

Financial Section

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Consolidated 11-Year Summary

Years ended March 31	1999	2000	2001	2002
Operating Results				
Net sales	¥574,175	¥ 604,173	¥ 761,410	¥ 923,446
Gross profit	162,001	169,188	205,404	211,660
Percentage of net sales	28.2%	28.0%	27.0%	22.9%
Operating income	29,899	26,285	43,713	29,497
Percentage of net sales	5.2%	4.4%	5.7%	3.2%
Net income (loss)	8,138	7,079	15,950	975
Percentage of net sales	1.4%	1.2%	2.1%	0.1%
Segment Information				
Net sales:				
Fibers and Textiles	295,701	317,544	343,911	509,891
Synthetic Fibers	—	—	—	—
Films and Plastics	126,370	112,921	210,997	192,426
Pharmaceuticals and Home Health Care	84,072	87,217	88,643	94,542
Trading and Retail	—	—	—	—
Machinery and Engineering	—	38,990	71,538	74,481
IT and New Products, etc. ⁽¹⁾	68,032	47,501	46,321	52,106
Total	¥574,175	¥ 604,173	¥ 761,410	¥ 923,446
Operating income (loss):				
Fibers and Textiles	2,601	(1,953)	430	7,435
Synthetic Fibers	—	—	—	—
Films and Plastics	8,809	7,779	17,560	(3,158)
Pharmaceuticals and Home Health Care	14,719	16,570	15,809	16,916
Trading and Retail	—	—	—	—
Machinery and Engineering	—	(313)	4,744	2,568
IT and New Products, etc. ⁽¹⁾	3,690	3,552	4,684	4,919
Elimination and corporate ⁽²⁾	80	650	486	817
Total	¥ 29,899	¥ 26,285	¥ 43,713	¥ 29,497
Financial Position				
Total assets	¥838,677	¥1,015,857	¥1,058,514	¥1,104,633
Total current assets	379,491	437,876	416,784	459,334
Property, plant and equipment, net	247,979	369,819	391,383	433,022
Total current liabilities	254,957	354,680	386,477	495,591
Long-term debt due after one year	215,217	220,564	189,121	159,661
Shareholders' equity	299,602	294,643	320,769	311,469
Cash Flows				
Cash flows from operating activities	50,482	61,061	79,446	52,394
Depreciation and amortization	34,216	36,824	48,777	51,185
Cash flows from investing activities	(26,057)	(39,852)	(50,511)	(51,284)
Purchase of property, plant and equipment	(29,403)	(36,484)	(41,520)	(50,862)
Cash flows from financing activities	(14,305)	(22,925)	(55,842)	(6,197)
Net increase (decrease) in cash and cash equivalents ⁽³⁾	10,120	(4,601)	(26,267)	(3,957)
Per Share Data (Yen)				
Net income (loss): Primary	¥ 8.8	¥ 7.8	¥ 17.6	¥ 1.1
Fully diluted	8.7	—	17.3	1.1
Shareholders' equity	330.6	325.2	354.1	335.5
Cash dividends	6.0	6.0	6.5	6.5
Ratios				
Net income to shareholders' equity (ROE) ⁽⁴⁾	2.7%	2.4%	5.2%	0.3%
Operating income to total assets (ROA) ⁽⁴⁾	3.5	2.8	4.2	2.7
Shareholders' equity to total assets	35.7	29.0	30.3	28.2
Dividend payout ratio	69	77	37	607
Other Data				
R&D expenses (Millions of yen)	¥ 27,605	¥ 28,452	¥ 30,275	¥ 31,864
Number of shares outstanding (Thousands)	906,393	905,993	905,993	928,299
Number of employees	17,227	21,971	22,256	24,026

Notes: 1. Up to fiscal 2003, this segment was called "New Products and Other Businesses."

2. In fiscal 2003, ended March 31, 2004, the allocation method for corporate expenses was changed.

3. Owing to a change in accounting standards, the definition of cash and cash equivalents after fiscal 1999, ended March 31, 2000, differs from previous years.

4. Throughout this annual report, ROE is calculated as net income divided by average shareholders' equity, and ROA is calculated as operating income divided by average total assets. Shareholders' equity = Total net assets at year-end – Stock acquisition rights at year-end – Minority interest in consolidated subsidiaries at year-end.

Millions of yen

2003	2004	2005	2006	2007	2008	2009
¥ 890,434	¥874,569	¥908,389	¥938,082	¥1,009,586	¥1,036,624	¥ 943,410
209,491	212,682	222,607	250,365	258,737	256,428	218,636
23.5%	24.3%	24.5%	26.7%	25.6%	24.7%	23.2%
35,298	38,745	51,865	76,757	75,061	65,162	17,966
4.0%	4.4%	5.7%	8.2%	7.4%	6.3%	1.9%
(20,977)	8,455	9,159	24,853	34,125	12,613	(42,963)
-2.4%	1.0%	1.0%	2.6%	3.4%	1.2%	—
489,485	—	—	—	—	—	—
—	247,530	278,846	260,967	293,280	317,612	273,208
182,398	186,504	216,432	264,511	287,902	293,834	258,004
92,464	93,104	97,104	105,589	113,093	114,403	127,146
—	256,295	261,199	259,828	266,492	265,931	239,163
72,784	43,290	—	—	—	—	—
53,303	47,846	54,808	47,187	48,819	44,844	45,889
¥ 890,434	¥874,569	¥908,389	¥938,082	¥1,009,586	¥1,036,624	¥ 943,410
8,221	—	—	—	—	—	—
—	9,144	10,520	14,549	17,342	24,448	(2,780)
3,734	4,020	19,145	40,950	33,900	20,247	226
16,192	17,252	18,148	19,318	21,192	21,691	24,838
—	5,320	6,145	5,316	5,395	5,255	3,873
3,723	3,861	—	—	—	—	—
3,528	5,456	3,758	3,760	4,320	3,516	3,589
(100)	(6,308)	(5,851)	(7,136)	(7,088)	(9,995)	(11,780)
¥ 35,298	¥ 38,745	¥ 51,865	¥ 76,757	¥ 75,061	¥ 65,162	¥ 17,966
¥1,036,518	¥914,502	¥852,029	¥943,991	¥ 999,917	¥1,015,991	¥ 874,157
435,187	342,127	369,860	399,002	417,409	417,395	351,120
432,999	393,820	322,652	346,498	379,632	382,568	339,704
444,140	330,862	320,828	397,919	426,748	417,534	325,074
207,774	199,298	158,959	108,715	102,105	117,200	177,081
278,527	293,898	290,586	338,609	366,753	391,010	305,577
58,316	44,973	73,313	75,491	96,456	53,740	40,392
53,028	52,794	52,287	50,389	54,009	62,668	67,364
(65,919)	(16,715)	12,708	(74,062)	(87,065)	(79,218)	(116,304)
(66,936)	(47,569)	(43,900)	(66,620)	(69,996)	(78,821)	(75,845)
10,842	(32,325)	(79,643)	1,511	(19,074)	16,080	79,178
2,762	(4,451)	6,249	4,689	(9,309)	(9,271)	1,274
¥ (22.7)	¥ 9.0	¥ 9.7	¥ 26.6	¥ 36.8	¥ 13.2	¥ (43.7)
(22.7)	9.0	9.7	26.6	36.8	13.2	—
300.3	316.8	313.3	364.8	395.2	397.3	310.5
6.5	6.5	6.5	7.5	10.0	8.0	5.0
-7.1%	3.0%	3.1%	7.9%	9.7%	3.3%	-12.3%
3.3	4.0	5.9	8.5	7.7	6.5	1.9
26.9	32.1	34.1	35.9	36.7	38.5	35.0
—	72	67	28	27	61	—
¥ 29,880	¥ 32,830	¥ 30,024	¥ 31,196	¥ 35,097	¥ 36,282	¥ 37,630
928,299	928,299	928,299	928,299	928,299	984,754	984,759
23,265	20,551	18,960	18,819	19,053	19,125	19,453

Management's Discussion and Analysis

Summary

Operating Environment

Fiscal 2008, the year ended March 31 2009, was marked by a sharp downturn in the global economy. The first half of the period was marred by persistently high prices for raw materials, spurred by a sharp increase in demand, particularly in the BRICs economies, namely, Brazil, Russia, India and the PRC, while in the second half the impact of the financial crisis precipitated by the U.S. subprime mortgage issue spread to the real economy. Economic conditions in Japan also deteriorated, evidenced by flagging production and back-to-back employment adjustments. In the automotive and electronics markets, both crucial for the Teijin Group, consumer demand shrank rapidly from October on.

Strategies in Action

In the period under review, the Teijin Group initially emphasized the decisive investment of resources in growth SBUs, which include aramid and carbon fibers. However, as the impact of the financial crisis on the real economy worsened, the Group refocused its attention on measures aimed at securing a positive cash flow. These included minimizing capital investment and inventories and reducing costs.

Operating Results

Years ended March 31	Billions of yen		Change
	2008	2009	
• Net Sales	¥1,036.6	¥943.4	-9.0%

Despite firm sales in the Pharmaceuticals and Home Health Care segment, flagging market conditions pushed down sales in the Synthetic Fibers, Films and Plastics, and Trading and Retail segments, prompting a marked decline in consolidated net sales.

Years ended March 31	Billions of yen		Change
	2008	2009	
• Operating Income	¥65.2	¥18.0	-72.4%

Principal factors behind the decline in operating income included high raw materials prices and fuel costs, which persisted throughout the first half, and a steep decline in demand in the second half, which substantially eroded operating income in our materials businesses, notably for our Synthetic Fibers and our Films and Plastics segments. The Synthetic Fibers segment, which had previously shown steady profitability, fell into the red. These results outweighed the impact of an increase in operating income in the robust Pharmaceuticals and Home Health Care segment.

Years ended March 31	Billions of yen		Change
	2008	2009	
• Net Income (Loss)	¥12.6	¥(43.0)	—

Our worst-ever net loss result reflected the aforementioned decline in operating income, an increase in equity in losses of unconsolidated subsidiaries and affiliates, a special factory operating loss—attributable to the steep decline in demand in Teijin's materials businesses—and restructuring costs, which, together with a reduced gain on sales of investment securities, countered the positive impact of a decrease in loss on impairment.

Years ended March 31	Billions of yen		Change
	2008	2009	
• Total Assets	¥1,016.0	¥874.2	-14.0%

The decline in total assets was attributable to a decrease in trade notes and accounts receivable, which accompanied a decline in net sales, as well as such other factors as declines in fixed assets and investments in securities, the former due to the appreciation of the yen and the application of impairment accounting and the latter to falling share prices.

Years ended March 31	Billions of yen	
	2008	2009
• Free Cash Flow	¥(25.5)	¥(75.9)

A decline in net cash and cash equivalents provided by operating activities, together with investment in growth SBUs and outlays for the purchase of shares in subsidiaries, resulted in a substantial negative free cash flow.

Key Indicators

Years ended March 31	2008	2009
ROA	6.5 %	1.9 %
ROE	3.3 %	-12.3 %
Debt-to-equity ratio	0.83 times	1.18 times

ROA—calculated using operating income—and ROE were down, owing primarily to unfavorable income results. The decline in ROE, in particular, was due to the significant net loss—itsself a consequence of extraordinary losses, notably the aforementioned special factory operating loss and restructuring costs—and to the fall in operating income. The debt-to-equity ratio deteriorated, reflecting the net loss and investments in the home health care business to acquire Braden Partners, a leading home health care services provider in the United States specializing in respiratory ailments.

Tasks Ahead

Our most important objectives in fiscal 2009 are to transform Teijin back into an entity that yields profits and to secure a positive cash flow. By executing decisive structural reforms in our businesses, we aim to reposition the Teijin Group on a growth trajectory as expeditiously as possible.

Results of Operations

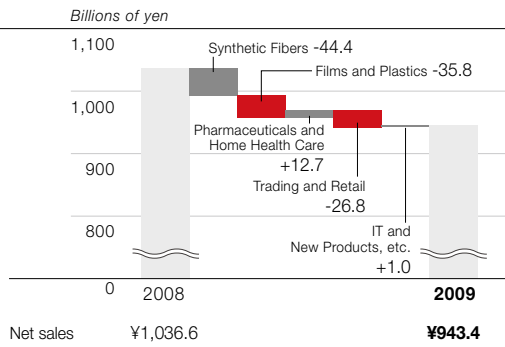
Net Sales

Consolidated net sales were down 9.0%, or ¥93.2 billion, from fiscal 2007, to ¥943.4 billion. This decrease occurred despite firm sales in the Pharmaceuticals and Home Health Care segment, and was largely attributable to flagging market conditions, which led to sales declines of between 10% and 14% in the Synthetic Fibers, Films and Plastics, and Trading and Retail segments.

In the Synthetic Fibers segment, sales in the first half remained essentially level with the first half of the previous fiscal year, but the impact of worsening economic conditions sparked a sharp drop in the second half. Aramid fibers sales, previously firm, fell sharply as recessionary conditions worldwide led to a substantial decline in demand, particularly for automotive applications, from November. In the Films and Plastics segment, deteriorating economic conditions triggered a steep decline in demand in both the films and plastics businesses from October. In the Pharmaceuticals and Home Health Care segment, first-half sales were on a par with the corresponding period of fiscal 2007 and rose substantially in the second half, bolstered by the aforementioned acquisition of a U.S. home health care services provider specializing in respiratory ailments. In the Trading and Retail segment, sales plummeted as a consequence of languishing sales of textiles and apparel and the impact of global economic deterioration.

Analysis of Net Sales

Years ended
March 31

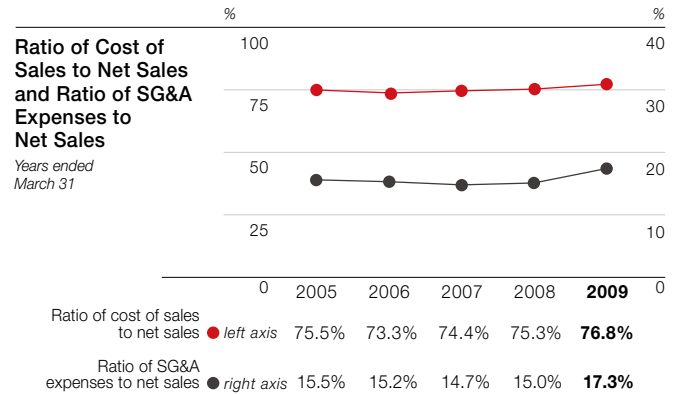


Costs and Expenses

Cost of sales contracted 7.1%, or ¥55.4 billion, to ¥724.8 billion, owing primarily to the decline in net sales. As a percentage of consolidated net sales, however, cost of sales rose 1.5 percentage points, to 76.8%, reflecting rising raw materials prices and fuel costs in the first half and falling operating rates in the second half.

