Review of Operations

The Teijin Group at a Glance

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<td><strong>Synthetic Fibers</strong></td>
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<td></td>
<td>Textile Fibers</td>
<td>• Shift emphasis from increasing market share to improving profitability</td>
<td>Teijin Fibers Limited</td>
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<td></td>
<td>Industrial Fibers</td>
<td>• Reinforce position as a supplier of a full lineup of industrial fibers</td>
<td>Teijin Techno Products Limited</td>
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<td><strong>Films and Plastics</strong></td>
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<td></td>
<td>Films</td>
<td>• Transform structure of business by developing strategic products and reducing costs</td>
<td>Teijin Films Limited</td>
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<td></td>
<td>Plastics</td>
<td>• Become the leading supplier of polycarbonate resin in Asia</td>
<td>Teijin DuPont Films Japan Limited</td>
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<tr>
<td><strong>Pharmaceuticals and Home Health Care</strong></td>
<td>Medical and Pharmaceuticals</td>
<td>• Focus on three key therapeutic areas: bone and joint disease, respiratory disease and cardiovascular and metabolic disease</td>
<td>Teijin Pharma Limited</td>
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<td>• Strengthen position as a comprehensive home health care services provider</td>
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<td><strong>Trading and Retail</strong></td>
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<td></td>
<td>Fiber Products Marketing</td>
<td>• Create a value chain that encompasses materials and finished products</td>
<td>NI Teijin Shoji Co., Ltd.</td>
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<tr>
<td><strong>IT and New Products</strong></td>
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<td></td>
<td>IT</td>
<td>• Pursue top share of key niche markets</td>
<td>Infocom Corporation</td>
</tr>
</tbody>
</table>

Note: In addition to the above business segments, in fiscal 2003 the Company operated a Machinery and Engineering segment, which accounted for 5% of consolidated net sales and 9% of operating income. Due to rounding, the sum of the individual amounts may not add up to 100.
### Principal Products

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Brand Names</th>
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<tbody>
<tr>
<td>Polyester fibers</td>
<td>Tetoron®</td>
</tr>
<tr>
<td>Para-aramid fibers</td>
<td>Twaron®, Technora®</td>
</tr>
<tr>
<td>Meta-aramid fibers</td>
<td>TEIJINCONEX®</td>
</tr>
<tr>
<td>Carbon fibers</td>
<td>BESFIGHT®</td>
</tr>
<tr>
<td>Artificial leather</td>
<td>Cordley®</td>
</tr>
<tr>
<td>PET film</td>
<td>Tetoron® film</td>
</tr>
<tr>
<td>PEN film</td>
<td>Teonex® film</td>
</tr>
<tr>
<td>Coated film</td>
<td>Purex®</td>
</tr>
<tr>
<td>Polycarbonate resin</td>
<td>Panlite®, Panlite® sheet</td>
</tr>
<tr>
<td>PET resin</td>
<td>Teonex® resin</td>
</tr>
<tr>
<td>PEN resin</td>
<td>PURE-ACE®</td>
</tr>
<tr>
<td>Solvent-cast polycarbonate film</td>
<td></td>
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</tbody>
</table>

### Brand Names

- Tetoron®
- Twaron®, Technora®
- TEIJINCONEX®
- BESFIGHT®
- Cordley®
- Tetoron® film
- Teonex® film
- Purex®
- Panlite®, Panlite® sheet
- Teonex® resin
- PURE-ACE®

### Additional Products

- Treatment for osteoporosis: Bonal®n, Onealfa®
- Expectorant: Mucosolvan®
- Treatment for severe infectious diseases: Venilon®
- Laxative: Laxoberon®
- Treatment for psoriasis: Bonalfa®
- Therapeutic oxygen concentrator for home oxygen therapy: Hi-Sanso® series/Mildsanso®
- Automatically adjusting CPAP ventilator for SAS therapy: SLEEPMATE®, AutoSet™
- Sale, import and export of fiber materials, apparel, industrial materials and films and plastics
- Retail sale of men's and ladies' fashions and household sundries

### IT Solutions

- PitBull™ series, X-TATION™, EOIP®, PDF output solutions, intellectual property management solutions, ASP services for local government organizations
- GRANDIT®, Livelink®
- Mechatemio® series, The News™
- HOT NEWS
The core company of the Textile Fibers Business Group, Teijin Fibers, develops, manufactures and sells an extensive range of products, centered on polyester fibers, notably Tetoron®, textiles and polyester raw materials.

Outstanding development capabilities and environmental responsiveness

The Textile Fibers Business Group maximizes Teijin’s global manufacturing network to offer an extensive lineup of high-quality products with applications in apparel, interior decorating and automotive interiors to customers worldwide.

The driving force behind the group’s efforts is the extensive technological expertise accrued by the Teijin Group in the areas of polymer science and fiber manufacturing. In response to increasing awareness of environmental issues, Teijin Fibers has also used the Teijin Group’s top-flight polymerization technologies to develop and commercialize high-quality, low-environmental-load products. These include the world’s first polyester chemical recycling system and a revolutionary soil-cleaning system.

