

Consolidated Financial Statements-Summary

(Six months ended September 30, 2005)

English translation from the original Japanese-language document

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

TEIJIN

Human Chemistry, Human Solutions

November 1, 2005

Company name : TEIJIN LIMITED (Code number 3401)

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1. Results of FY2005 interim (April 1, 2005 through September 30, 2005)

(1) Consolidated financial results (Amounts less than one million yen are omitted)

	Net sales	Operating income	Ordinary income
	Million yen	Million yen	Million yen
FY2005 interim	449,333	34,997	31,709
FY2004 interim	433,878	23,196	20,733
FY2004	908,388	51,864	43,087

	Net income	E.P.S.	Diluted E.P.S.
	Million yen	Yen	Yen
FY2005 interim	13,980	15.08	15.07
FY2004 interim	14,137	15.24	15.24
FY2004	9,159	9.73	9.73

cf. Equity in earnings: -250 million yen (FY2004 interim: 935 million yen, FY2004: 542 million yen)

cf. Average number of shares outstanding (Consolidated): 927,211,575 (FY2004 interim: 927,347,402, FY2004: 927,284,430)

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity Ratio	Equity per share
	Million yen	Million yen	%	Yen
FY2005 interim	876,265	311,806	35.6	336.20
FY2004 interim	912,240	299,911	32.9	323.42
FY2004	852,029	290,586	34.1	313.27

cf. Number of shares outstanding at end of period (Consolidated): 927,451,758

(FY2004 interim: 927,318,871, FY2004: 927,147,425)

(3) Consolidated cash flows

	From operating activities	From investing activities	From financing activities	Cash & cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY2005 interim	24,735	(26,705)	(1,141)	30,154
FY2004 interim	29,323	(1,955)	(12,380)	41,579
FY2004	73,313	12,708	(79,643)	32,895

(4) Scope of consolidation and equity method

Consolidated subsidiaries	84 companies
Unconsolidated subsidiaries	44 companies
Affiliates	32 companies
Total	160 companies

(5) Change in scope of consolidation and equity method

Consolidated subsidiaries	(increase) -	(decrease) -
Equity method companies	(increase) 2	(decrease) 1

2. Estimate of business results for the year ending March 31, 2006

	Net sales	Operating income	Ordinary income	Net income
	Million yen	Million yen	Million yen	Million yen
FY2005	940,000	73,000	64,000	30,000

cf. Estimated E.P.S. 32.2 yen

Consolidated Statements of Income

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

	FY2005 interim (Apr. 2005 - Sep. 2005)	FY2004 interim (Apr. 2004 - Sep. 2004)	Increase (Decrease)	FY2004 (Apr. 2004 - Mar. 2005)
Net sales	449,333	433,878	15,454	908,388
Cost of sales	330,366	326,774	3,592	685,781
Gross profit	118,966	107,104	11,861	222,607
Selling, general and administrative expenses	83,968	83,908	60	170,742
Operating income	34,997	23,196	11,801	51,864
Nonoperating revenues				
Interest income	156	208	(52)	361
Dividend income	1,123	450	672	653
Gain on monetary position due to inflation accounting	-	393	(393)	1,310
Equity in earnings of unconsolidated subsidiaries and affiliates	-	935	(935)	542
Foreign exchange gain	456	-	456	-
Other income	741	733	8	1,222
Total	2,477	2,722	(244)	4,089
Nonoperating expenses				
Interest expense	3,400	3,207	193	6,689
Equity in losses of unconsolidated subsidiaries and affiliates	250	-	250	-
Amortization of start-up costs of a foreign subsidiary	826	-	826	-
Foreign exchange loss	-	79	(79)	590
Other expenses	1,287	1,897	(610)	5,587
Total	5,764	5,184	580	12,866
Ordinary income	31,709	20,733	10,976	43,087
Extraordinary income				
Gain on sales of property, plant and equipment	377	284	92	6,793
Gain on sales of investment securities	57	11,263	(11,205)	17,509
Gain on reversal of allowance for doubtful receivables	16	118	(102)	387
Cancellation return on long-term sales contract	-	-	-	3,564
Gain on return of substituted portion of employee retirement benefits	225	-	225	-
Gain on sales of goodwill	196	-	196	-
Other income	224	119	104	263
Total	1,098	11,786	(10,688)	28,518
Extraordinary losses				
Loss on disposal of property, plant and equipment	359	1,330	(970)	1,882
Loss on sales of property, plant and equipment	50	115	(64)	212
Write-down of investment securities	220	264	(43)	432
Loss on sales of investment securities	73	-	73	25
Special provision for allowance for doubtful receivables	-	-	-	12
Restructuring costs	692	1,532	(840)	2,889
Special factory operating loss	725	1,174	(448)	1,691
Loss on impairment	1,020	-	1,020	-
Environmental protection costs	395	-	395	-
Loss on discontinued operation	-	-	-	37,502
Litigation-related loss	-	855	(855)	2,295
Other losses	560	1,531	(971)	4,880
Total	4,099	6,803	(2,704)	51,825
Income before income taxes	28,709	25,717	2,992	19,780
Income taxes - current	7,602	8,552	(950)	21,099
Income taxes - deferred	5,304	3,063	(2,241)	(8,354)
Minority interest in net income (losses) of consolidated subsidiaries	(1,821)	36	(1,858)	2,124
Net income	13,980	14,137	(157)	9,159

