2008

# Notice of Convocation

The 142nd Annual General Meeting of Shareholders

Teijin Limited

**Disclaimer:** ***Please note that the following is a translation of the original Japanese documents prepared for the convenience of our non-Japanese shareholders with voting rights. Although this translation is intended to be complete and accurate, the Japanese original shall take precedence in the case of any discrepancies between this translation and the original. Certain information regarding voting procedures that is not applicable for shareholders resident outside Japan has been omitted or modified as applicable. In addition, these materials will not facilitate your status as a registered shareholder authorized to attend the Annual General Meeting of Shareholders. Every shareholder attending the Annual General Meeting of Shareholders is required to present the Voting Card, which is sent to the registered shareholder together with the original Notice of Convocation in Japanese, to the receptionist at the meeting.***

## Contents

(Securities code: 3401)
May 26, 2008

Dear Shareholder,

**Notice of Convocation of**
**the 142nd Annual General Meeting of Shareholders**

You are cordially invited to attend the 142nd Annual General Meeting of Shareholders of Teijin Limited ("the Company") to be held as set forth below.

**If you do not expect to attend the meeting, you may vote on the proposals for voting using the following method. Please refer to the following "Reference Documents for the General Meeting of Shareholders," and exercise your voting rights by 5 p.m., Thursday, June 19, 2008.(Japan Time)**

**[Voting by Mail]**
**On the enclosed Document for the Exercise of Voting Rights, please indicate your approval or disapproval of the proposals**, and mail the document so that it arrives by the above-stated exercise deadline.

Sincerely,

Toru Nagashima,
President and Representative Director,
Teijin Limited
6-7, Minami-Hommachi 1-chome,
Chuo-ku, Osaka 541-8587,
Japan

## Details

**1. Date and Time of the Meeting:**

Friday, June 20, 2008, at 10 a.m.(Japan Time)
(The door opens at 9 a.m.)

**2. Location:**

**The Westin Osaka,** 2nd Floor, Rose Room, **1-20, Oyodonaka 1-chome, Kita-ku, Osaka 531-0076,** Japan

**3. Purposes**

**Reports:**

The Business Report, the Consolidated and Non-Consolidated Financial Statements and the results of audit on the Consolidated Audit Reports by the Accounting Auditor and the Board of Corporate Auditors for the 142$^{nd}$ Fiscal Year (April 1, 2007 to March 31, 2008)

**Proposals for voting:**
**Proposal 1: Election of Nine (9) Directors**
**Proposal 2: Election of Two (2) Corporate Auditors**
**Proposal 3: Presentation of Retirement Benefits to a Retiring Director and a Retiring Corporate Auditor**

**4. Decision on Convocation**

1. If you do not indicate either approval or disapproval on the Document for the Exercise of Voting Rights, we shall treat such "no answer" as your "approval" on the proposal.
2. In case you vote more than once using the same method, your last vote shall prevail.

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- **If you can attend the meeting, please submit the attached Document for the Exercise of Voting Rights to the receptionist at the meeting place.**
- **If we make any revisions to the Business Report, Consolidated Financial Statements or Reference Documents for the General Meeting of Shareholders, such revision will be posted on the Company's website.**
  **(http://www.teijin.co.jp/english/index.html).**

# Reference Documents for the General Meeting of Shareholders

## Proposals and Reference

## Proposal 1: Election of Nine (9) Directors

The terms of office of ten (10) directors—Makoto Okitsu, Toru Nagashima, Takayuki Katayama, Yoshinaga Karasawa, Naoto Takano, Shigeo Ohyagi, Takashi Yamagishi, Hajime Sasaki, Katsunari Suzuki and Kunio Suzuki—will expire at the close of this General Meeting of Shareholders.

Shareholders are therefore requested to elect the following nine (9) directors (of whom eight are for re-election).

The candidates of director are as follows.

| No. | Candidate's Name (Date of Birth) | Personal History, Positions and State of Representation of Other Entities (Positions marked with an asterisk (*) indicate current positions.) | | Number of Company's Shares Owned |
|---|---|---|---|---|
| 1 | Toru Nagashima (January. 2, 1943) | Apr. 1965 | Joined Teijin Limited | 136,000 |
| | | Jun. 2000 | Director; CESHO (Chief Environment, Safety and Health Officer), Teijin Limited | |
| | | Jun. 2001 | Managing Director; CMO (Chief Marketing Officer); General Manager, Corporate Strategy & Planning Office, Teijin Limited | |
| | | Nov. 2001 | President & Representative Director*; Teijin Limited<br>COO (Chief Operating Officer), Teijin Limited | |
| | | Jun. 2002 | CEO (Chief Executive Officer)*, Teijin Limited | |
| | | Apr. 2003 | Chairman, Teijin Fibers Limited; Chairman, Teijin Chemicals Ltd. | |
| 2 | Shigeo Ohyagi (May 17, 1947) | Mar. 1971 | Joined Teijin Limited | 37,000 |
| | | Jun. 1999 | Corporate Officer; Manager of Tokyo Branch, Medical and Pharmaceutical Business Sales Department, Teijin Limited | |
| | | Jun. 2001 | Executive Officer; Deputy General Manager (Planning), Medical and Pharmaceutical Business Sales Department, Teijin Limited | |
| | | Apr. 2002 | General Manager, Medical and Pharmaceutical Business Division, Teijin Limited | |
| | | Jun. 2002 | Senior Executive Officer, Teijin Limited | |
| | | Apr. 2003 | General Manager, Medical and Pharmaceutical Business Group; General Manager, Medical and Pharmaceutical Business Division, Teijin Limited | |
| | | Oct. 2003 | President & Representative Director, Teijin Pharma Limited | |
| | | Apr. 2005 | CIO (Chief Information Officer), Teijin Limited | |
| | | Jun. 2005 | Managing Director, Teijin Limited | |
| | | Apr. 2006 | General Manager, Home Healthcare Business Division, Teijin Pharma Limited | |
| | | Jun. 2006 | Senior Managing Director, Teijin Limited* | |
| | | Apr. 2007 | CSO (Chief Strategy Officer), Teijin Limited* | |
| 3 | Takayuki Katayama (October. 9, 1945) | Apr. 1968 | Joined Teijin Limited | 58,000 |
| | | Jun. 1997 | Director, Teijin Limited | |
| | | Jun. 1999 | Executive Officer, Teijin Limited | |
| | | Apr. 2000 | CFO (Chief Financial Officer); Chief of Logistics Center, Teijin Limited | |
| | | Jun. 2000 | Managing Director, Teijin Limited | |
| | | Apr. 2001 | President & Representative Director, Teijin Creative Staff Co., Ltd. | |

| | | | | |
|---|---|---|---|---|
| | | Oct. 2001 | General Manager, Films Business Group, Teijin Limited; CEO (Chief Executive Officer), Teijin DuPont Films Global Joint Venture | |
| | | Jun. 2002 | Superior Executive Officer, Teijin Limited | |
| | | Apr. 2003 | President & Representative Director, Teijin Films Limited | |
| | | Apr. 2004 | CSO (Chief Strategy Officer); Supervisor of Executive Office, Legal Office & Business Auditing Office*, Teijin Limited; Member of the Global Policy Board, Teijin DuPont Films Grobal Joint Venture | |
| | | Jun. 2004 | Senior Managing Director & Representative Director, Teijin Limited | |
| | | Sep. 2004 | CIO (Chief Information Officer), Teijin Limited | |
| | | Apr. 2005 | CSRO* (Chief Social Responsibility Officer); Supervisor of Films Business Group and Plastics Business Group, Teijin Limited*; Chairman, Teijin DuPont Films | |
| | | Jun. 2006 | Executive Vice-President & Representative Director, Teijin Limited* | |
| | | Jan. 2007 | Vice Chairman, Teijin DuPont Films* | |
| 4 | Yoshinaga Karasawa<br>(April 29, 1944) | Apr. 1968 | Joined Teijin Limited | 41,000 |
| | | Apr. 2000 | President, Teijin America, Inc. | |
| | | Jun. 2000 | Corporate Officer, Teijin Limited | |
| | | Dec. 2000 | President, Teijin Twaron B.V. | |
| | | Apr. 2001 | General Manager, Aramid Business, Teijin Limited | |
| | | Apr. 2002 | General Manager, Industrial Fibers Business Group, Teijin Limited | |
| | | Jun. 2002 | Executive Officer, Teijin Limited | |
| | | April 2003 | President & Representative Director, Teijin Techno Products Limited | |
| | | Jun. 2003 | Senior Executive Officer, Teijin Limited | |
| | | Apr. 2004 | CMO (Chief Marketing Officer)*, Teijin Limited | |
| | | Jun. 2004 | Senior Managing Director, Teijin Limited | |
| | | Apr. 2005 | Supervisor of Textile Fibers Business Group and Fiber Products Marketing Business Group, Teijin Limited | |
| | | Jun. 2005 | Director, Teijin Techno Products Limited | |
| | | Apr. 2006 | General Manager, Polyester Fibers Business Group, Teijin Limited*; President & Representative Director, Teijin Fibers Limited* | |
| | | Jun. 2006 | Executive Vice-President & Representative Director, Teijin Limited* | |
| 5 | Takashi Yamagishi<br>(August 3, 1944) | Apr.1970 | Joined Teijin Limited | 65,000 |
| | | Mar. 1996 | President, Teijin Dupont Films S.A. | |
| | | Jun. 1999 | Corporate Officer, Teijin Limited | |
| | | Jun. 2002 | Executive Officer, Teijin Limited; Deputy General Manager, Films Business Group | |
| | | Apr. 2004 | General Manager, Films Business Group, Teijin Limited; President & Representative Director, Teijin Films Limited; Vice Chairman, COO & Global CTO, Teijin Dupont Films Global Joint Venture | |
| | | Jun. 2004 | Senior Executive Officer, Teijin Limited | |

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|---|---|---|---|---|
| | | Apr. 2005<br><br><br><br><br>Jun. 2005<br>Jun. 2006 | CTO (Chief Technology Officer)*; Supervisor of PEN Business*, Teijin Limited; Member of the Global Policy Board, Teijin Dupont Films Global Joint Venture*<br>Managing Director, Teijin Limited<br>Senior Managing Director, Teijin Limited* | |
| 6 | Naoto Takano<br>(March 7, 1947) | Apr. 1969<br>Jun. 2000<br>Oct. 2001<br><br>Jun. 2002<br>Apr. 2003<br><br>Jun. 2003<br>Jun. 2005 | Joined Teijin Limited<br>Corporate Officer, Chief of Finance Center<br>CFO (Chief Financial Officer)*; Supervisor of PR and IR Office, Teijin Limited<br>Director, Teijin Limited<br>President & Representative Director, Teijin Creative Staff Co., Ltd.<br>Managing Director, Teijin Limited<br>Senior Managing Director, Teijin Limited* | 64,000 |
| 7 | Katsunari Suzuki<br>(May 11, 1938) | Apr. 1962<br><br>Jan. 1990<br><br><br>Jan. 1992<br><br>Aug. 1993<br><br><br>Aug. 1995<br>Nov. 1998<br>May 2002<br><br><br><br><br>Jun. 2005 | Joined Ministry of Foreign Affairs, Japan (MFA)<br>Minister, Representative Office of Japan, Organization for Economic Cooperation and Development<br>Director, Information Research Bureau, MFA<br>Secretary-General, International Peace Cooperation Headquarters, Office of Prime Minister<br>Ambassador of Japan in Vietnam<br>Ambassador of Japan in Brazil<br>Representative of Japanese Government at the plenary session to establish diplomatic relations between Japan and North Korea; Ambassador in charge of the Korean Peninsula energy development organization<br>Director, Teijin Limited*; Member of the Advisory Board, Teijin Limited* | 3,000 |
| 8 | Kunio Suzuki<br>(August 27, 1939) | Apr. 1962<br><br>Jun. 1991<br>Jun. 1994<br>Jun. 1995<br><br>Jun. 1998<br><br>Jun. 2000<br>Jun. 2004<br>Jun. 2005<br><br>Jun. 2007 | Joined Osaka Shosen Co., Ltd. (now, Mitsui O.S.K. Lines, Ltd.)<br>Director<br>Managing Director<br>Senior Managing Director & Representative Director<br>Executive Vice-President & Representative Director<br>President & Representative Director<br>Chairman & Representative Director<br>Representative Director*, Chairman of the Board*<br>Director, Teijin Limited*; Member of the Advisory Board, Teijin Limited* | 3,000 |
| 9 | Hajime Sawabe<br>(January 9, 1942) | Apr. 1964<br><br>Jun. 1996<br>Jun. 1998<br>Jun. 2006<br>Mar. 2008 | Joined Tokyo Denki Kagaku Kogyo K.K. (currently TDK Corporation)<br>Director<br>President & Representative Director<br>Chairman & Representative Director*<br>Outside Director, Asahi Glass Co., Ltd.* | 0 |

Notes: 1. Three (3) candidates for director—Katsunari Suzuki, Kunio Suzuki and Hajime Sawabe—are candidates for the outside directors. The Company requires the candidates of the outside director to satisfy the" requirements of "independent directors" as per Company regulations. These three (3) candidates satisfy all such requirements.

2. The Company chose these candidates of outside directors for their abundant business experience, high level of insight and our expectation that they will provide advice on the Company's business operations, since Kunio Suzuki is a representative director and Chairman of the board of a public corporation, and Hajime Sawabe is a Chairman and representative director of a public corporation. The reason Katsunari

Suzuki was selected as a candidate of outside director and judged appropriate to fulfill the duties of an outside director stems from his wisdom and expertise at the Ministry of Foreign Affairs. Such insight is also beneficial to the business of the Company in terms of global viewpoint, and his continued advice concerning the Company's business operations is anticipated.