A shift in emphasis from increasing market share to improving profitability

To date, our principal emphasis in the area of textile fibers has been on increasing market share in line with market expansion by achieving rapid sales growth. In light of plunging product prices and an increasingly unstable supply-demand balance, however, we realize that even with higher sales we are unlikely to see an improvement in profitability with our current portfolio, which consists largely of conventional products. Accordingly, we have shifted our focus to improving profitability through the introduction of high-margin, high-value-added products. To this end, we are working to achieve an optimum balance between quality and cost.

Distinctive products and a manufacturing network encompassing facilities in three optimum locations

By focusing on polyester fibers for non-apparel applications requiring superior functionality and safety and by maximizing our outstanding development capabilities to offer innovative, environment-friendly products, we are differentiating our products from the mass-produced items commonly offered by manufacturers in the PRC and other parts of Asia.

Our global manufacturing network currently encompasses facilities in Japan, other parts of Asia and North America. Going forward, we will transfer technologies from Japan to facilities overseas with the aim of configuring an optimal global manufacturing system that ensures superb product quality and lower costs. We are also establishing a global system for materials development, a function that is currently centered in Japan.
Outline of Operations

**Tetoron®**

Polyester fibers, the quintessential synthetic fiber product, currently account for 74% of all synthetic fibers produced worldwide. Valued for its strength, excellent chemical resistance and ease of care, Tetoron® is found in a broad range of applications.

Tetoron® was produced for the first time in Japan by Teijin and Toray Industries, Inc., in 1958. Since then, our Tetoron® business has expanded in line with market growth to become a key pillar of our operations.

**Technologies for environment-friendly products**

MORPHOTEX®, a recently developed nanotechnology-based structurally colored fiber, continues to attract considerable attention for its outstanding potential. Developed by mimicking the mechanism that causes the wings of the South American morpho butterfly to appear to change color, MORPHOTEX® shows color without any dyes or pigments. MORPHOTEX® is also environment-friendly because it requires neither the dyes or pigments, nor the water and energy, that would normally be used in the dying process.

**Recycling systems**

The Teijin Group recognizes that addressing environmental issues is a key management task and is using its advanced polymer science technologies to conceive innovative systems that will help enhance public awareness of recycling. Specifically, we have developed and commercialized the world’s first technology for the chemical recycling of polyester and have applied this technology to the development of systems for converting used polyethylene terephthalate (PET) bottles and polyester fiber products back into raw materials of comparable purity to those produced directly from petroleum. With these systems, we are creating fully closed recycling systems for used polyester textile products, including uniforms and curtains, and PET bottles.

**Advanced recycling technologies**

Teijin has applied its material recycling expertise to develop a revolutionary new technology for treating and cleaning soil polluted by heavy metals. In addition to chemically extracting and recovering heavy metal pollutants and cleaning the soil, this technology facilitates the replacement of cleaned soil and the recycling of recovered heavy metals.

<table>
<thead>
<tr>
<th>Principal Products</th>
<th>Brand Names</th>
<th>Field of Application</th>
<th>Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polyester fibers</td>
<td>Teijin® Tetoron®</td>
<td>Apparel</td>
<td>Men’s and women’s fashions, sportswear, work uniforms, school uniforms, lingerie, garment lining fabrics</td>
</tr>
<tr>
<td></td>
<td>Staple fibers</td>
<td>Interior decorating</td>
<td>Curtains, upholstery, bedding, office fabrics</td>
</tr>
<tr>
<td></td>
<td>Filament yarns</td>
<td>Automotive interiors</td>
<td>Automobile, train and aircraft seats</td>
</tr>
<tr>
<td></td>
<td>TEIJ INTEX®</td>
<td>Textiles</td>
<td></td>
</tr>
</tbody>
</table>

Source: Fiber Organon, Fiber Economics Bureau, Inc.
The Industrial Fibers Business Group, which includes such companies as Teijin Techno Products, Teijin Twaron and Toho Tenax, manufactures polyester, aramid, carbon and other high-performance fibers for industrial applications, and supplies these products to customers worldwide.

High-performance fibers that respond to a wide range of customer needs

Aramid fibers, the mainstay of the Industrial Fibers Business Group, comprise meta- and para-aramid fibers. The excellent strength and tensile modulus of para-aramid fibers make them particularly suitable for such applications as rubber reinforcements and optical fiber reinforcements. Meta-aramid fibers boast outstanding heat and flame resistance and are favored for such applications as firefighters’ uniforms and filters for industrial plants. With demand for both para- and meta-aramid fibers expected to continue growing rapidly, the Teijin Group has taken advantage of these properties to cultivate extensive markets for its products. Today, Teijin products account for approximately 50% of the global market for these important products.

