Consolidated Preliminary Financial Report for Year ended March 31, 2004 May 12, 2004

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: Manager Hiroshi Takahashi TEL: (06) 6348-3091

Date of Board Meeting for Settlement of Accounts: May 12, 2004

Applicability of US Accounting Standards: Not applicable

1 Consolidated Business Performance for Year ended March 31, 2004 (April 1, 2003 - March 31, 2004)

(1) Consolidated Business Results

	Net Sales		Operating Income		Ordinary Income	
	million yen	%	million yen	%	million yen	%
Year ended March 31, 2004	373,066	(0.9)	25,856	(31.1)	17,491	(66.6)
Year ended March 31, 2003	376,377	(1.7)	19,721	(20.8)	10,500	(54.4)

	Net Income		Earnings Per Share	Fully-diluted EPS	Return On Equity (ROE)	Return on Assets (ROA)	Return on Sales (ROS)
	million yen	%	yen	yen	%	%	%
Year ended March 31, 2004	8,762	(—)	12.63	—	9.3	3.4	4.7
Year ended March 31, 2003	(6,965)	(—)	(10.11)	—	(7.7)	1.9	2.8

(Notes) (1) Equity in income (losses) of unconsolidated subsidiaries and affiliates: Year ended March 31, 2004 (24 million yen) Year ended March 31, 2003 (176 million yen)

(2) Average number of shares outstanding during period: Year ended March 31, 2004 693,675,522 shares Year ended March 31, 2003 688,934,424 shares

(3) Change in accounting standards: None

(4) Percentages of net sales, operating income and net income represent rate of change from previous period

(5) All figures are truncated to the nearest million yen for the fiscal year ended March 31, 2003, and rounded to the nearest million yen for the fiscal year ended March 31, 2004.

(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, 2004	495,969	104,033	21.0	149. 31
Year ended March 31, 2003	537,314	84,025	15.6	121. 98

(Note) Number of shares outstanding at year-end (consolidated): Year ended March 31, 2004 696,748,845 shares Year ended March 31, 2003 688,850,125 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, 2004	27,736	42,213	(71,511)	13,948
Year ended March 31, 2003	36,215	(6,488)	(27,460)	14,991

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

Number of consolidated subsidiaries 55 companies Number of non-consolidated subsidiaries subject to equity method 1 companies Number of affiliates subject to equity method 17 companies

(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 — company No longer accounted for by equity method — companies

2 Consolidated Performance Forecast for Year ending March 31, 2006 (April 1, 2005 - March 31, 2006)

	Net Sales	Ordinary Income	Net Income
	million yen	million yen	million yen
Half Year	190,000	10,500	6,000
Full Year	393,000	21,000	12,000

(Reference) Full-year EPS forecast 17. 22 yen

※ The above forecast is based on the information available at the time of the announcement of this data.
Actual business performance may differ from the projections due to various factors in the future.
Please refer to P.3-4 of the Appendix to Consolidated Data for information on performance forecast and other related matters.

Management Policy

1. Basic Management Policy

The Toyobo Group aims to be a *high-functional products maker* with the ability to survive the global competition and meet customers' expectations based on its core technologies—namely, textile technology, polymer technology and biotechnology. We are committed to expanding our unique and competitive businesses and boosting our enterprise value by enhancing the governance functions of the Group as a whole, including developing risk management (such as management of environmental and safety risks) and compliance structures.

2. Medium/Long-term Business Strategy and Challenges

The Toyobo Group has been making structural reform efforts in the fibers and textile business over the past few years, according to its policy to turn the Group into *a collection of healthy businesses in tune with the times*. The fruits of such efforts have been borne in the form of improved performance of the fibers and textiles business. In the future, we will strive to aggressively expand the size of our businesses by concentrating capital investment and research & development (R&D) in highly competitive business segments, such as films, high functional products, bio-science & medical and industrial materials. Further, we will reinforce our R&D framework, give mobility to the operations of the organization and further foster our development capabilities in order to continue creating new healthy businesses which take advantage of our strength.

In the fibers and textile segment, we will enhance the domestic and overseas production capacity and develop a global supply chain for yarns and base fabrics for automobile airbags, which are rapidly increasing in demand. In the clothing field, we will increase the ratio of functional clothing and further boost the competitiveness of our procurement structure by improving the coordination between our domestic plants and overseas processing centers, in an effort to ensure and raise profitability.

In the films segment, we will enhance our production capacity to meet the rapid growth in demand for liquid crystal and optical applications. We will also continue making efforts in enhancing development and creating new products, in order to achieve growth by running the business centering on specialized products.

Our high functional products segment consists of a group of businesses boasting a large share in niche markets, featuring various high functional plastics based on proprietary polymer technology such as copolymerization and urethane reformulation technologies, and high functional materials such as super fibers and filters. We will expand the businesses both in Japan and overseas, by capitalizing on our development capacity that can quickly meet customers' demand.

In the bio-science & medical segment, we are enhancing the superiority of our bio-related business in the fields of diagnostic reagents and genetic research reagents in line with our development-oriented business policy. We are also working on creating new businesses in the fields of regenerative medicine and drug discovery support. In the pharmaceuticals business, we will boost the contract manufacturing capacity for injectable solutions by taking advantage of our quality assurance system and our strengths in biotechnology, in an effort to attain further growth, combined with the contract manufacturing of antibody drugs. In the business of hollow fiber membranes for artificial kidneys, we will seek expansion through efforts including the launch of newly-developed products, and in the business of desalination membranes, we will strive to win large contracts both at home and abroad, and roll out new applications.

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, we will strive to further improve the assets turnover, with the short-term target of achieving a return of at least 5% of total assets.