Consolidated Balance Sheets

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

	FY2005 interim (As of Sep. 30, 2005)	FY2004 (As of Mar. 31, 2005)	Increase (Decrease)	FY2004 interim (As of Sep. 30, 2004)
< Assets >				
Current assets				
Cash and time deposits	30,164	32,908	(2,744)	41,592
Trade notes and accounts receivable	181,905	191,681	(9,775)	178,645
Marketable securities	-	-	-	52
Inventories	133,614	115,792	17,821	121,059
Short-term loans	4,384	3,303	1,080	3,515
Deferred income taxes	10,096	12,694	(2,598)	6,695
Other current assets	18,158	15,005	3,153	14,764
Allowance for doubtful receivables	(1,299)	(1,525)	226	(1,708)
Total	377,023	369,860	7,163	364,616
Fixed assets				
(1) Tangible assets				
Buildings	81,255	79,646	1,608	94,435
Machinery and equipment	165,606	158,155	7,451	190,007
Land	47,487	48,490	(1,003)	73,317
Construction in progress	19,149	23,613	(4,463)	18,851
Other	12,679	12,746	(66)	13,717
Total	326,178	322,652	3,526	390,329
(2) Intangible assets				
Software and others	23,486	23,626	(139)	26,381
Cost in excess of net book value of consolidated subsidiaries	22,044	22,842	(797)	23,468
Total	45,531	46,468	(937)	49,850
(3) Investments and other assets				
Investments in securities	91,781	74,673	17,108	74,260
Long-term loans	2,088	1,570	518	1,476
Prepaid pension expense	10,368	9,943	425	10,378
Deferred income taxes	1,921	2,462	(540)	3,328
Other assets	27,252	31,867	(4,615)	27,424
Allowance for doubtful receivables	(5,881)	(6,729)	848	(8,685)
Valuation allowance for investments	-	(739)	739	(739)
Total	127,532	113,048	14,484	107,443
Total assets	876,265	852,029	24,236	912,240