In addition to aramid and carbon fibers, the leading high-performance industrial fibers available today, we have built an extensive lineup of other industrial fibers and materials. This is a key strength that enables us to respond to a broad range of applications and customer needs and enhances the effectiveness of fiber-related R&D activities.

Efforts to respond to soaring demand and cultivate new markets

In the area of aramid fibers, we have responded to sharp growth in the market for Twaron® para-aramid fibers by taking steps to increase production capacity. Going forward, however, our principal task will be to implement a business strategy that enhances our responsiveness to rising demand and changing market needs.

We expect expansion of the market for carbon fibers to be led by demand for applications in aircraft manufacturing and general industry. Accordingly, we plan to establish a manufacturing site in North America at the earliest possible date, thereby positioning us better to serve the world’s largest carbon fiber market. This would allow us to round out our global supply network, which also encompasses facilities in Japan and Europe, and expand our profit base in this category.

Focus: Supply products for a broad range of applications

In addition to expanding our supply capabilities for aramid fibers to meet rising demand, we will capitalize on our position as the global leader in this key field to implement decisive measures aimed at cultivating new markets, including developing new applications and new products suited to changing needs. Complementing efforts to expand our supply capacity for carbon fibers, we will step up efforts to develop applications for reinforcement of wind generator blades, for parts of fuel cells and other cutting-edge areas. We will also work to lower costs and bolster profitability in this category.

We will also strive to enhance our marketing capabilities for industrial-use polyester fibers to meet expanding demand in the PRC and North America, primarily for use in tire cords.

To assist in these efforts, in 2003 we established the Technology Center Europe in the Netherlands, with the aim of accelerating R&D and maximizing synergies with other materials.
Outline of Operations

● **Aramid fibers**
  Aramid fibers are high-performance industrial fibers that boast outstanding strength, dimensional stability and heat and chemical resistance. Aramid fibers are broadly classified as para-aramid or meta-aramid fibers.

  The strength and compression/tension fatigue resistance of para-aramid fibers make them particularly suitable for use in ballistics applications, automotive brake pads and other friction materials, asbestos alternatives and optical fiber reinforcements. Our para-aramid fibers lineup comprises Technora®, an original product produced in Japan, and Twaron®, produced in the Netherlands. Together these products account for approximately 50% of the global market for para-aramid fibers.

  Meta-aramid fibers are valued for their superb, long-term heat and flame resistance, and are favored for such applications as filters and firefighters’ uniforms.

● **Carbon fibers**
  Boasting excellent strength and tensile modulus, carbon fibers are well known as the principal material used in tennis racquet frames, golf club shafts, fishing rods and a wide range of other sports and leisure equipment. BESFIGHT®, which is manufactured by Toho Tenax, is also seeing rising demand from the aerospace and automotive industries spurred by the trend toward lighter aircraft and automobile bodies.

  We continue to cultivate applications for BESFIGHT® in the promising area of environmentally friendly products. At present, we are advocating the product’s use in wind generator blades and endeavoring to promote it to manufacturers of fuel cells.

● **Industrial-use polyester fibers**
  This category centers on heavy-denier polyester fibers, which are used in tire cords, seatbelts, rubber reinforcements and other products, and polyethylene naphthalate (PEN) fibers. We continue to conduct intensive R&D aimed at developing new materials and new technologies in this key area.

● **Artificial leather**
  Artificial leather is created from a combination of materials, including polyester non-woven fabric and polyurethane. Cordley®, manufactured by Teijin Cordley, is used in sporting goods, notably shoes and balls, as well as in ordinary shoes, apparel, furniture, bags and miscellaneous household products. In response to rising demand for environmentally friendly offerings, we developed LOELE II®, an innovative, environmentally friendly product manufactured without the use of organic solvents using a process that releases less carbon dioxide into the atmosphere than other artificial leather. We expect LOELE II® to grow into a mainstay of this category.
Films Business Group

The Films Business Group is engaged primarily in the development, manufacture and sale of polyester films. Operations center on a global joint venture between Teijin and E.I. du Pont de Nemours and Company (DuPont), which has operations in Japan and six other countries in North America, Europe and Asia.

The global polyester film market leader

The Teijin Group’s market-leading position is a result of its unparalleled technological capabilities—originating in basic and process technologies licensed from DuPont and Imperial Chemical Industries PLC (ICI), the first companies in the world to produce polyester film, and Teijin’s own outstanding polymer science and product development technologies—and its respected brand name. Today, the Teijin Group is the world’s largest manufacturer of polyester films in terms of manufacturing capacity.