3. The Company has a liability limitation agreement with each of Katsunari Suzuki and Kunio Suzuki, both being outside directors, which limits the liabilities of each outside director to the higher amount of ¥20 million and the minimum liability amount stipulated in Article 425, Paragraph 1, of the Corporate Law. In case the re-election of these candidates is approved, the Company intends to continue such agreements.
4. In case the election of Hajime Sawabe is approved, the Company intends to enter into the same liability limitation agreement with him.
5. The chart below indicates the number of years that have passed since these candidates for re-election of outside director were elected to the position.

| Name | Date Appointed | Tenure in Position |
|---|---|---|
| Katsunari Suzuki | June 23, 2005 | Approx. 3 years |
| Kunio Suzuki | June 20, 2007 | Approx. 1 year |

## Proposal 2: Election of Two (2) Corporate Auditors

The terms of office of two (2) Corporate Auditors—Toshio Motoki and Ryozo Hayashi—will expire at the close of this General Meeting of Shareholders. Shareholders are therefore requested to elect two (2) Corporate Auditors. One of them is a candidate for re-election.

The Board of Corporate Auditors has already approved this proposal.

The candidates of Corporate Auditors are as follows.

| No. | Candidate's Name (Date of Birth) | Personal History, Positions and State of Representation of Other Entities (Positions marked with an asterisk (*) indicate current position.) | Number of Company's Shares Owned |
|---|---|---|---|
| 1 | Kihachiro Sano (April 1, 1947) | Mar.1971 Joined Teijin Limited<br>Apr. 2001 General Manager, Manufacturing Technology Division,Teijin Dupont Films Japan Limited<br>Apr. 2002 President, Teijin Polyester (Thailand) Limited, and President, Teijin (Thailand) Limited<br>Jun. 2002 Corporate Officer, Teijin Limited<br>Apr. 2004 Senior Managing Director & Representative Director, Teijin Chemicals Ltd.<br>Jun. 2004 Executive Officer, Teijin Limited*<br>Apr. 2005 General Manager of Plastics Business Group, Teijin Limited, and President & Representative Director, Teijin Chemicals Ltd.<br>Apr. 2008 Assistant to Auditors, Teijin Limited * | 20,000 |
| 2 | Ryozo Hayashi (March 13, 1948) | Apr. 1970 Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)<br>Jun. 1988 Director, Information Service Division, Machinery and Information Industries Bureau<br>Aug. 1996 Director General, Petroleum Department, Agency for Natural Resources and Energy<br>Jun. 1998 Deputy Director General, Commerce and Information Policy Bureau<br>Jan. 2001 Deputy Vice-Minister, Minister's Secretariat<br>July 2002 Director General, Economic and Industrial Policy Bureau<br>Jun. 2004 Outside Auditor, Teijin Limited*<br>Apr. 2005 Professor, the University of Tokyo, Graduate School of Public Policy* | 5,000 |

Notes: 1. Ryozo Hayashi is a candidate of outside Corporate Auditor. The Company requires the candidates of outside Corporate Auditor to satisfy the requirements of “independent auditor” as per Company regulations. This candidate satisfies all such requirements.

2. Ryozo Hayashi has contributed to the Company in maintaining and improving corporate governance, harnessing his ample experience in the Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry) and professional perspectives as a professor. We chose him as a candidate for outside Corporate Auditor in the belief that he will continue to help us by appropriately performing his duties as an outside auditor.

3. The Company has a liability limitation agreement with Ryozo Hayashi that will limit Mr. Hayashi’s liability to the higher amount of ¥20 million and the minimum liability amount stipulated in Article 425, Paragraph 1, of the Corporate Law. If the election of Ryozo Hayashi is approved, the Company intends to renew the same liability limitation agreement with him.

4. As of the close of this Annual General Meeting of Shareholders, it has been approximately four years since Ryozo Hayashi assumed his office (on June 23, 2004).

## Proposal 3: Presentation of Retirement Benefits to a Retiring Director and a Retiring Corporate Auditor

The terms of office of Makoto Okitsu as a director and Toshio Motoki as a Corporate Auditor will expire at the close of this Annual General Meeting of Shareholders. In recognition of his service in this position, the Company proposes the presentation of a retirement bonus to Makoto Okitsu and Toshio Motoki within a reasonable amount pursuant to the Retirement Benefits Rules of the Company, and further requests that the determination of the specific amount and presentation timing and method be delegated to deliberation by the Board of Directors with regard to Mr. Okitsu and deliberation by the Board of Corporate Auditors with regard to Mr. Motoki.

The employment history of the retiring director and the retiring Corporate Auditor to whom the presentation of a retirement bonus is proposed is as follows.

| Name | Employment History | |
|---|---|---|
| Makoto Okitsu | Jun. 2004 | Director, Teijin Limited |
| | Jun. 2005 | Chairman and Representative Director, Teijin Limited |
| | Jun. 2006 | Chairman, Teijin Limited (current position) |
| Toshio Motoki | Jun. 2004 | Full-Time Corporate Auditor, Teijin Limited (current position) |

# Attached Reports

**Reports on Operations for the 142nd Fiscal Year**

## 1. Current State of the Teijin Group

### (1) Progress and Results of Operations

#### 1) Progress and Results of Operating Activities

In fiscal 2007, ended March 31, 2008, global economic conditions reflected a sharp downturn in the United States and bearish tendencies in Europe in the second half of the period. In contrast, in the People's Republic of China (PRC), investment and brisk exports continued to drive strong growth. In Japan, the prospect of a slowdown intensified, although the economy continued to expand gradually, buoyed by exports and capital investment. In this environment, the Teijin Group implemented a variety of initiatives in line with its STEP UP 2006 medium-term management plan, decisively investing resources in growth strategic business units (SBUs),*1 strengthening R&D and cultivating new businesses, and reinforcing its focus on four key fields: automobiles and aircraft, information and electronics, health care, and environment and energy.

In the period under review, consolidated net sales increased 2.7% from the previous fiscal year, to ¥1,036.6 billion. Operating income declined 13.2%, to ¥65.2 billion, and ordinary income decreased 23.5%, to at ¥46.3 billion. Net income, at ¥12.6 billion, was down 63.0%.

The increase in net sales was mainly due to the increasingly diverse nature of Teijin's businesses, a consequence of strategic investments in aramid and carbon fibers. The decline in operating income was largely owing to sagging conditions in the market for plastics and in the market for films in the United States, which pushed down operating income in the Films and Plastics segment. This countered the positive impact of higher operating income in the Synthetic Fibers segment, the result of an improved performance in the polyester fibers business and favorable gains in the high-performance fibers business. The drop in operating income also reflected outlays for corporate research aimed at creating new businesses. Net nonoperating expenses were up, aggravated by a decline in foreign exchange gain and higher interest expense, as well as by an increase in equity in losses of unconsolidated subsidiaries and affiliates. Net extraordinary losses also rose, as the application of impairment accounting to Teijin's U.S. films joint venture caused a significant increase in extraordinary losses.

The dominant factor contributing to the sharp decline in net income was the application of impairment accounting to the fixed assets of our films joint ventures in the United States and Luxembourg. *2 Owing to harsh operating conditions,

*1. See page 21-22 for more information on Teijin's SBUs, as set forth in the STEP UP 2006 medium-term management plan.

*2. The impairment loss of the U.S. joint venture was included as an extraordinary loss, although the impact of this loss on net income was adjusted to reflect the application of tax effect accounting and a 49.9% minority interest. Because the impairment loss of the Luxembourg joint venture was adjusted to reflect the application of tax effect accounting and a 50.0% minority interest and included in nonoperating losses, as equity in losses of unconsolidated subsidiaries and affiliates, this amount is the impact of impairment accounting on ordinary income and net income.

particularly in the U.S. films business—a consequence of sagging demand and rising raw materials prices and fuel costs—a prompt improvement in the results is seen as unlikely. Accordingly, we resolved to apply impairment accounting to the fixed assets of both companies. This resulted in the inclusion of impairment losses of ¥24.4 billion for the U.S. joint venture, a consolidated subsidiary, in extraordinary losses, and ¥4.5 billion for the Luxembourg joint venture, an equity-method affiliate, in nonoperating losses, as equity in losses of unconsolidated subsidiaries and affiliates. These impairment losses accounted for ¥13.0 billion of the decline in net income.

The principal goals of our current medium-term plan, STEP UP 2006, which commenced in fiscal 2006 and will conclude in fiscal 2008, are a return on assets (ROA)—calculated using operating income—of higher than 10%, a return on equity (ROE) of above 12% and a debt-to-equity ratio (interest-bearing debt divided by shareholders' equity) of between 0.6 times and 0.7 times. For the period under review, the Company achieved an ROA of 6.5%, an ROE of 3.3% and a debt-to-equity ratio of 0.83 times.

Segment operating results (sales and operating income) of the Teijin Group are as follows.

**<Sales>** (Millions of yen)

| Segment | 142nd Fiscal Period (Current period ) FY2007 | 141th Fiscal Period (Current period ) FY2006 | Amount of change | Rate of change (%) |
|---|---|---|---|---|
| Synthetic Fibers | 317,612 | 293,280 | 24,331 | 8.3 |
| Films and Plastics | 293,833 | 287,901 | 5,931 | 2.1 |
| Pharmaceuticals and Home Health Care | 114,402 | 113,093 | 1,309 | 1.2 |
| Trading and Retail | 265,931 | 266,491 | (560) | (0.2) |
| IT and New Products, etc. | 44,843 | 48,818 | (3,975) | (8.1) |
| Total | 1,036,623 | 1,009,586 | 27,037 | 2.7 |

**<Operating income>** (Millions of yen)

| Segment | 142nd Fiscal Period (Current period) FY2007 | 141th Fiscal Period (Current period) FY2006 | Amount of change | Rate of change (%) |
|---|---|---|---|---|
| Synthetic Fibers | 24,447 | 17,341 | 7,105 | 41.0 |
| Films and Plastics | 20,246 | 33,899 | (13,652) | (40.3) |
| Pharmaceuticals and Health Care | 21,691 | 21,192 | 499 | 2.4 |
| Trading and Retail | 5,254 | 5,395 | (140) | (2.6) |
| IT and New Products, etc. | 3,515 | 4,319 | (803) | (18.6) |
| Total | 75,156 | 82,149 | (6,992) | (8.5) |
| Elimination and Corporate | (9,994) | (7,088) | (2,906) | — |
| Consolidated Total | 65,161 | 75,061 | (9,899) | (13.2) |

Note: Sales between segments are eliminated.

Business Segment Results for fiscal 2007 were as follows:

## ■Synthetic Fibers

*Sales in the Synthetic Fibers segment increased 8.3%, to ¥317.6 billion, and operating income climbed 41.0%, to ¥24.4 billion.*

【In the polyester fibers business, the operating loss shrank significantly, owing to successful efforts to revise sales prices and lower costs. In the high-performance fibers business, sales and operating income expanded favorably for both aramid and carbon fibers 】

### *Polyester Fibers*

Despite persistently harsh operating conditions, owing to rising raw materials prices and fuel costs worldwide, the full-term operating loss shrank significantly, attributable to continued, forceful efforts to revise sales prices, and the business fell just short of turning a profit in the second half of the period. In Southeast Asia, our subsidiary in Thailand returned to profitability, while our subsidiary in Indonesia sharply reduced its operating loss, thanks to determined steps to reduce costs and shift to highly profitable businesses.

On another front, we continue to focus on establishing new business models and developing new products. In fiscal 2007, we succeeded in developing *Bewell*®, an ultrafine fiber with durable and antistatic properties, as well as a super-ultrafine nanofiber. We are also stepping up efforts to expand *ECO CIRCLE*®, a closed-loop recycling system, including the development of new proposals. In the period under review, these efforts facilitated the introduction of an attractive eco-bag. Additionally, we are actively promoting the use of polyester polymers that contain no heavy metals and are exploring the possibility of licensing out production to a leading polyester fibers manufacturer.

### *High Performance Fibers*

Sales of *Twaron*® and *Technora*® para-aramid fibers continued to rise favorably, as demand remained steady, particularly for automotive, safety and protective apparel applications. Against a background of soaring demand, we are constructing new production facilities for *Twaron*® para-aramid fibers that will increase capacity by approximately 15%. These facilities will come on line gradually beginning in the second half of 2008. We are also considering the expansion of production capacity for *Technora*® para-aramid fibers. Production and sales of *TEIJINCONEX*® meta-aramid fibers expanded steadily, bolstered by robust demand, primarily for use in industrial materials. In addition, we saw steadily increasing results for *Tenax*® carbon fibers, owing to rising demand worldwide, particularly for use in general industrial materials and private-sector aircraft. In response to increasingly diverse needs and a shift toward higher added value, we are promoting efforts to expand our mid- and downstream carbon fibers businesses and cultivate demand in new markets. A new large-scale production line for *Tenax*® in Japan was completed and commenced production in April 2008, while a second such plant, in Germany, is expected to come on line in August 2009.

## ■Films and Plastics

*In the Films and Plastics segment, sales rose 2.1%, to ¥293.8 billion. Nonetheless, operating income fell 40.3%, to ¥20.2 billion.*

【In the films business, results in Asian markets were steady, but flagging demand led to a decline in operating income in the United States. In the plastics business, operating income was down as a consequence of rising raw materials prices 】

### *Films*

We currently have polyester films joint ventures with E.I. du Pont de Nemours and Company (DuPont) of the United States in six countries. In the period under review, sales of polyethylene terephthalate (PET) film for industrial applications, notably flat panel displays (FPDs), remained firm in Japan. Thanks to various efforts, operating rates at our production facilities for clear, thick PET film, which came on line in January 2007, continued to rise.

Despite ongoing rationalization efforts, our U.S. joint venture registered a decline in sales and an operating loss, as a consequence of sluggish demand and rising raw materials prices and fuel costs. In Europe, a persistently strong Euro continues to spur imports, thereby intensifying competition. During the period, efforts by local joint ventures to improve profits by expanding sales of distinctive products and lowering fixed costs began to yield results.