Consolidated Balance Sheets

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

	FY2005 interim (As of Sep. 30, 2005)	FY2004 (As of Mar. 31, 2005)	Increase (Decrease)	FY2004 interim (As of Sep. 30, 2004)
< Liabilities >				
Current liabilities				
Trade notes and accounts payable	107,486	109,750	(2,264)	104,624
Bank loans	85,416	80,367	5,048	121,927
Long-term loans due within one year	15,615	20,937	(5,321)	19,744
Commercial paper	13,000	-	13,000	8,000
Bonds due within one year	36,677	16,768	19,909	10,989
Income taxes payable	18,894	24,371	(5,476)	16,448
Accrued expenses	21,213	24,798	(3,584)	21,387
Allowance for discount and rebate	40	54	(14)	14
Reserve for compensation for completed works	8	10	(2)	21
Reserve for adjustment of returned unsold goods	76	76	-	68
Other current liabilities	42,190	43,693	(1,502)	35,400
Total	340,620	320,827	19,792	338,626
Noncurrent liabilities				
Bonds	64,813	89,268	(24,454)	94,066
Long-term loans	66,536	69,690	(3,153)	93,044
Employees' retirement benefits	18,488	18,706	(217)	19,702
Directors' and statutory auditors' retirement benefits	1,257	1,630	(372)	1,365
Liabilities in accordance with the application of the equity method	38	59	(21)	719
Deferred income taxes	24,477	15,485	8,991	20,166
Other noncurrent liabilities	11,246	10,457	788	8,750
Total	186,858	205,298	(18,439)	237,816
Total liabilities	527,478	526,126	1,352	576,443
< Minority interest in consolidated subsidiaries >	36,980	35,316	1,663	35,885
< Shareholders' equity >				
Common stock	70,787	70,787	-	70,787
Capital surplus	63,131	63,123	7	63,121
Retained earnings	158,823	149,711	9,111	164,354
Net unrealized holding gains on securities	32,964	23,593	9,370	21,302
Foreign currency translation adjustments	(13,616)	(16,257)	2,641	(19,359)
Treasury stock	(283)	(372)	88	(295)
Total shareholders' equity	311,806	290,586	21,220	299,911
Total liabilities and shareholders' equity	876,265	852,029	24,236	912,240

Consolidated Statements of Appropriations

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

	FY2005 interim (Apr. 2005 - Sep. 2005)	FY2004 interim (Apr. 2004 - Sep. 2004)	FY2004 (Apr. 2004 - Mar. 2005)
(Capital surplus)			
Balance at beginning of period	63,123	63,118	63,118
Increase in capital surplus			
Profit from sales of treasury stock	7	3	5
Total	7	3	5
Balance at end of period	63,131	63,121	63,123
(Retained earnings)			
Balance at beginning of period	149,711	153,922	153,922
Increase in retained earnings			
Net income	13,980	14,137	9,159
Total	13,980	14,137	9,159
Decrease in retained earnings			
Cash dividends paid	3,245	3,246	6,028
Bonuses to directors and statutory auditors	163	134	134
Decrease due to change of retirement allowance policy by a foreign subsidiary, etc	1,458	-	-
Decrease due to sale of a foreign subsidiary applying inflation accounting, etc	-	-	4,388
Decrease due to retroactive adjustment of deferred tax by a foreign subsidiary	-	-	2,451
Decrease from sales of shares of affiliates	-	264	368
Decrease due to application of inflation accounting by a foreign subsidiary, etc	-	59	-
Total	4,868	3,705	13,370
Balance at end of period	158,823	164,354	149,711