An evolving business

Demand for polyester films has diversified in recent years to include industrial and packaging applications, spurred by economic growth in Asia, particularly in the PRC, and increasing environmental awareness. This has prompted a rapid increase in new market entrants, pushing down prices for general-purpose polyester films and hampering the profitability of these products. In response to these changes, we are striving to shift our focus toward value-added products, notably high-margin, high-performance materials. To this end, we are reinforcing our manufacturing capabilities in Europe and the Americas by integrating less cost-competitive facilities. We are also working to raise profitability by developing new materials, primarily in Japan, for applications in the electronics, automotive, medical materials and other advanced industries. In addition, we are proceeding with efforts to offer market-leading technologically advanced, high-quality products in the PRC and expand the scale of our operations in Japan to meet demand.

A sound management foundation and future growth

Polyester film is a crucial material in many advanced industries. Accordingly, manufacturers work continually to develop new technologies and improve performance. In line with our group slogan, “Innovation for Growth,” we are stepping up efforts to strengthen our tripolar (Japan, North America and Europe) R&D network and enhance our ability to develop new products and technologies.

We recently relocated our films R&D center to Gifu, Japan. Going forward, we will focus on reinforcing our product development pipeline, accelerating development and ensuring the prompt introduction of new products through the nearby Gifu Factory.

We will respond to the needs of customers with the timely development and launch of new products and technologies, which we also believe is essential to ensure future growth.

Takashi Yamagishi
General Manager,
Films Business Group

Core Products
PET film
PEN film

Companies
Teijin Films Limited (responsible for administration of global joint ventures between Teijin and DuPont)
Teijin DuPont Films Japan Limited
DuPont Teijin Films U.S. Limited Partnership
DuPont Teijin Films Luxembourg S.A. and two other companies in Europe
P. T. Indonesia Teijin DuPont Films
DuPont Teijin Films China Limited and two joint ventures with local firms in the PRC

(As of July 2004)
Outline of Operations

• PET film
An essential material in many industries, PET film has broad applications in the electronic, industrial, packaging and magnetic recording materials fields. In the future, demand is expected to rise sharply for liquid crystal displays (LCDs), materials for digital electronic and information and communications equipment, medical products and other life science sectors. Increasing demand is also expected for products with environment-friendly and safety-related applications, especially in the automotive and energy fields.

• PEN film
A proprietary product, Teijin’s PEN film boasts greater strength, rigidity and heat resistance than PET film. PEN film’s outstanding performance and reliability have prompted a sharp increase in demand over recent years for use in advanced industrial and electronics applications, including magnetic data storage media, digital electronics, digital video cassettes (DVCs), automotive electronics, photographic film and radiology film, as well as for use in electronics materials and other industrial applications.

• Coated films
Coated films are manufactured using proprietary, nanostructured coating technologies, the development of which was facilitated by Teijin’s superior chemicals technologies. These films are used extensively in such fields as digital electronics materials, semiconductors and medical materials, and are expected to benefit from sharp growth in demand in key customer industries in the years ahead.

<table>
<thead>
<tr>
<th>Principal Products</th>
<th>Brand Names</th>
<th>Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>PET film</td>
<td>Tetoron® Mylar® Melinex® Teflex®</td>
<td>Industrial Applications&lt;br&gt;Materials for LCDs, plasma and organic electroluminescence displays, cards (integrated circuit (IC) cards, ID cards, radio frequency identification (RFID) chips), automotive products (interior materials, electronic components) &lt;br&gt;Packaging Materials&lt;br&gt;Laminating film for beverage and food cans, shrink wrap, resealable pouches, environmentally-friendly plastic trays &lt;br&gt;Magnetic Recording Media&lt;br&gt;Video tapes, audio tapes, floppy discs</td>
</tr>
<tr>
<td>PEN film</td>
<td>Teonex®</td>
<td>DVCs, high-density data backup tapes, advanced photographic system (APS) film, electronics materials, automotive seat sensors, materials for hybrid motors</td>
</tr>
<tr>
<td>Coated film</td>
<td>Purex® OPTFINE®</td>
<td>Materials for LCDs, anti-reflective film, optical energy control film, photocatalyst film</td>
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Spearheaded by Teijin Chemicals, the Plastics Business Group develops and manufactures polycarbonate resin, PET resin and a wide range of other products used in the production of digital versatile discs (DVDs), PET bottles and other applications. The group also sells these products to customers around the world.

A pioneer in plastics for optical discs

DVDs have rapidly replaced videotapes as the visual recording media of choice. The Teijin Group is the world’s premier manufacturer of polycarbonate resin, the material used to make DVDs. Accordingly, the global market for polycarbonate resin is expanding rapidly, a trend that is expected to continue. Our top share of the markets for polycarbonate resin for DVDs, compact discs (CDs) and other optical discs demanding outstanding performance and quality is indicative of our competitive edge and the confidence customers have in our products.

Growth in the Asian market for polycarbonate resin is currently outpacing growth in the North American and European markets, previously the principal consumer of this product. The Teijin Group was one of the first manufacturers to consolidate its polycarbonate resin production bases in Asia. We are currently augmenting our sales network to enable us to respond to the needs of customers in Asia, as well as in North America and Europe.