Sales of *Teonex*® polyethylene naphthalate (PEN) film remained solid for use in next-generation high-density data backup tapes. PEN film sales also increased for automotive and electronics-related applications.

In summary, our global films joint ventures—which include unconsolidated subsidiaries and affiliates accounted for using the equity method—reported decreases in sales and operating income, mainly owing to the deterioration of results in the United States.

***Plastics***

In the area of *Panlite*® polycarbonate resin, the December 2006 start of commercial production on a second line at our polymer plant in Zhejiang Province, in the PRC, doubled our production capacity. In December 2007, we completed the third phase of construction in a project to expand production capacity at our compounding plant in Shanghai, making it one of the largest compounding plants in the world. We were one of the first companies to establish an integrated supply system, encompassing products ranging from polymers to compounds, in the PRC—one of the world's largest high-growth markets—thereby positioning us to cultivate demand and ensure a stable supply. As a consequence, in the period under review, increased shipments of *Panlite*®—particularly for use in office automation (OA) equipment and electrical and electronics equipment—boosted sales. Despite efforts to enhance profitability through an improved product mix and determined cost-cutting measures, operating income fell short of the previous fiscal year's results, owing to rising raw materials prices and fuel costs.

In the area of optical films, a sharp increase in demand for use on touch panels supported an increase in shipments of clear electroconductive film *ELECLEAR*®. With demand expected to increase further, we resolved to expand production capacity at existing facilities, as well as to build a second production line, which is scheduled to begin operations in October 2008.

Underscoring the high marks accorded our polymerization and molding technologies, our molded polycarbonate windows were selected for use on the new Series N700 *Shinkansen* bullet trains, which went into service in July 2007.

### ■Pharmaceuticals and Home Health Care

*The Pharmaceuticals and Home Health Care segment registered sales of ¥114.4 billion, an increase of 1.2%, and operating income of ¥21.7 billion, up 2.4%,*

【In the pharmaceuticals business, we reported solid results, led by drugs used in the treatment of osteoporosis, including Bonalon®*3 35mg tablet, a once-weekly formulation of Bonalon®. In the home health care business, rental volume for home oxygen therapy (HOT) equipment remained high, while results for continuous positive airway pressure (CPAP) ventilators and other home health care equipment were favorable. Progress was also reported in R&D 】

### *Pharmaceuticals*

In the area of osteoporosis treatments, a key focus, *Bonalon*® 35mg tablet, a once-weekly formulation, became available for long-term prescription in October 2007, contributing to a favorable increase in shipments, while sales of active vitamin $D_3$-based *Onealfa*® rose steadily. We also saw a favorable increase in sales of *Alvesco*®, an inhaled steroid for adult asthma launched in June 2007.

In R&D, we proceeded with development efforts for new drugs in line with themes developed in-house, as well as themes introduced from outside sources. During the period under review, six drug candidates advanced to the next phase of clinical trials. In cardiovascular and metabolic disease, another key therapeutic area, we commenced phase I clinical trials for NTC-801, an atrial fibrillation and flutter agent, and phase II clinical trials for TPC-806, a treatment for cardiac disease, as part of an ongoing effort to enhance our R&D pipeline.

### *Home Health Care*

Rental volume for mainstay HOT equipment in Japan remained firm. With the aim of cultivating additional markets, in June 2007 we commenced rentals of *Hi-Sanso*® 2U, one of Japan's smallest therapeutic oxygen concentrators for HOT, recording satisfactory gains in rental volume in the remainder of the period. We also continued to see favorable growth in rental volume for other home health care equipment, notably *SAFHS*® (Sonic Accelerated Fracture Healing System). In the area of CPAP ventilators, in January 2008 we launched *AutoSet*™ *C*, one of the quietest devices in the world. In addition, we took the first step toward entering the U.S. home healthcare market in January 2008 by acquiring an 85% equity stake in Associated Healthcare Systems Inc., a home healthcare services firm based in the New York area that is reporting strong growth, particularly in sales and rentals. In the years ahead, we intend to accelerate our global expansion in this business.

*3 *Bonalon*® is the registered trademark of Merck & Co., Inc., Whitehouse Station, NJ, U.S.A.

## ■Trading and Retail

*In the Trading and Retail segment, sales slipped 0.2%, to ¥265.9 billion, and operating income declined 2.6%, to ¥5.3 billion.*

【In textiles and apparel, our main OEM business struggled, while in industrial textiles and materials, high-performance materials registered brisk results】

### *Textiles and Apparel*

In a harsh operating environment, characterized by rising costs and a stagnant retail market, our mainstay OEM business continued to struggle. With a view to expanding our apparel business, we sought to cultivate new markets in the promising Greater Tokyo Metropolitan area by investing in commercial rights and human resources.

### *Industrial Textiles and Materials*

Soaring demand for aramid, carbon and other high-performance fibers, as well as plastics and films, supported robust sales. With the aim of reinforcing our local sourcing capabilities overseas to meet the needs of customers—principally those in automobile-related industries establishing production facilities abroad—we continued to reinforce our overseas expansion in the period under review. We commenced operations at a rubber processing plant in Thailand and car seat manufacturing plants in Thailand and the PRC. We will also step up efforts to cultivate new markets, focusing on four key themes—environment and safety, automobiles, high-performance materials and new distribution channels.

## ■IT and New Products, etc.

*Sales in the IT and New Products, etc., segment decreased 8.1%, to ¥44.8 billion, and operating income was down 18.6%, to ¥3.5 billion.*

【In the IT business, we recorded declines in both sales and operating income】

***IT***

The IT business is divided into IT solutions and Services, both provided by subsidiary Infocom Corporation. IT solutions includes *GRANDIT®*, an enterprise resource planning (ERP) software package, as well as solutions for medical institutions and intellectual property and patent management, while Services includes data center management, the provision of e-books, ring tones and other content for mobile phones, and the management of e-commerce sites. In the period under review, the Services business continued to report favorable results. In the IT solutions business, however, an increase in software development requests and time required for customization delayed inspections of received goods and the start of projects, while rising costs related to bugs in major newly developed software packages pushed both sales and operating income down.

**New Products, etc.**

With the aim of developing new businesses, we have selected three key themes—highly thermally conductive materials, bioplastics and high-performance electronics materials—on which we intend to focus our R&D efforts.

In the area of bioplastics, we completed development of our first product, a car seat fabric, in cooperation with Mazda Motor Corporation. The fabric is made entirely with high-quality, highly durable *BIOFRONT®* heat-resistant polylactic acid fibers. We also acquired 50% ownership of NatureWorks LLC, the world's leading maker of bioplastics derived entirely from plants, and are moving ahead with assertive market development efforts.

In the area of high-performance electronics materials, we proceeded with efforts to cultivate markets for a lithium ion battery (LIB) separator that delivers outstanding heat resistance, durability and safety.

On another front, with the aim of laying a foundation for sustainable future growth, we established a new wastewater treatment business. Under the direct supervision of the president, this business is focusing on cultivating markets for reused wastewater from industrial plants and for purified groundwater.

## 2) Progress and Results of Non-Operating Activities

The Group's progress and results of activities in fiscal 2007, other than operating activities, were as follows.

The Group actively promotes corporate ethics, corporate governance, risk management and Corporate Social Responsibility (CSR), carrying out measures to enhance stakeholders' confidence.

The following explains our efforts to establish a new system for human resources management and our enhancement of a system for the assessment and auditing of internal controls over financial reporting, as stipulated in the Financial Products and Exchange Act.

### (i) New Human Resources Management System

To realize our corporate philosophy of "Teijin Grows with Employees," the Group promotes a good balance between work and life, emphasizing all employees' quality of life (QOL). It also develops and manages human resources respecting diversity.

The Company has actively promoted a more active role for women in occupational and social activities since 1999. Society increasingly requires that both men and women keep a good balance between work and life, and corporations need to establish a corporate culture in which employees can fully harness their capabilities regardless of age, background, disability, nationality and/or race. To address such trends, we will develop a wider range of activities. On April 1, 2007, we renamed the Advancement of Women Section of Teijin Creative Staff Co., Ltd., as the Diversity Department.

Last year, we faced the so-called 2007 Issue—the massive retirement of veteran employees. It is crucial that we pass on veterans' knowledge, expertise and skills to younger employees, thereby nurturing highly capable human resources for the next generation and reinforcing onsite capabilities. For that purpose, the Group established Teijin Techno College, which opened in April 2007. Lecturers at the college, called professors, consist mainly of retired management from the Group, and they have been educating 80 candidates annually to be onsite supervisors with the aim of nurturing 400 leaders in five years.

### (ii) Enhancement of a System for Assessment and Auditing of internal controls over Financial Reporting

To address the "assessment and auditing of internal controls over financial reporting" mandated under the Financial Products and Exchange Act, which was enacted in June 2006, we established a project team overseen by the Chief Financial Officer (CFO) for the Group. Guided by a policy that focuses on (1) ensuring the reliability of financial reporting by exposing risks related to internal control throughout the Group and risks hidden in business operations, as well as (2) establishing a system for effectively controlling such risks and improving the efficiency of our business process, we developed a system for the assessment and auditing of internal controls over financial reporting, which was completed in March 2008. Since April 2008, we have been striving to manage this system effectively and appropriately to maintain the reliability of financial reporting, thereby enhancing the transparency of management and winning stronger trust of society and stakeholders.

## (2) Changes in Assets and Profit and Loss

| Fiscal Period / Items | 139th Fiscal Period FY2004 | 140th Fiscal Period FY2005 | 141st Fiscal Period FY2006 | 142nd Fiscal Period FY2007 (Current period) |
|---|---|---|---|---|
| Net sales (Millions of yen) | 908,388 | 938,082 | 1,009,586 | 1,036,623 |
| Operating income (Millions of yen) | 51,864 | 76,757 | 75,061 | 65,161 |
| Ordinary income (Millions of yen) | 43,087 | 68,162 | 60,493 | 46,302 |
| Net income (Millions of yen) | 9,159 | 24,852 | 34,124 | 12,612 |
| Net earnings per share (Yen) | 9.73 | 26.60 | 36.78 | 13.16 |
| Total assets (Millions of yen) | 852,029 | 943,991 | 999,917 | 1,015,990 |
| Net assets (Millions of yen) | 290,586 | 338,609 | 407,736 | 411,249 |

Note: Effective from the 141st fiscal year, the Company has newly adopted the Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan, Statement No. 5) and Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards

Board of Japan, Guidance No. 8).

### (3) Capital Investments

Capital investments by the Group in fiscal 2007 totaled ¥84.6 billion mainly for growth materials, such as the expansion of carbon fiber plants in Japan and the expansion of a plant for para-aramid fibers in the Netherlands, and to establish a cutting-edge technology development center to help create new businesses.

### (4) Financing

Although long- and short-term loans and other interest-bearing debt increased ¥29.8 billion year over year to ¥325.2 billion, we continued efforts to reduce procurement costs through direct financing.

### (5) Tasks Ahead

#### 1)Tasks Ahead of Teijin Group

**① Strengthen the profitability of businesses through "creative management,"**

In accordance with our shift in management focus from stable growth to innovation and new business development, individual strategic business units (SBUs) will endeavor to enhance the competitiveness of our various businesses by reinforcing core competencies, i.e., those capabilities that are the source of our competitiveness and innovation, as well as by allocating management resources as appropriate and reviewing the results of such allocations.

We will strive to achieve steady growth by selectively allocating management resources to fund capital investment and R&D in growth SBUs. In the plastics business, which qualifies as a growth SBU, profitability has deteriorated significantly, owing to slackening demand and the impact of rising raw materials prices and fuel costs. We will implement a drastic reorganization as the earliest possible opportunity.

In PET film, which is categorized as a stable-profit business, we will endeavor to restore profitability as quickly as possible by taking prompt steps to reorganize our U.S. and European films joint ventures.

In the polyester fibers business, which has seen an improvement in profitability but remains a restructuring SBU, we will accelerate actions aimed at realizing a sound improvement in income. Moreover, we will endeavor to build a sustainable product portfolio by expanding sales of high-value-added new products, including PET nanofibers, *Teonex*® PEN fibers and *BIOFRONT*® heat-resistant bioplastic fibers. In particular, we will implement drastic measures to restructure and restore loss-making companies to profitability.

In addition, we will reinforce efforts to strengthen risk management to counter the anticipated increase in risk resulting from the expansion of investment, thereby enabling us to identify the best investment targets. We will also continue to make significant investments, while at the same time we will strive to ensure the efficient use of working capital and a solid financial base.

**②Reinforce cross-business corporate functions**

Having adopted a holding company system, we continue to strengthen the profitability of individual businesses by spinning them off into independent companies. Going forward, we will augment these efforts by reinforcing cross-business corporate functions, thereby facilitating greater coordination between the holding company and individual businesses and enhancing our collective strength.

In the strategic fields of automobiles and aircraft, information and electronics, health care, and environment and energy, we will strengthen ties with key customers under the guidance of corporate officers assigned to oversee efforts in each of these fields.

In R&D, we will continue to focus on identifying market needs promptly and accurately, prioritizing research in crucial areas and expanding the allocation of management resources to R&D on key themes. At the same time, we will step up efforts to effectively manage and assess the progress of R&D efforts to hasten commercialization.

In new businesses, we will accelerate R&D and business development efforts in such areas as bioplastics, water, new carbon materials and carbon compound materials, electronics materials and biomethanol. As well, we will reinforce efforts to create new businesses, including taking advantage of opportunities to conclude mergers and acquisitions (M&A) deals and enter alliances.