Expenditures in the home health care business—including the acquisition of a U.S. home health care services provider—and investments in corporate research pushed selling, general and administrative (SG&A) expenses up 5.2%, or ¥8.1 billion, to ¥163.0 billion. SG&A expenses were equivalent to 17.3% of net sales, an increase of 2.3 percentage points.

R&D expenses advanced 3.6%, or ¥1.3 billion, to ¥37.6 billion, reflecting ongoing, decisive investments in key strategic businesses, combined with investments in corporate research aimed at cultivating new businesses.



Research and Development

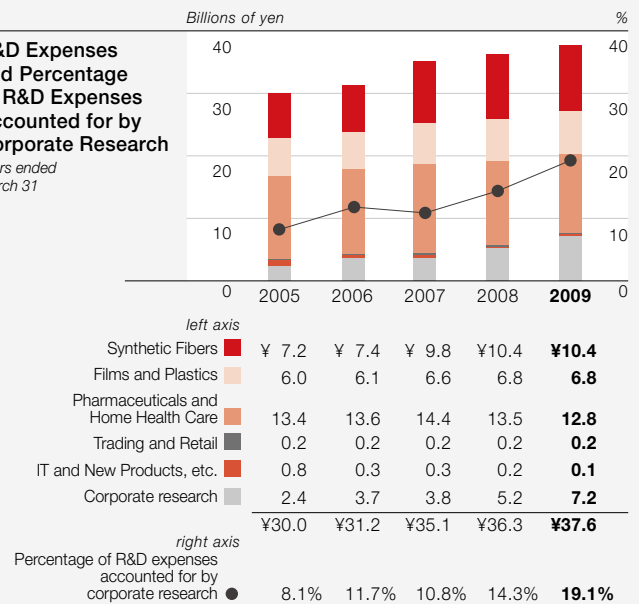
Recognizing technological innovation as the cornerstone of future corporate growth, we have grouped promising markets into four key fields, which we have termed automobiles and aircraft, information and electronics, health care, and environment and energy. We continue striving to conduct decisive and efficient R&D in all four of these fields.

Corporate research, in particular, focuses on technological innovation and the cultivation of new businesses. In fiscal 2008, investments in corporate research accounted for 19.1% of total R&D expenses, an increase of 4.8 percentage points from the previous fiscal year.

For more information on our R&D activities, see pages 45–49.

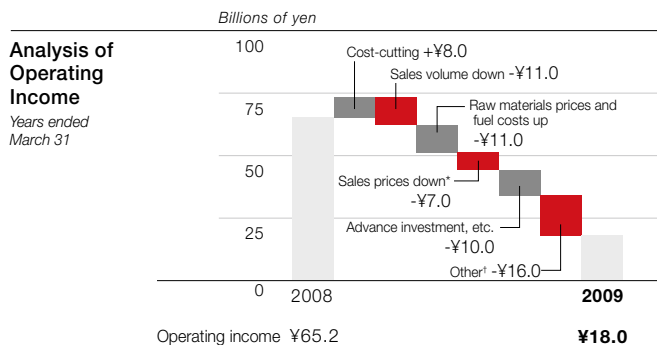
R&D Expenses and Percentage of R&D Expenses Accounted for by Corporate Research

Years ended
March 31

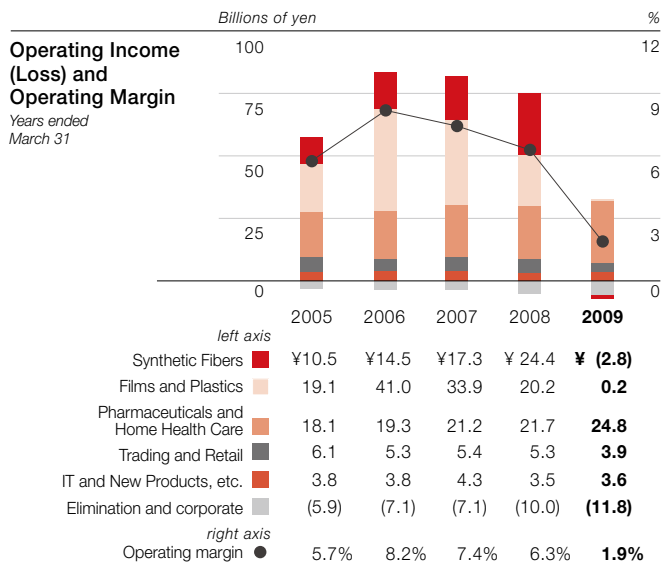


Operating Income

Operating income fell 72.4%, or ¥47.2 billion, to ¥18.0 billion, while the operating margin fell 4.4 percentage points, to 1.9%. Principal factors behind the decline in operating income included high raw materials prices and fuel costs, which persisted throughout the first half, and a steep decline in demand in the second half, which substantially eroded operating income in our materials businesses, notably for our Synthetic Fibers and our Films and Plastics segments. These results outweighed the impact of an increase in operating income in the robust Pharmaceuticals and Home Health Care segment. The Synthetic Fibers segment, which had previously shown steady profitability, fell into the red, as the operating loss in the polyester fibers business widened and the high-performance fibers business reported a steep drop in operating income. The Films and Plastics segment also reported an operating loss, despite positive results in the films business, as rising raw materials prices and fuel costs in the first half and the appreciation of the yen in the second half led to a loss in the plastics business. Additionally, while cost-cutting measures added ¥8.0 billion to operating income, this was offset by the negative impact—estimated at ¥55.0 billion—of declining shipments, rising raw materials prices and fuel costs, and falling sales prices, among others.



* Changes resulting from decline in sales prices, improvement in product mix and revision of drug reimbursement prices.
† Includes increase in amortization of goodwill.

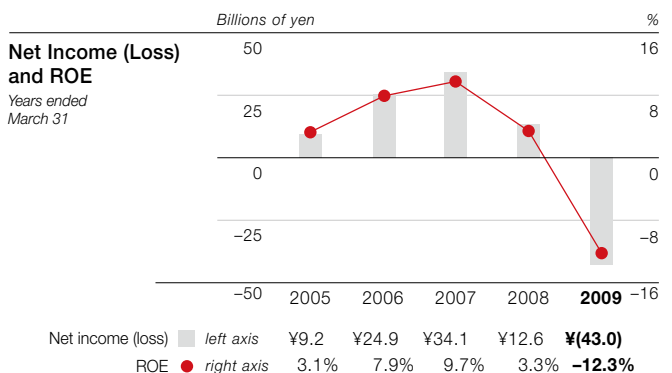


Other Income (Expenses)

Other expenses, a net figure comprising nonoperating expenses and extraordinary expenses—also both net figures—amounted to ¥51.9 billion, down ¥1.0 billion from fiscal 2007. This was despite a substantial decline in impairment loss and reflected an increase in special factory operating loss, restructuring costs and a decline in gain on sales of investment securities.

Net Loss

Owing to the steep fall in operating income, combined with an increase in equity in losses of unconsolidated subsidiaries and affiliates, we reported a net loss of ¥43.0 billion, compared with net income of ¥12.6 billion in the previous fiscal year. As a consequence, ROE fell 15.6 percentage points, to -12.3%, from 3.3% in fiscal 2007.



Business Segment Results

Synthetic Fibers

The Synthetic Fibers segment reported net sales of **¥273.2 billion**, a decline of **14.0%** from the previous fiscal year, and an operating loss of **¥2.8 billion**.

Polyester Fibers

The polyester fibers business' operating loss widened, owing to high raw materials prices and fuel costs in the first half and further worldwide economic deterioration in the second half.

Despite sales price revisions in Japan and overseas, as well as a shift in emphasis to highly profitable products and decisive efforts to reduce costs, the polyester fibers business' operating loss widened. This result was attributable to rising raw materials prices and fuel costs, as well as an influx of products from the PRC and elsewhere, in the first half of the period, coupled with worldwide economic deterioration—which prompted a sharp drop in demand in the automotive sector and in the languishing apparel and interior products sectors—and the impact of unfavorable foreign exchange rates in the second half.

In Japan, subsidiary Teijin Fibers Limited struggled, posting a sizeable operating loss as domestic market conditions caused textile sales to sag. Our subsidiaries in Thailand and Indonesia also continued to operate in a harsh environment as the U.S. economic slowdown caused demand to further weaken.

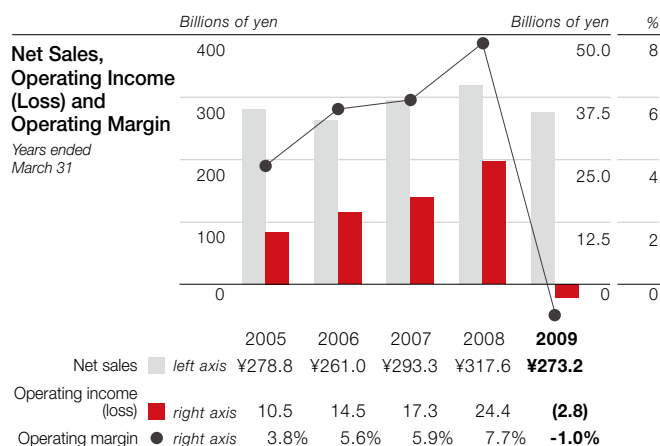
On a positive note, we continued to promote the development of new business models. In July 2008, for example, we signed an agreement to license out production technology for *PURITY*®, a heavy-metal-free polyester material, to one of Asia's largest polyester manufacturers. In March 2009, we concluded a contract with Suminoe Textile of Japan, to create a vertically integrated organization combining our respective automotive interior materials businesses. Also in July, we commenced commercial production of *Nanofront*™, an innovative new high-strength polyester nanofiber, with the aim of expanding our lineup of high-value-added materials.

High Performance Fibers

Sales were firm in the first half, but demand fell sharply in the second half.

Sales of *Twaron*® and *Technora*® para-aramid fibers continued to rise favorably as demand remained firm in the first half, particularly for automotive, safety and protective apparel applications. Against a background of strong demand, in July 2008 we completed and brought on line new facilities for *Twaron*®—the first phase of a project to expand our overall production capacity by approximately 15%. From November, however, global recessionary conditions led to a substantial decline in demand for aramid fibers, particularly for automotive applications. Owing to a slowdown in the steel industry, demand for *Teijinconex*® meta-aramid fibers in filters also fell sharply in the second half.

While sales of *Tenax*® carbon fibers remained comparatively firm for use in private-sector aircraft, recessionary conditions weakened demand, especially for general industrial applications and sports and leisure equipment, from September on. In this environment, carbon fiber manufacturers, including Teijin—who have steadily expanded production facilities to date—are hastening efforts to implement production adjustments and delay the start of operations at new facilities.



Films and Plastics

In the Films and Plastics segment, net sales declined **12.2%**, to **¥258.0 billion**, and operating income fell **98.9%**, to **¥0.2 billion**.

Films

Sales were steady in the first half, but from November recessionary conditions pushed demand down.

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 Japan, sales of PET film were brisk through September, particularly for FPDs and solar cells. Sales of *Teonex*® PEN film also remained robust through September, especially for high-density backup tapes and automotive and electronics applications. In October, however, recessionary conditions worldwide triggered a steep decline in demand for all but a few applications, prompting us to temporarily suspend production on certain lines in December.

In the United States, the operating loss narrowed, as sales remained firm through September and depreciation and amortization declined, a result of the application of impairment accounting to the fixed assets of our U.S. films joint venture in the previous period.

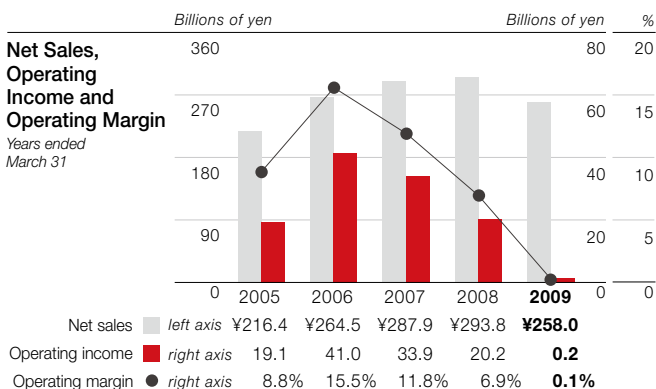
In summary, despite reducing the operating loss of our U.S. films joint venture, our global films joint ventures—which include unconsolidated subsidiaries and affiliates accounted for by the equity method—reported decreases in sales and operating income. This was mainly attributable to the general economic deterioration.

Plastics

The plastics business struggled, due to falling demand, a consequence of economic deterioration, as well as to persistently high raw materials prices and fuel costs and the appreciation of the yen.

Sales of mainstay *Panlite*® polycarbonate resin were sluggish through September for use in optical discs, but favorable for electrical and electronics equipment, OA equipment and automotive applications, among others. Nonetheless, owing to recessionary conditions worldwide from October on, we were unable to avoid a decline in shipments for the full term. This, coupled with the impact of persistently high raw materials prices and fuel costs in the first half and the sharp appreciation of the yen in the second half, resulted in a decrease in net sales and an operating loss.

In the area of processed polycarbonate resin products, *ELECLEAR*® clear electroconductive film was adopted by an increasing number of manufacturers for such applications as smart phones and electronic games. To accommodate rising demand and bolster sales of this product, in October 2008 we doubled related production capacity.



Pharmaceuticals and Home Health Care

The Pharmaceuticals and Home Health Care segment registered net sales of ¥127.1 billion, an increase of 11.1%, and operating income of ¥24.8 billion, up 14.5%.

Pharmaceuticals

Sales increased steadily, despite a revision of drug reimbursement prices (official prescription drug prices). In the United States, we commenced sales of a new gout and hyperuricemia treatment.

Shipments of *Bonalon*®* 35mg tablet, a once-weekly formulation of osteoporosis treatment *Bonalon*®, increased favorably. In R&D, we commenced phase III clinical trials for inhaled steroid bronchial

asthma treatment *Alvesco*® for treating asthma in children, a new indication, in June 2008, and for GTH-42V, a new injection form of bisphosphonate drug *Bonalon*® for treating osteoporosis—also a new indication—in December. Partner Beaufour Ipsen, of France, to whom we have licensed out gout and hyperuricemia treatment TMX-67, was granted marketing authorization for the drug in Europe in April 2008 and is proceeding with preparations for launch. U.S. licensee Takeda Pharmaceuticals North America, obtained regulatory approval from the U.S. Food and Drug Administration (FDA) in February 2009 and commenced sales of the drug in March under the name *ULORIC*®. Also in March, Nissan Chemical Industries and Teijin Pharma concluded a licensing agreement with Bristol-Myers Squibb of the United States, granting Bristol-Myers Squibb the exclusive rights outside of Japan to market a promising new drug, NTC-801, a novel atrial fibrillation and flutter treatment and preventative drug discovered by Nissan Chemical and currently under development in Japan by Nissan Chemical and Teijin.

