



# Presentation to Investors



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(Analysts' Meeting)

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## I . Results for FY 3/08

## (1) Results for FY 3/08

- Sales increased in the Specialty business, however operating income decreased due to rising raw material and fuel costs.
- Net income was ¥4.7 bn. due to the acceleration of the downsizing of the Textiles and other business.

	FY 3/07	FY 3/08	Change (YOY)		Forecast (Feb. 2008)
			¥ bn.		
			Amount	%	
Net sales	426.7	431.4	+4.8	+1.1%	430.0
Operating income	30.4	27.1	-3.4	-11.0%	29.0
Ratio to sales	7.1%	6.3%	-	-	
Net income	13.5	4.7	-8.8	-65.1%	4.5
EPS (¥/share)	19.3	6.7	-	-	6.5
Depreciation	16.9	19.3	+2.3	+13.8%	
R&D expenses	10.4	10.9	+0.5	+4.3%	
CAPEX	15.8	22.5	+6.7	+42.7%	
EBITDA	47.4	46.3	-1.0	-2.2%	

## (2) Financial Position

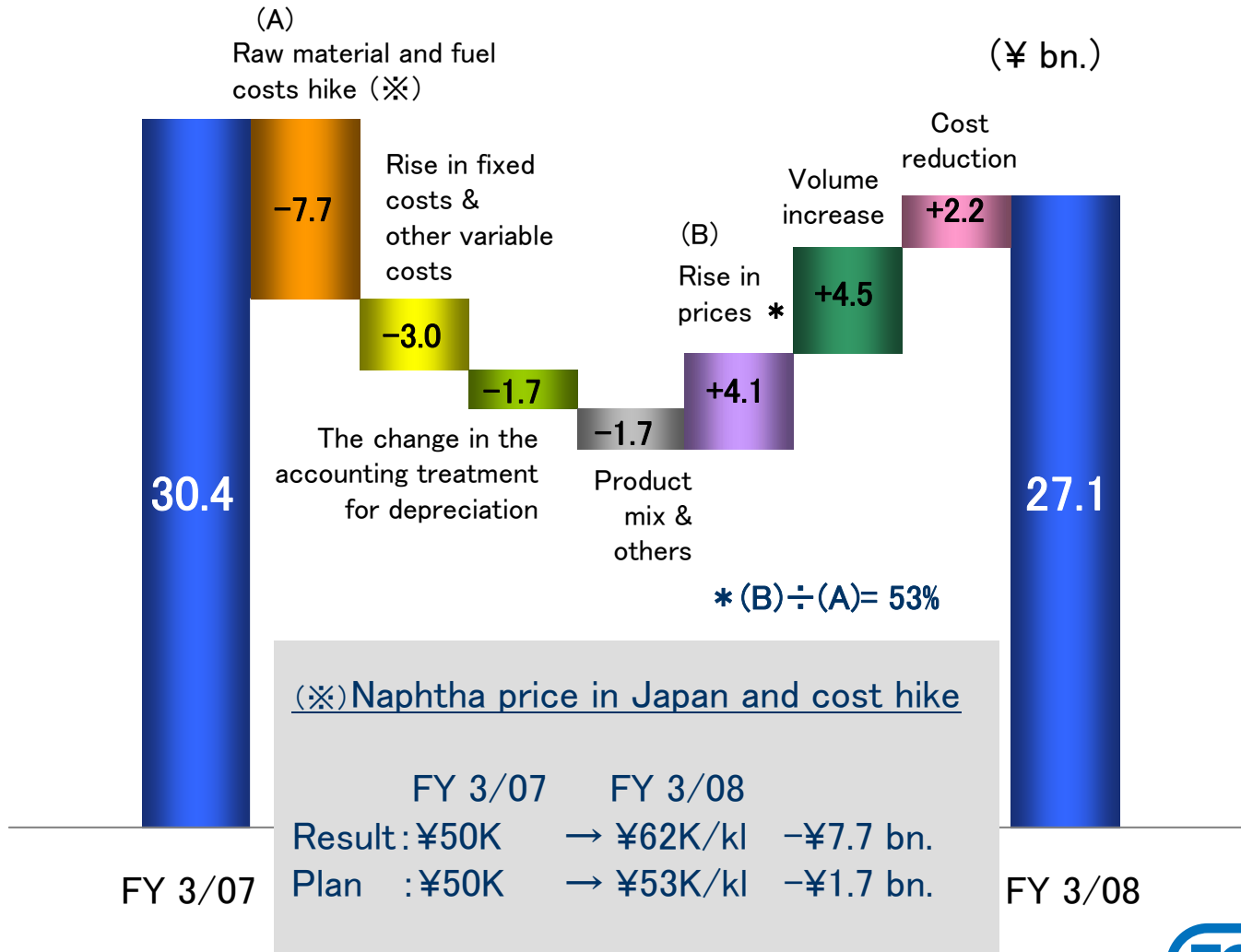
- We compressed interest-bearing debt even further.
- We moved forward with the improvement of our financial position.

¥ bn.

	March 31, 2007	March 31, 2008	Change (amount)
Total assets	513.2	494.5	-18.7
ROA : operating income basis	5.9%	5.5%	
Shareholders' equity	133.5	129.7	-3.9
Ratio to assets	26.0%	26.2%	
Interest-bearing debt	194.2	178.8	-15.4
D/E ratio	1.5	1.4	-
Cash flows			
from operating activities	27.1	23.3	-3.8
from investing activities	-2.9	-10.2	-7.3
from financing activities	-22.4	-17.9	+4.5

# (3) Analysis of Changes in Operating Income

【FY 3/07→FY 3/08】



## (4) Results by Segment

¥ bn.