Targeted applications and focused geographical expansion

The global market for polycarbonate resin can be divided into advanced products for optical discs—the Teijin Group’s specialty—and general-use products. Going forward, we intend to strengthen our presence in the latter segment, which is considerably larger. We will focus on developing products for use in the casings of PCs and CD players, DVD players and other audiovisual equipment. Geographically, our emphasis is on Asia. In particular, we are building a solid production and sales presence to satisfy soaring demand in the PRC, where growth is outpacing that of any other market.

Goal: Become the leading supplier of polycarbonate resin in Asia

We will establish ourselves as the leading supplier of polycarbonate resin in Asia by identifying priority market sectors and concentrating related investment in the region, thereby enhancing profitability as well as expanding the scale of our manufacturing operations. We recently began production at a new compounding plant in the PRC and in 2005 we will complete construction of a polycarbonate resin plant, also in the PRC. On the R&D front, we are focusing on products for such applications as LCDs, including those for large-screen televisions, and automotive parts. We are also working to commercialize an environment-friendly polycarbonate resin for use in the casings of PCs and a recycling system for optical discs.
Outline of Operations

Polycarbonate resin
Polycarbonate resin, a type of polyester, is the world’s most important engineering plastic in terms of production volume. Strong and lightweight, polycarbonate resin boasts an impact resistance more than 200 times that of glass and weighs only half as much. Other properties include excellent heat and weather resistance, transparency and thermal insulation. It is also easy to process. Accordingly, polycarbonate resin is suitable for a wide range of applications. The Teijin Group’s lineup encompasses Panlite®, the first polycarbonate resin produced commercially in Japan, which was launched in 1960. Panlite® is also available in sheet and film form.

A 70% global market share
Polycarbonate resin is particularly valued for use in DVDs, CDs and other optical applications. Panlite® currently accounts for approximately 70% of the global market for polycarbonate resin for DVDs, an application demanding superior extension. Panlite® is also compounded with glass fiber, or with other resins, to produce a variety of materials with a number of added functions. These materials are used in the casings of mobile phones, notebook PCs and other information and communications devices, as well as in audiovisual (AV) and office automation (OA) equipment.

Unlimited potential
The Teijin Group’s lineup features polycarbonate products for a broad range of applications. Examples include Panlite® sheet, a polycarbonate sheet used in liquid crystal televisions (LCTVs), and PURE-ACE®, a polycarbonate film for LCDs.

Recycling and reuse
The Teijin Group’s plastics lineup also includes PET resin, used in PET bottles. In addition to promoting the development of environmentally friendly products, the Group developed the world’s first system for chemically decomposed polyester products from PET bottles and recycling them into raw materials equal in quality to those derived from petroleum.

Another key plastics product developed by the Teijin Group is PEN resin, a transparent resin that surpasses PET resin in terms of heat resistance, hygiene and gas barrier. PEN resin is attracting increasing attention for use as an alternative to glass in returnable beer bottles and school cafeteria dishware.

<table>
<thead>
<tr>
<th>Principal Products</th>
<th>Brand Names</th>
<th>Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polycarbonate resin</td>
<td>Panlite®</td>
<td>Electric and electronic components, OA equipment, PC casings, precision components, optical discs (CDs, DVDs and minidiscs (MDs)), automotive components (headlamps, door handles, bumpers)</td>
</tr>
<tr>
<td>Polycarbonate sheet</td>
<td>Panlite® sheet</td>
<td>Automotive instrument panels, nameplates, helmet shields</td>
</tr>
<tr>
<td>PET resin</td>
<td></td>
<td>PET bottles</td>
</tr>
<tr>
<td>PEN resin</td>
<td>Teonex®</td>
<td>Returnable bottles, school lunch dishes</td>
</tr>
<tr>
<td>Solvent-cast polycarbonate film</td>
<td>PURE-ACE®</td>
<td>LCDs for mobile phones and other handheld electronic equipment</td>
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</tbody>
</table>
On October 1, 2003, the Teijin Group’s pharmaceuticals and home health care businesses were transferred to wholly owned subsidiary Teijin Pharma. The group offers both pharmaceuticals and medical devices, enabling it to provide total health care solutions.

A unique R&D-based group that maximizes synergies between pharmaceuticals and home health care

The Medical and Pharmaceuticals Business Group focuses on three key therapeutic areas: bone and joint disease, respiratory disease and cardiovascular and metabolic disease. This enables the group to pursue highly efficient business development. A key strength that distinguishes us from other pharmaceuticals companies is that we offer both pharmaceuticals and medical devices in two of these areas, namely bone and joint disease and respiratory disease, an approach that generates considerable synergies. In the latter, for example, we enjoy an overwhelming share of Japan’s market for home oxygen therapy (HOT) equipment. This gives us a solid understanding of patient needs and their concerns, information that we incorporate into efforts to develop drugs for treating respiratory disease as well as new and improved HOT equipment.