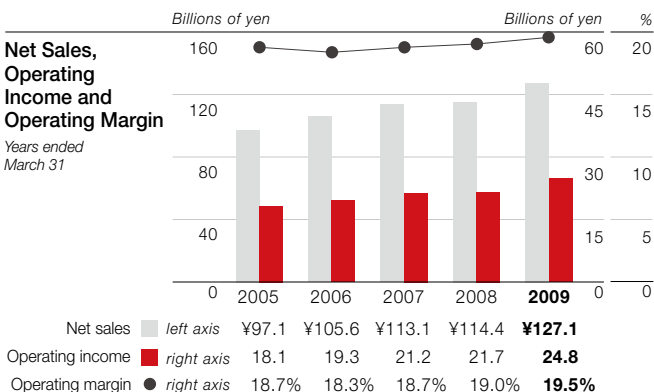
**Bonalon*® is the registered trademark of Merck & Co., Inc., Whitehouse Station, NJ, U.S.A.

Home Health Care

Sales rose solidly, despite a revision of medical service fees (fees paid to medical institutions and practitioners for diagnoses and treatments, determined under Japan's NHI scheme). We also continued to promote the expansion of our global operations.

Rental volume for mainstay HOT equipment in Japan remained high. We continued to work to foster our markets, commencing rentals of *Hi-Sanso Portable*™, a portable therapeutic oxygen concentrator, in May 2008, and *Hi-Sanso*™ 3R, a high-performance, energy-saving unit, in October. In other home health care equipment, revenues from rentals of CPAP ventilators and *SAFHS*® (Sonic Accelerated Fracture Healing System) were steady.

We also sought to further accelerate our global expansion. In June 2008 we acquired leading U.S. home health care services provider Braden Partners, while in December we agreed to establish a 50:50 joint venture with Laboratorios del Dr. Esteve, a major Spanish pharmaceuticals company, with the aim of overseeing our HOT business in Europe. The new company was established in February 2009.



Trading and Retail

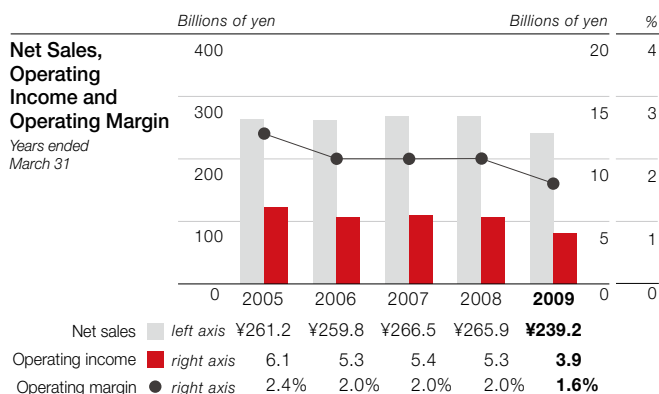
In the Trading and Retail segment, net sales declined 10.1%, to ¥239.2 billion, and operating income fell 26.3%, to ¥3.9 billion, as sales of textiles and apparel continued to languish, while sales of industrial textiles and materials attenuated in the second half.

Textiles and Apparel

Conditions in the retail market in Japan were sluggish in the first half, owing partially to unseasonable weather, while from October consumer sentiment cooled further as evidence of a global recession increased. As a consequence, sales of ladies' fashions in Japan and textiles to customers in Europe and North America floundered. In response, we took steps as a Group to bolster our textiles and apparel business, including launching new environment-friendly textiles in the United States, notably a recycled-polyester and wool blend fabric developed for use in business suits and uniforms, and establishing a joint venture (specialty retailer of private-label apparel) involving several companies, including apparel manufacturer Flandre Co., Ltd., Sumikin Bussan Corporation and the Teijin Group.

Industrial Textiles and Materials

Economic deterioration worldwide prompted manufacturers in the automotive, electrical and electronics industries to implement production adjustments. As a consequence, sales of rubber reinforcements for automotive applications and industrial-use plastic products, notably resins, weakened. Sales of general-purpose industrial textiles sagged.



IT and New Products, etc.

Sales in the IT and New Products, etc., segment rose 2.3%, to ¥45.9 billion, while operating income rose 2.1%, to ¥3.6 billion, as the IT business

reported increases in sales and operating income in the period under review.

IT

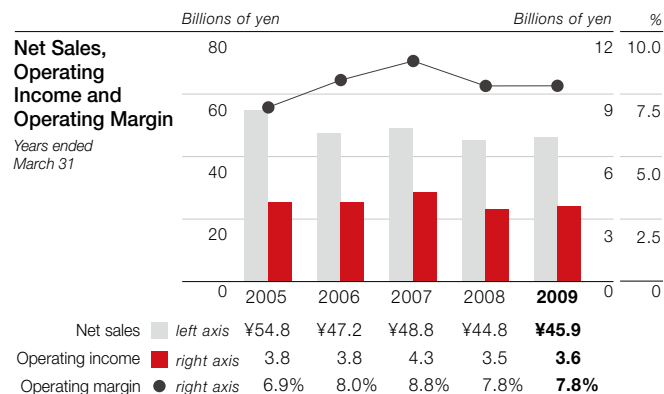
The IT business is divided into IT solutions and Services, both provided by subsidiary Infocom Corporation. IT solutions includes GRANDIT®, an enterprise resource planning (ERP) software package, as well as solutions for medical institutions and intellectual property and patent management, while Services includes the provision of e-books, ring tones and other content for mobile phones, the management of e-commerce sites and data center management. In the period under review, we sought to enhance profitability in IT solutions by taking decisive steps to ensure effective project-specific budget, quality and progress management. In Services, we worked to expand our e-book distribution and e-commerce site management businesses. Such efforts supported increases in sales and operating income in the IT business.

New Products, etc.

We continued to promote ambitious R&D efforts with the aim of promptly commercializing achievements in five key areas—highly thermally conductive materials, bioplastics, high-performance electronics materials, water treatment and composite materials. To hasten the realization of new businesses, in April 2008 we opened the Teijin Technology Innovation Center in Iwakuni, Japan.

In bioplastics, we broke ground in December 2008 on a new medium-scale pilot plant for BIOFRONT® heat-resistant bioplastic with the aim of accelerating efforts to cultivate new applications. We are currently proceeding with construction with a view to completion in summer 2009.

In the area of composite materials, we acquired a majority stake in Japanese firm GH Craft Ltd. and in July 2008 established the Teijin Composites Innovation Center—a new facility that integrates key R&D and marketing functions for advanced composite materials—on the GH Craft site. Crucial to our midstream and downstream product strategies, the facility brings together the Teijin Group's outstanding capabilities in high-performance materials, thereby facilitating the development and early commercialization of Group composite materials technologies.



Financial Position

Analysis of Assets, Liabilities, Net Assets and Cash Flows

Assets, Liabilities and Net Assets

Interest-bearing debt increased ¥36.1 billion in fiscal 2008, reflecting an increase in demand for funds, owing to the deterioration of our operating results and the acquisition of a U.S. home health care services provider. As a consequence, the debt-to-equity ratio rose 0.35 points, to 1.18 times. A net loss for the period, together with a sharp increase in foreign currency translation adjustments, pushed shareholders' equity down ¥85.4 billion. The equity ratio declined 3.5 percentage points, to 35.0%.

Despite a slight worsening of key indicators of financial soundness, our long-term debt ratings remained level with the previous period. However, Moody's Investors Service has amended its outlook—stable in fiscal 2007—to negative.

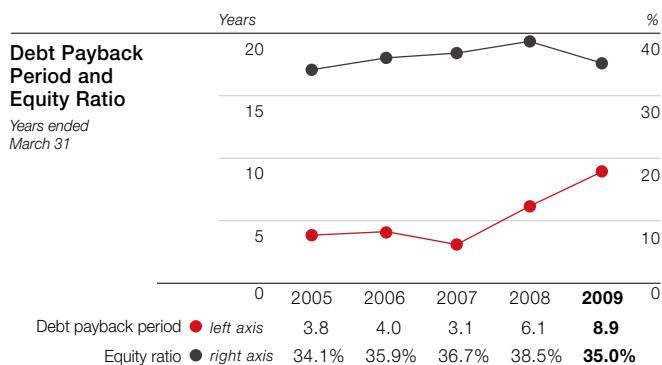
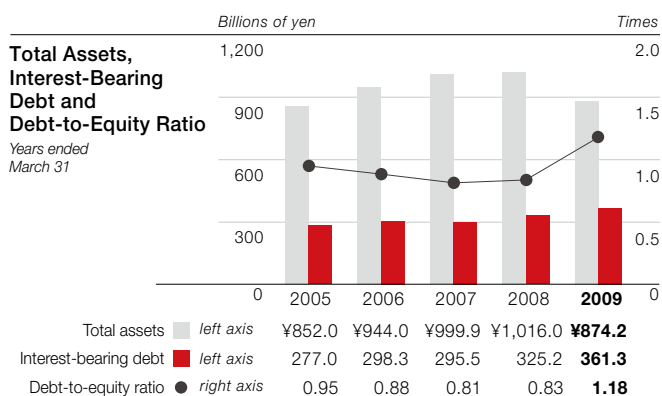
The deterioration of our operating results also had a negative impact on key indicators of liquidity. The interest coverage ratio declined to 4.0 times, from 4.5 times in fiscal 2007, while the debt payback period rose to 8.9 years, from 6.1 years.

	As of March 31, 2009	
	Moody's	Rating and Investment Information, Inc.
Rating	A3	A
Outlook	Negative	Stable

Total assets as of March 31, 2009, amounted to ¥874.2 billion, down ¥141.8 billion from the end of fiscal 2007. This result was attributable to a decrease in trade notes and accounts receivable, which accompanied a decline in net sales. Other contributing factors included declines in fixed assets and investments in securities, the former due to the appreciation of the yen and the application of impairment accounting and the latter to falling share prices.

Total liabilities, at ¥544.2 billion, were down ¥60.6 billion from the fiscal 2007 year-end. Interest-bearing debt, including bank loans, long-term loans and commercial paper, accounted for ¥361.3 billion of the total, up ¥36.1 billion. The increase in interest-bearing debt was attributable to the need to procure funds to facilitate the purchase of a U.S. home health care services provider.

Total net assets were ¥330.0 billion, a decline of ¥81.3 billion from the end of the previous fiscal year. Shareholders' equity and valuation and translation adjustments and others together represented ¥305.6 billion of the total, down ¥85.4 billion. This decline reflected a net loss of ¥43.0 billion; a ¥28.6 billion deduction for foreign currency translation adjustments, owing to the appreciation of the yen, compared with a deduction of ¥4.6 billion a year earlier; and a decline in net unrealized holding gains on securities, a consequence of falling share prices.



Cash Flows

Net cash and cash equivalents provided by operating activities in fiscal 2008 amounted to ¥40.4 billion. Factors behind this result included depreciation and amortization and a decrease in payables, which countered a net loss for the period, a decrease in receivables and the payment of income taxes.

Net cash and cash equivalents used in investing activities totaled ¥116.3 billion, owing to the application of cash to the purchase of property, plant and equipment and to the acquisition of shares in subsidiaries.

Operating and investing activities thus used a net total of ¥75.9 billion.

Net cash and cash equivalents provided by financing activities came to ¥79.2 billion. This result reflected the issue and redemption of bonds, proceeds from the repayment of short- and long-term loans and the payment of dividends.

After factoring in the impact of exchange rate fluctuations, net cash and cash equivalents yielded by operating, investing and financing activities in fiscal 2008 increased by ¥1.3 billion from the fiscal 2007 year-end.

Years ended March 31	Billions of yen				
	2005	2006	2007	2008	2009
Cash flows from operating activities	¥ 73.3	¥ 75.5	¥ 96.5	¥ 53.7	¥ 40.4
Cash flows from investing activities	12.7	(74.1)	(87.1)	(79.2)	(116.3)
Total	86.0	1.4	9.4	(25.5)	(75.9)
Cash flows from financing activities	(79.6)	1.5	(19.1)	16.1	79.2
Net increase (decrease) in cash and cash equivalents	6.2	4.7	(9.3)	(9.3)	1.3

Outlook for Operating Environment in Fiscal 2009 and Concrete Measures for Teijin Group Businesses

Outlook for Operating Environment

In the period under review, the economic slowdown that originated in the United States spread to markets around the world, triggering a steep decline in demand. This, combined with the appreciation of the yen, is contributing to an increasingly harsh operating environment. With crude oil prices bearish as the global economic downturn constrains demand, raw materials prices and fuel costs are currently soft. However, we are seeing signs of price increases for certain raw materials used in synthetic fibers products, attributable to stabilization of the supply-demand situation.

Because of the uncertain economic outlook, operating rates for production facilities in our materials businesses continue to decline, a trend that is likely to contribute to persistently sluggish conditions in the first half of fiscal 2009. In the second half, however, we anticipate progress in inventory adjustments and a gradual recovery in demand. We also expect our pharmaceuticals and home health care businesses to benefit from steady market expansion.

Concrete Measures for Teijin Group Businesses

Commoditized Materials

Polyester fibers With demand persistently sluggish, the current glut of products on the market is expected to continue. In this environment, Japanese manufacturers are likely to face increasing pressure from overseas manufacturers—notably those from the PRC, which are expected to further penetrate the Japanese market. Against this backdrop, we will focus on drastically restructuring this business, which is currently unprofitable, and endeavoring to create an optimal global production configuration. At the same time, we anticipate a further increase in ecological awareness and demand for environment-friendly products. Guided by the twin concepts of “high-performance” and “environment-friendly,” we will promote

market-driven business development. Additionally, we will further initiatives aimed at restructuring the value chain. Steps to date include creating a vertically integrated organization for our automotive interior materials business through the conclusion of a contract with Suminoe Textile, of Japan, in March 2009.

PET film While moves by manufacturers to shrink inventories—which have dominated the PET film market since October 2008—have already begun drawing to a close, demand is only expected to recover to a certain level. In response, we will strive to improve income in our PET film business by formulating and implementing urgent measures. We will also consider appropriate tactics to comprehensively restructure our U.S. and European films joint ventures* at the earliest possible opportunity. Further, we will accelerate the shift of our focus in this business to Asia, which continues to see market growth, by reinforcing efforts in such promising areas as PET film for solar cells.