	FY 3/07		FY 3/08		Change (amount)		FY3/08 Plan Operating income
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	
Films & Functional Polymers	124.6	15.3	134.6	13.7	+10.0	-1.6	15.0
Industrial Materials	74.4	5.9	76.1	5.5	+1.7	-0.4	6.1
Life Science	32.6	5.6	34.0	5.1	+1.3	-0.4	5.8
Specialty	231.6	26.8	244.7	24.4	+13.1	-2.4	26.9
Textiles	149.6	4.4	142.5	3.8	-7.1	-0.6	3.6
Others	45.4	2.5	44.2	2.6	-1.2	+0.1	2.0
Elimination & corporate	-	-3.2	-	-3.7	-	-0.5	-3.5
Total	426.7	30.4	431.4	27.1	+4.8	-3.4	29.0

## (5) ① Films & Functional Polymers

- Sales of films for LCD as well as those of engineering plastics for autos increased steadily.
- Prices of some packaging films were revised, but those of functional polymers have not been sufficiently.

	FY 3/07	FY 3/08			Change, % (YOY)
		1H	2H	Total	
Net sales	124.6	65.6	69.0	134.6	+10.0
Operating income	15.3	7.3	6.4	13.7	-1.6
Ratio to sales	12.3%	11.1%	9.3%	10.2%	-
Depreciation	6.5	3.4	3.6	7.0	+0.5
Total assets	126.2	-	-	130.0	+3.8
ROA	12.1%	-	-	10.6%	-

¥ bn.

### Industrial Films

Recovered quickly since July /07 and sustained growth.

Full-scale production of the new line will start from summer 2008

### Packaging Films

Continued steady demand.

Rising prices took effect in the late 2007.

### Functional Polymers

Engineering Plastics increased shipments for auto parts.

Industrial Adhesives sales increased for its electronics products.



## ② Industrial Materials

- Sales of airbag fabrics, functional filters, and high-performance fibers continued to increase.
- Facing a hike in raw material costs, earnings of tire cords declined.

	FY 3/07	FY 3/08		Total	Change, % (YOY)
		1H	2H		
Net sales	74.4	37.3	38.8	76.1	+1.7
Operating income	5.9	2.7	2.8	5.5	-0.4
Ratio to sales	8.0%	7.3%	7.2%	7.2%	-
Depreciation	3.4	1.8	2.0	3.8	+0.4
Total assets	79.5	-	-	78.5	-1.0
ROA	7.4%	-	-	7.0%	-

¥ bn.

### Airbag Fabrics

Sales increased, but earnings were affected by the rise in raw material costs.

### High-Performance Fibers (“DYNEEMA”)

Stable growth. Expansion production capacity from Jan./08.

### Functional Filters & Non-Woven Fabrics

Steady shipments for automotive and office equipments.

Orders for environmental equipment-related products also increased.

## ③ Life Science

- Biochemical and contract manufacturing of pharmaceuticals business performed well, but earnings of medical membranes decreased.

	FY 3/07	FY 3/08			Change, % (YOY)
		1H	2H	Total	
Net sales	32.6	16.3	17.7	34.0	+1.3
Operating income	5.6	2.6	2.5	5.1	-0.4
Ratio to sales	17.1%	15.9%	14.4%	15.1%	-
Depreciation	2.5	1.4	1.8	3.2	+0.7
Total assets	36.8	-	-	36.0	-0.8
ROA	15.2%	-	-	14.3%	-

¥ bn.

### ● Hollow Fiber Membranes for Artificial Kidneys (AKH)

Fierce competition.

### ● Bio-science Products

Steady sales in enzymes for blood glucose measuring applications.

### ● Water Treatment Membranes

Completed shipments to Rabigh project, and received orders for another large-scale one.

## ④ Textiles

- Both revenue and earnings were down in this segment as we continued to scale back unprofitable products and narrow the commodity textile field.

	FY 3/07	FY 3/08			Change, % (YOY)
		1H	2H	Total	
Net sales	149.6	72.4	70.1	142.5	-7.1
Operating income	4.4	2.0	1.8	3.8	-0.6
Ratio to sales	2.9%	2.7%	2.6%	2.7%	-
Depreciation	2.6	1.5	1.6	3.1	+0.5
Total assets	133.1	-	-	126.3	-6.8
ROA	3.3%	-	-	3.0%	-

¥ bn.

### ● Functional Textiles

Continued strong exports of textiles to the Middle East.

### ● Fibers for Clothes

Structural reforms are showing results

### ● Acrylic fibers “EXLAN”

Sales were sluggish due to a falloff in exports induced by the rising yen.