Efforts to reinforce our global R&D network and sales system

For pharmaceuticals companies today, survival depends on developing and marketing globally competitive products. We currently license manufacturers to market our pharmaceuticals in several dozen different countries. As part of our move toward global development, in 2003 we signed a joint drug development and marketing agreement with Beaufour Ipsen S.A., of France. We will continue to reinforce our in-house development capabilities, as well as seek strategic alliances through, for example, M&A activities, license-in and license-out agreements and comprehensive tie-ups, and invest resources in new drug ventures. In the immediate future, our priority will be preparations aimed at ensuring early market penetration and brisk sales of new drugs scheduled for launch in fiscal 2005*.

Target: Annual Sales of ¥200 billion

To achieve the goals we have set for our pharmaceuticals operations, we will reinforce our domestic sales capabilities by increasing our direct sales network of medical representatives (MRs) to 700, from 550. We will also work to capitalize on synergies with our home health care business. Among new products to be launched, TMX-67, a treatment for gout and hyperuricemia that was developed in-house, offers outstanding global potential. Accordingly, we will undertake intensive global marketing. We will also step up efforts to develop exciting new drugs at our R&D facilities in Japan, Europe and North America and pursue collaborative R&D with other institutions and companies. In 2006, we will initiate several decisive efforts aimed at reinforcing our operating foundation overseas and establishing ourselves as a leading name in pharmaceuticals and home health care worldwide.

*We are currently in the final stages of preparation for the launch of two new drugs, TMX-67, a treatment for gout and hyperuricemia, and BTK-15, an asthma treatment, both of which feature innovative mechanisms.
Outline of Operations

Pharmaceuticals

- **Leading market share in three key therapeutic areas**

Our pharmaceutical operations currently encompass leading ethical drugs in the areas of bone and joint disease, respiratory disease and cardiovascular and metabolic disease. These include Bonalon®, Onealfa®, both of which are treatments for osteoporosis; Venilon®, an intravenous human immunoglobulin preparation for treating severe infectious diseases; and Mucosolvan®, a mucolubricant used as an expectorant. We sell pharmaceuticals and related services to medical professionals through a nationwide direct sales network established in 1996. As of the end of 2003, we had 550 MRs on staff, but we intend to increase this to 700 in the near future. This move is aimed at preparing us for the launch of a new ethical drug in fiscal 2005 and substantially strengthening our sales capabilities.

- **Tripolar R&D network**

Our R&D network encompasses facilities in Japan, Europe and North America. In Japan, our R&D efforts in this field focus on three facilities: the Pharmaceutical Discovery Research Laboratories, the Pharmaceutical Development Research Laboratories and the Pharmaceutical Products Research Laboratories. In Europe, we conduct cutting-edge research in the area of genome-based drug discovery at the Teijin Biomedical Laboratory Medical Research Council, in London, while, in North America, we conduct clinical development at Teijin America, Inc., which is based in Princeton, New Jersey. This tripolar network positions us to identify latent market needs and respond with exciting new drugs.

**Home health care**

- **Comprehensive home health care provider**

Home health care enables patients to receive similar treatment as they would receive in the hospital in the comfort of their own homes. Our comprehensive services in this field, which are provided by Teijin Pharma, encompass the development, production, rental and maintenance of home health care equipment for patients suffering from chronic respiratory failure. In Japan, we have created a nationwide home health care network of six sales companies and approximately 80 offices staffed by dedicated employees, through which we provide round-the-clock services tailored to local needs. This helps us to contribute to a better quality of life for patients by enabling them to live at home, as well as reduce the significant burden on patients and their families.

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<thead>
<tr>
<th>Therapeutic Area</th>
<th>Pharmaceuticals</th>
<th>Home Health Care</th>
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<tbody>
<tr>
<td><strong>Respiratory disease</strong></td>
<td>Mucosolvan®</td>
<td>Hi-Sanso® series</td>
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<tr>
<td></td>
<td>Spiropent®</td>
<td>Mildsanso®</td>
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<td></td>
<td>Atrovent®</td>
<td>NIP NASAL®</td>
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<td></td>
<td>Rhinocort®</td>
<td>SLEEPWATCHER®</td>
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<td></td>
<td></td>
<td>High-performance sleep disorder</td>
</tr>
<tr>
<td><strong>Bone and joint disease</strong></td>
<td>Bonalon®</td>
<td>SAFHS®</td>
</tr>
<tr>
<td></td>
<td>Onealfa®</td>
<td>Sonic Accelerated Fracture Healing System</td>
</tr>
<tr>
<td><strong>Cardiovascular and metabolic disease</strong></td>
<td>Venilon®</td>
<td>SAFHS®</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>Laxoberon®</td>
<td>SAFHS®</td>
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<tr>
<td></td>
<td>Bonalfa®</td>
<td>SAFHS®</td>
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**Home health care equipment**