While the Toyobo Group successfully increased business earnings and substantially reduced interest-bearing debt at the same time during the fiscal year ended March 31, 2004, we will continue making efforts to increase our earnings by aggressively expanding our healthy businesses and improve our balance sheet, with the short-term target of reducing interest-bearing debt to 200 billion yen.

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.

Corporate Governance

(1) Basic Approach to Corporate Governance

Toyobo has been making efforts with a view to *ensuring speed and accuracy in decision making, ensuring management transparency* and *placing importance on social fairness*, in order to make sustained improvements in its enterprise value. Its efforts since the fiscal year ended March 31, 2003 include *developing a framework of the Board of Directors and execution of operations*, *enhancing Group governance adapted to the era of consolidation*, and *reinforcing risk management and compliance structures.*

(2) Implementation Status of Corporate Governance Measures

(i) Board of Directors and Business Operation Structure

With respect to the Board of Directors, the number of directors was reduced to 13 in the fiscal year ended March 31, 2002. Since July 2003, associate directors and deputy directors (general managers) in charge of execution of operations, in addition to directors, have been giving business operation reports at the monthly meetings of the Board of Directors. While the conventional structure of the Board of Directors had allowed its supervisory functions to be fully demonstrated, these measures deepen the directors' understanding of specific matters outside their respective divisions and lead to a structure that further enhances the supervisory functions.

Moreover, we have the Executive Board serving as the body in charge of deliberating proposals submitted to the Board of Directors and making decisions on matters relating to the execution of operations delegated by the Board of Directors. Under the Executive Board, we have established the Corporate Planning Committee and the Financial Control Committee, which have the clearly-defined role of discussing and reporting projects related to important capital expenditure, new businesses and loan & investment to the Executive Board.

Additionally, in order to ensure greater transparency and fairness, we plan to propose the appointment of independent outside directors at the stockholders' meeting this year.

(ii) Internal Control and Group Management

We are striving to reorganize our internal control structure into one in which the parent company's corporate staff play the role of Group staff, such as enhancing internal audits conducted by the Audit Group of the Credit and Audit Department including affiliates. We will further bolster our internal control functions by enhancing audits conducted by statutory auditors dispatched from the parent company.

As for the governance of affiliates, we reorganized our subsidiaries and affiliates with respect to each division of the parent company in October 2003, to build a structure that reinforces Group management. As for important matters subject to our affiliates' decision-making, we revised the regulations of the Board of Directors, etc. in January 2004 to clarify the extent to which Toyobo can be involved pursuant to the Commercial Code.

(iii) Total Risk Management and Compliance Structure

For risk management, we have developed a framework capable of dealing with various risks, based on the activities of the Global Environment and Safety Committee, Product Liability Prevention Committee, Export Reviewing Committee and Information Committee.

The compliance structure consists of the already-functioning Corporate Ethics Committee headed by the President and its subordinate body, the Ethics & Compliance (EC) Committee, which became a permanent organization in January 2003, as well as the new Compliance Group in the Law Department, which was previously referred to as the Law Group in the General Administration Department before it gained department status in the fiscal year ended March 31, 2004. We have been enforcing strict compliance with legislations and corporate ethics, following the establishment of the Guidelines for Corporate Activities and the Standards of Staff Behavior in 1998 and 2000, respectively.

(iv) Organization of Corporate Auditors

Toyobo's organization enables its statutory auditors to attend and express opinions at the meetings of the Board of Directors, the Executive Board, the Corporate Planning Committee, the Financial Control Committee, and other in-house committees. The statutory auditors also strive to improve audits to build a proper internal control system for the Toyobo Group as a whole, by enhancing cooperation with the statutory auditors of consolidated subsidiaries.

Business Performance and Financial Position

1. Business Performance in Fiscal Year ended March 31, 2004

In the fiscal year ended March 31, 2004, the recession in the Japanese economy appeared to have bottomed out, driven by the solid performance of exports to Asia and the recovery in capital investment and consumer spending in Japan.

In such an economic climate, the Toyobo Group made efforts to further improve managerial efficiency and enhance profitability, in its quest to become a high-functional products maker. In the textile business, we executed structural reform involving the aggressive expansion of operations in the field of industrial materials, combined with the closedown of three domestic mills in the clothing field. In the non-textile business, we strove to enhance and expand unique businesses including films, high functional products and bio-science and medical businesses by reinforcing development and marketing and by bolstering production capacity.

As a result, net sales for the fiscal year ended March 31, 2004 decreased by 3.3 billion yen to 373.1 billion yen (down 0.9%) on a year-on-year basis.

The following is a review of our businesses by segment.

[Fibers and Textiles]

In the fibers and textile business, revenue decreased overall due to the continued curtailment of unprofitable products and common textiles, combined with the impact of the exchange rate.

In the field of textiles, sales fell as a whole due to the radical curtailment of operations in common textiles for general women's clothing and knitwear, which offset the slight increase in revenue generated by functional clothing such as MUNSINGWEAR® and active sportswear.

In the field of fibers, revenue from polyurethane elastic fiber ESPA® and tire cords decreased due to the impact of the exchange rate, and sales of general-purpose polyester filaments also declined due to the curtailment of operations. On the other hand, sales of airbags steadily increased, and revenue from nylons also grew due to the solid performance of leg inner wear.

As a result, the decrease in revenue was only slight as a whole. Consequently, sales generated by the fibers and textiles business decreased by 14.6 billion yen year-on-year to 168.4 billion yen (down 8.0%). Operating income increased by 2.4 billion yen to 5.6 billion yen (up 74.2%) due to the reduction in fixed costs and the curtailment of unprofitable operations.