* In recent years, a strategic focus on growth in Asia has led to a relative decline in the importance of our U.S. polyester films business, prompting us to transfer a portion of our stake in U.S. films subsidiary Teijin-DuPont Films Incorporated, to joint venture partner DuPont on March 28, 2009. The nature of this transfer of shares was such that it will have no impact on either the management of other Teijin-DuPont polyester films joint ventures or the accounting or financial transactions of partner DuPont.

Polycarbonate resin Although demand is expected to recover gradually, the outlook for polycarbonate resin—part of the plastics business—remains uncertain. In such an environment, we will endeavor to respond effectively to the seemingly incompatible demands of customers for both lower costs and enhanced product performance. To this end, we will endeavor to lower our costs by creating an optimal global production configuration, revamping systems used in procuring raw materials and decisively slashing administrative costs. We will also add value by reinforcing our compounding and resin processing capabilities, thereby enabling us to propose attractive solutions.

High-Performance Materials†

Para-aramid fibers The steep decline in overall demand for para-aramid fibers for certain applications is likely to linger, although for

certain applications—notably those in the automotive industry—this is anticipated to be a relatively temporary trend. Demand is expected to recover, particularly for safety and environmental applications, in the second half of fiscal 2009. We will strive to secure the profitability of this business by implementing decisive cost-cutting measures, restructuring our production organization and stepping up efforts to develop new applications.

Carbon fibers Economic deterioration is expected to further shrink demand for carbon fibers, to below the fiscal 2008 level. The decline is likely to be especially sharp for general industrial applications and is expected to remain soft throughout 2009. In response to falling operating rates at our production facilities, we will take decisive steps to reduce fixed costs and curtail investment. In light of persistently harsh operating conditions, we have resolved to postpone the start of operations on a new production line at our subsidiary in Germany—scheduled for completion in August 2009—for a full year, until the second half of fiscal 2010. We will carefully monitor trends in supply and demand before determining exactly when to begin operations.

[†] The aramid and carbon fibers businesses offer significant potential for growth over the medium to long term. To facilitate strategic decision making and more flexibility in, among others, the allocation of management resources, effective from April 2009 we split the High Performance Fibers Business Group into the Aramid Fibers Business Group and the Carbon Fibers Business Group.

Pharmaceuticals and Home Health Care

Despite moves to contain costs for medical care and the negative impact of recessionary conditions and other factors, we will strive to secure profitability in these businesses by bolstering sales of pharmaceuticals—including once-weekly osteoporosis treatment *Bonalon*[®] 35mg tablet—and rentals of home health care equipment. In pharmaceuticals, we will also take immediate steps to expand sales of gout and hyperuricemia treatment TMX-67 in the United States, where it was launched in March 2009, and to bring the drug to market in Europe as swiftly as possible, while in home health care we will work to reinforce our overseas network and expand our earnings base.

Trading and Retail, IT and New Products, etc.

Trading and retail Conditions in the market for textiles and apparel are forecast to remain soft. In the market for industrial textiles and materials, demand is expected to recover for automotive, electrical and electronics, and interior decorating applications, although the pace is likely to be relatively lethargic. We are also cognizant of the possibility of an increase in credit risk. Accordingly, efforts in this

business will focus on adding new and reinforcing existing performance features and strategically expanding overseas operations, as well as on enforcing strict management of credit risk.

IT Despite market stagnation—a consequence of the current financial crisis and constraints on investment in IT—we will endeavor to secure profitability in our IT solutions business by taking decisive steps to reduce costs and fortifying project management. We will also endeavor to expand our Services business by bolstering our e-commerce site management business and strengthening the foundation of our data center management business by updating facilities.

New products, etc. We will hasten efforts to commercialize achievements in the areas of highly thermally conductive materials, bioplastics, high-performance electronics materials, water treatment and composite materials.

Outlook for Financial Position in Fiscal 2009

We view securing a positive cash flow as a key priority and, to this end, we will take decisive steps in fiscal 2009 to shrink assets. We will also apply capital investment selectively to, among others, the refurbishment of facilities that have worn out. We will also continue striving to maximize the benefits of previous advance investments. Finally, we will continue efforts to increase the efficiency of working capital, particularly by slashing inventories.

Risk Factors

The Teijin Group has implemented organizational and systematic responses to various risks inherent within its operations. As of the date of this document, the Group recognized the following risks as having the potential to affect its operating results and/or financial position. Factors that may affect operating results are not limited to the risks listed below.

Despite the current upheaval in the global financial markets, the Teijin Group faces very little risk of a widening of spreads on funds procured in foreign currencies and is not in a position that would make it difficult to obtain necessary funds.

Market-Related Risk

The Teijin Group manufactures and sells products, the sales of which may be affected by market conditions and competition with other companies, and by market price fluctuations arising thereof. Businesses involving commoditized materials—notably the polyester fibers business of the Synthetic Fibers segment and the polyester films and polycarbonate fibers businesses of the Films and Plastics segment—are particularly vulnerable to fluctuations in shipments, sales prices and procurement costs for raw materials and fuel related to market conditions and competition with other companies. Because the cost of raw materials and fuel accounts for a major portion of production costs in these businesses, fluctuations in the price of crude oil may have a significant impact on the Group's income performance.

The majority of products in the Teijin Group's materials businesses are intermediates. Owing to inventory adjustments at each stage of production and sales, the rate of expansion or contraction of end-user demand for such products may exceed that of the real economy.

The Teijin Group's Pharmaceuticals and Home Health Care segment is vulnerable to changes in drug reimbursement prices under Japan's NHI scheme, as well as to increasingly intense competition, both of which may have a negative impact on sales prices.

Fluctuations in foreign exchange and interest rates also have the potential to affect the Teijin Group's operating results and/or financial position.

Product Quality Risk

Teijin Pharma, the principal subsidiary in the Teijin Group's Pharmaceuticals and Home Health Care segment, has established its own product reliability assurance function in the form of a compliance division. This division, which functions independently of other Group businesses, is charged with quality assurance in all aspects of the pharmaceuticals and home health care businesses. The Group maintains insurance coverage against product liability.

Nonetheless, as the pharmaceuticals business involves products that may affect the lives of users, quality issues have the potential to negatively affect, among others, the Group's operating results, financial position and public reputation.

R&D-Related Risk in the Pharmaceuticals Business

R&D in the pharmaceuticals business is characterized by significant investments of funds and time. Pharmaceuticals discovery research has a high incidence of failure. In the initial stages, there is a high risk that researchers will fail to discover a promising drug. Even if a promising drug is discovered, clinical trials may prove it not to be as effective as anticipated, or to have unexpected adverse side effects, thereby forcing the abandonment of plans to apply for approval. There is also a risk that a new drug candidate may not receive regulatory approval as a result of the examination process that follows application, or that approval may be rescinded as a result of research conducted subsequent to launch.

Risks Related to Overseas Operations

The Teijin Group has operations—particularly in the Synthetic Fibers, Films and Plastics, Pharmaceuticals and Home Health Care, and Trading and Retail segments—in the PRC, Southeast Asia (including Thailand and Indonesia), Europe (including Germany and the Netherlands) and the United States. These operations are vulnerable to the impact of fluctuations in foreign exchange and interest rates. Our operations in the PRC and Southeast Asia, in particular, may also be affected by such factors as unexpected changes to laws, regulations or tax systems that exert an adverse impact on the Group, or by social unrest triggered by, among others, acts of terror or war. The manifestation of such risks has the potential to adversely affect the Group's operating results and/or financial position.

Consolidated Balance Sheets

TEIJIN LIMITED
As of March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
ASSETS			
Current assets:			
Cash and time deposits (Note 3)	¥ 19,096	¥ 18,956	\$ 192,977
Receivables:			
Trade notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	4,486	2,230	22,700
Other	200,431	149,693	1,523,907
Loans to:			
Unconsolidated subsidiaries and affiliates	2,707	5,078	51,690
Other	282	528	5,380
Other	22,094	19,584	199,365
Inventories (Note 6)	151,503	135,065	1,374,990
Deferred income taxes (Note 13)	9,864	9,170	93,349
Other current assets	9,267	12,873	131,053
Allowance for doubtful receivables	(2,335)	(2,057)	(20,938)
Total current assets	417,395	351,120	3,574,473
Investments and other assets:			
Investments in (Notes 4 and 7):			
Unconsolidated subsidiaries and affiliates	28,179	16,393	166,885
Other	68,988	46,215	470,474
Loans to:			
Unconsolidated subsidiaries and affiliates	2,423	1,872	19,056
Other	1,108	1,152	11,729
Prepaid pension expenses (Note 8)	15,793	16,746	170,482
Other	17,185	18,741	190,787
Allowance for doubtful receivables	(3,039)	(2,643)	(26,911)
	130,637	98,476	1,002,502
Property, plant and equipment (Note 7):			
Land	47,666	46,180	470,116
Buildings and structures	196,424	184,567	1,878,931
Machinery, equipment and vehicles	618,727	554,892	5,648,900
Tools	70,515	71,694	729,861
Construction in progress	38,229	26,477	269,540
Other	—	1,256	12,785
	971,561	885,066	9,010,133
Accumulated depreciation	(588,993)	(545,362)	(5,551,887)
	382,568	339,704	3,458,246
Intangible assets	16,076	15,623	159,050
Deferred income taxes (Note 13)	10,691	2,891	29,429
Goodwill	58,624	66,343	675,386
	85,391	84,857	863,865
	¥1,015,991	¥874,157	\$8,899,086

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
LIABILITIES AND NET ASSETS			
Current liabilities:			
Bank loans (Note 7)	¥ 71,976	¥ 72,432	\$ 737,371
Long-term debt due within one year (Note 7)	37,069	34,561	351,834
Commercial paper	99,000	76,000	773,694
Payables:			
Trade notes and accounts payable (Note 7):			
Unconsolidated subsidiaries and affiliates	1,439	1,234	12,559
Other	122,301	68,211	694,396
Other	45,178	33,222	338,207
Income taxes payable	5,672	2,743	27,928
Accrued expenses	22,498	19,402	197,522
Deferred income taxes (Note 13)	—	363	3,695
Other current liabilities	12,401	16,906	172,111
Total current liabilities	417,534	325,074	3,309,317
Long-term debt due after one year (Note 7)	117,200	177,081	1,802,716
Employees' retirement benefits (Note 8)	18,278	19,241	195,872
Directors' and statutory auditors' retirement benefits	1,960	1,838	18,713
Deferred income taxes (Note 13)	25,488	8,914	90,743
Liabilities in accordance with the application of the equity method	5,675	23	238
Other non-current liabilities	18,607	12,001	122,172
Contingent liabilities (Note 18)			
Net assets (Note 9)			
Shareholders' equity:			
Common stock			
Authorized—3,000,000,000 shares in 2008 and 2009			
Issued—984,753,665 shares in 2008			
984,758,665 shares in 2009	70,816	70,817	720,925
Capital surplus	101,325	101,325	1,031,507
Retained earnings	199,953	150,886	1,536,050
Treasury stock, at cost: 517,837 shares in 2008			
587,193 shares in 2009	(245)	(226)	(2,298)
Total shareholders' equity	371,849	322,802	3,286,184
Valuation and translation adjustments and others:			
Net unrealized holding gains on securities	24,062	12,744	129,735
Deferred losses on hedges	(341)	(1,321)	(13,442)
Foreign currency translation adjustments	(4,560)	(28,648)	(291,644)
Total valuation and translation adjustment and others	19,161	(17,225)	(175,351)
Stock acquisition rights	221	320	3,259
Minority interest in consolidated subsidiaries	20,018	24,088	245,223
Total net assets	411,249	329,985	3,359,315
	¥1,015,991	¥874,157	\$8,899,086

Consolidated Statements of Operations

TEIJIN LIMITED

Years ended March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
Net sales	¥1,036,624	¥943,410	\$9,604,090
Costs and expenses:			
Cost of sales	780,195	724,774	7,378,338
Selling, general and administrative expenses	154,985	163,040	1,659,778
Research and development expenses	36,282	37,630	383,074
Operating income	65,162	17,966	182,900
Other income (expenses):			
Interest and dividend income	1,849	1,790	18,219
Interest expense	(10,844)	(10,495)	(106,845)
Gain on sales of investment securities	5,321	198	2,020
Gain on sales of property, plant and equipment	1,607	1,273	12,957
Gain on compensation for transfer of property	980	71	721
Loss on disposal of property, plant and equipment	(2,024)	(2,379)	(24,219)
Write-down of investment securities	(341)	(2,701)	(27,492)
Impairment loss (Note 10)	(32,199)	(11,588)	(117,964)
Special provision for allowance for doubtful receivables	(617)	(295)	(3,002)
Restructuring costs	—	(3,320)	(33,797)
Special factory operating loss (Note 11)	(3,191)	(10,185)	(103,684)
Environmental protection costs (Note 12)	(1,392)	(17)	(172)
Equity in losses of unconsolidated subsidiaries and affiliates	(4,647)	(8,046)	(81,914)
Other, net	(7,381)	(6,177)	(62,881)
	(52,879)	(51,871)	(528,053)
Income (loss) before income taxes and minority interests	12,283	(33,905)	(345,153)
Income taxes (Note 13):			
Current	14,691	7,330	74,625
Deferred	(4,196)	2,911	29,636
	10,495	10,241	104,261
Minority interests in net losses of consolidated subsidiaries	10,825	1,183	12,041
Net income (loss)	¥ 12,613	¥ (42,963)	\$ (437,373)
	Yen		U.S. dollars (Note 1)
Net income (loss) per share (Note 2)	¥13.16	¥(43.65)	\$(0.444)
Net income per share—diluted	13.16	—	—
Cash dividends applicable to the year	8.00	5.00	0.051

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

TEIJIN LIMITED

Years ended March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
Shareholders' equity			
Common stock			
Balance at end of previous fiscal year	¥ 70,788	¥ 70,816	\$ 720,917
Changes in items during the period:			
New issue of stock	28	1	8
Total	28	1	8
Balance at end of current fiscal year	70,816	70,817	720,925
Capital surplus			
Balance at end of previous fiscal year	63,138	101,325	1,031,507
Changes in items during the period:			
New issue of stock	38,206	1	8
Disposal of treasury stock	(19)	(42)	(421)
Transfer of loss on disposal of treasury stock	—	41	413
Total	38,187	(0)	(0)
Balance at end of current fiscal year	101,325	101,325	1,031,507
Retained earnings			
Balance at end of previous fiscal year	196,899	199,953	2,035,556
Change owing to application of accounting policies for overseas consolidated subsidiaries	—	1,342	13,663
Changes in items during the period:			
Cash dividends paid	(9,535)	(6,398)	(65,134)
Net income (loss)	12,613	(42,963)	(437,373)
Others*	(24)	(1,007)	(10,249)
Transfer of loss on disposal of treasury stock	—	(41)	(413)
Total	3,054	(50,409)	(513,169)
Balance at end of current fiscal year	199,953	150,886	1,536,050
Treasury stock at cost			
Balance at end of previous fiscal year	(87)	(245)	(2,489)
Changes in items during the period:			
Treasury stock purchased	(235)	(77)	(783)
Disposal of treasury stock	77	96	974
Total	(158)	19	191
Balance at end of current fiscal year	(245)	(226)	(2,298)
Shareholders' equity, total			
Balance at end of previous fiscal year	330,738	371,849	3,785,491
Change owing to application of accounting policies for overseas consolidated subsidiaries	—	1,342	13,663
Changes in items during the period:			
New issue of stock	38,234	2	16
Cash dividends paid	(9,535)	(6,398)	(65,134)
Net income (loss)	12,613	(42,963)	(437,373)
Others*	(24)	(1,007)	(10,249)
Treasury stock purchased	(235)	(77)	(783)
Disposal of treasury stock	58	54	553
Total	41,111	(50,389)	(512,970)
Balance at end of current fiscal year	¥371,849	¥322,802	\$3,286,184

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

See accompanying Notes to Consolidated Financial Statements.