## II . Forecasts for FY 3/09

# (1) Forecasts for FY 3/09

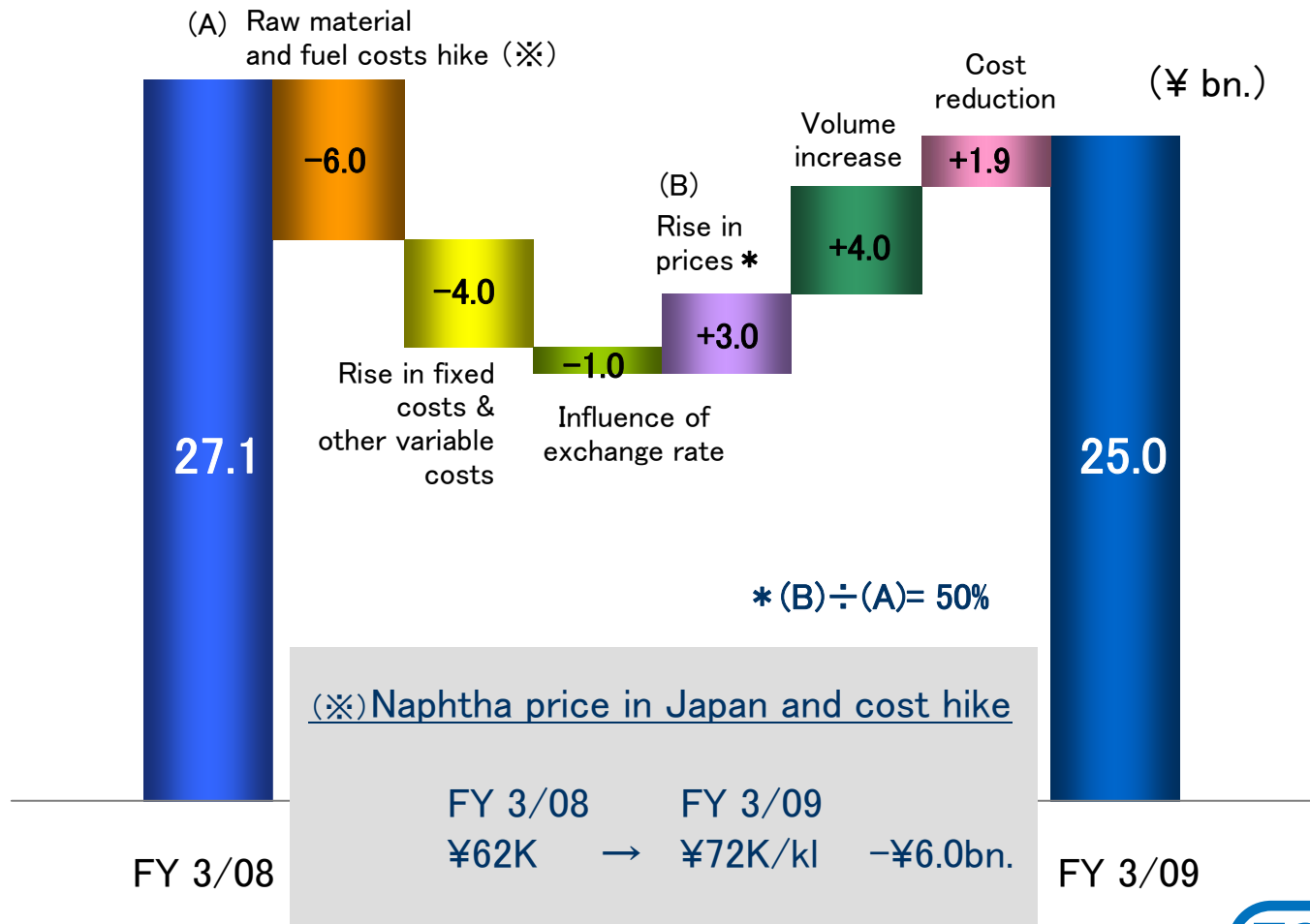
¥ bn.

	FY 3/08		FY 3/09		Change (YOY)	
	1H		1H		Amount	%
Net sales	213.4	431.4	215.0	435.0	+3.6	+0.8%
Operating income	13.9	27.1	12.5	25.0	-2.1	-7.7%
Ratio to sales	6.5%	6.3%	5.8%	5.7%	-	-
Net income	5.5	4.7	4.0	10.0	+5.3	+112.9%
EPS (¥/share)	7.9	6.5	5.7	14.3	-	-
Depreciation	9.2	19.3	11.0	22.0	+2.7	+14.1%
CAPEX	9.2	22.5	11.0	20.0	-2.5	-11.1%
EBITDA	23.1	46.3	23.5	47.0	+0.7	+1.4%
Exchange rate (¥/US\$)		114		100		
Naphtha price in Japan (T/KL)		62		72		

## (2) Forecasts of Changes in Operating Income

【FY 3/08→FY 3/09】

We are covering the rise in raw material and fuel costs with an increase in prices and volume.



### (3) Forecasts by Segment

¥ bn.

	FY 3/08		FY 3/09		Change (amount)	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Films & Functional Polymers	134.6	13.7	145.0	13.0	+10.4	-0.7
Industrial Materials	76.1	5.5	82.0	5.5	+5.9	+0.0
Life Science	34.0	5.1	36.0	4.8	+2.0	-0.3
Specialty	244.7	24.4	263.0	23.3	+18.3	-1.1
Textiles	142.5	3.8	132.0	3.2	-10.5	-0.6
Others	44.2	2.6	40.0	2.2	-4.2	-0.4
Elimination & corporate	-	-3.7	-	-3.7	-	+0.0
Total	431.4	27.1	435.0	25.0	+3.6	-2.1