The core of our home health care equipment lineup is the Hi-Sanso® series of therapeutic oxygen concentrators for patients suffering from chronic respiratory failure caused by, for example, pulmonary emphysema. These products enjoy an overwhelming share of this important market. In recent years, we have also seen a sharp increase in demand for continuous positive airway pressure (CPAP) ventilators, which are used to treat sleep apnea syndrome (SAS), spurred by a recent accident involving a train driver suffering from the disorder who fell asleep at the controls. In the area of bone and joint disease, we offer SAFHS® (Sonic Accelerated Fracture Healing System), the first treatment device in Japan for severe bone fractures to use pulsed ultrasound. In the area of cardiovascular and metabolic disease, we have developed home hemodialysis systems in collaboration with Aksys Ltd., of the United States. We will continue to work with Aksys with the aim of launching new models in the future.
Fiber Products Marketing Business Group

NI Teijin Shoji—established in 2001 through the merger of trading subsidiary Teijin Shoji and Nissho Iwai Apparel Co., Ltd., part of Japan’s Nissho Iwai Group—spearheads the efforts of the Fiber Products Marketing Business Group, a comprehensive group in charge of fibers trading, apparel and retailing operations.

A new approach
NI Teijin Shoji is in charge of a wide range of trading operations not only for textile fibers but also for industrial materials in such applications as automobile parts and interior decorating. The company’s high-level expertise and extensive global network position it to respond to the needs of a diverse range of customers. Rather than simply acting as an intermediary between suppliers and customers, NI Teijin Shoji has built a value chain that encompasses the processing and production of materials.

A stronger and more stable profit base
The establishment of NI Teijin Shoji, which facilitated the integration of functions and capabilities, and the reorganization of our apparel and retailing companies have enabled the Fiber Products Marketing Business Group to realize improved profitability in a relatively short period of time. We will continue to focus on ensuring stable profits while taking steps to reinforce the group’s operating foundation, improve asset efficiency and, through a strategy of selection and concentration, achieve steady gains in profitability. We will also maximize the inclusion of our apparel and retailing subsidiaries in this group to drive comprehensive business development.

The challenge of building a next-generation trading company
Our principal challenges in this area are to establish a sales system that encompasses every aspect of each of our key businesses and to strengthen our lineup of leading global brands. In the area of textile fibers, for example, we are striving to be involved at every step, from the purchase of materials and production through to retail sales. In industrial fibers, we are working to bolster sales of core functional fiber products and materials. We are also looking to expand our participation in such promising areas as information and communications and environment-friendly products and services.

To further reinforce its capabilities, NI Teijin Shoji will strive to expand its global network, which currently encompasses the United States, Europe, Southeast Asia and the PRC. This will position us to identify and respond to changes in the market environment and to increasingly diverse customer needs. It will also establish us as a leader in the fibers industry as we evolve into a next-generation trading company that combines outstanding technologies and an extensive global network to add value to the products we handle.
Textiles and Apparel Group

In the area of textiles and apparel, NI Teijin Shoji offers comprehensive solutions that encompass the entire process, from product and brand development through the procurement of raw materials; processing, including dyeing and sewing; and retail sales.

While identifying itself primarily as a trading company, NI Teijin Shoji also boasts an R&D team that employs proprietary technologies to develop advanced functional fibers. These efforts have enabled the company to develop and launch exciting new products in such demanding fields as sportswear, which requires fibers that deliver particularly outstanding performance, and bedding.

Teijin Shoji also retails high-end men’s and ladies’ apparel, as well as casual wear, sportswear and high-end brand-name apparel. The company’s success in the apparel retailing business is in no small part due to its overseas network, which enables it to keep abreast of global fashion trends and industry movements.

Industrial Textiles and Materials Group

NI Teijin Shoji provides an extensive range of high-performance car seat fabrics, automobile interior materials, tire cords and other products to Japan’s top automakers. In the construction and civil engineering field, the company sells tents made with fibers manufactured by Teijin Techno Products and boasts the top share of this market. High-performance household products handled by NI Teijin Shoji include textile fibers used in curtains, bedding and household products. The company also handles REFTEL®, a highly transparent window film that provides outstanding insulation, ensuring maximum energy efficiency. This film is attracting attention from customers in a variety of industries as an environment-friendly alternative to conventional window films.

Teijin Men’s Shop

Since opening its first store in Tokyo’s Ginza district in 1960, Teijin Men’s Shop has specialized in traditionally styled men’s fashions and has earned a reputation for staying abreast of changing trends while remaining committed to quality. The Ginza store, which was remodeled in 2003, and other stores throughout Japan, will continue to offer a full lineup that ranges from suits to casual wear.