Additionally, we will promote greater awareness of corporate ethics; environment, safety and health (ESH)–related issues; internal controls; and other aspects of risk management in all areas of corporate endeavor and, through the examination and improvement of business processes, we will build a solid and effective system for responding to the various risks we encounter. The Financial Instruments and Exchange Law, which recently came into effect, designates fiscal 2008 as the year by which Japanese companies are required to implement internal control systems. Accordingly, during the period we will take steps to promote awareness of the need for effective internal controls.

**③Promote Environmental Initiatives**

As a corporate citizen, the Teijin Group recognizes that it has a responsibility and has implemented measures aimed at reducing its environmental footprint. With the aim of pushing forward with its efforts in this regard, in July 2007 we published an environmental declaration—a call to action that consists of three elements—in which we pledged to place a high priority on environmental preservation. The declaration outlines three core elements—environmental preservation, environment-friendly design and environmental business—which form the basis of our environmental initiatives.

Environmental preservation refers to efforts to reduce emissions of carbon dioxide ($CO_2$), chemical substances and waste, for which we have set specific medium- to long-term goals. Recognizing the reduction of $CO_2$ emissions as a priority, we have set a target of achieving a 20% reduction over the 1990 level by 2020 in Japan. To promote environment-friendly design, that is, efforts to incorporate reductions in environmental impact into the design of products and processes, we have formulated a proprietary system for designating Teijin Group products that feature environment-friendly designs. Environmental business refers to businesses such as the *ECO CIRCLE®* closed-loop recycling system for used polyester products and *BIOFRONT®* heat-resistant bioplastic fibers. Going forward, we will actively promote the development of such businesses.

**2)Tasks Ahead by Segment of Teijin Group**

**①Growth SBUs**

*Invest resources decisively and with a long-term outlook*

In the high-performance fibers business—part of the Synthetic Fibers segment—we continue to see sustained growth in the market for para-aramid fibers, particularly for automotive and safety-related applications. The market for carbon fibers also continues to grow, notably for aircraft and general industrial applications. As a consequence, we are taking determined steps to cultivate new applications for *Twaron*® para-aramid fibers, including *SULFRON*®, developed for use in tire reinforcements, and are proceeding steadily with the construction of new production facilities, which we aim to bring on line gradually beginning in the second half of 2008. In the area of *Tenax*® carbon fibers, we are striving to reinforce our position in the market, while at the same time remaining mindful of market movements in terms of supply and demand. We are working to achieve capacity operation at a new plant in Japan that began operations in April 2008, as well as proceeding with construction of a new line in Germany.

In the area of *Panlite*® polycarbonate resin—part of the Films and Plastics segment—we are taking steps, including reinforcing our compounding capabilities, with the aim of realizing a shift toward products for general industrial applications. We are also promoting a reorganization of this business by reinforcing downstream products. Demand is expected to continue expanding in Asia, particularly for use in general industrial materials in the PRC. We are endeavoring to reinforce our operating foundation in this area by, among others, making full use of the new facilities, completed in December 2007, at our compounding plant in Shanghai. In response to further increases in raw materials prices and fuel costs, we will strive to ensure profitability by improving our product mix, expanding marketing efforts and achieving cost reductions. As part of our effort to reinforce downstream products, including polycarbonate sheet, film and molded products, we are expanding production facilities for clear electroconductive film, which are expected to come on line in October 2008.

In the area of PEN products (film, plastics and fibers) sold under the *Teonex*® name, which are accounted for in both the Films and Plastics and the Synthetic Fibers segments, we will take decisive steps to expand as sales for automotive and other industrial applications.as well as sales to manufacturers of high-density data backup tapes.

In pharmaceuticals and home health care, despite a revision of drug reimbursement prices, that is, the prices paid by insurers to medical institutions under Japan's National Health Insurance scheme, in April 2008, we continue to promote strategic marketing efforts in an endeavor to expand sales of key pharmaceuticals. Efforts will focus particularly on *Bonalon*® 35mg tablet, a once-weekly formulation of osteoporosis treatment *Bonalon*® that became available for long-term prescription in October 2007, and *Alvesco*®, an inhaled steroid agent for the treatment of asthma in adults, which was launched in June 2007. In home health care, we will step up efforts to expand the scale of our business, including establishing operations overseas. In R&D, we will proceed with development efforts for new drugs in line with themes developed in-house, as well as themes introduced from outside sources.

Partner Beaufour Ipsen S.A., of France, to which we have licensed out gout and hyperuricemia treatment TMX-67, obtained approval from the European Commission for sales of the drug on April 21, 2008, and is preparing for its launch in Europe. In the United States, license partner TAP Pharmaceutical Products Inc. is striving to secure approval from the U.S. authorities at the earliest possible date.

**Stable-Profit SBUs**

*Secure stable profits and cash flows*

In the area of PET film—part of the Films and Plastics segment—we are addressing two keytasks by investing intensively in Asia, a major growth market, and by implementing a drastic reorganization of our U.S. joint venture. Also in the United States, we are working to expand sales, as well as to reinforce competitiveness by improving productivity and lowering costs, in an effort to restore profitability. In Japan and elsewhere in Asia, we are stepping up efforts to reduce costs and strengthen product development and marketing capabilities with the aim of bolstering our stable profit base. We are also endeavoring to raise operating rates at our new production facility for clear, thick PET film, which came on line in January 2007.

In the textiles and apparel business—part of the Trading and Retail segment—we will continue to take steps to achieve further cost reductions, including, for example, shifting production in the PRC to Vietnam, in a drive to enhance profitability in our struggling OEM business. We will also strive to reinforce sales of OEM finished products by expanding our business in the Tokyo Metropolitan area. In industrial textiles and materials—also part of the Trading and Retail segment—we will focus on business development in global markets, as well as on increasing the scope of our business in such areas as functional materials, environmental products and emergency-use items.

In the IT business, which is accounted for in the IT and New Products, etc., segment, we will endeavor to promote thoroughgoing management of profitability and progress for each project we undertake. In the Services business, we will work to expand our data center management and e-commerce businesses.

**③Restructuring SBUs**

*Overhaul according to fundamental policies*

In polyester fibers—part of the Synthetic Fibers segment—we will continue to thoroughly reengineer our business structure. We will also implement concrete measures aimed at restoring this business to profitability in fiscal 2008 and increasing profits in subsequent years. These measures include fortifying sales of superior-quality, highly functional products—such as those produced through our *ECO CIRCLE*® closed-loop recycling system; *Bewell*®, an ultrafine fiber with durable antistatic properties; and nanofibers—as well as revising sales prices in response to rising raw materials prices and fuel costs, continuing to shifting away from products that are less commercially viable, improving product quality and decisively reducing costs, as well as enhancing cooperation with our subsidiaries in Thailand and Indonesia.

### 3) Putting Teijin Back on a Sustainable Growth Trajectory

We are currently in the process of preparing a new medium-term management plan to succeed our current plan, STEP UP 2006, which concludes in fiscal 2008. Under the new plan, management and employees will work as one to put Teijin back on a sustainable growth trajectory. Efforts will include:

- Revamping our business portfolio by strengthening advanced high-performance materials, notably carbon and aramid fibers;
- Expanding and reinforcing our health care business by, among others, stepping up global operations in the home health care business; and,
- Creating new products (e.g., bioplastics) and services that reflect our emphasis on the environment.

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**What are Teijin's SBUs?**

To optimize our business portfolio, we have reorganized our operations into strategic business units (SBUs), based on the extent of their contribution to corporate value and prospects for sustainable growth. SBUs within each operating segment are further divided into “Growth SBUs,” Stable-profit SBUs” or “Restructuring SBUs.” The table below shows the positioning of these SBUs under the STEP UP 2006 medium-term management plan, as well as the businesses included in each.

Currently we have only one remaining “Restructuring SBU,” polyester fibers, which we are working to grow into a “Stable-profit SBU.” Similarly, we are working to transform our IT SBU, currently a “Stable-profit SBU,” into a “Growth SBU.”

| | Growth SBUs | Stable-Profit SBUs | Restructuring SBUs |
|---|---|---|---|
| | Invest resources decisively and with a long-term outlook | Secure stable profits and cash flows | Overhaul according to fundamental policies |
| Synthetic Fibers | Para-aramid fibers<br>Carbon fibers<br>PEN fibers | | Polyester fibers |
| Films d Plastics | Polycarbonate resin<br>PEN film and PEN resin | Polyester film and polyester resin | |
| Pharmaceuticals and H.H.C. | Pharmaceuticals and home health care | | |
| Trading and Retail | | Trading and retail | |
| **IT** | | IT | |

Note: An SBU is a business unit that can be clearly classified according to, for example, its mission, management resources, products and services, customers and competitors, and for which independent strategies and plans should be proposed.

### (6) Primary Businesses

The primary businesses of the Teijin Group are Synthetic Fibers, Films and Plastics, Pharmaceuticals and Home Health Care, Trading and Retail and IT and New Products, etc. We produce and sell the products listed below.

**Synthetic Fibers**

| Principal products |
|---|
| Polyester fibers for apparel (Tetoron®), Industrial-use polyester fibers (Tetoron®)<br>Polyethylene naphthalate fiber (Teonex®)<br>Recycled PET Fiber (ECOPET®), DMT, Paraxylene, Orthoxylene |
| Para-aramid fibers (Twaron®, Technora®), Meta-aramid fibers (TEIJIN CONEX®),<br>Carbon fiber (Tenax®), Oxidized PAN fiber (Pyromex®), Polyvinyl chloride fibers (Teviron®)<br>Artificial leather (Cordley®) |

**Films and Plastics**

| Principal products |
|---|
| Polyethylene terephthalate film (Teijin®Tetoron® film, Melinex® film, Mylar® film)<br>Sophisticated polyester film (TEFLEX®film)<br>Silicone-coated polyester film (Purex®)<br>Antireflection polyester film (Currentfine®)<br>Polyethylene naphthalate film (Teonex®film) |
| Polycarbonate resin (Panlite®, Multilon®), PET resin for bottles<br>Polyethylene naphthalate resin (Teonex®)<br>LCD-related products; solvent-cast polycarbonate film (PURE-ACE®)<br>LCD film substrate (ELECLEAR®) |

**Pharmaceuticals and Home Health Care**

| Principal products |
|---|
| Bone calcium metabolism drug (Bonalon®, Onealfa®, Teiroc®)<br>Sever infection drug (Blood donationVenilon®-Ⅰ)<br>Respiratory organ drug (Mucosolvan®, Alvesco®, Spiropent®, Atrovent®, Lightgen®syrup T)<br>Circulation organ drug (Tricor®, Anact® C, Antup® R, Solmiran®)<br>Digestive organ drug (Laxoberon®)<br>Nasal and mouth cavity drug (Rhinocort®, Salcoat®, Saliveht®, Aftach®)<br>Skin affection drug (Bonalfa®), Biomedical tissue adhesion bond (Bolheal®) |
| Rollover hip protector(SAFEHIP®) |
| Therapeutic oxygen concentrator adsorption type (Hi-Sanso®, Mildsanso®)<br>Conserver (Sansosaver®Ⅱ)<br>Mask type ventilator for air ventilation aid (NIP NASAL®Ⅲ)<br>Adaptive-Servo Ventilator(AutoSet™CS)<br>Stable positive pressure ventilator CPAP (SLEEPMATE®S8,GoodKnight®420G)<br>Automatic pressure control CPAP device (AutoSet™ C, GoodKnight®420E)<br>Sonic Accelerated Fracture Healing System (SAFHS®)<br>Peak Flow Meter for Spirometry (AirWatch®) |

**Trading and Retail**

| Principal products |
|---|
| Fiber materials and apparel products, industrial and vehicle materials, interior goods, resin, films and chemicals, industrial products, magnetic media, liquid crystal module, packing materials, construction materials, cardboard base paper, artificial leather, office automation equipment, machines |
| Men’s apparel, women’s apparel, accessories, general merchandise, household products |

**IT and New Products, etc.**

| Principal Products |
| --- |
| ・IT Solutions businesses（the planning, development and consultation of information systems for cell-phone operators, general consumers, governmental agencies, educational and research institutions, pharmaceutical and medical institutions and corporations, and other businesses）<br>・Services businesses( the supply of content for cell phones,management of e-commerce site, operation and management of information communications systems) |

**(7) Primary Business Places** (As of March 31, 2008)

| Item | Function | Location |
| --- | --- | --- |
| The Company | Headquarters | Osaka, Tokyo |
| | Research base | Tokyo, Yamaguchi |
| Synthetic Fibers | Manufacturing base | Ehime, Yamaguchi, Shizuoka, Gifu |
| | | U.S.A., Germany, Netherlands, Indonesia, Thailand, China. |
| | Operation base | Tokyo, Osaka |
| | | U.S.A., Germany, Netherlands, Indonesia, Thailand, China. |
| | Research base | Ehime, Osaka, Shizuoka |
| | | U.S.A., Germany , Netherlands, Thailand |
| Films and Plastics | Manufacturing base | Gifu, Tochigi, Ibaraki, Ehime, Hiroshima |
| | | U.S.A., Singapore, China |
| | Operation base | Tokyo, Osaka, Aichi |
| | | U.S.A., Singapore, China |
| | Research base | Gifu, Ehime, Chiba |
| | | U.S.A., China |
| Pharmaceutical and Home Health Care | Manufacturing base | Yamaguchi |
| | Operation base | 12 branches throughout Japan |
| | Research base | Tokyo, Yamaguchi |
| | | U.S.A., England |
| Trading and Retail | Operation base | Tokyo, Osaka |
| | Research base | Osaka |
| IT and New Products, etc. | Manufacturing base | Tokyo |
| | Operation base | Tokyo, Osaka, Kanagawa, Fukuoka, Ehime, Yamaguchi |
| | Research base | Tokyo, Osaka |

Note: The Company is a holding company only that serves as the headquarters and with a research function. The manufacture, sales and research of each business are conducted at the Company's subsidiaries.