[Plastics Products]

In the plastics products 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 on the whole due to the strong sales of industrial films, which offset the poor sales of packaging films. In packaging films, revenue decreased despite the slight increase in revenue generated by nylon films, as other materials struggled with the impact of the cool summer and the warm winter. On the whole, however, the reduction in revenue was small compared to the previous fiscal year. In industrial films, revenue increased dramatically for two consecutive years, due to the steady sales of our mainstay transparent films especially in the liquid crystal and optical fields, combined with efforts to expand sales of polyester-based synthetic paper CRISPER®.

In resins, electronic materials, etc., sales continued to increase as a result of seeking aggressive business expansion through R&D efforts for new products especially in high growth fields. Sales of solvent-recovery equipment and filters in the air purifier field increased only slightly, whereas sales of highly functional resin VYLON® increased, especially in the fields of data recording and industrial adhesives. Sales of molding resins also increased, due to our aggressive marketing activities focusing on the domestic and overseas automobile sector. Sales of polyacrylate moisture absorbing exothermic fiber MOISCARE® rocketed owing to the brisk demand in sportswear applications. Further, in electronic materials, sales of flexible printed circuit boards (FPC) doubled as a result of the rapid increase in demand for plasma TV screens and other applications in digital consumer electronics.

Consequently, sales generated by the plastics products business increased by 11.3 billion yen year-on-year to 123.8 billion yen (up 10.1%). Operating income increased by 3.4 billion yen to 14.2 billion yen (up 31.2%).

[Bio, Medical, Functional Materials and Products]

In the bio, medical, functional materials and products business, sales on the whole remained more or less the same as in the previous fiscal year. This was due to the impact of the government's policy to keep down medical expenditure and the intensified competition in overseas markets in the bio-science and medical fields including medical devices, in addition to the limited growth in sales of diagnostic reagents and hollow fiber membranes for artificial kidneys. However, in the field of bio-science, sales of enzymes for measuring blood sugar levels were strong, and sales generated by enzymes for genetic amplification and contract research steadily increased, notwithstanding the impact of national universities holding back their purchases prior to their transformation into independent administrative institutions. Further, our antithrombotic coating materials won high acclaim and increased in sales for blood bypass and artificial lung applications. In addition, sales of reverse osmosis membranes for seawater desalination were substantially higher than in the previous fiscal year, thanks to the large contract in the Middle East. In the functional materials and products division, revenue generated by ultra-strong polyethylene fiber DYNEEMA® dramatically increased due to the growth in demand in ship rope, etc., whereas filaments made of nonwoven fabrics increased only slightly.

Consequently, sales generated by the bio, medical, functional materials and products business decreased by 300 million yen year-on-year to 46.5 billion yen (down 0.7%). Operating income increased by 600 million yen to 6.6 billion yen (up 10.4%).

[Other Businesses]

Other businesses generally performed solidly, including engineering, real estate, information processing services and logistics services. Consequently, sales generated by other businesses increased by 300 million yen year-on-year to 34.4 billion yen (up 1.0%). Operating income decreased by 100 million yen to 2.4 billion yen (down 5.0%).

As a result, the Toyobo Group's consolidated operating income increased by 6.1 billion yen year-on-year to 25.9 billion yen (up 31.1%), ordinary income increased by 7 billion yen to 17.5 billion yen (up 66.6%), and net income increased by 15.7 billion yen to 8.8 billion yen, which was a turnaround from a net loss of 7 billion yen in the previous fiscal year.

2. Financial Position for Fiscal Year ended March 31, 2005

[Assets, Liabilities and Stockholders' Equity]

Total assets at the year-end decreased by 41.3 billion yen year-on-year to 496 billion yen (down 7.7%), which was attributable to the sale of investment securities and property, plant and equipment aimed at improving our balance sheet and the reduction in deferred income taxes. Total liabilities decreased by 61 billion yen to 388.9 billion yen (down 13.6%), which was due to the reduction in interest-bearing debt by 59.1 billion yen based on the aforementioned measures to improve our balance sheet and business earnings. Stockholders' equity increased by 20 billion yen to 104 billion yen (up 23.8%), due to the turnaround in net income and net unrealized holding gains on securities.

[Cash Flows]

Net cash provided by operating activities decreased by 8.5 billion yen year-on-year to 27.7 billion yen (down 23.4%). This was due to adjustments to income before income taxes in the amount of 16.4 billion yen associated with depreciation and amortization, extraordinary profit/loss, etc. The year-on-year decrease was partly attributable to the impact of the last day of the fiscal year being a non-business day included in the previous fiscal year.

Net cash provided by investing activities increased by 48.7 billion yen year-on-year to 42.2 billion yen. This was primarily due to the sale of investment securities and property, plant and equipment aimed at improving our balance sheet. Net cash used in financing activities increased by 44.1 billion yen year-on-year to 71.5 billion yen (up 160.4%). This was mainly due to the repayment of interest-bearing debt and the payment of interest and dividends.

Consequently, the closing balance of cash and cash equivalents decreased by 1 billion yen year-on-year to 13.9 billion yen (down 7.0%).

Based on the above, the ratio of stockholders' equity (= equity capital [consolidated, hereinafter the same]/total assets) improved from 15.6% in the previous fiscal year to 21.0%, and 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 22.3.0% to 35.3%.

3. Forecast for Next Fiscal Year

The business environment in the fiscal year ending March 31, 2005 is expected to be characterized by sustained economic recovery, driven by the solid performance of exports to Asia, in addition to the increase in capital investment and the recovery in consumer spending. On the other hand, there are some concerns over exchange rate instability and surging and inflated raw materials prices. The overall economic outlook is therefore expected to remain uncertain.

