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For immediate release

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(Code: 3101, First Section of Tokyo Stock Exchange
and Osaka Securities Exchange, respectively)
Representative: Ryuzo Sakamoto, President
Contact: Ikuo Takeuchi, Manager of IR Group
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Company name: Toyo Cloth Co., Ltd.
(Code: 3552, Second Section of Osaka Securities
Exchange)
Representative: Kazuhiko Hayakawa, President
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Notice on Conversion of Toyo Cloth into a Wholly Owned Subsidiary Via a Share Exchange

Toyobo Co., Ltd. (Toyobo) and Toyo Cloth Co., Ltd. (Toyo Cloth) concluded a Basic Agreement on May 7, 2009, whereby Toyobo will acquire all the remaining common shares of Toyo Cloth via a share exchange, making Toyo Cloth into a wholly owned Toyobo subsidiary effective September 1, 2009. At Board of Directors meetings of both companies held today (May 25, 2009), the two companies passed resolutions approving the share exchange based on that Basic Agreement, and concluded a share exchange contract.

As a result of the share exchange Toyobo will become Toyo Cloth' sole parent company with 100% ownership, and the shares of Toyo Cloth (which will become a wholly-owned Toyobo subsidiary) will be delisted on August 26, 2009 (with August 25, 2009 as the last day of trading).

1. Purpose of Making Toyo Cloth into a Wholly Owned Subsidiary Via a Share Exchange

(1) Purpose of the Share Exchange

Toyobo and Toyo Cloth have been strengthening their relationship based on a close alliance. Toyobo made Toyo Cloth into a Toyobo subsidiary in a takeover bid in 2004, and has subsequently focused on developing businesses integrating both companies' strengths and pursuing synergy.

The environment surrounding both companies, however, is becoming even more severe with the global slowdown sparked by the U.S. financial crisis, and reinforcing the business foundation of the entire Toyobo Group has become an urgent issue.

Under these conditions, as a result of repeated judicious discussions, Toyobo and Toyo Cloth arrived at the conclusion that to improve the profitability of Toyo Cloth's coating business, having Toyobo make Toyo Cloth into a wholly owned subsidiary would be effective in more closely linking the management resources of both companies. For example, in the electronics parts and automotive business, new products could be developed combining Toyobo's functional materials with Toyo

Cloth's coating technologies.

We also judged that making Toyo Cloth into a wholly owned subsidiary would maximize the synergy between the two companies by facilitating swift management decision-making and agile business operations, and thus increase the enterprise value of Toyo Cloth and the entire Toyobo Group. These are the reasons why the two companies are implementing this share exchange.

(2) Delisting of Toyo Cloth

With this share exchange, Toyobo will become the sole parent company of Toyo Cloth and Toyo Cloth will become Toyobo's wholly owned subsidiary effective September 1, 2009.

Consequently, the common shares of Toyo Cloth are scheduled to be delisted on August 26, 2009 (with August 25, 2009 as the last day of trading), following the proscribed procedures, in accordance with the regulations governing the listing of securities and the securities delisting standards of Osaka Securities Exchange Co., Ltd. (Osaka Securities Exchange). After the delisting, the common shares of Toyo Cloth will no longer be traded on the Osaka Securities Exchange.

(3) Reasons for Delisting and Alternatives

This share exchange is for the purposes stated in (1) above. The purpose, therefore, is not specifically to delist Toyo Cloth. Even after the delisting of Toyo Cloth common shares, the Toyobo common shares allotted to Toyo Cloth shareholders under this share exchange are listed on the Tokyo Stock Exchange and the Osaka Securities Exchange and can still be traded on both markets after this share exchange, and thus shareholders receiving at least 1,000 Toyobo common shares, which is the trading unit, will be provided with ongoing liquidity under this share exchange.

Toyo Cloth shareholders receiving allotments of less than 1,000 Toyobo common shares under this share exchange, which is the trading unit for Toyobo common shares, cannot sell those odd-lot shares on either of the above-listed stock markets. Those shareholders will have the option of using the odd-lot shares increase system or the odd-lot shares sales system. Refer to 2. (2) (Note 3) for details.

Also, in cases when fractions of less than one share emerge from this share exchange, Toyobo intends to give cash compensation in accordance with the amount of said fractions under the provisions of Article 234 paragraphs 1 and 2 of the Companies Act. Refer to 2. (2) (Note 4) for details.