**(8) Employees**

| Segment | 142nd Fiscal Period FY2007 (As of March 31, 2008) | 141st Fiscal Period FY2006 (As of March 31, 2007) | Change in the number of employees |
| --- | --- | --- | --- |
| Synthetic Fibers | 9,729 | 9,984 | (255) |
| Films and Plastics | 3,228 | 3,216 | 12 |
| Pharmaceuticals and Home Health Care | 2,562 | 2,389 | 173 |
| Trading and Retail | 1,229 | 1,198 | 31 |

| | | | |
|---|---|---|---|
| IT and New Products, etc. | 2,377 | 2,266 | 111 |
| Total | 19,125 | 19,053 | 72 |

Notes: 1.The number of employees stated above represents the numbers of employees in each segment.
2. The number of employees stated above does not include temporary employees (2,942 employees for the 142nd fiscal period and 2,780 employees for the 141st fiscal period).

### (9) Significant Subsidiaries

(As of March 31, 2008)

| Segment | Subsidiary(Location of The Head Office) | Capital | Investment ratio (%) | Principal business |
|---|---|---|---|---|
| Synthetic Fibers | Teijin Fibers Limited(Osaka) | ¥12,025 million | 100.00 | Production and sales of polyester fibers |
| | Teijin Techno Products Limited (Osaka) | ¥5,000 million | 100.00 | Production and sales of aramid fibers |
| | Toho Tenax Co., Ltd. (Tokyo) | ¥17,992 million | ◆ 99.75 | Production and sales of carbon fibers, flame-resistant fibers and acrylic short fibers, etc. |
| | P.T. Teijin Indonesia Fiber Corporation (Indonesia) | US$104 million | 94.93 | Production and sales of polyester fibers |
| | Teijin (Thailand) Limited (Thailand) | 500 million bath | ※100.00 | Production and sales of polyester fibers |
| | Teijin Polyester (Thailand) Limited (Thailand) | 548 million bath | 66.87 | Production and sales of polyester fibers |
| | Nantong Teijin Co.,Ltd. (China) | ¥4,000 million | 100.00 | Production and sales of polyester textile goods |
| | Teijin Monofilament Germany GmbH (Germany) | 28 million EURO | ※100.00 | Production and sales of polyester fibers |
| | Toho Tenax Europe GmbH (Germany) | 0.025 million EURO | ※100.00 | Production and sales of carbon fibers |
| | Toho Tenax America Inc. (U.S.A.) | US$12.5 Million | ※100.00 | Production and sales of carbon fibers |
| | Teijin Aramid B.V. (Netherlands) | 0.02 million EURO | ※100.00 | Production and sales of para-aramid fibers |
| Films and Plastics | Teijin DuPont Films Japan Limited (Tokyo) | ¥10,010 million | 50.10 | Production and sales of polyester films |
| | Teijin Chemicals Limited (Tokyo) | ¥2,149 million | 100.00 | Production and sales of synthetic resins, etc. |
| | DuPont Teijin Films U.S. Limited Partnership (U.S.A.) | US$457 million | ※50.07 | Production and sales of polyester films |
| | Teijin Polycarbonate Singapore Pte Ltd. (Singapore) | US$75 million | ※100.00 | Production and sales of polycarbonate resins |
| | Teijin Polycarbonate China Ltd. (China) | 659 million RMB | ※100.00 | Production and sales of polycarbonate resins |
| | Teijin Chemicals Plastic Compounds Shanghai Ltd. ( China) | 143 million RMB | ※100.00 | Coloration, processing and sales of polycarbonate resins |
| Pharmaceutical and Home Health Care | Teijin Pharma Limited (Tokyo) | ¥10,000 million | 100.00 | Production and sales of medicinal drugs and medical equipments |
| | Teijin Home Health Care Co., Ltd (Tokyo) | ¥100 million | ※100.00 | Home health care services Provider |
| Trading and Retail | NI Teijin Shoji Co., Ltd. (Osaka) | ¥2,000 million | 96.88 | Sales of textiles and others |
| IT and New Products, etc. | Infocom Corporation (Tokyo) | ¥1,590 million | 50.14 | Development and sales, etc., of computer software |
| | Teijin Engineering Limited (Osaka) | ¥475 million | 100.00 | Engineering services, Design and sales of plants and equipments |
| | Teijin Logistics Co., Ltd. (Osaka) | ¥80 million | 100.00 | Transportation and custody of goods |

Notes: 1. The Teijin Group has 84 consolidated companies including the aforementioned 23 significant subsidiaries. 78 companies are accounted for via the equity method.
2. ※ indicates the investment ratio including investment by subsidiaries.
3. ◆ indicates that the investment ratio in Toho Tenax Co., Ltd., rose from 68.41% at March 31, 2007, to 99.75% at March 31, 2008, as a result of a stock-for-stock exchange implemented by the Company and Toho Tenax Co., Ltd. in September 2007.

### (10) Primary Lenders and Amount of Borrowings

(as of March 31,2008)

| Primary Creditors | Balance of borrowings as of the balance sheet date |
|---|---|
| | Millions of yen |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. * | 38,276 |
| Japan Bank for International Cooperation | 15,332 |
| JP Morgan Chase Bank N.A. | 15,296 |
| Mizuho Corporate Bank * | 15,279 |
| Citibank N.A. | 4,109 |
| Meiji Yasuda Life Insurance Company (Mutual company) | 4,000 |
| Nippon Life Insurance Company (Mutual company) | 3,315 |
| The Dai-ichi Mutual Life Insurance Company (Mutual company) | 3,000 |

Notes: 1. * indicates that the balance of borrowings includes loans from overseas affiliate banks.
2. In addition to loans indicated in the balance of borrowings above, the Company borrows ¥59,799million under syndicated loans.

## 2. Shares (as of March 31, 2008)

(1) Issuable shares 3,000,000,000 shares
(2) Issued shares 984,753,665 shares
(3) Number of shareholders 133,134
(4) No shareholders hold one-tenth or more of the total number of shares issued (excluding treasury stock)

For reference, the major shareholders of the Company are listed below.

| Shareholders | | Investment to the Company | |
|---|---|---|---|
| | | Number of shares held | Investment ratio (%) |
| 1 | The Master Trust Bank of Japan, Ltd. (Trust account) | 72,430,000 | 7.35 |
| 2 | Japan Trustee Service Bank, Ltd.(Trust account) | 52,112,000 | 5.29 |
| 3 | Nippon Life Insurance Company (Mutual company) | 44,033,509 | 4.47 |
| 4 | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 34,489,935 | 3.50 |
| 5 | State Street Bank and Trust Company 505103 | 23,649,005 | 2.40 |
| 6 | Japan Trustee Service Bank, Ltd.(Trust account 4) | 22,748,000 | 2.31 |

| | | | |
|---|---|---|---|
| 7 | The National Mutual insurance Federation of Agricultural Cooperatives | 21,575,000 | 2.19 |
| 8 | Mellon Bank, N.A. As Agent For Its Client Mellon Omnibus US Pension | 15,123,251 | 1.53 |
| 9 | Daido Life Insurance Company | 12,250,000 | 1.24 |
| 10 | The Employee Stock Ownership Association of Teijin | 10,957,931 | 1.11 |

Note: The investment ratio has been calculated after excluding Treasury stocks (414,337 shares).

**(5) Other significant matters related to shares**

1)The Company and Toho Tenax Co., Ltd., implemented a stock-for-stock exchange based on the share exchange agreement approved by the Board of Directors of both companies at meetings held on May 28, 2007, and concluded on the same date. The agreement, effective on September 1, 2007, made the Company a wholly owning company and Toho Tenax Co., Ltd., its wholly owned subsidiary. Through this stock-for-stock exchange, the Company issued 56,325,793 new shares.

2)The Company issued 129,000 common shares through the exercise of stock acquisition rights.

## 3. Stock Acquisition Rights

### (1) Status of Stock Acquisition Rights issued as Stock Options as of the last day of the subject Fiscal Year

1) Second Issue of Stock Acquisition Rights (July 1, 2003)

- Number of the issued Stock Acquisition Rights: 535 units
- Class and number of shares to be acquired by the Stock Acquisition Rights
  535,000 shares of common stock (one (1) Stock Acquisition Right acquires 1,000 shares)
- Issue price of Stock Acquisition Right: Gratis
- Exercise price of Stock Acquisition Right: ¥304 per share
- Period during which Stock Acquisition Rights may be exercised
  July 2, 2005–July 1, 2008

2) Third Issue of Stock Acquisition Rights (July 2, 2004)

- Number of the issued Stock Acquisition Rights: 460 units
- Class and number of shares to be acquired by the Stock Acquisition Rights
  460,000 shares of common stock (one (1) Stock Acquisition Right acquires 1,000 shares)
- Issue price of Stock Acquisition Right: Gratis
- Exercise price of Stock Acquisition Right: ¥405 per share
- Period during which Stock Acquisition Rights may be exercised
  July 3, 2006–July 2, 2009

3) Fourth Issue of Stock Acquisition Rights (July 4, 2005)

- Number of the issued Stock Acquisition Rights: 430 units
- Class and number of shares to be acquired by the Stock Acquisition Rights
  430,000 shares of common stock (one (1) Stock Acquisition Right acquires 1,000

shares)

- Issue price of Stock Acquisition Right: Gratis
- Exercise price of Stock Acquisition Right: ¥515 per share
- Period during which Stock Acquisition Rights may be exercised
  July 5, 2007–July 4, 2010

4) Fifth Issue of Stock Acquisition Rights (July 10, 2006)

- Number of the issued Stock Acquisition Rights: 146 units
- Class and number of shares to be acquired by the Stock Acquisition Rights
  146,000 shares of common stock (one (1) Stock Acquisition Right acquires 1,000 shares)
- Issue price of Stock Acquisition Right: ¥663 per share
- Exercise price of Stock Acquisition Right: ¥1 per share
- Period during which Stock Acquisition Rights may be exercised
  July 10, 2006–July 9, 2026

5)Sixth Issue of Stock Acquisition Rights (July 5, 2007)

- Number of the issued Stock Acquisition Rights: 207 units
- Class and number of shares to be acquired by the Stock Acquisition Rights
  207,000 shares of common stock (one (1) Stock Acquisition Right acquires 1,000 shares)
- Issue price of Stock Acquisition Right: ¥610 per share
- Exercise price of Stock Acquisition Right: ¥1 per share
- Period during which Stock Acquisition Rights may be exercised
  July 5, 2007–July 4, 2027

Of the above, total number of unexercised Stock Acquisition Rights held by directors of the Company (breakdown by Stock Acquisition Rights issue)

(As of March 31, 2008)

| Issue | No. of Units | No. of Directors Holding Rights |
|---|---|---|
| Second Issue of Stock Acquisition Rights | 0 | 0 |
| Third Issue of Stock Acquisition Rights | 60 | 3 |
| Fourth Issue of Stock Acquisition Rights | 105 | 6 |
| Fifth Issue of Stock Acquisition Rights | 37 | 7 |
| Sixth Issue of Stock Acquisition Rights | 48 | 7 |

Note: No Stock Acquisition Rights is granted to anu outside directors and auditors.

**(2) Stock Acquisition Rights Distributed during the subject Fiscal Year**

The Stock Acquisition Rights distributed during the subject fiscal period are those in the Sixth Issue of Stock Acquisition Rights noted in Item 5) of above (1).

Stock Acquisition Rights distributed to employees of the Company in the Sixth Issue of Stock Acquisition Rights noted in Item 5) of above (1).

| No. of Unites | No. of Recipients |
|---|---|
| 159 | 48 |

## 4. Directors and Corporate Auditors

### (1) Directors and Corporate Auditors

(As of March 31, 2008)

| Post | Name | Duty, Representation of Other Companies or Other Significant Position |
|---|---|---|
| Chairman, Director | Makoto Okitsu | Chairman, Director of Nabtesco Corporation |
| President, Representative Director | Toru Nagashima | CEO (Chief Executive Officer) |
| Executive Vice President, Representative Director | Takayuki Katayama | CSRO (Chief Social Responsibility Officer)<br>Supervisor of Films Business Group and Plastics Business Group<br>Supervisor of Executive Office, Legal Office, Business Auditing Office<br>Vice Chairman, Teijin DuPont Films |
| Executive Vice President, Representative Director | Yoshinaga Karasawa | CMO (Chief Marketing Officer)<br>General Manager, Polyester Fibers Business Group<br>President, Representative Director of Teijin Fibers Limited |
| Senior Managing Director | Naoto Takano | CFO (Chief Financial Officer)<br>President, Representative Director of Teijin Creative Staff Co., Ltd.<br>(General Manager, Purchasing and Logistics Department) |
| Senior Managing Director | Shigeo Ohyagi | CSO (Chief Strategy Officer)<br>General Manager, Medical and Pharmaceuticals Business Group<br>President, Representative Director of Teijin Pharma Limited |
| Senior Managing Director | Takashi Yamagishi | CTO (Chief Technology Officer)<br>Supervisor of the PEN business<br>Board Member, Teijin DuPont Films |
| Director | Hajime Sasaki | Chairman, Representative Director of NEC Corporation<br>Chairman, Japan Standards Association |
| Director | Katsunari Suzuki | Director, Japan-Brazil Central Association |
| *Director | Kunio Suzuki | Chairman of the Board, Representative Director of Mitsui O.S.K.Lines, Ltd |
| Full-time Corporate Auditor | Toshio Motoki | |
| *Full-time Corporate Auditor | Hiroshi Furukawa | |
| Corporate Auditor | Kiyoko Kinjo | Professor, Graduate School of Law, Ryukoku University |
| Corporate Auditor | Ryozo Hayashi | Professor, Graduate School of Public Policy, University of Tokyo |
| *Corporate Auditor | Toshiharu Moriya | Professor, Graduate School of Accounting, Hosei University |

Notes:1.Kunio Suzuki (marked with an * above)was newly elected as a director and Hiroshi Furukawa and Toshiharu Moriya (also marked with * above)were newly elected as Corporate auditors at the 141ST Annual General Meeting of Shareholders held on June 20,2007.