Consolidated Statements of Cash Flows

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

	FY2005 interim (Apr. 2005 - Sep. 2005)	FY2004 interim (Apr. 2004 - Sep. 2004)	FY2004 (Apr. 2004 - Mar. 2005)
Cash flows from operating activities			
Income before income taxes	28,709	25,717	19,780
Depreciation and amortization	24,509	25,333	52,287
Loss on impairment	1,020	-	-
Decrease in retirement benefits	(341)	(556)	(1,165)
Decrease in allowance for doubtful receivables	(1,079)	(1,834)	(3,814)
Interest and dividend income	(1,279)	(659)	(1,014)
Interest expense	3,400	3,207	6,689
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	250	(935)	(542)
(Gain) loss on sales and disposal of property, plant and equipment	33	1,160	(4,698)
(Gain) loss on sales of investment securities	15	(11,263)	(17,483)
Write-down of investment securities	220	264	432
Loss on discontinued operation	-	-	37,502
(Increase) decrease in receivables	11,969	1,818	(17,431)
Increase in inventories	(17,510)	(9,578)	(7,952)
Increase (decrease) in payables	(3,893)	4,765	16,413
Other, net	(5,970)	3,575	14,800
Subtotal	40,054	41,014	93,804
Interest and dividends received	1,544	1,417	2,360
Interest paid	(3,375)	(3,401)	(6,594)
Income taxes paid	(13,487)	(9,707)	(16,256)
Net cash and cash equivalents provided by operating activities	24,735	29,323	73,313
Cash flows from investing activities			
Purchase of property, plant and equipment	(22,283)	(21,252)	(43,899)
Proceeds from sales of property, plant and equipment	784	764	7,963
Purchase of investment securities	(1,093)	(2,298)	(7,157)
Proceeds from sales and redemption of investment securities	384	24,183	36,491
Proceeds from sales of the shares of consolidated subsidiaries	-	-	1,000
Expenditure incurred in the acquisition of the additional shares of consolidated subsidiaries	-	-	(60)
Increase in short-term loans receivable	(1,657)	(182)	(595)
Long-term loans advanced	(242)	(341)	(760)
Collections on long-term loans receivable	30	99	169
Proceeds from discontinued operation	-	-	24,232
Other, net	(2,628)	(2,928)	(4,675)
Net cash and cash equivalents provided by (used in) investing activities	(26,705)	(1,955)	12,708
Cash flows from financing activities			
Increase (decrease) in short-term bank loans, net	800	3,018	(38,600)
Increase (decrease) in commercial paper, net	13,000	(4,000)	(12,000)
Issue of debentures	10,436	-	-
Redemption of debentures	(13,369)	(4,346)	(5,405)
Proceeds from long-term debt	3,706	7,139	21,039
Repayment of long-term debt	(11,963)	(11,081)	(42,956)
Cash dividends paid	(3,245)	(3,246)	(6,028)
Cash dividends paid to minority shareholders	(602)	(158)	(779)
Cash contribution from minority shareholders	-	-	5,184
Other, net	95	294	(97)
Net cash and cash equivalents used in financing activities	(1,141)	(12,380)	(79,643)
Effect of exchange rate changes on cash and cash equivalents	370	(55)	(129)
Net increase (decrease) in cash and cash equivalents	(2,740)	14,932	6,248
Cash and cash equivalents at beginning of period	32,895	26,262	26,262
Increase (decrease) of cash and cash equivalents due to change in scope of consolidation	-	384	384
Cash and cash equivalents at end of period	30,154	41,579	32,895

Segment Information

1. Industrial Segment Information

(1) FY2005 interim (Apr. 2005 - Sep. 2005)

I. Sales and Operating income

Millions of Yen

	Synthetic Fibers	Films & Plastics	Pharma. & H. H. C.	Trading & Retail	IT & New Products etc.	Total	Elimination & corporate	Consolidated Total
Sales								
1) External customers	126,427	125,367	51,636	125,178	20,722	449,333	-	449,333
2) Intersegment net sales or transfer	33,041	7,212	56	4,363	17,325	61,999	(61,999)	-
Net sales	159,468	132,580	51,693	129,542	38,048	511,333	(61,999)	449,333
Operating expenses	152,369	113,770	42,342	127,230	37,355	473,067	(58,732)	414,335
Operating income	7,099	18,810	9,351	2,312	692	38,265	(3,267)	34,997

II. Assets, Depreciation and Capital expenditure

Assets	341,197	251,143	76,487	89,719	60,537	819,085	57,180	876,265
Depreciation	10,805	7,873	2,897	203	879	22,659	1,052	23,711
Capital expenditure	15,345	6,883	3,092	145	727	26,194	(781)	25,412

(Notes)

1. Unallocated operating expenses disclosed in "Elimination & Corporate" for the interim year ended September 30, 2005 amounted to 3,343 million yen.
2. Corporate assets disclosed in "Elimination & Corporate" as of September 30, 2005 amounted to 111,076 million yen, which mainly included investments of the parent company in "Cash and time deposits" and "Investments in securities" etc.
3. Depreciation and Capital expenditure included long-term prepaid expenses and their amortization.