(4) Measures to Guarantee Fairness

Because Toyobo already owns 43.19% of the common shares outstanding of Toyo Cloth at the time of this share exchange, to secure fairness Toyobo and Toyo Cloth both separately asked independent third-party accounting organs to calculate share exchange ratios, and the two companies have decided to implement this share exchange at a share exchange ratio that they have agreed upon following examinations and negotiations with reference to those calculation results.

The share exchange ratio calculation results presented by the independent third-party accounting organs did not include any statements of opinion regarding the fairness of the share exchange ratio used for this share exchange.

(5) Measures to Prevent Conflict of Interest

Toyo Cloth Auditors Noboru Shoda and Masaru Watanabe are Toyobo employees, so

from the perspective of preventing any conflict of interest they did not express their opinions during the above-mentioned Board of Directors deliberations.

2. Outline of the Share Exchange

(1) Share Exchange Schedule

Basic agreement concluded on share exchange (both companies)	May 7, 2009
Board of Directors meetings approved exchange (both companies)	May 25, 2009
Share exchange contract concluded (both companies)	May 25, 2009
General shareholders' meeting to approve share exchange (Toyo Cloth)	June 26, 2009 (tentative)
Delisting of Toyo Cloth shares	August 26, 2009 (tentative)
Exchange of shares (effective date)	Sept. 1, 2009 (tentative)

Note: At Toyobo this share exchange is scheduled to be implemented under simplified share exchange procedures, without general shareholders' meeting approval, based on the provisions of Article 796-3 of the Companies Act.

(2) Share Exchange

Company name	Toyobo Co., Ltd. (Sole parent company)	Toyo Cloth Co., Ltd. (Wholly owned subsidiary)
Share exchange ratio	Common shares	Common shares
	1	0.87
Number of new shares issued in this share exchange	Common shares: 6,919,110 shares (planned)	

Notes:

1. Allotment Ratio

Under the share exchange contract, 0.87 Toyobo common shares will be allotted for each (1.0) Toyo Cloth common share. Toyobo will not be issued shares under this share exchange for the common shares of Toyo Cloth (6,047,000) it already owns.

2. Number of Shares Allotted in this Share Exchange

The number of shares allotted in this share exchanged is calculated based on the total number of Toyo Cloth common shares outstanding and the number of Toyo Cloth common shares owned by Toyobo as of May 25, 2009. This number may be revised because of the retirement of Toyo Cloth treasury stock, etc.

3. Treatment of Odd-lot Shares

Toyo Cloth shareholders who come to own odd-lot shares of Toyobo from this share exchange will have rights to Toyobo dividends in proportion to the number of shares they own for record dates after this share exchange, but odd-lot shares cannot be sold on the stock markets. Shareholders who come to own odd-lot shares of Toyobo will have the option of using the following systems for Toyobo shares.

(a) Odd-lot shares increase service

System whereby shareholders may ask Toyobo to sell them Toyobo shares to increase the Toyobo odd-lot shares they own to full trading units.

(b) Odd-lot shares sales system

System whereby shareholders may ask Toyobo to directly purchase their odd-lot shares, based on the provisions of Article 192-1 of the Companies Act.

4. Treatment of Fractions of Shares

Under the provisions of Article 234 paragraphs 1 and 2 of the Companies Act, when shareholders receive fractions of less than one Toyobo share from this share exchange, Toyobo will sell the number of Toyobo shares equivalent to the total sum of those fractions (discarding any fractions in that total), and deliver the proceeds from that sale to said shareholders in proportion to the fractions they own.

(3) Basis for Calculating the Share Exchange Ratio

1. Calculation Basis

To secure fairness and appropriateness in the share exchange ratio for this share exchange, Toyobo and Toyo Cloth both separately asked independent third-party accounting organs to calculate the share exchange ratio. Toyobo retained the services of Mizuho Securities Co., Ltd. (Mizuho Securities) and Toyo Cloth retained the services of Daiwa Securities SMBC Co., Ltd. (Daiwa Securities SMBC)

Mizuho Securities conducted calculations on Toyobo and Toyo Cloth using the market stock price method and the discounted cash flow method ("DCF method"). In applying the market stock price method with May 22, 2009 as the valuation base date, average share prices were calculated using the closing prices on the Tokyo Stock Exchange for the period from April 28, 2009 (which is the day after revised performance forecasts were announced by both companies for the fiscal year ended March 2009) to the valuation base date, and for the period from May 7, 2009 (which is the day on which Basic Agreement on this share exchange was announced) to the valuation base date. The share exchange ratio ranges found using each valuation method with the value of one Toyobo share set at 1.0 were as follows.