In such an environment, the Toyobo Group will continue to expand the applications for industrial materials and home furnishings, and concentrate on functional clothing in the fibers and textiles business. We will also seek to accelerate the expansion of the plastics products business and the bio, medical, functional materials and products business, by boosting our production capacity and by enhancing the development of new products and applications. Based on such efforts, our consolidated business performance for the fiscal year ending March 31, 2005 is projected at 393 billion yen in net sales (up 19.9 billion yen year-on-year), 29 billion yen in operating income (up 3.1 billion yen), 21 billion yen in ordinary income (up 3.5 billion yen) and 12 billion yen in net income (up 3.2 billion yen). These figures represent an increase in both revenue and profits (new record highs in all aspects of earnings).

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 19 consolidated domestic subsidiaries—such as Japan Exlan Co., Ltd.—and its 24 non-consolidated domestic subsidiaries—such as Miyuki Holdings 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.

Plastics Products:

Toyobo Co., Ltd. manufactures, processes and sells films, highly functional resins, electronic materials, activated carbon fibers, etc. Its seven consolidated subsidiaries—such as Toyo Kasei Kogyo Co., Ltd. and Kureha Elastomer Co., Ltd.—and 16 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 five 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:

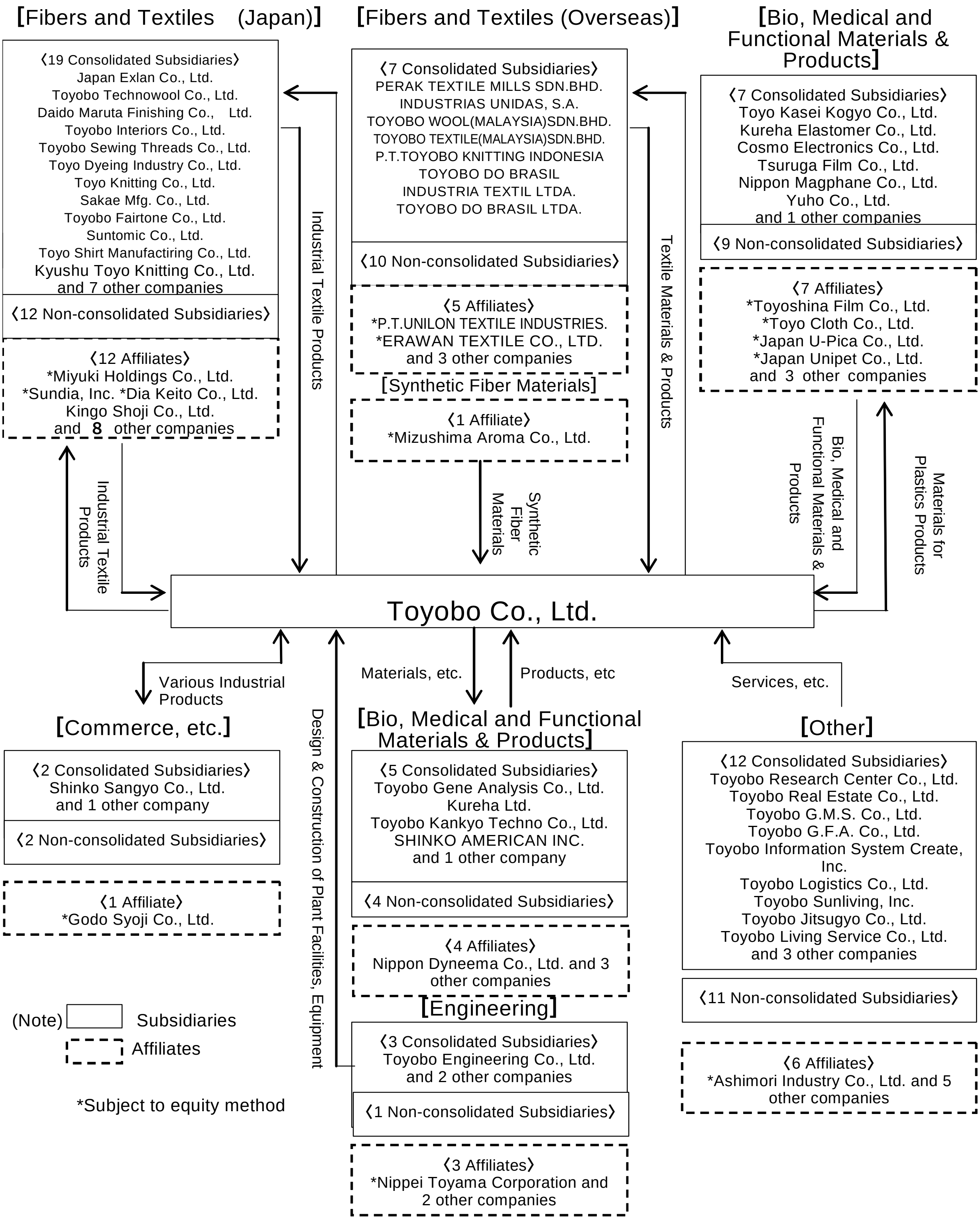
Its three consolidated subsidiaries—such as Toyobo Engineering Co., Ltd.—and three non-consolidated subsidiaries and affiliates design and construct buildings, machines, etc. and sell equipment. They are also engaged in the design, construction, etc. of plant facilities under contract with Toyobo Co., Ltd. Nippei Toyama Corporation is engaged in the manufacture, sale, etc. of machine tools, etc.