(2) FY2004 interim (Apr. 2004 - Sep. 2004)

Sales and Operating income

Millions of Yen

	Synthetic Fibers	Films & Plastics	Pharma. & H. H. C.	Trading & Retail	Products etc.	Total	Elimination & corporate	Consolidated Total
Sales								
1) External customers	133,182	101,697	47,459	127,219	24,319	433,878	-	433,878
2) Intersegment net sales or transfer	28,295	6,346	32	4,598	17,364	56,637	(56,637)	-
Net sales	161,478	108,044	47,492	131,818	41,683	490,516	(56,637)	433,878
Operating expenses	155,659	100,599	38,629	128,918	41,354	465,162	(54,479)	410,682
Operating income	5,818	7,444	8,863	2,899	329	25,354	(2,158)	23,196

II. Assets, Depreciation and Capital expenditure

Assets	376,377	231,290	63,963	92,485	101,628	865,745	46,495	912,240
Depreciation	12,140	7,071	2,875	232	1,465	23,786	949	24,736
Capital expenditure	7,905	9,131	3,710	340	740	21,829	640	22,470

(Notes)

- Unallocated operating expenses disclosed in "Elimination & Corporate" for the interim year ended September 30, 2004 amounted to 2,227 million yen.
- Corporate assets disclosed in "Elimination & Corporate" as of September 30, 2004 amounted to 103,539 million yen, which mainly included investments of the parent company in "Cash and time deposits" and "Investments in securities" etc.
- Depreciation and Capital expenditure included long-term prepaid expenses and their amortization.
- From this interim year ended September 30, 2004, "Machinery & Engineering" segment is included in "IT & New Products etc", because it is immaterial due to the elimination of Teijin Seiki Co., Ltd.(currently TS Corporation), its principal subsidiary, from scope of consolidation. Sales and operating income in "Machinery & Engineering" for this interim year amounted to 11,021 million yen and 71 million yen respectively.
- From this interim year ended September 30, 2004, "II. Assets, Depreciation and Capital expenditure" is disclosed in the industrial segment information.

(3) FY2004 (Apr. 2004 - Mar. 2005)

I. Sales and Operating income

Millions of Yen

	Synthetic Fibers	Films & Plastics	Pharma. & H. H. C.	Trading & Retail	Products etc.	Total	Elimination & corporate	Consolidated Total
Sales								
1) External customers	278,845	216,432	97,104	261,199	54,807	908,388	-	908,388
2) Intersegment net sales or transfer	62,945	13,603	65	9,143	38,011	123,769	(123,769)	-
Net sales	341,791	230,035	97,170	270,342	92,819	1,032,158	(123,769)	908,388
Operating expenses	331,271	210,890	79,022	264,197	89,061	974,443	(117,918)	856,524
Operating income	10,520	19,144	18,148	6,144	3,757	57,715	(5,851)	51,864

II. Assets, Depreciation and Capital expenditure

Assets	335,506	239,044	78,714	90,604	47,749	791,619	60,409	852,029
Depreciation	24,573	14,542	6,196	475	3,355	49,143	1,957	51,101
Capital expenditure	19,560	16,623	13,348	474	1,813	51,820	2,314	54,135

(Notes)

- Unallocated operating expenses disclosed in "Elimination & Corporate" for the year ended March 31, 2005 amounted to 5,463 million yen.
- Corporate assets disclosed in "Elimination & Corporate" as of March 31, 2005 amounted to 122,314 million yen, which mainly included investments of the parent company in "Cash and time deposits" and "Investments in securities" etc.
- Depreciation and Capital expenditure included long-term prepaid expenses and their amortization.
- From the year ended March 31, 2005, "Machinery & Engineering" segment is included in "IT & New Products etc", because it is immaterial due to the elimination of Teijin Seiki Co., Ltd.(currently TS Corporation), its principal subsidiary, from scope of consolidation. Sales and operating income in "Machinery & Engineering" for the period amounted to 28,424 million yen and 1,033 million yen respectively. Assets, Depreciation and Capital expenditure in this segment for the period amounted to 14,096 million yen, 279 million yen and 214 million yen respectively.