### III. Review of Medium-Term Management Plan (FY 3/06 – 3/08)



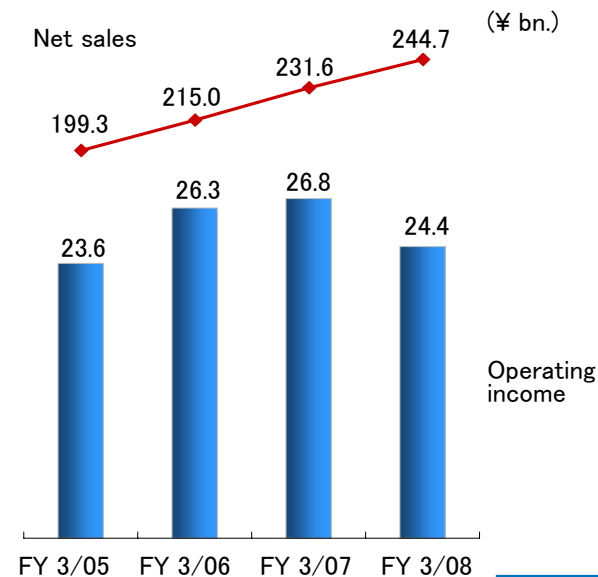
# (1) Achievement of Plan

- Specialty business received the large impact from changes of circumstances.
- We reformed the Textile business as planned.
- Ongoing improvement of Financial Position as planned.

	FY 3/05	FY 3/08 plan	FY 3/08 rresult	Change (amount)	¥ bn.
Net sales	394	450	431	-19	
Operating income	29	38	27	-11	
Net income	12	18	5	-13	
Total assets	512	500	494	-6	
ROA	5.6%	7.6%	5.5%	-	
Interest-bearing debt	221	Less than 200	179	-21	
Shareholders' equity	108	-	130	-	
D/E ratio	2.1	Less than 1.5	1.38	-	

① Changes of costs	¥ bn.
Raw material and fuel costs (04→07)	-21
The change in the accounting treatment for depreciation	-2
<hr/>	
Rise in prices (60%)	12
<hr/>	
Total	-10

## ② Transition of the Specialty business.



## (2) Management Review

### Plans ▪ Results

### Analysis

#### Expansion of the Specialty business

	(¥ bn.)	
<u>FY 3/05→3/08 Change</u>	<u>Sales</u>	<u>Operating income</u>
(Plan)	+55	+9
(Result)	+45	+1

- Annual growth of 7% in net sales, but earnings were suffered from circumstances changes
- CAPEX & Globalization: Industrial films, Dyneema and PA films in China, but not sufficient.
- Innovations in production technologies : prop up.

➔ **Stratification and Prioritization**

#### Reform of the Textile business

	(¥ bn.)	
<u>FY 3/08: Operating income</u>		
(Plan)	4 (08:ROA5%)	
(Result)	4 (07:ROA3%)	

- Scaled back unprofitable products and narrowed the commodity textile fields.
- Ongoing compress capital on textile business

➔ **Complete the reform plan**

#### Improvement in the financial position

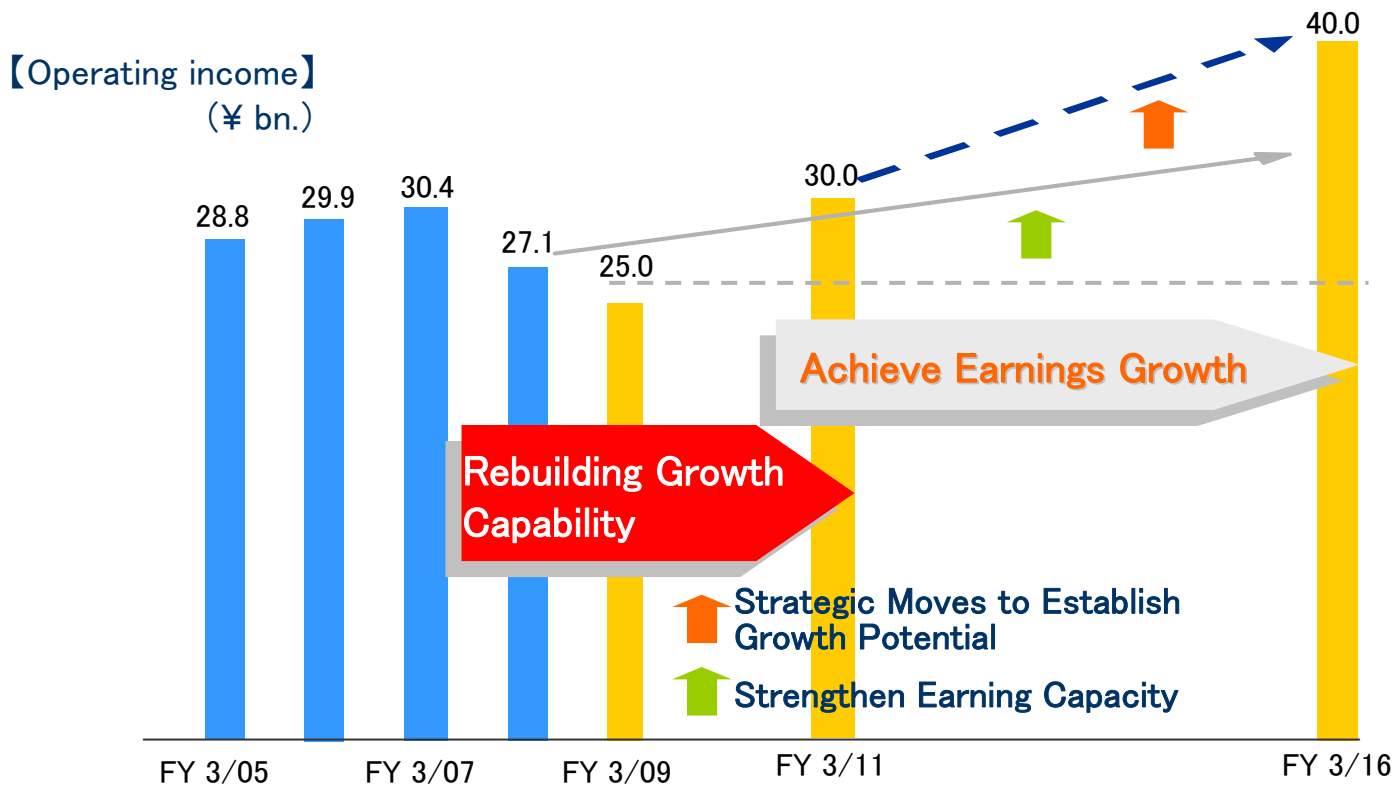
<u>D/E Ratio</u>	(at March 31, 2008)
(Plan)	Less than 1.5 times
(Result)	1.38