Other:

Its 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 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 17 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



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Consolidated Balance Sheets

(Unit: millions of yen)

Item / Year	2003 (As of March 31, 2003) Amount	Percentage	2004 (As of March 31, 2004) Amount	Percentage	Change
(Assets)		%		%	
I Current Assets					
1. Cash and cash equivalents	15,331		14,913		(419)
2. Notes and accounts receivable	95,357		91,144		(4,213)
3. Inventories	75,868		74,306		(1,562)
4. Deferred income taxes	4,136		4,504		367
5. Other	10,856		11,921		1,064
6. Allowance for doubtful receivables	(1,284)		(1,708)		(423)
Total current assets	200,266	37.3	195,080	39.3	(5,186)
II Noncurrent Assets					
1. Property, Plant and Equipment					
(1) Buildings and structures	48,878		42,159		(6,716)
(2) Machinery and equipment	60,533		55,908		(4,626)
(3) Land	118,266		110,869		(7,398)
(4) Construction in progress	2,750		5,140		2,389
(5) Other	2,486		2,334		(153)
Total property, plant and equipment	232,916	43.3	216,410	43.6	(16,507)
2. Intangible assets					
(1)Excess of net assets acquired over cost, net	99		—		(100)
(2)Other	3,148		3,222		73
Total intangible assets	3,248	0.6	3,222	0.7	(27)
3. Investments and other noncurrent assets					
(1) Investment securities	63,421		60,848		(2,580)
(2) Loans	3,578		2,882		(696)
(3) Deferred income taxes	27,672		11,118		(16,554)
(4) Other	9,916		9,501		(415)
(5) Allowance for doubtful receivables	(3,706)		(3,086)		621
Total investments and other noncurrent assets	100,882	18.8	81,258	16.4	(19,625)
Total noncurrent assets	337,048	62.7	300,889	60.7	(36,159)
Total assets	537,314	100.0	495,969	100.0	(41,346)

Consolidated Balance Sheets

(Unit: millions of yen)

Item \ Year	2003 (As of March 31, 2003) Amount	2003 Percentage	2004 (As of March 31, 2004) Amount	2004 Percentage	Change
(Liabilities)		%		%	
I Current Liabilities					
1. Notes and accounts payable	54,258		54,694		436
2. Short-term borrowings	162,487		126,425		(36,063)
3. Long-term debt due within one year	19,701		16,785		(2,916)
4. Bonds maturing within one year	15,000		10,000		(5,000)
5. Accrued income taxes	796		2,094		1,298
6. Deferred income taxes	95		130		34
7. Accrued expenses	3,850		3,670		(181)
8. Deposits received	14,228		9,200		(5,028)
9. Accrued employees' bonuses	4,239		4,273		34
10. Other	9,331		9,546		215
Total current liabilities	283,986	52.9	236,816	47.7	(47,171)
II Long-term Liabilities					
1. Bonds	30,900		20,900		(10,000)
2. Long-term debt	71,804		66,645		(5,160)
3. Deferred income taxes	1,208		5,177		3,968
4. Deferred income taxes on land revaluation	34,074		28,189		(5,885)
5. Employees' severance and retirement benefits	18,973		22,946		3,972
6. Directors' and statutory auditors' retirement	2,061		2,031		(31)
7. Excess of net assets acquired over cost, net	—		336		336
8. Other	6,945		5,862		(1,084)
Total long-term liabilities	165,969	30.9	152,086	30.7	(13,883)
Total liabilities	449,956	83.8	388,902	78.4	(61,054)
(Minority Interest)					
Minority interest in consolidated subsidiaries	3,333	0.6	3,034	0.6	(61,054)
(Stockholders' Equity)					
I Common stock	43,341	8.1	43,341	8.7	—
II Capital surplus	14,387	2.7	15,882	3.2	1,495
III Retained earnings	(10,038)	(1.9)	2,017	0.4	12,056
IV Land revaluation excess	48,074	8.9	39,652	8.0	(8,423)
V Revaluation excess-foreign	6,335	1.2	6,333	1.3	(3)
VI Net unrealized holding gains on securities	(2,576)	(0.5)	12,185	2.5	14,762
VII Foreign currency translation adjustments	(15,128)	(2.8)	(14,975)	(3.0)	153
VIII Less treasury stock, at cost	(369)	(0.1)	(402)	(0.1)	(33)
Total stockholders' equity	84,025	15.6	104,033	21.0	20,007
Total liabilities, minority interest and stockholders' equity	537,314	100.0	495,969	100.0	(41,346)

Consolidated Statements of Income

(Unit: millions of yen)

