f. Unrecognized prior service costs (decrease in costs) (Note 1)	(4,526)
g. Net accrued retirement benefits reflected in Consolidated Balance Sheets (d + e + f + g)	(18,973)
h. Prepaid pension expenses	0
i. Reserve for retirement benefits (h - i)	(18,973)

(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, 2002 to March 31, 2003)

	(Unit: million yen)
a. Service costs (Note 2)	3,378
b. Interest costs	3,545
c. Expected investment returns	(1,678)
d. Amortization of net transition obligation existing on April 1, 2000	3,364
e. Amortization of actuarial gains/losses	2,781
f. Amortization of prior service costs (Note 3)	(546)
g. Retirement benefit expenses (a + b + c + d + e + f)	10,844

(Note) 1. In addition to retirement benefit expenses stated above, extra retirement benefits in the amount of 1,290 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	2.5% - 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.