<u>Valuation Method</u>	<u>Share Exchange Valuation Range</u>
Market stock price method	0.71 ~ 0.72
DCF method	0.85 ~ 0.90

Mizuho Securities calculated the share exchange ratio on the assumptions that the information it received from both companies and publicly available data used for the calculations are accurate and complete, that there is no information that that has not been disclosed to Mizuho Securities that would have a significant impact on the share exchange ratio calculations, and other assumptions. Mizuho Securities has not conducted independent assessments or audits of both companies' respective individual assets and liabilities. In addition, the calculated share exchange ratios assume that the financial forecasts of both companies referred to in making the calculations are rationally prepared best-effort forecasts

and judgments as of the date the forecasts were made. The calculations reflect the corporate data and economic conditions information available as of May 22, 2009. The share exchange ratio calculations presented by Mizuho Securities did not include any statement of opinion regarding the fairness of the share exchange ratio used for this share exchange.

Meanwhile, Daiwa Securities SMBC also conducted calculations on both Toyobo and Toyo Cloth using the market share price method and the DCF method. In applying the market share price method with May 7, 2009 (which is the date both companies announced their business performance figures [preliminary settlements] and also the date on which the basic agreement on the share exchange was announced) as the valuation base date, trading volume weighted average share prices were calculated using the closing prices on the Tokyo Stock Exchange for Toyobo and on the Osaka Securities Exchange for Toyo Cloth for the one-month period prior to the valuation base date (April 2 – May 1, 2009), and for the three-month period prior to the valuation base date (Feb. 2 – May 1, 2009), and for the six-month period prior to the valuation base date (November 4, 2008 – May 1, 2009), and for the period since the valuation base date (May 7, 2009 – May 20, 2009).

The share exchange ratio ranges found using each valuation method with the value of one Toyobo share set at 1.0 were as follows.

<u>Valuation Method</u>	<u>Share Exchange Valuation Range</u>
Market stock price method	0.648 ~ 0.734
DCF method	0.787 ~ 0.885

Daiwa Securities SMBC calculated the share exchange ratios on the assumptions that the information it received from both companies and publicly available data used for the calculations are accurate and complete, that there is no information that has not been disclosed to Daiwa Securities SMBC that would have a significant impact on the share exchange ratio calculations, and other assumptions. Daiwa Securities SMBC has not conducted independent assessments or audits of both companies' respective individual assets and liabilities. In addition, the calculated share exchange ratios assume that the financial forecasts of both companies referred to in making the calculations are rationally prepared best-effort forecasts and judgments as of the date the forecasts were made. The calculations reflect the corporate data and economic conditions information available as of May 22, 2009.

The share exchange ratio calculations presented by Daiwa Securities SMBC did not include any statement of opinion regarding the fairness of the share exchange ratio used for this share exchange.

The Toyobo and Toyo Cloth profit plans adopted for the DCF method evaluations conducted by both Mizuho Securities and Daiwa Securities SMBC to calculate the share exchange ratios include fiscal years with projections of large profit increases. These appear because business performance improvements can be expected from sales increases and cost reductions in each business.

2. Development of the Valuation

Toyobo and Toyo Cloth have decided that the share exchange ratio presented in

2. (2) above is appropriate for both companies, and contributes to the interests of both companies' shareholders. Following examinations and negotiations based on the calculation results presented in 1. above, both companies adopted resolutions approving the share exchange based on this share exchange ratio at Board of Directors meetings held May 25, 2009, and both companies concluded the share exchange contract on that date. In cases when significant changes occur to the various conditions that are assumptions for the calculations, the share exchange ratio may be changed through consultations between the two companies.

3. Relationships with the Accounting Organs Retained to Conduct the Calculations
Mizuho Securities and Daiwa Securities SMBC are both independent of Toyobo and Toyo Cloth, and are not considered related parties to either Toyobo or Toyo Cloth.

(4) Treatment of Subscription Rights and Warrant Bonds issued by Wholly Owned Subsidiaries in the Share Exchange
Toyo Cloth has not issued any subscription rights or warrant bonds.