Item \ Year	2003 (From April 1, 2002 To March 31, 2003) Amount		Percentage	2004 (From April 1, 2003 To March 31, 2004) Amount		Percentage	Change	
			%			%		
I Net sales		376,377	100.0		373,066	100.0		(3,311)
II Cost of sales		299,488	79.6		291,440	78.1		(8,048)
Gross profit		76,889	20.4		81,626	21.9		4,737
III Selling, general and administrative expenses		57,167	15.2		55,770	15.0		(1,398)
Operating income		19,721	5.2		25,856	6.9		6,135
IV Non-operating income								
1. Interest income	354			331			(23)	
2. Dividend income	2,088			3,445			1,375	
3. Gain on sale of investment securities	158			943			784	
4. Rent	889			873			(16)	
5. Other	2,109	5,599	1.5	2,168	7,761	2.1	59	2,161
V Non-operating expenses								
1. Interest expense	4,479			3,807			(672)	
2. Retirement benefits for employees for prior periods	3,191			1,879			(1,312)	
3. Equity in losses of unconsolidated subsidiaries and affiliates	176			24			(153)	
4. Other	6,974	14,820	3.9	10,416	16,126	4.3	3,442	1,305
Ordinary income		10,500	2.8		17,491	4.7		6,990
VI Extraordinary income								
1. Gain on sale of property, plant and equipment	925			8,263			7,337	
2. Gain on sale of investment securities	801			10,145			9,344	
3. Gain on securities contributed to employee retirement benefit trust	—	1,726	0.4	1,602	20,010	5.4	1,602	18,284
VII Extraordinary loss								
1. Loss on sale of property, plant and equipment	915			2,606			1,691	
2. Loss on disposal of property, plant and equipment	1,207			4,847			3,640	
3. Loss on sale of investment securities	2,883			138			(2,746)	
4. Write-down of investment securities	21,167			768			(20,400)	
5. Special allowance for doubtful receivables	481			—			(481)	
6. Special loss on restructuring of businesses	1,970			5,036			3,066	
7. Loss on the release from the substantial portion of the	—	28,624	7.6	7,707	21,103	5.7	7,707	(7,522)
Income before income taxes		(16,396)	(4.4)		16,399	4.4		32,795
Provision for income taxes	1,615			2,801			1,185	
Provision for income taxes (deferred) 〔( )= gain〕	(11,296)	(9,680)	(2.6)	4,525	7,326	2.0	15,822	17,007
Minority interest in income of consolidated subsidiaries 〔( )= loss〕		(249)	(0.1)		(311)	(0.1)		(61)
Net income 〔( )= loss〕		(6,965)	(1.9)		8,762	2.3		15,728

Consolidated Statement of Retained Earnings

(Unit: millions of yen)

Item / Year	2003 (From April 1, 2002 To March 31, 2003) Amount		2004 (From April 1, 2003 To March 31, 2004) Amount	
(Capital Surplus)				
I Opening balance		14,387		14,387
II Increase in retained earnings				
1. Stocks issued in exchange of shares	—		1,494	
2. Gain on sale of treasury stock	—	—	1	1,495
III Closing balance		14,387		15,882
(Retained Earnings)				
I Opening balance		4,263		(10,038)
II Increase in retained earnings				
1. Net income	—		8,762	
2. Increase due to increase in consolidated subsidiaries	—		108	
3. Increase due to merger	132		7	
4. Adjustments for reversal of revaluation of land	3,747	3,879	8,430	17,306
III Decrease in retained earnings				
1. Net loss	6,965		—	
2. Cash dividends	3,454		3,453	
3. Decrease due to increase in consolidated subsidiaries	—		86	
4. Decrease due to decrease in consolidated subsidiaries	1,787		1	
5. Decrease due to merger	4,509		129	
6. Decrease due to reduction in consolidated subsidiaries	1,464		—	
7. Decrease due to additional acquisition	—	18,181	1,582	5,251
IV Closing balance		(10,038)		2,017

TOYOBO

Consolidated Statements of Cash Flows

(Unit: millions of yen)

Item \ Year	2003 (From April 1, 2002 To March 31, 2003) Amount	2004 (From April 1, 2003 To March 31, 2004) Amount	Change
I Cash flows provided by operating activities			
Income before income taxes(( )indicates loss)	(16,396)	16,399	32,795
Depreciation and amortization	16,471	15,423	(1,047)
Amortization of consolidation difference	49	(16)	(66)
Decrease in allowance for doubtful receivables	(873)	(198)	676
Increase in reserve for retirement benefits	2,806	3,972	1,165
Interest and dividend income	(2,442)	(3,777)	(1,334)
Interest expense	4,479	3,807	(672)
Equity in losses (income) of unconsolidated subsidiaries and affiliates	176	24	(153)
(Gain) loss on sale and disposal of property, plant and equipment, net	1,196	(809)	(2,005)
Gain on sale and unrealized holding gains on investment securities	23,091	(10,182)	(33,274)
Special loss on restructuring of businesses	1,887	4,954	3,066
Decrease in trade notes and accounts receivable	18,364	5,348	(13,016)
Increase in inventories	5,421	(114)	(5,535)
Decrease in trade notes and accounts payable	(10,647)	(1,527)	9,121
Other, net	(3,124)	(1,197)	1,928
Total	40,458	32,108	(8,350)
Special loss on restructuring of businesses	(1,790)	(2,868)	(1,077)
Income taxes paid	(2,452)	(1,504)	948
Net cash provided by operating activities	36,215	27,736	(8,479)
II Cash flows provided by investing activities			
Purchase of property, plant and equipment	(18,621)	(13,699)	4,923
Proceeds from disposal of property, plant and equipment	9,771	18,041	8,270
Purchase of investment securities	(8,259)	(386)	7,873
Proceeds from sale of investment securities	6,656	34,900	28,243
Interest and dividend income excluding unconsolidated subsidiaries and affiliates	2,438	3,036	597
Dividend income from equity method affiliates	2,485	599	(1,887)
Other	(960)	(278)	682
Net cash provided by investing activities	(6,488)	42,213	48,702
III Cash flows used in financing activities			
Decrease in short-term bank loans	(18,433)	(40,827)	(22,393)
Net decrease in commercial papers	(5,000)	—	5,000
Proceeds from long-term debt	33,098	13,247	(19,852)
Repayment of long-term debt	(14,415)	(21,323)	(6,907)
Proceeds from issuance of bonds	600	—	(600)
Payment of bonds	(15,000)	(15,000)	—
Net increase (decrease) in treasury stock	(45)	—	45
Payment of interest	(4,591)	(4,034)	557
Cash dividends	(3,454)	(3,453)	1
Cash dividends to minority interests	(219)	(121)	98
Net cash used in financing activities	(27,460)	(71,511)	(44,050)
IV Adjustment for foreign currency translation	(1,173)	19	1,192
V Net increase (decrease) in cash and cash equivalents	1,092	(1,543)	(2,635)
VI Cash and cash equivalents at beginning of year	13,823	14,991	1,168
VII Increase resulting from changes in consolidated subsidiaries	74	499	425
VIII Cash and cash equivalents at end of year	14,991	13,948	(1,043)