2. Regional Segment Information

(1) FY2005 interim (Apr. 2005 - Sep. 2005)

I. Sales and Operating income

Millions of Yen

	Japan	Asia	Americas	Europe	Total	Elimination & corporate	Consolidated Total
Sales							
1) External customers	299,875	67,720	50,418	31,319	449,333	-	449,333
2) Intersegment net sales or transfer	19,096	15,847	1,427	8,497	44,869	(44,869)	-
Net sales	318,972	83,567	51,845	39,817	494,202	(44,869)	449,333
Operating expenses	299,596	73,927	48,977	32,654	455,156	(40,821)	414,335
Operating income (loss)	19,375	9,640	2,868	7,162	39,046	(4,048)	34,997

II. Assets

Assets	601,598	155,896	79,240	108,859	945,594	(69,329)	876,265
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(Notes)

1. Unallocated operating expenses disclosed in "Elimination & Corporate" for the interim year ended September 30, 2005 amounted to 3,343 million yen.
2. Corporate assets disclosed in "Elimination & Corporate" as of September 30, 2005 amounted to 111,076 million yen, which mainly included investments of the parent company in "Cash and time deposits" and "Investments in securities" etc.

(2) FY2004 interim (Apr. 2004 - Sep. 2004)

Sales and Operating income

Millions of Yen

	Japan	Asia	Americas	Other (Europe)	Total	Elimination & corporate	Consolidated Total
Sales							
1) External customers	291,568	53,866	58,496	29,947	433,878	-	433,878
2) Intersegment net sales or transfer	17,412	9,098	469	8,085	35,065	(35,065)	-
Net sales	308,981	62,965	58,965	38,032	468,944	(35,065)	433,878
Operating expenses	291,172	60,796	59,003	32,848	443,821	(33,138)	410,682
Operating income (loss)	17,808	2,168	(37)	5,183	25,123	(1,927)	23,196

II. Assets

Assets	621,809	133,474	112,732	109,820	977,838	(65,598)	912,240
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(Notes)

1. Unallocated operating expenses disclosed in "Elimination & Corporate" for the interim year ended September 30, 2004 amounted to 2,227 million yen.
2. Corporate assets disclosed in "Elimination & Corporate" as of September 30, 2004 amounted to 103,539 million yen, which mainly included investments of the parent company in "Cash and time deposits" and "Investments in securities" etc.
3. From this interim year ended September 30, 2004, "II. Assets" is disclosed in the regional segment information.

(3) FY2004 (Apr. 2004 - Mar. 2005)

I. Sales and Operating income

Millions of Yen

	Japan	Asia	Americas	Other (Europe)	Total	Elimination & corporate	Consolidated Total
Sales							
1) External customers	609,150	117,070	121,171	60,997	908,388	-	908,388
2) Intersegment net sales or transfer	36,134	22,450	1,498	16,702	76,786	(76,786)	-
Net sales	645,284	139,521	122,670	77,700	985,175	(76,786)	908,388
Operating expenses	605,589	133,172	122,163	66,905	927,830	(71,306)	856,524
Operating income (loss)	39,695	6,348	506	10,794	57,345	(5,480)	51,864

II. Assets

Assets	584,992	136,543	72,677	111,757	905,971	(53,942)	852,029
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(Notes)

1. Unallocated operating expenses disclosed in "Elimination & Corporate" for the year ended March 31, 2005 amounted to 5,463 million yen.
2. Corporate assets disclosed in "Elimination & Corporate" as of March 31, 2005 amounted to 122,314 million yen, which mainly included investments of the parent company in "Cash and time deposits" and "Investments in securities" etc.

MANAGEMENT POLICIES

1. BASIC MANAGEMENT POLICIES

The Teijin Group's corporate mission is to generate profits through its business activities and ultimately increase shareholder value over the medium-to-long term. To these ends, the Group strives to respond promptly and appropriately to changes in the business environment, as well as to evolve its corporate structure and improve profitability through a strategy of concentration and selectivity and the ongoing reform of its management system. These efforts reflect the Group's basic management policies, which are to achieve consistently profitable growth, develop its business globally and strengthen Group management in an increasingly borderless world economy. The Teijin Group is also committed to maintaining a clear corporate philosophy, conducting its operations in a manner that is both safe and environmentally sound, and complying with social norms, ethical standards and legal requirements.

2. POLICY REGARDING THE PAYMENT OF DIVIDENDS

Our basic dividend policy is to maintain stable payouts over the long term, while, at the same time, ensure that dividends are in line with consolidated operating results and future business plans. Reflecting solid results in the six months ended September 30, 2005, particularly in the Films and Plastics segment, we declared interim cash dividends at ¥3.50 per share. By using internal reserves to fund advance investments in R&D and programs aimed at enhancing and expanding our sales and production systems, we will strive to reinforce Group competitiveness.