- Improvement of capital ratio (04: 21.0% → 07:26.3%)
- Reduction of interest-bearing debt (04: ¥221 bn. → 07: ¥179 bn.)

## IV. New Medium-Term Business Plan (FY 09-11)

# (1) Concept

Focus on “Rebuilding growth capabilities”  
to accelerate growth after FY 3/11



Reform of the business portfolio

## (2) Management Policy and Issues to Be Addressed

### Management Policy: “Rebuilding growth capabilities”

#### Strengthen Earnings Capacity

- Reach capacity at new production facility
- Establishing short-term development projects
- Shifting cost increases to product prices
- Reducing costs through production technology innovations.

#### Strategic Moves to Establish Growth Potential

- CAPEX ¥60 bn. R & D Expenses ¥35 bn. (for three years)
- Generate sales from new businesses.  
(projected sales in FY 3/16 = ¥25 bn.)
- Expansion of Overseas Sales to increase over  
(projected sales in FY 3/16 = ¥20 bn.)
- Actively pursue alliances and M&A

#### Improve Asset Efficiency

- Textile business: Narrowing our business fields  
(ROA 5% : operating income basis)

#### Enhance the CSR Structure

- Medium-term CSR Plan

### (3) Targets for FY 3/11

**Net sales: ¥460 bn. Operating income: ¥30 bn. ROA: 7% in FY 3/11**  
**Specialty business: ¥ 300 bn. (annual growth of 7%)**

	FY 3/08	FY 3/09 forecast	¥ bn. FY 3/11 target	Annual growth
Net sales	431.4	435.0	460.0	
Specialty	244.7	263.0	300.0	7.0%
Operating income	27.1	25.0	30.0	
Ratio to sales	6.3%	5.7%	6.5%	
Specialty	24.4	23.3	28.0	4.7%
Net income	4.7	10.0	13.0	
ROA	5.5%	5%	7%	
D/E ratio	1.38	1.3	1.0	
Exchange rate (¥/US\$)	114	100	100	
Naphtha price in Japan (T/KL)	62	72	72	

## (4) The Expansion of Specialty Business

【Net sales】 ¥bn.

		Business	FY 3/08	FY 3/11 target	Measure
P G B *	New Business development	<ul style="list-style-type: none"> <li>• New electronic materials</li> <li>• RO membranes</li> <li>• Bio-science products</li> <li>• Others</li> </ul>	14	22	<ul style="list-style-type: none"> <li>▪ Accelerating new businesses</li> <li>▪ Utilizing external resources</li> </ul>
	High growth	<ul style="list-style-type: none"> <li>• Industrial films</li> <li>• "DYNEEMA"</li> <li>• Functional polymers</li> <li>• Others</li> </ul>	58	90	<ul style="list-style-type: none"> <li>▪ Promptly start new plants</li> <li>▪ CAPEX</li> </ul>
	Expansion	<ul style="list-style-type: none"> <li>• Airbag fabrics</li> <li>• Functional filters</li> <li>• Others</li> </ul>	48	63	<ul style="list-style-type: none"> <li>▪ Accelerating overseas activities</li> <li>▪ Development of new technologies</li> <li>▪ Actively pursue alliances and M&amp;A</li> </ul>
Stable earning		<ul style="list-style-type: none"> <li>• Packaging films</li> <li>• Hollow fiber membrane for artificial kidneys</li> <li>• Others</li> </ul>	126	125	<ul style="list-style-type: none"> <li>▪ Enhancement of competitiveness</li> <li>▪ Reduce costs</li> <li>▪ Restructure business operations</li> </ul>
Specialty total			245	300	

\* PGB: priority growth business

## (5) Main CAPEX to Accelerate Growth

Business	¥ bn.	Capacity, etc.	Start-up
PET films for FPDs	10.0	+10,000 t /Y	2008
CPP films for FPDs	2.0	+4,000 t /Y	2008
"DYNEEMA" (Nippon Dyneema Co., Ltd.)	1.6	+600 t/Y	Jan. 2008
Coating equipment (Toyo Cloth., Ltd.)	1.5	Expand the capacity	2009
PET films for FPDs	10.0	Expand the capacity	2010
CPP films for FPDs	2.0	Expand the capacity	2010
Engineering plastics	4.0	New plant (polymer, compound)	2010
New electronics materials	2.0	Start in business and production	2008-09
"DYNEEMA" (Nippon Dyneema Co., Ltd.)	5.0	Expand the capacity	2009-10
Airbag fabrics	3.0	Expand the capacity	2008-09
Bio-science	1.0	Expand the capacity	2008-09
Water treatment membranes	1.0	Expand the capacity	2009