3. Outline of the Companies Involved in the Share Exchange (As of March 31, 2009)

(1) Company name	Toyobo Co., Ltd.	Toyo Cloth Co., Ltd.
(2) Business	Manufacture, processing and sales of synthetic resins and moldings, chemical products, bioproducts, pharmaceuticals, and related products. Design, production, sales and export/import of electronic devices, physics and chemical devices, medical devices and related devices. Manufacture, processing and sales of textiles. Design, production and sales of plants and devices. Sales of technologies and information	Manufacture, processing and sales of cloth, plastic leather, synthetic leather, and films.
(3) Incorporated	June 26, 1914	May 14, 1919
(4) Head office address	2-8, Dojimahama 2-chome, Kita-ku, Osaka	29-1, Tarui 6-chome, Sennan-city, Osaka
(5) Representative	Ryuzo Sakamoto, President	Kazuhiko Hayakawa, President
(6) Capital	¥43,341,203,166	¥700,000,000
(7) Number of shares outstanding	Common shares 699,027,598 shares	Common shares 14,000,000 shares
(8) Representative	¥133,967 million (Consolidated)	¥1,291 million (Consolidated)
(9) Capital	¥443,816 million (Consolidated)	¥7,728 million (Consolidated)
(10) Fiscal year-end	March 31	March 31

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(11)	Number of employees (As of March 31, 2009)	11,181 (Consolidated)	267 (Consolidated)
(12)	Major customers	Toyobo Specialties Trading Co., Ltd., Itochu Corporation, Japan Exlan Co., Ltd., Sumitomo Chemical Company, Mizushima Aroma Co., Ltd.	Toyobo Co., Ltd., Sanshin Co; Ltd., Dai Nippon Printing Co; Ltd., Takeno Co; Ltd., Toppan Printing Co; Ltd., Marubeni Co; Ltd.
(13)	Major shareholders and equity ownership (As of March 31, 2009)	Japan Trustee Services Bank, Ltd. Japan Trustee Services Bank, Ltd. (Trust Account 4G) 4.41%	Toyobo Co., Ltd. 43.19%
		Japan Trustee Services Bank, Ltd. (Trust Account) 4.26%	Toyo Cloth Kyoeikai 7.66%
		The Master Trust Bank of Japan, Ltd. (Trust Account) 3.38%	Dainihon Sarashizome Co., Ltd. 1.64%
		Nippon Life Insurance Company 2.95%	OG Corporation. 0.91%
		Mizuho Corporate Bank, Ltd. 1.92%	Toshio Toda 0.87%
(14)	Main banks	Mizuho Corporate Bank, Ltd.	Mizuho Bank, Ltd.
(15)	Relationships Between Parties	Capital	Toyobo owns 43.19% of the common shares outstanding of Toyo Cloth as of May 25, 2009.
		Personnel	Two Toyobo employees hold concurrent positions as corporate auditors at Toyo Cloth.
		Trading	Toyobo sells materials to Toyo Cloth. Toyobo purchase products from Toyo Cloth.
		Concerned	Toyobo is the parent company of Toyo Cloth

4. Consolidated Performance

	Toyobo Co., Ltd. (Sole parent company)			Toyo Cloth Co., Ltd. (Wholly owned subsidiary)		
	Years ended March 31			Years ended March 31		
	2007	2008	2009	2007	2008	2009
Net Sales (Millions of yen)	426,666	431,417	367,271	9,284	9,367	7,421
Operating Income (Millions of yen)	30,435	27,075	11,229	151	239	(371)
Ordinary Income (Millions of yen)	25,342	21,049	2,059	125	193	(376)
Net Income (Millions of yen)	13,472	4,698	(12,505)	77	259	(947)
Net Income per Share (Yen)	19.32	6.73	(17.92)	5.54	18.53	(67.71)
Dividends per share (Yen)	5.00	5.00	3.50	5.00	5.00	-
Net Assets per Share (Yen)	191.28	185.79	140.79	161.20	171.48	92.32

5. Status of the Sole Parent Company after the Share Exchange

(1) Company name	Toyobo Co., Ltd.
(2) Business	Manufacture, processing and sales of synthetic resins and moldings, chemical products, bioproducts, pharmaceuticals, and related products. Design, production, sales and export/import of electronic devices, physics and chemical devices, medical devices and related devices. Manufacture, processing and sales of textiles. Design, production and sales of plants and devices. Sales of technologies and information
(3) Head office address	2-8, Dojimahama 2-chome, Kita-ku, Osaka
(4) Representative	Ryuzo Sakamoto, President
(5) Capital	¥43,341,203,166-
(6) Net assets	Not confirmed at the present time
(7) Total assets	Not confirmed at the present time
(8) Fiscal year-end	March 31

(9) Summary of Accounting Procedures

This share exchange is expected to fall under the category of transactions with minority shareholders of an entity under common control. The impact of this share exchange on goodwill has not yet been determined, and notice will be given when that determination is made.

(10) Future Outlook

As Toyo Cloth is already a Toyobo consolidated subsidiary, the impact of this share exchange on consolidated and non-consolidated business performance is expected to be negligible.