2.Three (3) directors, Hajime Sasaki, Katsunari Suzuki and Kunio Suzuki, satisfy the requirements for outside director as stipulated in Article 2, Item 15, of the Corporate Code. At the time of appointment of outside directors, the Company requires the candidates to satisfy the requirements of “independent director” as per Company regulations.

Two of the aforementioned, Hajime Sasaki and Katsunari Suzuki, throughout the subject fiscal year and Kunio Suzuki, from his appointment at the 141st Annual General Meeting of Shareholders on June 20,2007,through the rest of the subject fiscal year satisfied all said requirements and maintained the independency.

3. Three (3) Corporate auditors, Kiyoko Kinjo, Ryozo Hayashi and Toshiharu Moriya satisfy the requirements for outside auditor as stipulated in Article 2, Item 16, of the Corporate Code. At the time of appointment of outside auditors, the Company requires the candidates to satisfy the requirements of "independent auditor" as per Company regulations.
Two of the aforementioned , Kiyoko Kinjo, Ryozo Hayashi, throughout the subject fiscal year and Toshiharu Moriya, from his appointment at the 141st Annual General Meeting of Shareholders on June 20,2007,through the rest of the subject fiscal year satisfied all said auditors satisfied all said requirements and maintained the independency.
4. A Full-Time Corporate Auditor, Hiroshi Furukawa, has ample knowledge of finance and accounting with more than 30 years experience since entering the Company. Corporate Auditor Toshiharu Moriya is a Certified Public Accountant and has ample knowledge of finance and accounting.
5.The following Director and Statutory Auditors retired as of June 20, 2007.

| | |
|---|---|
| Director | Yuzaburo Mogi |
| Full-Time Corporate Auditor | Akihiro Ohkata |
| Corporate Auditor | Sakae Morishige |

6. Changes in posts and duties of Directors and Corporate auditors following the subject fiscal year are as follows.

| Name | New Post | Former Post | Date of Change |
|---|---|---|---|
| Shigeo Ohyagi | CSO (Chief Strategy Officer) | CSO (Chief Strategy Officer)<br>General Manager, Medical and Pharmaceuticals Business Group<br>President, Representative Director of Teijin Pharma Limited | April 1, 2008 |
| Naoto Takano | CFO (Chief Financial Officer) | CFO (Chief Financial Officer)<br>President, Representative Director of Teijin Creative Staff Co., Ltd.<br>(General Manager, Purchasing and Logistics Department) | April 1, 2008 |

**(2) Remuneration for Directors and Corporate Auditors**

**1) Remuneration for Directors** (unit: person, million yen)

| Internal Directors | | Outside Directors | | Total | |
|---|---|---|---|---|---|
| Number of Directors | Amount of Remuneration | Number of Directors | Amount of Remuneration | Number of Directors | Amount of Remuneration |
| 7 | 284 | 3 | 36 | 10 | 321 |

Notes:1. Internal directors mean the directors other than outside directors.
2. The Company has no directors assigned certain role of employee.
3. The maximum annual remuneration for directors is ¥700 million, of which¥630 million for annual salary, and ¥70 million for the fair value of stock-compensation-type stock options.(resolved by the 140th Annual General Meeting of Shareholders, held on June 23, 2006)
4. The amounts of above remuneration include ¥22million for duties performed during the subject fiscal year, in stock-compensation-type stock options granted to internal directors.
5. In addition to the amounts of above remuneration, retirement benefits will be paid to retiring corporate auditor based on auditor deliberations in the case that the Proposal of the Presentation of Retirement Benefits to a Retiring Director and a Retiring Corporate Auditor to be submitted at the 142nd Annual General Meeting

of Shareholders in June 2008 is approved. Pursuant to the Retirement Benefits Rules of the Company, the standard amount of the retirement benefits is ¥76 million.

**2) Remuneration for Corporate Auditors** (unit: person, millions yen)

| Internal Auditors | | Outside Auditors | | Total | |
|---|---|---|---|---|---|
| Number of Auditors | Amount of Remuneration | Number of Auditors | Amount of Remuneration | Number of Auditors | Amount of Remuneration |
| 2 | 31 | 3 | 26 | 5 | 57 |

Notes:1. Internal auditors mean the auditors other than outside auditors.
2. The maximum monthly remuneration for corporate auditors is ¥12 million (resolved by the 133rd Annual General Meeting of Shareholders, held on June 25, 1999).
3. In addition to the amounts of above remuneration, retirement benefits will be paid to retiring corporate auditor based on auditor deliberations in the case that the Proposal of the Presentation of Retirement Benefits to a Retiring Director and a Retiring Corporate Auditor to be submitted at the 142nd Annual General Meeting of Shareholders in June 2008 is approved. Pursuant to the Retirement Benefits Rules of the Company, the standard amount of the retirement benefit is ¥43 million.

**(3) Outside Directors and Corporate Auditors**

**1) Officers of Other Companies, and Other Positions of Outside Directors and Corporate Auditors** (As of March 31, 2008)

| Category | Name | Name of Company at Which Other Positions are Held | Position |
|---|---|---|---|
| Outside Directors | Hajime Sasaki | NEC Corporation | Chairman, Representative Director |
| | | Komatsu Ltd. | Outside Director |
| | Kunio Suzuki | Mitsui O.S.K.Lines, Ltd | Chairman of the Board, Representative Director |
| Outside Auditor | Toshiharu Moriya | NIFTY Corporationn | Outside Auditor |
| | | Fujitsu Frontech Ltd. | Outside Auditor |

Note: There are no any important interests between the Company and any of the companies at which the abovementioned outside directors or corporate auditors hold executive positions.

**2) Significant Activities of Outside Directors and Corporate Auditors**

| Category | Name | Principal Activities |
|---|---|---|
| Director | Hajime Sasaki | Attended 10 of the 12 meetings of the Board of Directors held during the fiscal year under review; offered valuable comments from his extensive management experience and his expertise as a researcher and an engineer. |
| | Katsunari Suzuki | Attended all 12 meetings of the Board of Directors held during the fiscal year under review; offered valuable comments from a global perspective with his expertise and knowledge cultivated over many years as an ambassador. |
| | Kunio Suzuki | Attended all nine meetings of the Board of Directors held since his assuming office on June 20, 2007; offered valuable comments from his extensive management experience and knowledge. |

| | | |
|---|---|---|
| Corporate Auditor | Kiyoko Kinjo | Attended 11 of the 12 meetings of the Board of Directors and all eight meetings of the Board of Corporate Auditors held during the fiscal year under review; offered valuable comments from a high-level viewpoint with her experience as a lawyer and university professor; in particular, offered advice and suggestions concerning compliance and the promotion of diversity at the Company. |
| | Ryozo Hayashi | Attended all the 12 meetings of the Board of Directors and all eight meetings of the Board of Corporate Auditors during the fiscal year under review; offered valuable comments from his experience at the Ministry of Economy, Trade and Industry, as well as from his broad and long-term perspective as a university professor. |
| | Toshiharu Moriya | Attended all nine meetings of the Board of Directors and all six meetings of the Board of Corporate Auditors held during the fiscal year under review since his assuming office on June 20, 2007; offered valuable comments from his professional knowledge as a Certified Public Accountant. |

### 3) Liabilities Limitation Agreements

(i) Liabilities Limitation Agreement with Outside Directors

The Company has executed a Liabilities Limitation Agreement with each of three (3) outside directors, Hajime Sasaki, Katunari Suzuki and Kunio Suzuki, which limits the respective liabilities of each outside director to the higher amount of ¥20 million or the minimum liability amount stipulated in Article 425, Paragraph 1, of the Corporate Code.

(ii) Liabilities Limitation Agreement with Outside Corporate Auditors

The Company has executed a Liabilities Limitation Agreement with each of three (3) outside corporate auditors, Kiyoko Kinjo, Ryozo Hayashi and Toshiharu Moriya, which limits the respective liabilities of each corporate auditor to the higher amount of ¥20 million or the minimum liability amount stipulated in Article 425, Paragraph 1, of the Corporate Code.

## 5. Accounting Auditor

### (1) Name of Accounting Auditor

KPMG AZSA & Co.

### (2) Amount of Remuneration

(Millions of yen)

| Details | Amount |
|---|---|
| 1) The amount of remuneration, etc., to be paid by the Company to KPMG AZSA & Co., for its services as an accounting auditor | 61 |
| 2) The total amount of cash or other proprietary interest to be paid by the Company and its subsidiaries to KPMG AZSA & Co. | 223 |

Notes:1. The amount in 1) is the total sum of the remunerations for audits under the Corporate Code and the remuneration for the audits under Financial Products Trading Law in Japan because these are not clearly distinguished from each other in the contract between the Company and the accounting auditor.

2. Of the major subsidiaries of the Company, 13 companies, including P.T. Teijin Indonesia Fiber Corporation, undergo auditing by accounting auditors other than KPMG AZSA & Co.

3. The Company pays remuneration to the accounting auditor for ”specialist advising duties related to assessment operations on internal controls concerning financial reporting” not specified in Article 2, Paragraph 1,of the Certified Public Accountant Law.

### (3) Policy for Dismissal or Non-Reappointment of Accounting Auditor

The Company has the policy to dismiss its accounting auditor in the event that it is judged that any Item of Article 340, Paragraph 1, of the Corporate Code is applicable. Furthermore, the Company shall determine whether or not to reappoint the accounting auditor based on the assessment of mechanisms for ensuring that the auditing tasks of the accounting auditor are properly carried out.

## 6. Maintaining Systems to Ensure Appropriate Business Operations
## Resolutions on Basic Policies for establishment of Internal Controls Systems

The Japanese Corporate Law and its Enforcement Regulations, which became effective on May 1, 2006, require large companies with a Board of Directors to implement internal control systems. Accordingly, the Company's Board of Directors made resolutions on such systems at a board meeting held on March 30, 2006. At a board meeting held on July 30, 2007, the Board of Directors made revisional resolution based on the status of implementation of internal control systems. This resolution should be regularly reviewed and confirmed at a board meeting held in July every year. Below is a summary of this resolutions, the details of which can be viewed at the Company's Web site: (http://www.teijin.co.jp/english/about/about04_08.html).

### (1) Systems for Ensuring the Compliance of the Performance of Directors' Duties with Laws and the Articles of Incorporation (Article 362, Paragraph 4, Item 6, of the Corporate Law)

The Company has declared the basic principles of compliance in its "Corporate Governance Guide," which can be viewed at its web site (http://www.teijin.co.jp/english/about/about04_10.html). All officers of the Company take the lead in promoting corporate ethics throughout the Group. To maintain the entire Group's compliance system, and to identify and address any potential issues, we appoint Chief Social Responsibility Officer (CSRO), who supervises the CSR Office.

### (2) Systems for Ensuring the Compliance of the Performance of Employees' Duties with Laws and the Articles of Incorporation (Article 100, Paragraph 1, Item 4, of the Corporate Law Enforcement Regulations)

The Company promotes the practice of, and strict compliance with, the Company's Corporate Philosophy, Corporate Code of Conduct and Corporate Standards of Conduct. All officers and employees of the Group are required to report to the Company, its holding company, any significant violation of laws or other serious information concerning compliance. In response, the CSRO takes appropriate measures upon consultation with the CEO.

The Company provides the necessary means for employees to directly report any violation of laws or questionable activities of non-compliance with laws and regulations to outside lawyers. The details of all important reports as well as measures taken by the Company's relevant entity and their results are disclosed as appropriate so as to be recognized by all officers and employees of the Group.

The CEO directly supervises the Business Auditing Office (Note), which is in charge of the internal auditing of business operations. Under the CEO's supervision, the Business Auditing Office conducts internal audits on the Group's status of business operations, evaluates the status quo of the current internal controls and makes proposals for improvement.

Note: In April 2008, the Business Auditing Office was renamed the "Corporate Audit Office," which has wider auditing functions including internal audits.

### (3) Systems for the Preservation and Management of Information Relative to the Directors'

**Execution of Their Duties (Article 100, Paragraph 1, Item 1, of the Corporation Law Enforcement Regulations)**

Directors appropriately preserve and manage important information related to their execution of duties, such as the minutes of the General Meeting of Shareholders and the minutes of Board of Directors' meetings, in accordance with the relevant company regulations. The Chairman of the Board of Directors supervises the preservation and management of important information. Such important documents are preserved for at least 10 years and are accessible to be viewed whenever necessary.

**(4) Rules and Systems for Risk Management (Article 100, Paragraph 1, Item 2, of the Corporate Law Enforcement Regulations)**

The Board of Directors operates a total risk management system as described below to deal with any kind of risks that might threaten the mission of enhancing corporate value and achieving sustainable business development. The Total Risk Management (TRM) Committee, an entity under the Board of Directors, proposes basic policies and annual plans related to TRM to the Board of Directors.

The CSRO improves the entire Group's risk management system, identifies problems and deals with risks upon occurrence thereof. The Chief Strategy Officer (CSO), assesses strategic risks, and presents his/her assessment to the Board of Directors so that they can use it in the cource of making managerial decisions. The Investment Committee is established to provide risk assessment of important investment issues.

In addition, we reinforce the system so that necessary measures can be implemented to ensure the continuation of businesses when incurring significant losses, problems and/or damages due to disasters such as earthquakes, floods, accidents or fire; inappropriate business execution by officers and employees; the shutdown of critical IT systems; or other events.

**(5) Systems for Ensuring That Directors' Duties are Performed Efficiently (Article 100, Paragraph 1, Item 3, of the Corporation Law Enforcement Regulations)**

More than one outside directors, each of whom satisfies the requirements of "independent directors" as per Company regulations, shall be appointed as independent outside directors to enhance the adequacy of decisions of the Board of Directors.