## (6) Enhance Developing Capabilities

### ▪ R&D is the source of growth capability

#### ■ Cultivating Existing Business

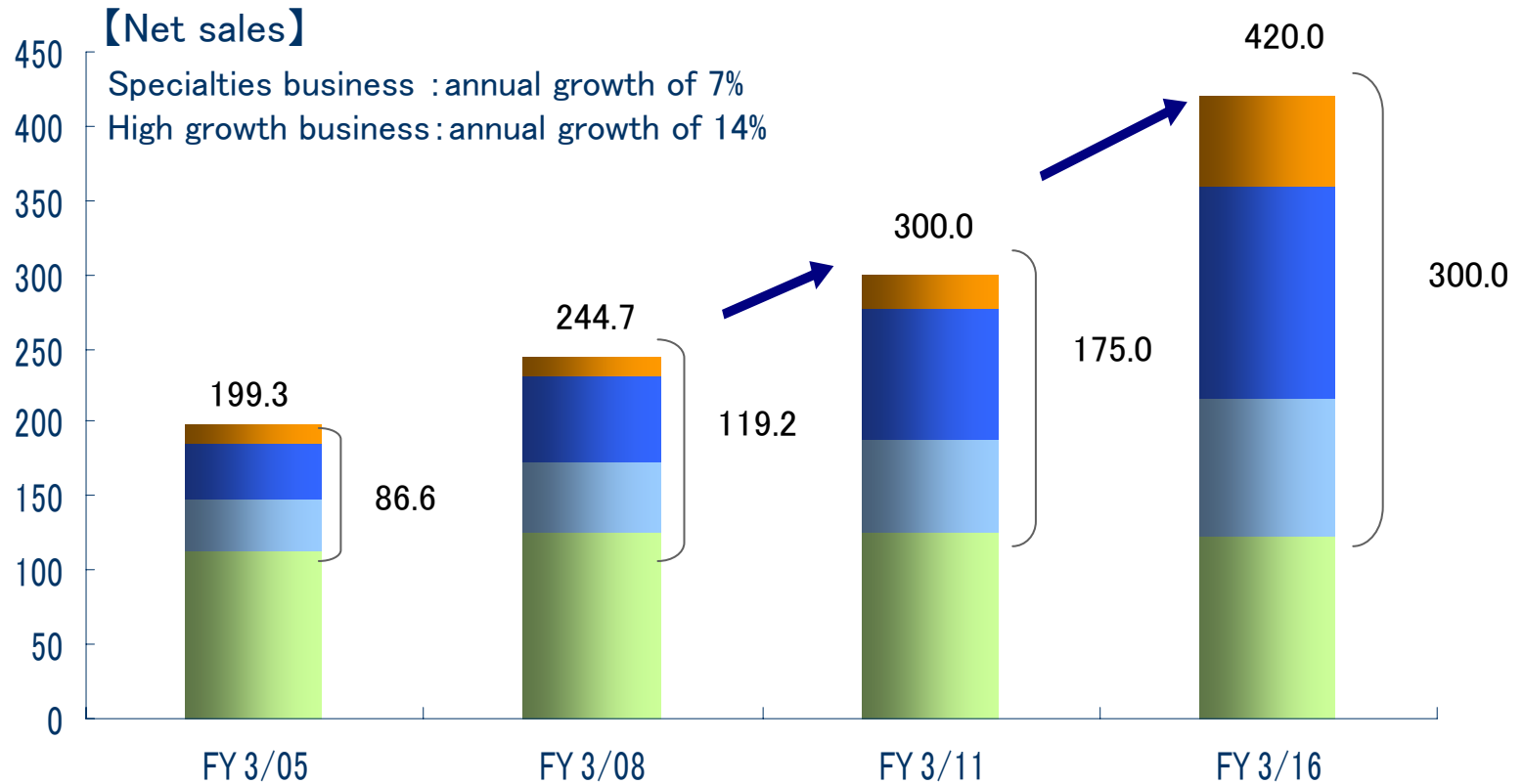
- Accelerate the developments and commercialization at the company-wide level.
- Establish short-term developments.

#### ■ New Business Incubation

- Focus on “Electronics & Information Displays,” “Automobiles” and “Environment” markets.
- Seek to commercialize the high heat-resistant polyimide film “XENOMAX” as a next-generation electronics material.
- New Business: “Fuel cell membrane, ” “Next-generation Functional Filter & Functional Separator” and “New polymers.”
- Actively pursue alliances and M&A.

# (7) Stratification and Prioritization

(¥bn.)