(continued on page 72)

(continued from page 71)

Consolidated Statements of Changes in Net Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
Valuation and translation adjustments and others			
Net unrealized holding gains on securities			
Balance at end of previous fiscal year	¥ 40,269	¥ 24,062	\$ 244,958
Changes in items during the period:			
Net changes in items other than shareholders' equity	(16,207)	(11,318)	(115,223)
Total	(16,207)	(11,318)	(115,223)
Balance at end of current fiscal year	24,062	12,744	129,735
Deferred gains on hedges			
Balance at end of previous fiscal year	36	(341)	(3,468)
Changes in items during the period:			
Net changes in items other than shareholders' equity	(377)	(980)	(9,974)
Total	(377)	(980)	(9,974)
Balance at end of current fiscal year	(341)	(1,321)	(13,442)
Foreign currency translation adjustments			
Balance at end of previous fiscal year	(4,290)	(4,560)	(46,421)
Changes in items during the period:			
Net changes in items other than shareholders' equity	(270)	(24,088)	(245,223)
Total	(270)	(24,088)	(245,223)
Balance at end of current fiscal year	(4,560)	(28,648)	(291,644)
Valuation and translation adjustments and others, total			
Balance at end of previous fiscal year	36,015	19,161	195,069
Changes in items during the period:			
Net changes in items other than shareholders' equity	(16,854)	(36,386)	(370,420)
Total	(16,854)	(36,386)	(370,420)
Balance at end of current fiscal year	19,161	(17,225)	(175,351)
Stock acquisition rights			
Balance at end of previous fiscal year	96	221	2,254
Changes in items during the period:			
Net changes in items other than shareholders' equity	125	99	1,005
Total	125	99	1,005
Balance at end of current fiscal year	221	320	3,259
Minority interests in consolidated subsidiaries			
Balance at end of previous fiscal year	40,887	20,018	203,784
Changes in items during the period:			
Net changes in items other than shareholders' equity	(20,869)	4,070	41,439
Total	(20,869)	4,070	41,439
Balance at end of current fiscal year	20,018	24,088	245,223
Net assets, total			
Balance at end of previous fiscal year	407,736	411,249	4,186,598
Change owing to application of accounting policies for overseas consolidated subsidiaries	—	1,342	13,663
Changes in items during the period:			
New issue of stock	38,234	2	16
Cash dividends paid	(9,535)	(6,398)	(65,134)
Net income (loss)	12,613	(42,963)	(437,373)
Others*	(24)	(1,007)	(10,249)
Treasury stock purchased	(235)	(77)	(783)
Disposal of treasury stock	58	54	553
Net changes in items other than shareholders' equity	(37,598)	(32,217)	(327,976)
Total	3,513	(82,606)	(840,946)
Balance at end of current fiscal year	¥411,249	¥329,985	\$3,359,315

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

Consolidated Statements of Cash Flows

TEIJIN LIMITED

Years ended March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
Cash flows from operating activities:			
Income (loss) before income taxes	¥ 12,283	¥ (33,905)	\$ (345,153)
Depreciation and amortization	62,668	67,364	685,774
Impairment loss	32,199	11,588	117,964
Increase in retirement benefits	261	1,717	17,478
Increase (decrease) in allowance for doubtful receivables	196	(164)	(1,665)
Interest and dividend income	(1,849)	(1,790)	(18,219)
Interest expense	10,844	10,495	106,845
Equity in losses of unconsolidated subsidiaries and affiliates	4,647	8,046	81,914
(Gain) loss on sales or disposal of property, plant and equipment	417	1,106	11,263
Gain (loss) on sales of investment securities	(5,321)	(198)	(2,020)
Write-down of investment securities	341	2,701	27,492
Decrease in receivables	3,706	33,989	346,018
Increase in inventories	(9,493)	(4,401)	(44,800)
Increase in payables	(15,973)	(35,110)	(357,428)
Other, net	(5,856)	(3,152)	(32,097)
Subtotal	89,070	58,286	593,366
Interest and dividends received	3,546	3,527	35,901
Interest paid	(11,918)	(10,142)	(103,249)
Income taxes paid	(26,958)	(11,279)	(114,825)
Net cash and cash equivalents provided by operating activities	53,740	40,392	411,193
Cash flows from investing activities:			
Purchase of property, plant and equipment	(78,821)	(75,845)	(772,116)
Proceeds from sales of property, plant and equipment	2,501	2,022	20,584
Purchase of investment securities	(2,011)	(3,805)	(38,737)
Purchase of shares of newly consolidated subsidiaries	—	(24,537)	(249,785)
Proceeds from sales and redemption of investment securities	6,196	693	7,059
Increase in short-term loans receivable	(1,105)	(8,085)	(82,303)
Long-term loans advanced	(1,553)	(1,072)	(10,912)
Collections on long-term loans receivable	518	673	6,847
Other, net	(4,943)	(6,348)	(64,629)
Net cash and cash equivalents used in investing activities	(79,218)	(116,304)	(1,183,992)
Cash flows from financing activities:			
Increase in short-term bank loans, net	7,564	36,322	369,764
Increase (decrease) in commercial paper, net	24,000	(23,000)	(234,144)
Proceeds from issuance of bonds	51,021	50,321	512,276
Redemption of bonds	(90,698)	(32,764)	(333,546)
Proceeds from long-term debt	51,788	68,886	701,275
Repayment of long-term debt	(16,862)	(13,302)	(135,416)
Cash dividends paid	(9,535)	(6,398)	(65,133)
Cash dividends paid to minority shareholders	(1,204)	(879)	(8,943)
Other, net	6	(8)	(81)
Net cash and cash equivalents provided by financing activities	16,080	79,178	806,052
Effect of exchange rate changes on cash and cash equivalents	127	(1,992)	(20,279)
Net increase (decrease) in cash and cash equivalents	(9,271)	1,274	12,974
Cash and cash equivalents at beginning of year	28,365	19,094	194,379
Decrease of cash and cash equivalents due to change in scope of consolidation	—	(1,572)	(16,003)
Cash and cash equivalents at end of year (Note 3)	¥ 19,094	¥ 18,796	\$ 191,350

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

TEIJIN LIMITED

Note 1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Teijin Limited (the "Company") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law (the "Law") and the related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Prior to the year ended March 31, 2009, the accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. From the fiscal year ended March 31, 2009, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statement" (Practical Issues Task Force No. 18, issued by the Accounting Standards Board of Japan (ASBJ) on May 17, 2006). In principle, the Company unified accounting standards for foreign subsidiaries and makes necessary adjustments upon consolidation. There were no material effects as a result of the

adoption of PITF No. 18 on the consolidated financial statements for the year ended March 31, 2009.

The accompanying consolidated financial statements have been reformatted and translated into English with some expanded descriptions from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2009, which was ¥98.23 to U.S.\$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

Note 2. Summary of significant accounting policies

Consolidation

The consolidated financial statements include the accounts of the Company and 83 significant subsidiaries for the year ended March 31, 2009. For 2008, 83 significant subsidiaries were included in the consolidated financial statements. Investments in 81 (78 in 2008) unconsolidated subsidiaries and affiliates are, with minor exceptions, stated at cost, adjusted for equity in undistributed earnings and losses since acquisition.

Companies which are 40% or more owned and substantially controlled by the Parent are considered subsidiaries for inclusion in the consolidation. Equity method accounting is applied to unconsolidated subsidiaries and affiliates which are substantially controlled or whose operating and financial policies are significantly influenced by the Parent.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary.

Goodwill is usually amortized using the straight-line method over the estimated useful life from five years to 20 years.

The accounts of 41 (40 in 2008) consolidated subsidiaries are included on the basis of their fiscal years, which end on December 31 (January 31 for two (two in 2008) and February 28 for two (two in 2008) other subsidiaries). These subsidiaries do not prepare, for consolidation purposes, statements for the period, which corresponds with the fiscal year of the Company.

For these 45 (44 in 2008) consolidated subsidiaries, when there are significant transactions that occur between their respective fiscal year-ends and the Company's year-end, necessary adjustments are made to reflect the transactions in the accompanying consolidated financial statements.

Statements of cash flows

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Allowance for doubtful receivables

The allowance for doubtful receivables is provided in amounts sufficient to cover possible losses on collection. It is determined by adding the individually estimated uncollectible amounts of certain receivables to an amount calculated using the provision rate based on past experience.

Securities

Under the Japanese accounting standard for financial instruments, all companies are required to classify securities as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

The Company and its consolidated subsidiaries (the "Companies") do not hold trading securities. Held-to-maturity debt securities are stated at amortized cost.

Equity securities issued by subsidiaries and affiliated companies, which are not consolidated or accounted for using the equity method, are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets.

Realized gains and losses on sales of such securities are computed using moving-average cost.

Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market value are stated at moving-average cost.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies and available-for-sale securities declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as a loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, the securities should be written down to net asset value with a corresponding charge in the consolidated statements of operations in the event net asset value declines significantly. In these cases, the fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

Inventories

Inventories are stated at the lower of average cost or net realizable value.

(Change in accounting procedures)

From the fiscal year ended March 31, 2009, the Company adopted "Accounting Standards for Measurement of Inventories" (the Accounting Standards Board of Japan (ASBJ) Statement No. 9, issued by ASBJ on July 5, 2006). The effect of the adoption on net income has been insignificant.

Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is determined over the estimated useful life of the asset principally by the declining balance method for domestic companies and by the straight-line method for overseas subsidiaries. For domestic companies, buildings acquired after March 31, 1998, are depreciated using the straight-line method.

(Additional information)

Effective from the year ended March 31, 2009, in conformance with a revision of the Corporate Tax Law, the Company and its domestic consolidated subsidiaries have revised the estimated useful life applicable for fixed assets. As a result of this change, operating income was ¥605 million (\$6,154 thousand) less and income before income taxes and minority interests was ¥822 million (\$8,367 thousand) less than they would have been using the previous method. The effect of this change on segment information is explained in Note 17, "Segment information."

Intangible assets

Goodwill, patents, trademarks and other intangible assets are amortized using the straight-line method over the estimated useful life of the asset.

Software for internal use is amortized using the straight-line method over the estimated useful life (5 years).

Research and development expenses

The Company charges research and development expenses to income as incurred.

Retirement benefits

(1) Employees

The Company has an unfunded lump-sum benefit plan and a funded contributory pension plan, generally covering all employees. Certain consolidated subsidiaries have unfunded lump-sum benefit plans and non-contributory pension plans. Most foreign subsidiaries do not have pension plans.

Under the terms of the lump-sum benefit plans, eligible employees are entitled under most circumstances, upon mandatory retirement at age 60 or earlier voluntary termination, to a lump-sum payment based on their compensation at the time of severance and years of service.

The liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions. The Company and its consolidated subsidiaries provided for employees' severance and retirement benefits at March 31, 2008 and 2009 based on the estimated amounts of projected benefit obligation and the fair value of the pension assets at those dates.

Prior service costs and actuarial gains and losses are recognized in expenses using the straight-line method over mainly 12 years, which is within the average of the estimated remaining service years of the employees, commencing with the current and the following period, respectively.

(2) Directors and statutory auditors

The Company and its domestic consolidated subsidiaries provide for lump-sum retirement payments for directors and statutory auditors in amounts that would be required if they retired at the balance sheet dates.

Liabilities in accordance with the application of the equity method

Liabilities in accordance with the application of the equity method have been provided with respect to losses that may arise from the Company's portion of the capital deficits of unconsolidated subsidiaries and affiliates which are accounted for by the equity method, after giving consideration to the Company's investments in, and guarantees for, such companies.

Derivatives and hedge accounting

The Companies state derivative financial instruments at fair value and recognize changes in the fair value as gain or loss unless the derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its domestic subsidiaries defer recognition of the gain or loss resulting from a change in fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

- (1) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
 - (a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the consolidated statements of operations in the period which includes the inception date, and
 - (b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.
- (2) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gain or loss on the forward foreign exchange contract will be recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

Income taxes

The provision for income taxes is based on income for financial statement purposes. Income taxes comprise corporation tax, enterprise tax, and prefectural and municipal inhabitants taxes. The assets and liabilities approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Company and its wholly owned domestic consolidated subsidiaries have adopted the consolidated tax return filing under Japanese tax regulations for the year ended March 31, 2006 and thereafter.

Translation of foreign currency

Cash, receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end exchange rates. All revenues and expenses in foreign currencies are translated at the exchange rates prevailing when such transactions are made. The resulting exchange loss or gain is charged or credited to income.

The balance sheet accounts of the foreign consolidated subsidiaries and foreign investments accounted for by the equity method are translated at the rates of exchange in effect at the balance sheet date, except for capital accounts and assets and liabilities due to/from the Company, which are translated at historical rates. Income

statement accounts are translated at the average rates of exchange for the year. Differences arising from translations are presented as "Foreign currency translation adjustments" in the accompanying consolidated financial statements. The Companies report foreign currency translation adjustments in net assets.

Net income per share

Computations of net income per share of common stock are based on the weighted-average number of shares outstanding during each period. Diluted net income per share is calculated based on the assumption that all dilutive convertible debentures and stock warrants were converted or exercised at the beginning of the year or at the time of issue.