High-performance household products

NI Teijin Shoji handles a range of high-performance household products. These include a household dusting cloth made with Microstar®—a high-density fabric comprising ultrafine microfibers one-hundredth the diameter of a human hair—that cleans without detergent, and highly absorbent, fast-drying towels. The company also handles blanket covers made with Microguard®, a high-density fabric composed of ultrafine microfibers that is attracting attention for its ability to repel mites and house dust, making it highly suitable for individuals with respiratory allergies, atopic dermatitis and other health problems triggered by these allergens.
Teijin's IT Business Group, which centers on subsidiary Infocom, provides a wide range of IT solutions, systems management and content-related services.

Proprietary technologies in core business areas
IT is playing an increasingly crucial role in daily life. In this rapidly evolving industry, we are pursuing a “niche top” strategy, targeting high-growth niche markets that allow us to maximize existing technological capabilities.

We have identified the following three strategic core businesses:
- backbone systems for mobile phones and mobile Internet solutions based on our technologies for creating value-added services and systems;
- infocommerce services, including ringing tone melodies, management of Japan’s preeminent news site for mobile phones and provision of a comprehensive portal site;
- life science solutions, including medical imaging systems administration, radiology systems development and consulting services for hospitals.

Ongoing pursuit of “10 by 10”
In the belief that our ability to offer a full range of services—from the construction, administration and maintenance of integrated systems to the planning, development and provision of content—is what distinguishes us from our competitors, we continue to promote our evolution as an IT services provider with advanced capabilities in systems integration (SI).

To this end, we have concentrated investment of management resources in sectors that are expected to see significant growth. Recently, we established life sciences subsidiary Lighthouse Data Solutions, LLC, in the United States and consolidated mobile phone content subsidiary News Service Center Co., Ltd. In the area of next-generation enterprise resource planning (ERP) software*, we established subsidiary Infovec Corporation.

Going forward, we will adopt a more proactive stance. With the aim of cultivating new businesses, we have established a business incubation department. We have also launched joint research projects with other companies and academic institutions. Infovec spearheaded a consortium to develop third-generation ERP software. Going forward, we will capitalize on this experience to promote similar collaborative efforts involving other firms. We will also step up efforts to integrate existing businesses and reinforce our operating foundation. Through these and other efforts we will endeavor to establish a competitive advantage in key sectors and continue to strive for what we have termed “10 by 10,” meaning 10% annual growth in IT Business Group sales and a 10% segment ordinary income margin.

*ERP software attempts to integrate all departments and functions across a company onto a single, comprehensive computer system that can serve the particular needs of each department, thereby facilitating the effective use of management resources and enhancing management efficiency.
Outline of Operations

Mobile Internet solutions
The Teijin Group’s mobile network solutions business centers on SI for mobile phone carriers, as well as customer relationship management (CRM)* and other solutions for companies in all industries. The Group also provides an e-mail digest service, virtual concierge, call center automation, mobile phone directory information and voice recognition-based automatic telephone dialing services.

*CRM refers to the use of information systems by companies to build and maintain customer loyalty.

Infocommerce services
The Teijin Group’s infocommerce services encompass mobile commerce and content services. Mobile commerce services, that is, e-commerce services for mobile phones, include the provision of ringing tone melodies and management of Japan’s preeminent news site for mobile phones, as well as the provision of a comprehensive portal site. Content services include HOT NEWS, a fee-based news service, and such new services as Mobile Novel, which lets users download and read novels, and Shopping Mall, a virtual shopping system.

Life science solutions
This category includes the development and sale of integrated systems for hospitals and medical imaging systems administration and package software for pharmacies.

Enterprise solutions
We offer a broad range of IT solutions for companies. These include the planning, construction, installation, administration and maintenance of tailored accounting/settlement, management and other systems that help companies make optimal use of information.

Knowledge management solutions
Our comprehensive knowledge management solutions encompass document management, digital forms and electronic patent licensing systems.

Data center services
Through the Shin-Yokohama Data Center, the Teijin Group provides customers worldwide with a wide range of outsourcing services. These include network planning, engineering, management, monitoring and help center services, as well as comprehensive systems administration, monitoring and repair services, equipment and resource management services and application service provider (ASP) services.

<table>
<thead>
<tr>
<th>Business Area</th>
<th>Principal Products and Services</th>
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<tbody>
<tr>
<td>Mobile Internet solutions</td>
<td>PitBull™ series</td>
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<td></td>
<td>Yakumaru™</td>
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<tr>
<td>Infocommerce services</td>
<td>Mechamelo® series, Super P Melo</td>
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<tr>
<td></td>
<td>Ticket Navi®, The News™ (free of charge)</td>
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<tr>
<td>Life science solutions</td>
<td>iRad® series</td>
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<td>Debra</td>
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<td>GIBOX (Genome Information Box)</td>
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<td>Enterprise solutions</td>
<td>GRANDIT®</td>
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<td>Knowledge management solutions</td>
<td>e-Report Hub Station</td>
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<td>Livelink®</td>
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<tr>
<td>Data center services</td>
<td>X-TATION™</td>
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Yakumaru™
Mechamelo®
The News™
GRANDIT®
iRad®-IA
X-TATION™