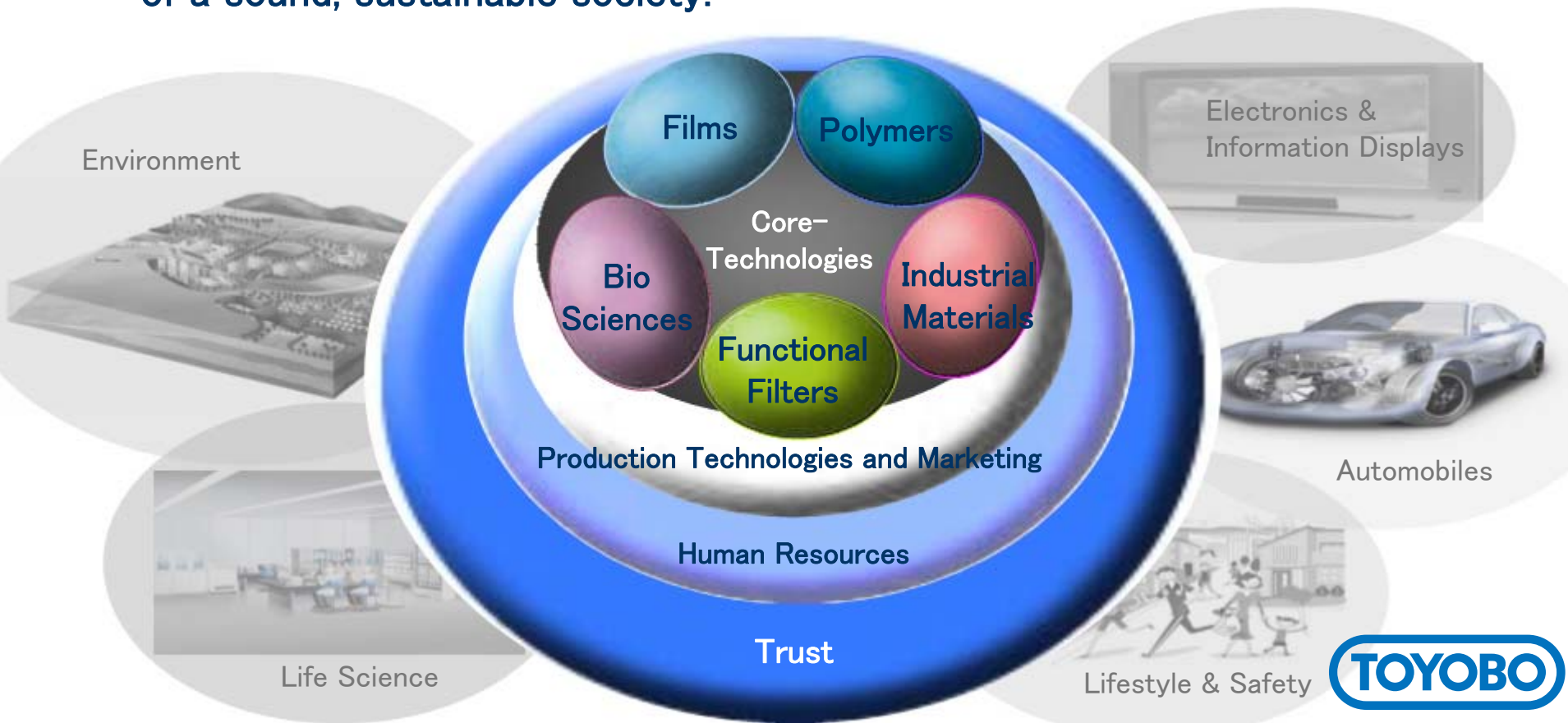


■ New, Business development    
 ■ High growth    
 ■ Expansion    
 ■ Stable earnings

## (8) Vision

**We contribute to society as a manufacturer of high-function products.**

- Five business domains and new business
- Core- technologies: polymerization, modification, processing and bio-science
- We fulfill our social responsibilities as well as contribute to the establishment of a sound, sustainable society.



## V . Progress of Litigation

## Progress of Litigation regarding Body Armor Using ZYLON Fiber

### <Summary>

- ① In June 2003, an accident with body armor (BA) using Zylon fiber occurred in Pennsylvania, USA. (This is the only accident in which a bullet penetrated BA.)
- ② The injured/deceased persons and purchasers of the same type of BA sued the BA manufacturer and Toyobo for damages.
- ③ An ex-director of the BA manufacturer filed a lawsuit based on the U.S. False Claims Act. The U.S. Government (DOJ) participated as a plaintiff in this lawsuit.
- ④ DOJ also filed a lawsuit relating to body armor except for the BA mentioned above.
- ⑤ Class action by the purchasers has been settled. (Amount:¥ 4.4 billion in total. Extraordinary loss posted in the first half of FY 3/06.)  
Actions by the injured/deceased persons (product liability cases) have been settled.
- ⑥ Attorney's fee: ¥1.5 billion (FY 3/08), ¥1.5 billion (FY 3/07)

### <Progress of litigation>

(As of May 8, 2008)

	Class action	Product liability	Government-related		Others	Government-related
Plaintiff	Purchasers	Pennsylvania policeman, etc.	Arkansas State	US DOJ, et al.	Second Chance Body Armor	Two German states
Status	Settled (05/10/26)	Settled (06/1,06/11,07/1)	No progress after receipt of claims	Discovery is proceeding.	Discovery is proceeding.	Dismissed (forum non conveniens) (07/4/13)
Number of cases	10	4	1	2	1	1

... Progress made after the last meeting (Nov. 7, 2007)