Net income per share for the years ended March 31, 2008 and 2009 is calculated based on the following factors:

The year ended March 31, 2008

(a) Net income:	¥ 12,613 million	
(b) Amount not attributable to common shareholders:	¥ — million	
(c) Bonuses to directors and statutory auditors included in (b):	¥ — million	
(d) Net income allocated to common stock:	¥ 12,613 million	
(e) Average number of shares outstanding during the period:		958,336 thousand shares
(f) Increase in number of shares:		408 thousand shares
(g) Increase in number of stock acquisition rights included in (f):		408 thousand shares
(h) Summary of outstanding potential shares excluded from the computation of diluted EPS, if calculated for the period, since such potential stocks do not have a dilutive effect:		—

The year ended March 31, 2009

(a) Net loss:	¥ 42,963 million	(\$437,373 thousand)
(b) Amount not attributable to common shareholders:	¥ — million	(\$ — thousand)
(c) Bonuses to directors and statutory auditors included in (b):	¥ — million	(\$ — thousand)
(d) Net loss allocated to common stock:	¥ 42,963 million	(\$437,373 thousand)
(e) Average number of shares outstanding during the period:		984,208 thousand shares
(f) Increase in number of shares:		— thousand shares
(g) Increase in number of stock acquisition rights included in (f):		— thousand shares
(h) Summary of outstanding potential shares excluded from the computation of diluted EPS, if calculated for the period, since such potential stocks do not have a dilutive effect:		Common stock acquisition rights for the purpose of granting stock options (585 thousand shares of common stock can be issued under the common stock acquisition rights).

Reclassifications and restatement

Certain prior year amounts have been reclassified and restated to conform to the current year presentation. These reclassifications

and restatements had no impact on previously reported results of operations or retained earnings.

Note 3. Statements of cash flows

The reconciliation of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2008 and 2009 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Cash and time deposits in the consolidated balance sheets	¥19,096	¥18,956	\$192,977
Time deposits with maturities exceeding 3 months	(2)	(160)	(1,627)
Cash and cash equivalents in the consolidated statements of cash flows	¥19,094	¥18,796	\$191,350

The assets and liabilities of companies Braden Partners L.P. and two other companies, included in consolidation following the purchase of their shares during the year ended March 31, 2009, were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 2,471	\$ 25,152
Fixed assets	8,196	83,441
Goodwill	17,541	178,567
Current liabilities	(2,660)	(27,084)
Long-term liabilities	(45)	(457)
Minority interests	(137)	(1,390)
Foreign currency translation adjustments	(793)	(8,077)
Expenditure for purchase of shares of common stock	¥24,573	\$250,152
Cash and cash equivalents held by subsidiaries	(36)	(367)
Net proceeds	¥24,537	\$249,785

The assets and liabilities of subsidiaries DuPont Teijin Films U.S. Limited Partnership and another company, excluded from consolidation following the sale of their shares of common stock during the year ended March 31, 2009, were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 10,570	\$107,608
Fixed assets	8,590	87,445
Assets, total	¥ 19,160	\$195,053
Current liabilities	(31,917)	324,921
Long-term liabilities	—	—
Liabilities, total	¥(31,917)	\$324,921

Note 4. Securities

(1) Information on securities of the Companies at March 31, 2008 is shown below.

- For the year ended March 31, 2008, there were no held-to-maturity debt securities with available fair values.
- The following table summarizes acquisition costs and book values (fair values) of available-for-sale securities with available fair values as of March 31, 2008:

	Millions of yen		
	2008		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Corporate stocks	¥19,605	¥61,258	¥41,653
Securities with book values not exceeding acquisition costs:			
Corporate stocks	4,336	3,258	(1,078)
Totals	¥23,941	¥64,516	¥40,575

- c) Total sales of available-for-sale securities sold in the year ended March 31, 2008, the related gains and losses amounted to ¥5,722 million, ¥5,168 million and ¥0 million, respectively.
- d) Available-for-sale securities with no available fair values as of March 31, 2008 consisted mostly of non-listed equity securities, bonds and others amounting to ¥2,874 million, ¥337 million and ¥1,262 million, respectively.

(2) Information on securities of the Companies at March 31, 2009 is shown below.

- a) For the year ended March 31, 2009, there were no held-to-maturity debt securities with available fair values.
- b) The following table summarizes acquisition costs and book values (fair values) of available-for-sale securities with available fair values as of March 31, 2009:

	Millions of yen			Thousands of U.S. dollars
	2009			2009
	Acquisition cost	Book value	Difference	Difference
Securities with book values exceeding acquisition costs:				
Corporate stocks	¥15,274	¥35,939	¥20,665	\$210,375
Securities with book values not exceeding acquisition costs:				
Corporate stocks	8,013	5,853	(2,160)	(21,995)
Totals	¥23,287	¥41,792	¥18,505	\$188,380

- c) Total sales of available-for-sale securities sold in the year ended March 31, 2009 and the related gains and losses amounted to ¥689 million (\$7,016 thousand), ¥22 million (\$224 thousand) and ¥91 million (\$930 thousand), respectively.
- d) Available-for-sale securities with no available fair values as of March 31, 2009 consisted mostly of non-listed equity securities and others amounting to ¥3,274 million (\$33,329 thousand) and ¥1,149 million (\$11,698 thousand), respectively.

Note 5. Derivative transactions

The Companies enter into forward currency exchange, currency swap, currency option, interest rate swap and commodity swap transactions to control risks related to foreign currencies, interest rates and commodity prices of fuel. Forward currency exchange, currency swap and currency option transactions are used to hedge the risk of fluctuations in foreign currency exchange rates with respect to monetary receivables and payables denominated in foreign currencies resulting from import and export transactions and investments denominated in foreign currencies. Interest rate swap transactions are used to hedge the risk of fluctuations in interest rates and commodity swap transactions are used to hedge the risk of fluctuations in commodity prices of fuel. The Companies evaluate hedge effectiveness by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items with the corresponding changes in the hedging derivative instruments.

The Companies principally use derivative transactions in connection with managing their market risk and not for speculation or dealing purposes. Forward currency exchange, currency swap and currency option transactions are subject to risks of foreign exchange rate changes, while interest rate swap transactions are subject to risks of interest rate changes and commodity swap transactions are subject to risks of commodity price changes.

The Companies deal with highly rated international financial institutions as counterparts to these transactions to minimize credit risk exposure.

The Companies report periodically to the Chief Financial Officer and the Accounting and Treasury Office on the actual results of derivative transactions. The actual results of derivative transactions for which hedge accounting cannot be applied are reported to the Board of Directors after the end of each year.

The following tables summarize market value information as of March 31, 2008 and 2009 of outstanding derivative transactions for which hedge accounting has not been applied:

- (1) Outstanding positions, for which gains and losses were recognized in the financial statements as of March 31, 2008 were as follows:

Currency-related derivatives

	Millions of yen			
	2008			
	Contracted amount	Amount of principal due over one year	Fair value	Recognized gain (loss)
Foreign currency forward contract transactions:				
Sell: Japanese yen	¥ 5,094	¥—	¥ 4,898	¥196
Sell: U.S. dollars	¥15,853	¥—	¥14,999	¥854
Buy: U.S. dollars	¥ 216	¥—	¥ 205	¥ (11)
Foreign currency swap transactions:				
Japanese yen received for U.S. dollars	¥ 4,913	¥—	¥ (9)	¥ (9)

Interest-rate-related derivatives

	Millions of yen			
	2008			
	Contracted amount	Amount of principal due over one year	Fair value	Recognized gain (loss)
Interest rate swap transactions:				
Variable rate received for fixed rate	¥571	¥571	¥2	¥2

- (2) Outstanding positions, for which gains and losses were recognized in the financial statements as of March 31, 2009 were as follows:

Currency related derivatives

	Millions of yen				Thousands of U.S. dollars
	2009				2009
	Contracted amount	Amount of principal due over one year	Fair value	Recognized gain (loss)	Recognized gain (loss)
Foreign currency forward contract transactions:					
Sell: U.S. dollars	¥ 165	¥—	¥ 164	¥ 1	\$ 12
Buy: U.S. dollars	¥ 1,845	¥—	¥ 1,639	¥(206)	\$(2,093)
Buy: Japanese yen	¥12,105	¥—	¥12,895	¥ 790	\$ 8,044
Foreign currency Swap transactions:					
Japanese yen received for U.S. dollars	¥ 7,006	¥—	¥ 2	¥ 2	\$ 23

Interest-rate-related derivatives

	Millions of yen				Thousands of U.S. dollars
	2009				2009
	Contracted amount	Amount of principal due over one year	Fair value	Recognized gain (loss)	Recognized gain (loss)
Interest rate swap transactions:					
Variable rate received for variable rate	¥14,715	¥14,715	¥(152)	¥(152)	\$(1, 551)

- (3) The fair value of foreign currency forward contract transactions is based on the year-end forward rate. The fair value of foreign currency swap transactions, interest rate swap transactions and foreign currency option transactions is based on the prices presented by the counterpart financial institutions. Foreign currency forward contract transactions, currency swap transactions, interest rate swap transactions, currency option transactions and commodity swap transactions for which hedge accounting is applied are excluded from the above schedule.
- (4) The principal amounts of the contracts or transactions represent the principal of the forward, swap and option transactions, and it is not appropriate to use these amounts for the measurement of market and credit risks. The recognized gain or loss is estimated by the counterpart financial institutions.

Note 6. Inventories

Inventories at March 31, 2008 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Finished goods	¥ 97,765	¥ 95,419	\$ 971,382
Work in process	17,192	11,641	118,510
Raw materials	28,175	22,062	224,601
Supplies	8,371	5,943	60,497
	¥151,503	¥135,065	\$1,374,990

Note 7. Bank loans and long-term debt

Bank loans were represented by bank overdrafts and short-term notes with interest at average annual rates of approximately 4.6% and 2.7% in 2008 and 2009, respectively.

Long-term debt at March 31, 2008 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Unsecured:			
Banks and insurance companies at 0.4–4.5%, maturing serially through 2016	¥ 69,529	¥ 96,255	\$ 979,897
2.3% bonds, due 2008	10,000	—	—
1.3% bonds, due 2009	10,000	10,000	101,802
1.6% bonds, due 2013	—	15,000	152,703
1.8% bonds, due 2015	—	15,000	152,703
0.6% medium-term notes, due 2008	1,280	—	—
0.4% medium-term notes, due 2008	1,071	—	—
0.7–1.0% medium-term notes, due 2008–2011	13,741	—	—
5.4% medium-term notes, due 2008	2,653	—	—
0.9–1.0% medium-term notes, due 2008–2010	10,919	—	—
0.7–1.1% medium-term notes, due 2009–2011	—	5,174	52,668
0.9–1.0% medium-term notes, due 2009–2010	—	9,333	95,009
1.1–1.3% medium-term notes, due 2009–2010	—	8,470	86,231
Loans denominated in foreign currencies (principally U.S. dollars), 2.1–6.5% maturing serially through 2014	35,076	52,409	533,538
Lease obligations, 7.9% maturing serially through 2018	—	1,268	12,904
	154,269	212,909	2,167,455
Less amounts due within one year	37,069	34,625	352,493
	¥117,200	¥178,284	\$1,814,962

At March 31, 2009, assets pledged as collateral for secured other liabilities of ¥25 million (\$253 thousand) were as follows:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment, net of accumulated depreciation	¥ 346	\$ 3,522
Other assets	5	51

The aggregate annual maturities of long-term debt at March 31, 2009 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2010	¥34,625	\$352,493
2011	15,758	160,418
2012	14,428	146,879
2013	57,764	588,044
2014 and thereafter	90,334	919,621

Note 8. Employees' retirement benefits

- (1) The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2008 and 2009 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Projected benefit obligation	¥ 144,762	¥ 139,177	\$ 1,416,845
Unrecognized prior service costs	5,374	4,725	48,100
Less unrecognized actuarial differences	(15,124)	(32,560)	(331,472)
Less fair value of pension assets	(136,384)	(112,049)	(1,140,676)
Prepaid pension expense	19,650	19,948	203,075
Liability for severance and retirement benefits	¥ 18,278	¥ 19,241	\$ 195,872

- (2) The expenses for severance and retirement benefits included in the consolidated statements of operations for the years ended March 31, 2008 and 2009 comprise the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Service costs—benefits earned during the year	¥ 5,464	¥ 5,842	\$ 59,471
Interest cost on projected benefit obligation	3,401	3,555	36,193
Expected return on pension assets	(3,798)	(3,743)	(38,109)
Amortization of actuarial differences	1,633	2,100	21,381
Amortization of prior service costs	(1,621)	(656)	(6,675)
Severance and retirement benefit expenses	¥ 5,079	¥ 7,098	\$ 72,261

- (3) The discount rate and the rate of expected return on pension assets used by the Companies were mainly 2.0% and 3.0% for the years ended March 31, 2008 and 2009.
- (4) The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year

using the estimated number of total service years. Prior service costs and actuarial gains and losses are recognized in expenses using the straight-line method over mainly 12 years, which is within the average of the estimated remaining service years of the employees, commencing with the current and the following period, respectively.

Note 9. Net assets

Under Japanese laws and regulations, the entire amount of the issue price of shares is required to be accounted for as common stock, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as capital surplus.

Under the Japanese Corporate Law, in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend and excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Additional paid-in capital is included in capital surplus

and legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit or may be capitalized by a resolution of the shareholders' meeting. All additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the Board of Directors' meeting held on May 11, 2009, appropriations of retained earnings for the year ended March 31, 2009 were duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends: ¥2.00 (\$0.02) per share	¥1,968	\$20,038

Note 10. Impairment loss

Certain consolidated subsidiaries accounted for impairment losses as follows:

Impairment loss

Location	Usage purpose	Type of assets	Millions of yen	Thousands of U.S. dollars
Bobingen, Germany	Synthetic fibers	Goodwill	¥ 3,529	\$ 35,921
Tangerang, Indonesia	Synthetic fiber production facilities	Machinery, etc.	2,413	24,568
Matsuyama City in Ehime Prefecture, etc.	Synthetic fiber production facilities, etc.	Buildings and machinery, etc.	2,195	22,342
Matsuyama City in Ehime Prefecture, etc.	Plastics production facilities	Buildings and machinery, etc.	1,736	17,672
Tennessee, U.S.A.	Polymerization facilities for PET film	Machinery, etc.	313	3,188
Mihara City in Hiroshima Prefecture	Power supply facilities	Machinery, etc.	299	3,043
Kentucky, U.S.A.	Synthetic fibers	Goodwill	237	2,412
Iwakuni City in Yamaguchi Prefecture	Synthetic fiber production facilities	Machinery, etc.	206	2,098
Shunan City in Yamaguchi Prefecture, etc.	Plastics production facilities	Buildings and machinery, etc.	122	1,244
South Carolina, U.S.A.	Synthetic fiber production facilities	Machinery, etc.	117	1,187
Matsuyama City in Ehime Prefecture	Idle assets	Machinery	270	2,751
Chuo-ku in Osaka	Idle assets	Buildings and structures	83	845
Nomi City in Ishikawa Prefecture	Idle assets	Land	68	693
		Totals	¥11,588	\$117,964

The Companies set asset groups by the business unit on which the profit or loss is continually controlled. Idle assets, which are not being used for business, are separately treated.