To separate the responsibilities for monitoring/supervision and the execution of business, the Board of Directors ensures that the representative directors and executive directors and corporate officers perform their respective duties within the scope of their responsibilities. When the representative directors, executive directors and corporate officers have been delegated decision-making powers, their decisions shall be made through the systems and procedures stipulated in the relevant regulations. These regulations are reviewed and revised as necessary to reflect any revision or abolition of laws and/or to improve the efficiency of execution of duties.

**(6) Systems for Ensuring that Proper Business Operations are Conducted within the Group of Companies, including the Company and its Subsidiaries (Article 100, Paragraph 1, Item 5, of the Corporation Law Enforcement Regulations)**

The Company prepares Group Regulations that encompass all the rules and standards by which the Group entities must abide to ensure appropriate and efficient business operations.

Transactions within the Group must be conducted in an appropriate manner according to the relevant laws and regulations and social norms.

The representative directors and other executive directors and corporate officers provide necessary instructions to ensure that the Group entities have appropriate internal control systems. The Business Auditing Office ensures the efficiency and validity of internal control functions over the entire business operations of the Group.

To ensure the effective and appropriate supervision and auditing of the overall Group, corporate auditors shall establish an appropriate system such as those for close cooperation with the accounting auditor and the Business Auditing Office.

**(7) Provisions Concerning the Staff Assisting the Corporate Auditors in Performing Their Duties (Article 100, Paragraph 3, Item 1, of the Corporation Law Enforcement Regulations)**

The Company shall appoint two or more staff, in principle, to assist corporate auditors in performing their duties.

**(8) Provisions Concerning the Independence from Directors of said Staff Assisting the Corporate Auditors (Article 100, Paragraph 3, Item 2, of the Corporation Law Enforcement Regulations)**

To secure the independence of the staff assisting the corporate auditors, decisions concerning their personnel issues require the prior consent of the full-time corporate auditors, and the performance of such staff is assessed by the full-time corporate auditors. Such staff shall not assume any executive post or function of the Group entities.

**(9) Systems for Directors and Employees to Report to Corporate Auditors and Other Systems Related to the Report to Corporate Auditors (Article 100, Paragraph 3, Item 3, of the Corporation Law Enforcement Regulations)**

Representative directors and other executive directors and corporate officers shall report as needed at the meetings of the Board of Directors and other important meetings the status of the business operations of which they are in charge. They also immediately report to the corporate auditors any incidents that have significantly eroded or might erode the reputation of the Company; damages that have caused or might cause adverse effects on the performance of the Company; incidents that have caused or might cause any significant damage to the environment, safety and health (ESH) or product liability (PL); significant violations of the Corporate Standards of Conduct and Group Ethics Regulations; and other cases containing related risks.

Directors, corporate officers and employees shall promptly and appropriately report in response to corporate auditors' requests on the business operations.

**(10) Other Provisions for Ensuring That the Audits by Corporate Auditors are Conducted Effectively (Article 100, Paragraph 3, Item 4, of the Corporation Law Enforcement Regulations)**

To ensure transparency, the majority of corporate auditors consist of outside and independent auditors that satisfy the requirements for independence as stated in the Rules for Independent Auditors which are approved by the Board of Corporate Auditors And determined by the Board of Directors.

For the Corporate Auditors of the Company and the Group to form independent opinions, they shall enter into advisory agreements with outside law firms and can, at their own discretion, use outside Certified Public Accountants and other advisers, when deemed necessary.

**7. Basic Policy Regarding the Control of the Company**

**(1) Basic Policy Regarding the Company's Shareholders**

(Defined as the basic policy regarding those who control the decision of the company's financial and business policy according to Article 127 of the Corporation Law Enforcement Regulations)

The Company believes the existence of its shareholders is based on free transactions in the market and therefore the Company's shareholders should make the final decisions as to whether to accept a proposal of a large-scale acquisition that would result in a transfer of the Company's ownership.

However, it is envisioned that some large-scale acquisition of the Company's shares or such proposals might entail the following:

(i) The likelihood of causing obvious harm to the corporate value of the Company and the common interests of the shareholders, in view of the presumed purposes of such acquisition and management policies thereafter.
(ii) The threat of compelling the shareholders to sell their shares.
(iii) Acquisitions that do not provide the Company a reasonably necessary period to present alternative plans.
(iv) Acquisitions conducted without providing sufficient information necessary for the Company's shareholders to assess and examine the proposal.
(v) Acquisition conditions (including the value and type of compensation, acquisition timing, the legality of the acquisition method and the probability of the acquisition being executed) that are inappropriate or insufficient with a view to the Company's intrinsic value.
(vi) Acquisitions that may lead to material infringement of the corporate value of the Company and the common interests of the shareholders, by materially damaging relations with stakeholders, including employees, customers, end users, suppliers and creditors, all of whom are indispensable for sustainable growth in the Company's corporate value.

The Company believes such a large-scale acquirer of the Company's shares or a person or company who proposes such an action is exceptionally inappropriate to control the decision of the Company's financial and business policies.

**(2) Measures to Realize the Basic Policy**

The Company has already launched the following measures to improve the corporate value of the Company and the common interests of the shareholders to ensure that investors can continue to invest in the Company over the long term. The Company believes such measures will contribute to the realization of the basic policy described in (1) above.

**1) "Medium-Term Management Plan" to Address Improvements in Corporate Value**

The Group ensures ongoing improvement in corporate value through the structural reforms for dramatic growth described in its three-year medium-term management plan, STEP UP 2006, which covers the period from fiscal 2006 through fiscal 2008. The plan entails two major issues that the Company must address. The first is to shift its focus to four high-growth and high-margin fields where we can harness the Company's proprietary technologies and ability to develop new applications. The Company has designated "automobiles & aircraft," "information & electronics," "health care" and "environment & energy" as such fields. A graded allotment of resources for these fields has been carried out through the course of the Medium-Term Management Plan under the philosophy of selection and concentration.

The other issue is to promote a research-and-development strategy that will help cultivate new businesses. Specifically, the Company has been increasing the investment ratio in R&D by the Company, the holding company, relative to the Group's total R&D expenses with an aim to create new businesses.

Through these measures, the Company aims to realize the following targets in 2008, the last year of the STEP UP 2006 plan: ROA (operating income/total assets) of 10% or more, ROE (net income/shareholders' equity) of 12% or more and a D/E ratio (interest-bearing liabilities/shareholders' equity) of 0.6–0.7.

**2) Measures to Improve Corporate Value through Strengthening Corporate Governance**

As an essential system to achieve steady growth in the corporate value of the Company and the common interests of the shareholders, the Company has strived to strengthen corporate governance. Specifically, it has (i) separated and strengthened the decision-making and business operations and the monitoring/auditing functions; (ii) established an Advisory Board as the Board of Directors' consultative body that includes experts from Japan and overseas to receive advice and recommendations on management of the entire Group, thereby enhancing the effectiveness and transparency of management. The Advisory Board also evaluates the performance of top executives; (iii) established and disclosed the Corporate Governance Guide as a concrete guideline for corporate governance.

**(3) Measures to Prevent Decisions on the Financial and Business Policies of the Company from Being Controlled by Those Deemed Inappropriate in Light of the Basic Policy (Takeover Defense Measures)**

The Company established the Countermeasures to Large-Scale Acquisitions of the Company's Shares (Takeover Defense Measures) (hereinafter, "the Plan"), which were approved by shareholders at the 140th Annual General Meeting of Shareholders held on June 23, 2006.

The summary of the Plan is as follows:

**1) Applicable Acquisitions**

Applicable acquisitions are those that lead to holdings of 20% or more of the Company's shares.

**2) Procedures for Negotiations with Acquirer**

Acquirers are required to submit in advance an acquisition statement and provide a period that allows the Company to collect information and examine the acquisition proposal, present the Company management's plans and alternative proposals to shareholders and negotiate with the acquirer.

**3) Allotment of Stock Acquisition Rights with a Call Option in the Event That an Acquirer Does Not Comply with Procedures**

If an acquirer does not comply with the aforementioned procedures, in accordance with the recommendation of the Independent Committee, the Board of Directors will decide to allot all shareholders registered at that time Stock Acquisition Rights with a Call Option, without consideration, at the rate of one Stock Acquisition Right per one share of stock held.

**4) Overview of Process for Triggering the Plan**

When the Independent Committee receives an acquisition statement from the acquirer, it may request from the Board of Directors an opinion regarding the acquisition proposal within a period of up to 30 days, and thereafter shall collect information and compare alternatives, during a period of up to 60 days as a basic rule.

Based on such information, the Independent Committee will make a recommendation to the Board of Directors on whether to implement a gratis allotment of the Stock Acquisition Rights.

The Board of Directors must fully respect the recommendations of the Independent Committee. The Board of Directors will finally decide whether to implement a gratis allotment of the Stock Acquisition Rights, and the Board of Directors must disclose this information promptly after such decision.

**5) Requirements for Gratis Allotment of the Stock Acquisition Rights**

Stock Acquisition Rights may be allotted for no consideration in the following instances.

(i) In case the acquirer does not comply with the procedure set forth in the Plan.

(ii) In case the acquisition is likely to cause obvious harm to the corporate value of the Company and the common interests of the shareholders, such as by demanding that the Company purchase these shares at an inflated price, or by taking temporary control of the Company's management to make the Company dispose of high-value assets, which would temporarily raise dividends from the profits of the disposal and push up the stock price, and then selling out its shares.

(iii) In case the acquisition may infringe upon the corporate value of the Company and the common interests of the shareholders by materially damaging relations with the Company's stakeholders, including employees, customers, end users and suppliers.

**6) Acquisition of Stock Acquisition Rights with a Call Option and Distribution of the Company's Stock**

According to the Call Option attached to the Stock Acquisition Rights, the Company may acquire stock acquisition rights in exchange for the Company's shares from all shareholders other than the acquirer at a rate of one (1) share of the Company's stock per one (1) Stock Acquisition Right.

For more information about Countermeasures to Large-Scale Acquisitions of the Company's Shares (Takeover Defense Measures), please visit the Company's Web site: (http://www.teijin.co.jp/english/about/about04_13.html).

**(4) Explanation as to How the Above Measures Comply with the Basic Policy, Do Not Harm the Common Interests of the Shareholders of the Company and Do Not Pursue the Personal Interests of the Company's Management**

The Plan was designed to incorporate the following perspectives and therefore the Company believes that it should comply with the Basic Policy, be consistent with the corporate value of the Company and the common interests of the shareholders and not pursue the personal interests of the Company's management.

**1) Reflection of the Intent of the Overall Shareholders**

(i) The Plan was approved by shareholders at the 140th Annual General Meeting of Shareholders held on June 23, 2006.

(ii) The Plan's validity is limited to the time until the close of the Annual General Meeting of Shareholders pertaining to the fiscal year ending March 2009.

(iii) As the term of office of the Company's directors is one year, the intent of the overall shareholders can be sufficiently reflected through the election of directors.

(iv) A resolution to abolish the Plan may be adopted by the Annual General Meeting of Shareholders even before the expiration of the validity of the Plan.

**2) Emphasis on the Judgment by Highly Independent Outside Directors and Independent Outside Auditors**

Upon the introduction of the Plan, the Company established the Independent Committee, an organ with the role of substantial and objective decision making for the benefit of shareholders while eliminating the possibility of arbitrary decisions by the Company's Board of Directors with regard to the actual operation of the Plan.

The Independent Committee consists of members elected and appointed by the Company's Board of Directors from among those persons who satisfy the requirements of "independent outside director" or "independent outside auditor," autonomously established by the Company.

The Independent Committee preserves management transparency by disclosing to shareholders information on acquisition statements and other items deemed appropriate.

**3) Rational and Objective Requirements to Allow the Plan to be Triggered**

The Plan will not be triggered unless the predetermined rational and objective requirements are satisfied, preventing the Plan from being arbitrarily triggered by any of the Company's management.

## 8. Policy Regarding the Determination of the Distribution of Dividends

The Company's basic policy is to ensure dividends in line with consolidated operating results. During the medium-term management plan "STEP UP 2006", which commenced in fiscal year 2006 and will end in fiscal year 2008, the Company is placing a high priority on strategic investment aimed at realizing our long-term corporate vision

Accordingly, the Company aims for a payout ratio of between 20% and 30%.for the time being.

With the aim of improving the competitiveness of the Teijin Group,the Company continues to fund investments aimed at enhancing and expanding sales, R&D and production organizations from internal reserves.

Accordingly, For the time being, the Company has no plans to acquire or dispose of treasury stock.

In principle, the Company continues the distribution of dividends twice per year, on the last day of the interim period and the last day of the fiscal year.

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Note: In this business report, figures of less than one million yen are truncated, and for figures stated in the unit of one hundred million yen, figures are rounded to the nearest unit.