## Appendix

## Appendix 1) Consolidated Summary

		FY 3/05		FY 3/06		FY 3/07			FY 3/08		
		Full Year	Change % YOY	Full Year	Change % YOY	Full Year	Change % YOY	1st Half	Full Year	Change % YOY	1st Half
Net sales	Mil. ¥	393,686	+5.5%	401,948	+2.1%	426,666	+6.1%	213,476	431,417	+1.1%	213,433
Operating income	Mil. ¥	28,782	+11.3%	29,887	+3.8%	30,435	+1.8%	15,243	27,075	-11.0%	13,932
Ratio to net sales		7.3%		7.4%		7.1%		7.1%	6.3%		6.5%
Ordinary income	Mil. ¥	21,589	+23.4%	24,580	+13.9%	25,342	+3.1%	12,831	21,049	-16.9%	11,476
Ratio to net sales		5.5%		6.1%		5.9%		6.0%	4.9%		5.4%
Net income	Mil. ¥	12,207	+39.3%	12,596	+3.2%	13,472	+7.0%	6,347	4,698	-65.1%	5,546
Ratio to net sales		3.1%		3.1%		3.2%		3.0%	1.1%		2.6%
Net income per share	¥	17.58	+39.2%	18.10	+3.0%	19.32	+6.7%		6.73	-65.2%	
ROE		11.5%		10.8%		10.4%			3.6%		
ROA; operating income basis		5.6%		5.8%		5.9%		5.8%	5.5%		5.5%
Total assets	Mil. ¥	511,813	+3.2%	514,791	+0.6%	513,191	-0.3%	523,080	494,496	-3.6%	509,652
Shareholders' equity	Mil. ¥	107,518	+3.3%	125,143	+16.4%	133,521	+6.7%	126,117	129,671	-2.9%	135,660
(Ratio to total assets)		21.0%		24.3%		26.0%		24.1%	26.2%		26.6%
Equity per share	¥	154.64	+3.6%	179.59	+16.1%	191.28	+6.5%	181.00	185.79	-2.9%	
Debt	Mil. ¥	220,981	-8.2%	206,172	-6.7%	194,239	-5.8%	211,975	178,842	-7.9%	193,366
D/E ratio		2.06		1.65		1.45		1.68	1.38		1.43
Capital expenditure	Mil. ¥	16,395	+23.0%	18,131	+10.6%	15,753	-13.1%	7,400	22,486	+42.7%	9,188
Depreciation	Mil. ¥	15,528	+0.7%	15,656	+0.8%	16,938	+8.2%	8,283	19,274	+13.8%	9,203
R&D expenses	Mil. ¥	9,201	+1.7%	10,079	+9.5%	10,426	+3.4%	5,101	10,877	+4.3%	5,459
Number of employees	Persons	11,468		11,705		11,755		11,547	11,885		11,640

## Appendix 2) FY 3/11 Target by Segment

¥ bn.






	FY 3/08		FY 3/11		Change (amount)	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Films & Functional Polymers	134.6	13.7	170.0	16.0	+35.4	+2.3
Industrial Materials	76.1	5.5	90.0	6.2	+13.9	+0.7
Life Science	34.0	5.1	40.0	5.8	+6.0	+0.7
Specialty	244.7	24.4	300.0	28.0	+55.3	+3.6
Textiles	142.5	3.8	120.0	4.0	-22.5	+0.2
Others	44.2	2.6	40.0	2.0	-4.2	-0.6
Elimination & corporate	-	-3.7	-	-4.0	-	-0.3
Total	431.4	27.1	460.0	30.0	+28.6	+2.9



## Appendix 3) Actions by Segment

Business Segment	Actions
<b>Films &amp; Functional Polymers</b>	
Industrial films	Expand production capacity for FPDs and work to open new products
Packaging films	Enlarge it's markets share and explore industrial uses
Functional polymers	Expand our overseas production and sales
<b>Industrial Materials</b>	
High-performance fibers "DYNEEMA"	Aggressive expansion (1,600 t → 3,200 t/Y, Nippon Dyneema Co.,LTD)
Airbag fabrics	Expand the capacity
Functional filters, Non-woven fabrics	Growth in automobile and environment related products
<b>Life Science</b>	
Hollow fiber membrane for artificial kidneys	Enhance cost-competitiveness and secure earnings
Water treatment membrane	Entry into the market for tap water membranes
Bio-science products	Promote the creation of new business (functional substances)
Pharmaceuticals	Focus on increasing orders
<b>Textiles</b>	
Toyobo Specialties Trading Co.,Ltd	Tightening our focus to functional and specialty textiles
Others	Pursue asset efficiency

# Appendix 4) Business Fields

Businesses		Markets	Auto- mobiles	Electronics & Information Displays	Environ- ment	Lifestyle & Safety	Life Science
Films & Functional Polymers	Functional Films			PET Films for FPD CPP Films for FPD		Packaging Films	
	Functional Polymers		Engineering Plastics	Industrial Adhesives	New Catalyst for PET		
	New Electronic Materials		High Heat Resistant Polyimide Films	Fuel Cell Membranes			
Industrial Materials	Airbag Fabrics		Airbag Fabrics			High-Tenacity PE Fibers	
	High-Performance Fibers				Solvent Adsorption Unit Bag Filters for Incinerators		
	Functional Filters		Engine Filters Cabin Filters	Next-Generation Functional Filters			
Life Science	Bio Products						Enzymes for Diagnostics & Diagnostic Systems
	Pharmaceuticals						
	Medical Membranes						Contract Manufacturing Hollow Fiber Membranes for Artificial Kidneys
	Water Treatment Membranes					RO, UF/MF Membranes	

## Please Note

The business performance forecasts and targets included in the business plans contained in this presentation are based on information known to the Company's management as of the day of presentation. Please be aware that the content of the future forecasts may differ significantly from actual results, due to a number of unforeseeable factors.