Among the assets used for business purposes, certain production facilities were devalued to the recoverable values by ¥11,167 million (\$113,675 thousand) as "Impairment loss", due to sluggish demand, etc. Recoverable value was measured by the usage value,

which was calculated by discounting future cash flows with discount rates of 5%–20%.

The book values of idle assets with no utilization plan were written down to recoverable values by ¥421 million (\$4,289 thousand). Recoverable value was measured by the net salvage value, based on real-estate appraisals or similar methods. If it is determined that an idle asset cannot be sold or diverted to another use, the asset is valued at zero.

Note 11. Special factory operating loss

Special factory operating loss included in other income (expenses) was incurred due to a decline in the capacity utilization ratio.

Note 12. Environmental protection costs

Environmental protection costs represent the soil cleanup costs and the costs for asbestos exposure prevention.

Note 13. Income taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 40.6% and 40.5% for the years ended March 31, 2008 and 2009, respectively. The following table summarizes the significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the years ended March 31, 2008 and 2009:

	2008	2009
Statutory tax rate	40.6%	40.5%
Non-deductible expenses	10.5	(3.4)
Difference in tax rate between the Company and foreign consolidated subsidiaries	(23.3)	(15.8)
Equity in losses of unconsolidated subsidiaries and affiliates	15.3	(9.6)
Amortization of goodwill	13.0	(7.8)
Changes in valuation allowance	(20.0)	(31.8)
Minority interest in a limited partnership in the United States	47.5	—
Other	1.8	(2.3)
Effective tax rate	85.4%	(30.2)%

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2008 and 2009 are as follows:

(1) Current:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Deferred tax assets:			
Excess bonuses accrued	¥ 4,234	¥ 3,409	\$ 34,698
Accrued enterprise tax	791	489	4,982
Valuation loss on finished goods	469	1,215	12,367
Allowance for doubtful receivables	587	247	2,514
Net operating losses	1,522	9,400	95,691
Elimination of unrealized gains on inventories	1,517	1,204	12,259
Other	2,217	2,868	29,197
Total	11,337	18,832	191,708
Valuation allowance	(1,449)	(9,387)	(95,561)
Total deferred tax assets	9,888	9,445	96,147
Offset with deferred tax liabilities	(24)	(275)	(2,798)
Net deferred tax assets	¥ 9,864	¥ 9,170	\$ 93,349
Deferred tax liabilities:			
Deferred hedge profit	¥ —	¥ (193)	\$ (1,962)
Adjustments of allowance for doubtful accounts in the consolidation elimination of receivables and payables	(10)	(8)	(85)
Other	(14)	(437)	(4,446)
Total deferred tax liabilities	(24)	(638)	(6,493)
Offset with deferred tax assets	24	275	2,798
Net deferred tax liabilities	¥ —	¥ (363)	\$ (3,695)

(2) Non-Current:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Deferred tax assets:			
Excess depreciation and amortization	¥ 1,245	¥ 1,049	\$ 10,677
Write-down of investment securities	2,796	1,457	14,829
Allowance for doubtful receivables	2,731	1,096	11,160
Retirement benefits	4,665	5,106	51,980
Directors' and statutory auditors' retirement benefits	819	680	6,926
Accrued retirement benefits for directors and statutory auditors	824	746	7,599
Impairment losses	5,993	8,621	87,761
Elimination of unrealized gains on property, plant and equipment	1,613	1,610	16,388
Net operating losses	26,519	37,990	386,741
Capital losses	4,481	3,552	36,158
Other	2,911	2,182	22,215
Total	54,597	64,089	652,434
Valuation allowance	(29,161)	(38,899)	(395,996)
Total deferred tax assets	25,436	25,190	256,438
Offset with deferred tax liabilities	(14,745)	(22,299)	(227,009)
Net deferred tax assets	¥ 10,691	¥ 2,891	\$ 29,429
Deferred tax liabilities:			
Adjustments to fixed assets based on corporate tax law	¥ (8,860)	¥ (7,985)	\$ (81,289)
Accelerated depreciation of foreign subsidiaries' fixed assets	(4,569)	(4,068)	(41,417)
Tax effect of foreign subsidiaries' undistributed earnings	(2,639)	(4,427)	(45,069)
Valuation differences of newly acquired subsidiaries	(5,958)	(5,958)	(60,649)
Net unrealized holding gains on securities	(16,451)	(5,811)	(59,155)
Other	(1,756)	(2,964)	(30,173)
Total deferred tax liabilities	(40,233)	(31,213)	(317,752)
Offset with deferred tax assets	14,745	22,299	227,009
Net deferred tax liabilities	¥(25,488)	¥ (8,914)	\$ (90,743)

Note 14. Leases*(Change in accounting procedures)*

On March 30, 2007, the Accounting Standards Board of Japan issued "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16). The new accounting standard requires that finance lease transactions which do not transfer ownership are accounted for in the same manner as

sales/purchase transactions. The Company applies this standard for finance lease transactions that commenced on and after April 1, 2008. In compliance with the new standard, the Company accounts for finance leases that commenced on and before March 31, 2008 and which did not transfer ownership in the same manner as operating leases. The effect on net income has been insignificant.

(1) Finance leases as lessee

Finance lease transactions that commenced on and before March 31, 2008, and which did not transfer ownership are accounted for in the same manner as operating leases.

The original lease obligations, payments to date and payments remaining for assets leased from other parties under non-capitalized finance leases as of March 31, 2008 and 2009, are as follows:

Year ended March 31, 2008	Millions of yen		
	Original lease obligation	Payments to date	Payments remaining
Machinery, equipment and vehicles	¥2,421	¥1,241	¥1,180
Other fixed assets	3,465	1,948	1,517
Intangible assets	132	64	68
Total	¥6,018	¥3,253	¥2,765

Year ended March 31, 2009	Millions of yen		
	Original lease obligation	Payments to date	Payments remaining
Machinery, equipment and vehicles	¥2,380	¥1,551	¥ 829
Other fixed assets	2,445	1,638	807
Intangible assets	124	83	41
Total	¥4,949	¥3,272	¥1,677

Year ended March 31, 2009	Thousands of U.S. dollars		
	Original lease obligation	Payments to date	Payments remaining
Machinery, equipment and vehicles	\$24,231	\$15,787	\$ 8,444
Other fixed assets	24,885	16,674	8,211
Intangible assets	1,263	849	414
Total	\$50,379	\$33,310	\$17,069

Future minimum lease payments for the remaining lease periods as of March 31, 2008 and 2009, including interest, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Due within one year	¥1,135	¥ 739	\$ 7,523
Due over one year	1,661	967	9,847
Total	¥2,796	¥1,706	\$17,370

Lease payments for finance leases which do not transfer ownership were ¥1,158 million and ¥1,081 million (\$11,006 thousand) for the years ended March 31, 2008 and 2009, respectively.

(2) Operating leases as lessee

Future minimum lease payments for the remaining lease periods, as of March 31, 2008 and 2009, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Due within one year	¥1,154	¥ 284	\$ 2,896
Due over one year	2,159	1,527	15,542
Total	¥3,313	¥1,811	\$18,438

Note 15. Stock option plans

(1) Information on stock option plans at March 31, 2008 is shown below.

The account title and the amount related to stock options in the year ended March 31, 2008 are as follows:

Account title	Selling, general and administrative expenses
Amount	¥126 million

The following tables summarize contents of stock options as of March 31, 2008.

Company name	Teijin Limited
Position and number of grantee	Directors and Employees: 58
Class and number of stock	Common Stock 535,000
Date of issue	July 1, 2002
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From July 2, 2004 to July 1, 2007
Company name	Teijin Limited
Position and number of grantee	Directors, Employees and Directors of affiliates: 60
Class and number of stock	Common Stock 535,000
Date of issue	July 1, 2003
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From July 2, 2005 to July 1, 2008
Company name	Teijin Limited
Position and number of grantee	Directors, Employees and Directors of affiliates: 53
Class and number of stock	Common Stock 460,000
Date of issue	July 2, 2004
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From July 3, 2006 to July 2, 2009
Company name	Teijin Limited
Position and number of grantee	Directors, Employees and Directors of affiliates: 55
Class and number of stock	Common Stock 430,000
Date of issue	July 4, 2005
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From July 5, 2007 to July 4, 2010
Company name	Teijin Limited
Position and number of grantee	Directors and Corporate Officers: 54
Class and number of stock	Common Stock 146,000
Date of issue	July 10, 2006
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From July 10, 2006 to July 9, 2026
Company name	Teijin Limited
Position and number of grantee	Directors and Corporate Officers: 55
Class and number of stock	Common Stock 207,000
Date of issue	July 5, 2007
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From July 5, 2007 to July 4, 2027

The following tables summarize scale and movement of stock options as of March 31, 2008.

Not exercisable stock options

Company name	Stocks					
	Teijin Limited					
	2002	2003	2004	2005	2006	2007
Stock options outstanding at April 1, 2007	—	—	—	—	—	—
Stock options granted	—	—	—	—	—	207,000
Forfeitures	—	—	—	—	—	—
Conversion to exercisable stock options	—	—	—	—	—	207,000
Stock options outstanding at March 31, 2008	—	—	—	—	—	—

Exercisable stock options

Company name	Stocks					
	Teijin Limited					
	2002	2003	2004	2005	2006	2007
Stock options outstanding at April 1, 2007	66,000	60,000	260,000	430,000	146,000	—
Conversion from not exercisable stock options	—	—	—	—	—	207,000
Stock options exercised	52,000	35,000	65,000	40,000	2,000	—
Forfeitures	14,000	—	—	—	—	—
Stock options outstanding at March 31, 2008	—	25,000	195,000	390,000	144,000	207,000

The following table summarizes price information of stock options as of March 31, 2008.

Company name	Teijin Limited					
	2002	2003	2004	2005	2006	2007
Paid-in value	¥450	¥304	¥405	¥515	¥ 1	¥ 1
Average market price of the stock at the time of exercise	¥659	¥609	¥647	¥652	¥645	—
Fair value at the date of grant	—	—	—	—	¥663	¥610

The method of estimation for the fair value of stock options granted in the year ended March 31, 2008 is as follows:

Method of valuation	Black-Scholes Model
Volatility	29%
Expected remaining period	6.0 years
Expected dividend	¥10.0 per share
Interest rate without any risks	1.62%

(2) Information on stock option plans at March 31, 2009 is shown below.

The account title and the amount related to stock options in the year ended March 31, 2009 are as follows:

Account title	Selling, general and administrative expenses
Amount	¥101 million (\$1,025 thousand)

The following tables summarize contents of stock options as of March 31, 2009.

Company name	Teijin Limited
Position and number of grantee	Directors, Employees and Directors of affiliates: 60
Class and number of stock	Common Stock 535,000
Date of issue	July 1, 2003
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From July 2, 2005 to July 1, 2008
Company name	Teijin Limited
Position and number of grantee	Directors, Employees and Directors of affiliates: 53
Class and number of stock	Common Stock 460,000
Date of issue	July 2, 2004
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From July 3, 2006 to July 2, 2009
Company name	Teijin Limited
Position and number of grantee	Directors, Employees and Directors of affiliates: 55
Class and number of stock	Common Stock 430,000
Date of issue	July 4, 2005
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From July 5, 2007 to July 4, 2010
Company name	Teijin Limited
Position and number of grantee	Directors and Corporate Officers: 54
Class and number of stock	Common Stock 146,000
Date of issue	July 10, 2006
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From July 10, 2006 to July 9, 2026
Company name	Teijin Limited
Position and number of grantee	Directors and Corporate Officers: 55
Class and number of stock	Common Stock 207,000
Date of issue	July 5, 2007
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From July 5, 2007 to July 4, 2027
Company name	Teijin Limited
Position and number of grantee	Directors and Corporate Officers: 57
Class and number of stock	Common Stock 328,000
Date of issue	July 7, 2008
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From July 7, 2008 to July 6, 2028

The following tables summarize scale and movement of stock options as of March 31, 2009.

Not exercisable stock options

Company name	Stocks					
	Teijin Limited					
	2003	2004	2005	2006	2007	2008
Stock options outstanding at April 1, 2008	—	—	—	—	—	—
Stock options granted	—	—	—	—	—	328,000
Forfeitures	—	—	—	—	—	—
Conversion to exercisable stock options	—	—	—	—	—	328,000
Stock options outstanding at March 31, 2009	—	—	—	—	—	—

Exercisable stock options

Company name	Stocks					
	Teijin Limited					
	2003	2004	2005	2006	2007	2008
Stock options outstanding at April 1, 2008	25,000	195,000	390,000	144,000	207,000	—
Conversion from not exercisable stock options	—	—	—	—	—	328,000
Stock options exercised	25,000	—	—	2,000	—	—
Forfeitures	—	—	—	—	—	—
Stock options outstanding at March 31, 2009	—	195,000	390,000	142,000	207,000	328,000

The following table summarizes price information of stock options as of March 31, 2009.

Company name	Teijin Limited					
	2003	2004	2005	2006	2007	2008
Paid-in value	¥304	¥405	¥515	¥ 1	¥ 1	¥ 1
Average market price of the stock at the time of exercise	¥408	—	—	¥311	—	—
Fair value at the date of grant	—	—	—	¥663	¥610	¥307

The method of estimation for the fair value of stock options granted in the year ended March 31, 2009 is as follows:

Method of valuation	Black-Scholes Model
Volatility	27%
Expected remaining period	6.0 years
Expected dividend	¥8.0 per share
Interest rate without any risks	1.35%

Note 16. Business combination

The Company executed a stock swap agreement with Toho Tenax Co., Ltd. ("Toho Tenax"), a consolidated subsidiary of the Company. Under the stock swap, Toho Tenax became a wholly owned subsidiary of the Company on September 1, 2007. As for the stock swap ratio, for each share of common stock in Toho Tenax, 1.15 shares of the Company's common stock was delivered. As a result of the stock swap, the Company issued 56,325,793 shares of common stock.

The stock swap was a transaction with minority shareholders.