# Consolidated Balance Sheets

(As of March 31,2008)

(Million yen : amounts less than one million yen are omitted)

| | FY2006 (As of Mar. 31, 2007) | FY2007 (As of Mar. 31, 2008) | Increase (Decrease) |
|---|---|---|---|
| < Assets > | | | |
| Current assets | | | |
| Cash and time deposits | 28,375 | 19,095 | (9,279) |
| Trade notes and accounts receivable | 208,413 | 204,917 | (3,496) |
| Inventories | 141,095 | 151,502 | 10,407 |
| Short-term loans | 2,803 | 2,988 | 185 |
| Deferred income taxes | 11,289 | 9,863 | (1,425) |
| Other current assets | 26,894 | 31,361 | 4,466 |
| Allowance for doubtful receivables | (1,462) | (2,334) | (872) |
| Total | 417,409 | 417,395 | (14) |
| Fixed assets | | | |
| Tangible assets | | | |
| Buildings | 84,435 | 87,582 | 3,147 |
| Machinery and equipment | 208,056 | 192,308 | (15,747) |
| Land | 47,764 | 47,666 | (97) |
| Construction in progress | 22,742 | 38,228 | 15,486 |
| Other | 16,632 | 16,781 | 148 |
| Total | 379,631 | 382,567 | 2,936 |
| Intangible assets | | | |
| Software and others | 22,705 | 16,075 | (6,629) |
| Goodwill | 31,049 | 58,623 | 27,573 |
| Total | 53,754 | 74,699 | 20,944 |
| Investments and other assets | | | |
| Investments in securities | 111,610 | 85,479 | (26,130) |
| Long-term loans | 3,097 | 3,530 | 432 |
| Prepaid pension expense | 13,645 | 15,793 | 2,148 |
| Deferred income taxes | 2,079 | 10,691 | 8,611 |
| Other assets | 22,383 | 28,871 | 6,488 |
| Allowance for doubtful receivables | (3,694) | (3,039) | 655 |
| Total | 149,121 | 141,328 | (7,793) |
| Total fixed assets | 582,507 | 598,595 | 16,087 |
| Total assets | 999,917 | 1,015,990 | 16,073 |

# Consolidated Balance Sheets

(As of March 31,2008)

(Million yen : amounts less than one million yen are omitted)

| | FY2006 (As of Mar. 31, 2007) | FY2007 (As of Mar. 31, 2008) | Increase (Decrease) |
|---|---|---|---|
| < Liabilities > | | | |
| Current liabilities | | | |
| Trade notes and accounts payable | 139,405 | 123,739 | (15,666) |
| Bank loans | 65,100 | 71,975 | 6,874 |
| Long-term loans due within one year | 16,540 | 12,731 | (3,809) |
| Commercial paper | 75,000 | 99,000 | 24,000 |
| Bonds due within one year | 36,733 | 24,337 | (12,395) |
| Income taxes payable | 17,313 | 5,672 | (11,640) |
| Deferred income taxes | 1 | - | (1) |
| Accrued expenses | 23,906 | 22,498 | (1,408) |
| Allowance for discount and rebate | 627 | 709 | 82 |
| Reserve for compensation for completed works | 192 | 15 | (177) |
| Reserve for adjustment of returned unsold goods | 65 | 45 | (20) |
| Reserve for relocation expenses | - | 248 | 248 |
| Other current liabilities | 51,859 | 56,560 | 4,700 |
| Total | 426,747 | 417,533 | (9,213) |
| Noncurrent liabilities | | | |
| Bonds | 49,933 | 25,326 | (24,607) |
| Long-term loans | 52,171 | 91,873 | 39,701 |
| Employees' retirement benefits | 17,852 | 18,278 | 425 |
| Directors' and statutory auditors' retirement benefits | 1,653 | 1,959 | 306 |
| Liabilities in accordance with the application of the | 863 | 5,674 | 4,811 |
| Deferred income taxes | 33,113 | 25,487 | (7,625) |
| Other noncurrent liabilities | 9,844 | 18,606 | 8,762 |
| Total | 165,433 | 187,207 | 21,773 |
| Total liabilities | 592,181 | 604,741 | 12,560 |
| <Net assets> | | | |
| Shareholders' equity | | | |
| Common stock | 70,787 | 70,815 | 28 |
| Capital surplus | 63,137 | 101,324 | 38,187 |
| Retained earnings | 196,899 | 199,952 | 3,052 |
| Treasury stock | (87) | (244) | (157) |
| Total shareholders' equity | 330,737 | 371,848 | 41,111 |
| Valuation and translation adjustments and others | | | |
| Net unrealized holding gains on securities | 40,268 | 24,062 | (16,206) |
| Deferred losses on hedges | 36 | (340) | (376) |
| Foreign currency translation adjustment | (4,289) | (4,559) | (270) |
| Total valuation and translation adjustments and others | 36,015 | 19,161 | (16,853) |
| Stock acquisition rights | 96 | 221 | 124 |
| Minority interests in consolidated subsidiaries | 40,886 | 20,017 | (20,869) |
| Total net assets | 407,736 | 411,249 | 3,513 |
| Total liabilities and net assets | 999,917 | 1,015,990 | 16,073 |

# Consolidated Statements of Income

(April 1,2007, to March 31,2008)

(Million yen : amounts less than one million yen are omitted)

| | FY2006 (Apr. 2006 - Mar. 2007) | FY2007 (Apr. 2007 - Mar. 2008) | Increase (Decrease) |
|---|---|---|---|
| Net sales | 1,009,586 | 1,036,623 | 27,037 |
| Cost of sales | 750,849 | 780,195 | 29,345 |
| Gross profit | 258,736 | 256,428 | (2,308) |
| Selling, general and administrative expenses | 183,675 | 191,266 | 7,590 |
| Operating income | 75,061 | 65,161 | (9,899) |
| Nonoperating revenues | | | |
| Interest income | 729 | 621 | (108) |
| Dividend income | 993 | 1,227 | 233 |
| Foreign exchange gain | 998 | - | (998) |
| Other income | 1,229 | 1,447 | 217 |
| Total | 3,951 | 3,295 | (655) |
| Nonoperating expenses | | | |
| Interest expense | 9,481 | 10,844 | 1,363 |
| Equity on losses of unconsolidated subsidiaries and affiliates | 3,973 | 4,646 | 673 |
| Other expenses | 5,064 | 6,664 | 1,600 |
| Total | 18,518 | 22,155 | 3,636 |
| Ordinary income | 60,493 | 46,302 | (14,190) |
| Extraordinary income | | | |
| Gain on sales of property, plant and equipment | 5,615 | 1,607 | (4,008) |
| Gain on sales of investment securities | 759 | 5,326 | 4,566 |
| Gain on reversal of allowance for doubtful receivable | 143 | 216 | 72 |
| Gain on transfer of property under eminent domain | - | 980 | 980 |
| Gain on compensation for transfer of property under eminent domain | 2,550 | - | (2,550) |
| Gain on insurance adjustment | 1,468 | - | (1,468) |
| Other income | 468 | 702 | 234 |
| Total | 11,005 | 8,832 | (2,172) |
| Extraordinary losses | | | |
| Loss on disposal of property, plant and equipment | 2,746 | 1,983 | (762) |
| Loss on sales of property, plant and equipment | 121 | 40 | (81) |
| Write-down of investment securities | 235 | 340 | 105 |
| Loss on sales of investment securities | 913 | 5 | (907) |
| Special provision for allowance for doubtful receivables | 654 | 832 | 178 |
| Special factory operating loss | 1,709 | 3,191 | 1,482 |
| Loss on impairment | 1,122 | 32,198 | 31,075 |
| Environmental protection cost | 366 | 1,391 | 1,024 |
| Restructuring cost | 3,113 | - | (3,113) |
| Other losses | 2,040 | 2,866 | 826 |
| Total | 13,023 | 42,851 | 29,828 |
| Income before income taxes | 58,474 | 12,282 | (46,191) |
| Income taxes - current | 15,527 | 14,690 | (836) |
| Reversal of prior year's income taxes | (2,917) | - | 2,917 |
| Income taxes - deferred | 8,198 | (4,195) | (12,393) |
| Minority interest in net losses of consolidated subsidiaries | (3,542) | 10,825 | 14,367 |
| Net income | 34,124 | 12,612 | (21,511) |

# Consolidated Statements of Change in Net Assets

(April 1,2007, to March 31,2008) (Million yen : amounts less than one million yen are omitted)

| | Common stock | Capital surplus | Retained earnings | Treasury stock at cost | Shareholders' Equity Total |
|---|---|---|---|---|---|
| Balance as of March 31, 2007 | 70,787 | 63,137 | 196,899 | (87) | 330,737 |
| Changes of items during the period | | | | | |
| New issue of stock*1 | 28 | 38,205 | | | 38,233 |
| Cash dividends paid | | | (9,535) | | (9,535) |
| Net income | | | 12,612 | | 12,612 |
| Others*2 | | | (24) | | (24) |
| Treasury stock purchased | | | | (234) | (234) |
| Disposal of treasury stock | | (18) | | 77 | 58 |
| Net changes of items other than shareholders' equity | | | | | |
| Total | 28 | 38,187 | 3,052 | (157) | 41,111 |
| Balance at March 31, 2008 | 70,815 | 101,324 | 199,952 | (244) | 371,848 |

| | Valuation and translation adjustmnts and others | | | | Stock acquisition rights | Minority interest in consolidated subsidiaries | Net assets Total |
|---|---|---|---|---|---|---|---|
| | Net unrealized holding gains on securities | Deferred gains on hedges | Foreign currency translation adjustments | Total | | | |
| Balance as of March 31, 2007 | 40,268 | 36 | (4,289) | 36,015 | 96 | 40,886 | 407,736 |
| Changes of items during the period | | | | | | | |
| New issue of stock*1 | | | | | | | 38,233 |
| Cash dividends paid | | | | | | | (9,535) |
| Net income | | | | | | | 12,612 |
| Others*2 | | | | | | | (24) |
| Treasury stock purchased | | | | | | | (234) |
| Disposal of treasury stock | | | | | | | 58 |
| Net changes of items other than shareholders' equity | (16,206) | (376) | (270) | (16,853) | 124 | (20,869) | (37,597) |
| Total | (16,206) | (376) | (270) | (16,853) | 124 | (20,869) | 3,513 |
| Balance at March 31, 2008 | 24,062 | (340) | (4,559) | 19,161 | 221 | 20,017 | 411,249 |

*1 New issue of stock comprised of:

| | | | |
|---|---|---|---|
| New shares issued due to exerc | Common stock | 28 | million yen |
| | Capital surplus | 28 | million yen |
| New shares issued due to stock | Capital surplus | 38,177 | million yen |

*2 Changes of surpluses owing to actuarial differences in retirement benefit obligations calculated based on U.K. accounting standards

(For Reference)

# Consolidated Statements of Cash Flows

(April 1,2007, to March 31,2008)

(Million yen : amounts less than one million yen are omitted)

| | FY2006 (Apr. 2006 - Mar. 2007) | FY2007 (Apr. 2007 - Mar. 2008) | Increase (Decrease) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Income before income taxes | 58,474 | 12,282 | (46,191) |
| Depreciation and amortization of goodwill | 54,008 | 62,667 | 8,658 |
| Loss on impairment | 1,122 | 32,198 | 31,075 |
| Increase in retirement benefits | 7 | 261 | 253 |
| Increase in allowance for doubtful receivables | 115 | 195 | 80 |
| Interest and dividend income | (1,723) | (1,848) | (125) |
| Interest expense | 9,481 | 10,844 | 1,363 |
| Equity in losses of unconsolidated subsidiaries and affiliates | 3,973 | 4,646 | 673 |
| Loss (gain) on sales and disposal of property, plant and equipment | (2,746) | 417 | 3,164 |
| Proceeds from compensation for transfer of property under eminent domain | (2,550) | - | 2,550 |
| Loss (gain) on sales of investment securities | 153 | (5,320) | (5,473) |
| Write-down of investment securities | 235 | 340 | 105 |
| Decrease (increase) in receivables | (10,900) | 3,706 | 14,606 |
| Increase in inventories | (7,704) | (9,492) | (1,788) |
| (Decrease) increase in payables | 25,145 | (15,973) | (41,118) |
| Other, net | (8,222) | (5,856) | 2,365 |
| Subtotal | 118,872 | 89,069 | (29,802) |
| Interest and dividends received | 2,838 | 3,546 | 707 |
| Interest paid | (8,400) | (11,917) | (3,517) |
| Income taxes paid | (16,854) | (26,958) | (10,104) |
| Net cash and cash equivalents provided by operating activities | 96,455 | 53,739 | (42,716) |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | (69,995) | (78,820) | (8,825) |
| Proceeds from sales of property, plant and equipment | 8,031 | 2,500 | (5,531) |
| Purchase of investment securities | (6,835) | (2,011) | 4,823 |
| Proceeds from sales and redemption of investment securities | 1,262 | 6,196 | 4,933 |
| Purchase of additional shares in subsidiaries | (10,854) | - | 10,854 |
| Increase in short-term loans receivable | (1,088) | (1,105) | (16) |
| Long-term loans advanced | (1,275) | (1,553) | (278) |
| Collections on long-term loans receivable | 304 | 518 | 214 |
| Other, net | (6,615) | (4,942) | 1,672 |
| Net cash and cash equivalents used in investing activities | (87,065) | (79,217) | 7,847 |
| **Cash flows from financing activities** | | | |
| Increase (Decrease) in short-term bank loans, net | (18,965) | 7,564 | 26,530 |
| Increase in commercial paper, net | 31,000 | 24,000 | (7,000) |
| Issue of debentures | 51,733 | 51,021 | (711) |
| Redemption of debentures | (57,014) | (90,697) | (33,683) |
| Proceeds from long-term debt | 15,455 | 51,787 | 36,332 |
| Repayment of long-term debt | (32,159) | (16,861) | 15,297 |
| Cash dividends paid | (7,887) | (9,535) | (1,648) |
| Cash dividends paid to minority shareholders | (1,486) | (1,204) | 282 |
| Other, net | 251 | 6 | (245) |
| Net cash and cash equivalents provided by (used in) financing activities | (19,073) | 16,080 | 35,154 |
| Effect of exchange rate changes on cash and cash equivalents | 374 | 126 | (248) |
| Net decrease in cash and cash equivalents | (9,308) | (9,271) | 37 |
| Cash and cash equivalents at beginning of period | 37,585 | 28,365 | (9,220) |
| Increase of cash and cash equivalents due to change in scope of consolidation | 88 | - | (88) |
| **Cash and cash equivalents at end of period** | 28,365 | 19,093 | (9,271) |