Significant Accounting Policies: Basis for Preparation of Consolidated Financial Statements

1. Scope of Consolidation

(1) There are 55 consolidated subsidiaries. The names of major consolidated subsidiaries are as stated in "Status of Enterprise Group". From the fiscal year ended March 31, 2004, we decided to include Toyo Building, Inc. established in the said fiscal year in the count of consolidated subsidiaries, as well as Toyobo Textile Assemblage Co., Ltd. and Toyobo Kureha America Co., Ltd., in consideration of their significance. Toyobo Wool Co., Ltd. was excluded from the count of consolidated subsidiaries in the fiscal year ended March 31, 2004, as it had merged with Toyobo TPS Co., Ltd. Sakae Knitting Co., Ltd. was also excluded due to the completion of its liquidation. Toyobo TPS Co., Ltd. was renamed Toyobo Technowool 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". Miyuki Keori Co., Ltd. changed the business name to Miyuki Holdings Co., Ltd.
(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 24 consolidated subsidiaries that settle their accounts on a different date, as described below.
Dec. 31: 15 companies Jan. 31: 2 companies Feb. 28: 4 companies Mar. 20: 3 companies
The respective financial statements of the 24 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") 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.

(Additional Information)
In conjunction with the enforcement of the Defined Benefit Corporate Pension Law, the Company was granted permission by the Minister of Health, Labour and Welfare on April 15, 2003 to be exempt from its future obligation for payments for the substitutional portion of the Welfare Pension Insurance Scheme.

The Company applied the transitional measures set forth in paragraph 47-2 of the Accounting Committee Report No.13 published by the Japanese Institute of Certified Public Accountants (JICPA), titled "Practical Guidelines for Accounting for Retirements Benefits (Interim Report)", and performed accounting procedures by treating the obligation to pay retirement benefits and the pension assets corresponding to the substitutional portion as if they were extinguished on the date on which the aforementioned permission was granted.

The resulting impact on profit/loss in the fiscal year ended March 31, 2004 was declared as an extraordinary loss amounting to 7,707 million yen.

The amount of pension assets to be returned to the government (minimum reserve) was valued at 32,922 million yen as of March 31, 2004.

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.

(Additional Information)

On August 1, 2003, the Company performed a stock swap with the aim of turning two of its consolidated subsidiaries, Shinko Sangyo Co., Ltd. and Daido-Maruta Finishing Co., Ltd. into wholly-owned subsidiaries. The stock swap involved allocating 0.43 shares of the Company's common stock for each share of Shinko Sangyo Co., Ltd., and 0.28 shares of the Company's common stock for each share of Daido-Maruta Finishing Co., Ltd. As a result, the number of shares outstanding increased by 8,027,275 shares and the capital surplus rose by 1,494 million yen.

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	341,622 million yen
(2)Principal assets pledged as collateral and secured debt	
Property, plant and equipment pledged as collateral	43,626 million yen
Investment securities pledged as collateral	39 million yen
Secured short-term borrowings	8,621 million yen
Secured long-term debt (including debt due within one year)	20,035 million yen
(3) Guaranteed obligations (including those based on commitment to guarantee and keepwell agreement)	7,809 million yen
(4) Discounted notes receivable and notes endorsed for transfer	1,534 million yen
(5) The following relates to non-consolidated subsidiaries and affiliates:	
Investment securities (stock)	17,655 million yen
Investments and other non current assets (contribution to capital)	389 million yen
(6) Type and total number of shares outstanding as at fiscal year end: Common stock	699,027,598 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	2,278,753 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 and 2-4 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: 9,059 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, 2002
- Difference between market value of revaluated land at the fiscal year end and book value after revaluation: 1,295 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

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

Transport and storage	9,091 million yen
Salaries, wages, bonuses, etc.	14,641 million yen
Provision for employees' bonuses	1,465 million yen
	2,169 million yen
Research and development	9,017 million yen
(2) Research and development expenses included in general and administrative expenses and manufacturing costs for the period	9,043 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

	(As of March 31, 2004)
Cash and cash equivalents in balance sheet	14,913 million yen
Fixed-term deposits with a term exceeding 3 months	(964 million yen)
Cash and cash equivalents in cash flow statement	13,948 million yen

Segment Information

1. Segment Information by Business Type

[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	34,206	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	4,997	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.

[Fiscal Year ended March 31, 2004] (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	168,356	123,825	46,520	34,365	373,066	–	373,066
(2) Intersegment net sales or transfer amounts	406	120	–	8,937	9,463	(9,463)	–
Net Sales	168,762	123,945	46,520	43,301	382,529	(9,463)	373,066
Operating costs and expenses	163,113	109,700	39,962	40,933	353,709	(6,498)	347,210
Operating income	5,648	14,245	6,558	2,368	28,820	(2,964)	25,856
Ⅱ. Assets, Depreciation & Amortization and Capital Expenditure							
Assets	177,939	123,802	48,050	66,059	415,849	80,120	495,969
Depreciation & Amortization	5,778	5,214	2,178	752	13,921	1,504	15,425
Capital Expenditure	4,087	3,760	3,007	1,578	12,433	897	13,330

Non-allocatable operating costs and expenses which have been included in "Elimination or Corporate" totaled 3,027 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,
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, 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%

[Fiscal Year ended March 31, 2004]

(Unit: million yen)

	Southeast Asia	Other Regions	Total
I Overseas sales	35,900	24,527	60,427
II Consolidated sales			373,066
III Percentage of overseas sales	9.6%	6.6%	16.2%

Dealings with Stakeholders

None.