The information about an additional acquisition of a subsidiary's shares is as follows:

Acquisition cost	¥38,249 million
Consideration	Common stock
Delivered shares amount	¥38,178 million
Goodwill	Amount
	¥29,149 million
	Amortization method
	Straight-line method
	Amortization term
	10 years

Teijin Holdings USA, Inc. acquired Braden Partners L.P., a provider of home oxygen and respiratory medications, equipment and services in the United States. All of the purchase was paid in cash. Under the acquisition, Braden Partners L.P. became a wholly owned subsidiary of the Company after June 13, 2008. The

acquisition was to build our operating base in the U.S. market in the home healthcare business. Teijin Holdings USA Inc. will make additional payments if certain predefined milestones are achieved. These contingent payments will be recognized as goodwill upon payment.

Note 17. Segment information

(1) Industry segment information

The Company has five industry segments.

Synthetic fibers:

—Production and sales of polyester filaments and other fibers for apparel and industrial applications, and artificial leather

Films and plastics:

—Production and sales of films and resins for various industrial applications

Pharmaceuticals and home health care:

—Production and sales of prescription and non-prescription drugs and production, sales and rental of home health care devices

Trading and retail:

—Trading and retail of polyester filaments and other fibers

IT and new products, etc.:

—Serving software and other

Industry segment information for the years ended March 31, 2008 and 2009 is as follows:

(a) Statements of operations items

Year ended March 31, 2008	Millions of yen				
	Net sales to external customers	Intersegment net sales and transfer amounts	Net sales	Operating expenses	Operating income
Synthetic fibers	¥ 317,612	¥ 73,249	¥ 390,861	¥ 366,413	¥24,448
Films and plastics	293,834	15,608	309,442	289,195	20,247
Pharmaceuticals and home health care	114,403	4	114,407	92,716	21,691
Trading and retail	265,931	9,343	275,274	270,019	5,255
IT and new products, etc.	44,844	54,432	99,276	95,760	3,516
Total	1,036,624	152,636	1,189,260	1,114,103	75,157
Elimination and corporate	—	(152,636)	(152,636)	(142,641)	(9,995)
Consolidated total	¥1,036,624	¥ —	¥1,036,624	¥ 971,462	¥65,162

Year ended March 31, 2009	Millions of yen				
	Net sales to external customers	Intersegment net sales and transfer amounts	Net sales	Operating expenses	Operating income
Synthetic fibers	¥273,208	¥ 61,574	¥ 334,782	¥ 337,562	¥ (2,780)
Films and plastics	258,004	9,742	267,746	267,520	226
Pharmaceuticals and home health care	127,146	1	127,147	102,309	24,838
Trading and retail	239,163	7,871	247,034	243,161	3,873
IT and new products, etc.	45,889	41,224	87,113	83,524	3,589
Total	943,410	120,412	1,063,822	1,034,076	29,746
Elimination and corporate	—	(120,412)	(120,412)	(108,632)	(11,780)
Consolidated total	¥943,410	¥ —	¥ 943,410	¥ 925,444	¥ 17,966

Year ended March 31, 2009	Thousands of U.S. dollars				
	Net sales to external customers	Intersegment net sales and transfer amounts	Net sales	Operating expenses	Operating income
Synthetic fibers	\$2,781,304	\$ 626,833	\$ 3,408,137	\$ 3,436,437	\$ (28,300)
Films and plastics	2,626,531	99,178	2,725,709	2,723,405	2,304
Pharmaceuticals and home health care	1,294,373	11	1,294,384	1,041,528	252,856
Trading and retail	2,434,729	80,126	2,514,855	2,475,424	39,431
IT and new products, etc.	467,153	419,668	886,821	850,290	36,531
Total	9,604,090	1,225,816	10,829,906	10,527,084	302,822
Elimination and corporate	—	(1,225,816)	(1,225,816)	(1,105,894)	(119,922)
Consolidated total	\$9,604,090	\$ —	\$ 9,604,090	\$ 9,421,190	\$ 182,900

(b) Assets, depreciation and amortization, impairment loss and capital expenditure

Year ended March 31, 2008	Millions of yen			
	Assets	Depreciation and amortization	Impairment loss	Capital expenditure
Synthetic fibers	¥ 464,289	¥27,015	¥ 4,808	¥53,507
Films and plastics	251,618	19,518	24,435	14,805
Pharmaceuticals and home health care	85,055	7,623	—	6,599
Trading and retail	93,661	394	—	277
IT and new products, etc.	67,219	1,940	2,956	3,920
Total	961,842	56,490	32,199	79,108
Elimination and corporate	54,149	2,251	—	5,533
Consolidated total	¥1,015,991	¥58,741	¥32,199	¥84,641

Year ended March 31, 2009	Millions of yen			
	Assets	Depreciation and amortization	Impairment loss	Capital expenditure
Synthetic fibers	¥396,937	¥30,997	¥ 8,886	¥47,531
Films and plastics	188,288	15,892	2,049	10,509
Pharmaceuticals and home health care	107,846	9,080	—	7,369
Trading and retail	82,847	280	—	392
IT and new products, etc.	52,749	2,089	299	3,664
Total	828,667	58,338	11,234	69,465
Elimination and corporate	45,490	2,514	354	6,341
Consolidated total	¥874,157	¥60,852	¥11,588	¥75,806

Year ended March 31, 2009	Thousands of U.S. dollars			
	Assets	Depreciation and amortization	Impairment loss	Capital expenditure
Synthetic fibers	\$4,040,895	\$315,552	\$ 90,465	\$483,878
Films and plastics	1,916,807	161,778	20,860	106,986
Pharmaceuticals and home health care	1,097,887	92,439	—	75,012
Trading and retail	843,396	2,850	—	3,988
IT and new products, etc.	536,999	21,270	3,043	37,298
Total	8,435,984	593,889	114,368	707,162
Elimination and corporate	463,102	25,592	3,596	64,553
Consolidated total	\$8,899,086	\$619,481	\$117,964	\$771,715

(2) Regional segment information

Regional segment information for the years ended March 31, 2008 and 2009 is as follows:

Year ended March 31, 2008	Millions of yen					
	Net sales to external customers	Intersegment net sales or transfer amounts	Net sales	Operating expenses	Operating income	Assets
Japan	¥ 650,341	¥ 53,167	¥ 703,508	¥ 660,688	¥42,820	¥ 715,112
Asia	190,881	41,132	232,013	222,724	9,289	182,810
America	111,708	4,652	116,360	114,498	1,862	76,672
Europe	83,694	30,355	114,049	94,425	19,624	174,582
Total	1,036,624	129,306	1,165,930	1,092,335	73,595	1,149,176
Elimination and corporate	—	(129,306)	(129,306)	(120,873)	(8,433)	(133,185)
Consolidated total	¥1,036,624	¥ —	¥1,036,624	¥ 971,462	¥65,162	¥1,015,991

Year ended March 31, 2009	Millions of yen					
	Net sales to external customers	Intersegment net sales or transfer amounts	Net sales	Operating expenses	Operating income	Assets
Japan	¥599,088	¥ 42,599	¥ 641,687	¥ 621,247	¥20,440	¥ 660,792
Asia	159,893	33,575	193,468	197,436	(3,968)	135,899
America	104,781	3,351	108,132	107,436	696	61,740
Europe	79,648	28,038	107,686	97,000	10,686	162,997
Total	943,410	107,563	1,050,973	1,023,119	27,854	1,021,428
Elimination and corporate	—	(107,563)	(107,563)	(97,675)	(9,888)	(147,271)
Consolidated total	¥943,410	¥ —	¥ 943,410	¥ 925,444	¥17,966	¥ 874,157

Year ended March 31, 2009	Thousands of U.S. dollars					
	Net sales to external customers	Intersegment net sales or transfer amounts	Net sales	Operating expenses	Operating income	Assets
Japan	\$6,098,833	\$ 433,670	\$ 6,532,503	\$ 6,324,405	\$ 208,098	\$ 6,726,985
Asia	1,627,737	341,802	1,969,539	2,009,939	(40,400)	1,383,482
America	1,066,690	34,113	1,100,803	1,093,721	7,082	628,521
Europe	810,830	285,432	1,096,262	987,479	108,783	1,659,343
Total	9,604,090	1,095,017	10,699,107	10,415,544	283,563	10,398,331
Elimination and corporate	—	(1,095,017)	(1,095,017)	(994,354)	(100,663)	(1,499,245)
Consolidated total	\$9,604,090	\$ —	\$ 9,604,090	\$9,421,190	\$ 182,900	\$ 8,899,086

The main countries included in Asia, America and Europe are as follows:

Asia: Thailand, Indonesia, China and Singapore
 America: The United States of America
 Europe: The Netherlands and Germany

(3) Overseas sales for the years ended March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Asia	¥234,781	¥198,114	\$2,016,834
America	113,173	107,859	1,098,028
Europe and other	94,970	89,382	909,929
Overseas sales	¥442,924	¥395,355	\$4,024,791

Overseas sales include overseas subsidiaries' sales to overseas third parties, as well as the Company's and domestic subsidiaries' export sales to third parties.

The main countries included in Asia, America, and Europe and other are as follows:

Asia: Thailand, Indonesia and China
 America: The United States of America
 Europe and other: Italy, Germany and France

(4) "Elimination and corporate" in the "Operating expenses" column of the above schedules includes corporate expenses amounting to ¥9,453 million and ¥11,883 million (\$120,976 thousand) for the years ended March 31, 2008 and 2009, respectively, which mainly consist of basic research expenses and corporate administrative departments' expenses in the holding company.

(5) "Elimination and corporate" in the "Assets" column of the above schedules includes corporate assets amounting to ¥97,883 million and ¥92,827 million (\$944,999 thousand) for the years ended March 31, 2008 and 2009, respectively, which mainly consist of cash, time deposits and investment in securities held by the holding company.

(6) Additional information

In the fiscal year ended March 31, 2009, as discussed in Note 2, the Company and its domestic consolidated subsidiaries have revised the estimated useful life applicable for fixed assets due to a revision of the Corporate Tax Law. The effect of this change was to increase operating expenses in "Synthetic fibers" by ¥589 million (\$5,995 thousand), "Films and plastics" by ¥45

million (\$461 thousand), "Trading and retail" by ¥0 million (\$1 thousand) and "IT and new products, etc." by ¥3 million (\$34 thousand), and to decrease operating expenses in "Pharmaceuticals and home health care" by ¥33 million (\$338 thousand), and decrease or increase operating income by the same amount respectively, compared with amounts that would have been recorded under the previous method.

Note 18. Contingent liabilities

At March 31, 2009, the Companies were contingently liable as follows:

	Millions of yen	Thousands of U.S. dollars
(a) As endorser of notes discounted or endorsed	¥ 41	\$ 416
(b) As guarantors of indebtedness of:		
Unconsolidated subsidiaries and affiliates	¥10,742	\$109,355
Others	2,458	25,028
	¥13,200	\$134,383
(c) As guarantor of accounts receivable negotiated to third parties	¥ 2,757	\$ 28,066
(d) Based on a debt assumption agreement with a financial institution, the Company has transferred the debt repayment obligation for certain bonds to the financial institutions. As of March 31, 2009, the Company had contingent obligations in respect to the following bonds:		
2.4% unsecured straight bonds, due 2009	¥15,000	\$152,703

Note 19. Subsequent events

(1) At the Board of Directors' meeting held on May 11, 2009, appropriations of retained earnings for the year ended March 31, 2009 were duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends: ¥2.00 (\$0.02) per share	¥1,968	\$20,038

(2) The company has entrusted cash for the payment of the straight bonds (fourth series of unsecured straight bonds due September 29, 2009; issue amount: ¥15 billion (\$152.7 million)) based on a debt assumption agreement concluded with a financial institution on November 29, 2005. These bonds are derecognized in the Company's consolidated balance sheets. Based on the judgment that the current financial market conditions had increased the possibility that the principal of the securities

invested and held by the trust could not be redeemed in full, the Company made an additional contribution to the trust of approximately ¥7,198 million (\$73,277 thousand) on June 1, 2009 to revise the contents of the investment held by the trust. The contribution will be recorded as other loss in the fiscal year ended March 31, 2010. Since the debt assumption agreement continues in force, the off-balance-sheet accounting of the bonds is continuing.

Independent Auditors' Report

To the Shareholders and Board of Directors of Teijin Limited:


We have audited the accompanying consolidated balance sheets of Teijin Limited and consolidated subsidiaries as of March 31, 2008 and 2009, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Teijin Limited and subsidiaries as of March 31, 2008 and 2009, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

As discussed in Note 19 (2) to the consolidated financial statements, on June 1, 2009, the Company made an additional contribution to the trust of approximately ¥7,198 million in relation to a debt assumption agreement of fourth series of unsecured straight bonds. The contribution will be recorded as other loss in the fiscal year ended March 31, 2010.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.



(KPMG AZSA & Co.)

Osaka, Japan
June 24, 2009

Corporate Data

(As of March 31, 2009)

Established	June 17, 1918
Head Offices	Osaka Head Office 6-7, Minami Hommachi 1-chome, Chuo-ku, Osaka 541-8587, Japan Tel: +81-6-6268-2132 Tokyo Head Office Kasumigaseki Common Gate West Tower, 2-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-8585, Japan Tel: +81-3-3506-4529
Fiscal Year-End	March 31
Common Stock	Authorized 3,000,000,000 shares Issued 984,758,665 shares Paid-in capital ¥70,817 million Shareholders 130,233
Number of Teijin Group Companies	Japan 84 Overseas 85 Total 169
Number of Teijin Group Employees (Consolidated)	Japan 10,668 Overseas 8,785 Total 19,453
Stock Exchange Listings	Tokyo, Osaka
Stock Code	3401
Stock Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Dividends	Dividends are usually declared in May and November. Dividends are usually paid in or about May and November.
Reports Available to Shareholders and Investors	Corporate Brochure Annual Report Fact Book <i>Kessan Tanshin</i> (Japanese summary financial report) The Teijin Group CSR Report
Annual Meeting of Shareholders	The annual meeting of shareholders is held before the end of June.
Independent Public Accountants	KPMG AZSA & Co.
Teijin on the Internet	http://www.teijin.co.jp Teijin's web site offers a wealth of corporate and product information, including the latest annual report, financial results and corporate news.
Investor Relations	If you have any questions or would like copies of any of our reports, please contact: Junichi Ichida, General Manager, Public Relations & Investor Relations Office, Kasumigaseki Common Gate West Tower, 2-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-8585, Japan Tel: +81-3-3506-4407 Fax: +81-3-3506-4150 E-mail: ir@teijin.co.jp

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