Securities

[Previous 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 cos (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

Securities with similar characteristics to deposits 4 million yen

(2) Subsidiaries' stocks and affiliates' stocks

Non-consolidated subsidiaries' stocks and affiliates' sto 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
Subsidiaries' stocks	4,786	2,051	(2,734)
Affiliates' stocks	8,534	4,897	(3,636)

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

[Latest Consolidated Fiscal Year End] (As of March 31, 2004)

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

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

	Acquisition Cost	Value declared in Consolidated Balance Sheets	Difference
Stocks	17,280	37,024	19,744
Other	–	–	–
Subtotal	17,280	37,024	19,744

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

	Acquisition Cost	Value declared in Consolidated Balance Sheets	Difference
Stocks	843	734	(109)
Other	5	5	0
Subtotal	848	739	(109)

2. Available-for-sale Securities Sold during the Fiscal Year ended March 31, 2004

(Unit: million yen)

Amount Sold	Total Gain on Sale	Total Loss on Sale
34,901	11,088	138

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 5,424 million yen

Securities with similar characteristics to depos 4 million yen

(2) Subsidiaries' stocks and Affiliates' stocks

Non-consolidated subsidiaries' stocks and affiliates' sto 17,655 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	–	–	–
Affiliates' stocks	8,534	7,850	(684)

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

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

This information is omitted as it will be disclosed by EDINET.

Lease Transactions

This information is omitted as it will be disclosed by EDINET.

Tax Effect Accounting

1 Main Components of Deferred Tax Assets and Liabilities

	(Unit: million yen)
Deferred tax assets	
Accrued employees' bonuses	1,718
Accrued enterprise tax	107
Employees' severance and retirement benefits	8,605
Directors and statutory auditors' retirement benefits	833
Allowance for doubtful receivables	855
Write-down of investment securities	466
Tax losses carried forward	3,621
Unrealized income eliminated from consolidation	9,359
investments in subsidiaries	1,034
Assumed building for merger	290
Securities acquired through merger	765
Other	961
Subtotal of deferred tax assets	28,615
Valuation allowance	(2,051)
Total deferred tax assets	26,564
Deferred tax liabilities	
Net unrealized holding gains on securities	(8,038)
Reserve for deferred gain on sale of property	(828)
Undistributed earnings of overseas subsidiaries and affiliates	(342)
Consolidation adjustment for allowance for doubtful receivable	(269)
Land acquired through merger	(46)
Valuation difference of subsidiaries' assets	(1,858)
Tax deferred gains on assets transferred to a new company	(2,580)
Tax deferred gains on spin-off	(2,288)
Total deferred tax liabilities	(16,249)
Net deferred tax assets	10,315

In addition to the above, deferred tax liabilities associated with land revaluation in the amount of 28,189 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.	1.4
Equity in losses (income) of affiliates	0.2
Unrealized income eliminated from consolidation not subject to tax effect acc	2.0
Valuation allowance	7.7
Investment in subsidiaries	(6.3)
Other	(2.2)
Rate of tax (enterprise tax, etc) incurred after tax effect accounting	44.7

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, tax-qualified pension scheme 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. Some overseas consolidated subsidiaries also have lump-sum payment schemes.

In conjunction with the enforcement of the Defined Benefit Corporate Pension Law, the Company was granted permission by the Minister of Health, Labour and Welfare on April 15, 2003 to be exempt from its future obligation for payments for the substitutional portion Scheme. of the Welfare Pension Insurance Scheme.

2 Notes to Retirement Benefit Obligations (As of March 31, 2004)

(Unit: million yen)

a. Retirement benefit obligations	(68,156)
b. Pension assets	16,874
c. Retirement benefit trust	2,684
d. Unfunded retirement benefit obligations (a + b + c)	(48,598)
e. Unamortized net transition obligation	18,196
f. Unrecognized actuarial gains/losses	9,727
g. Unrecognized prior service costs (decrease in costs) (No	(2,270)
h. Net accrued retirement benefits reflected in Consolidated Balance Sheets (d + e + f + g)	(22,946)
i. Prepaid pension expenses	0
j. Reserve for retirement benefits (h - i)	(22,946)

(Note 1. The Company applied the transitional measures set forth in paragraph 47-2 of the Accounting Committee Report No.13 published by the Japanese Institute of Certified Public Accountants (JICPA), titled "Practical Guidelines for Accounting for Retirements Benefits (Interim Report)", and performed accounting procedures by treating the obligation to pay retirement benefits and the pension assets to be returned corresponding to the substitutional portion as if they were extinguished on the date on which the aforementioned permission was granted. The amount of pension assets to be returned to the government (minimum reserve) was valued at 32,922 million yen as of March 31, 2004.

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, 2003 to March 31, 2004)

(Unit: million yen)

a. Service costs (Note 2)	2,451
b. Interest costs	1,813
c. Expected investment returns	(261)
d. Amortization of net transition obligation existing on April 1, 2000	2,072
e. Amortization of actuarial gains/losses	1,751
f. Amortization of prior service costs (Note 3)	(332)
g. Loss on the release from the substantial portion of the government's Welfare Pension Insurance Scheme	7,707
h. Retirement benefit expenses (a + b + c + d + e + f)	15,201

(Note) 1. In addition to retirement benefit expenses stated above, extra retirement benefits in the amount o 484 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	2.0% - 2.5%
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
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 subsidiaries, etc. Net transition obligation is quickly amortized in the event of mass retirement of employees who were employed on April 1, 2000.