3. PRINCIPAL MANAGEMENT GOALS AND BASIC BUSINESS STRATEGIES

Principal management goals

The principal goals of the Teijin Group's current medium-term management plan, "WING 2003", which was launched in fiscal 2003 and will conclude in fiscal 2005, are to achieve a return on assets (ROA)—calculated using operating income—of 7.6% and a debt-to-equity ratio (interest-bearing debt divided by total shareholders' equity) of 0.9 times. To these ends, we will work to rebuild and strengthen

profitability Groupwide by allocating management resources in accordance with our strategy of concentration and selectivity in all businesses. We will also take decisive steps—notably decreasing assets—to lower interest-bearing debt, thereby addressing one of the most important challenges facing us, that is, the fortification of our business structure.

Basic business strategies

To implement our strategy of concentration and selectivity in all businesses, we are prioritizing the allocation of resources according to growth potential and profitability. In key strategic businesses, we are emphasizing expansion through assertive capital investment. In “stable-profit” businesses, our focus is on reorganizing business models to ensure stable profitability and improve our financial position. In other businesses, we have implemented selective reform measures in noncore businesses—that is, businesses that are less than satisfactorily positioned within the Group—and reduced assets. Through such efforts, we are working to improve ROA and increase shareholder value.

We will continue to develop new solutions to meet the needs of our customers and society at large by maximizing our polymerization, chemical reaction control, molding and processing, pharmaceutical and home health care, IT systems and other core technologies, as well as nanotechnology and biotechnology, in the high-growth information and electronics, environment and energy, health care, and automobile and aircraft fields.

Basic business strategies for individual business groups

Strategic businesses

Industrial Fibers

We are working to strengthen our position as a comprehensive supplier of industrial fibers. Our aramid fibers operations focus on three key products: flame-retardant *TEIJINCONEX*[®] meta-aramid fibers, high-strength *Technora*[®] para-aramid fibers and *Twaron*[®] para-aramid fibers. Owing to soaring demand, particularly for *Twaron*[®], our production facilities are currently operating at full capacity. Going forward, we will further expand production facilities and continue developing new applications for *Twaron*[®]. In our carbon fibers operations, we will establish another production line at our European subsidiary. In addition, we are developing new applications and promoting synergies with our other fibers

businesses, as well as striving to strengthen our tripolar supply structure, which encompasses facilities in Japan, the United States and Europe.

Plastics

We will affirm our position as the leading supplier of polycarbonate resin in the growing markets of Asia. Our annual production capacity—that is, the combined capacity of our facilities in Singapore and Japan and a new facility in the People’s Republic of China (PRC) with an annual capacity of 50,000 tons that commenced production in April 2005—is currently 370,000 tons. In the PRC, which we view as a highly promising market, we plan to increase production by another 50,000 tons in the near future. While enabling us to maintain the superior quality of our polycarbonate resin, this new facility will augment our leading share of the overall Asian market as well as advance us toward our aim of securing the third largest share of the global market.

Pharmaceuticals and Home Health Care

In our pharmaceuticals business, we will strive to expand and fortify our business foundation, which is based on three priority therapeutic areas: bone and joint disease, respiratory disease and cardiovascular and metabolic disease. In the area of home health care, we will continue to expand the scale of our operations with the aim of becoming a provider of total home health care solutions.

IT

We will implement strategies aimed at capturing the top share of such niche markets as mobile content and packaged health care solutions, thereby seeking to respond actively to the needs of customers in this increasingly information-oriented age.

“Stable-profit” businesses

Textile Fibers

We have shifted our focus from raising market share to improving profitability. We will strive to configure and optimize manufacturing systems for polyester fibers, centered on facilities in Asia, thereby ensuring global supply capabilities. At the same time, we will strive to establish a stable profit base by shifting our focus to

proprietary value-added products that are also environment-friendly and highly functional, and by lowering costs.

Films

Our polyester film joint ventures with E.I. du Pont de Nemours and Company (DuPont) operate in six countries. We will endeavor to restructure this business by developing strategic new products and reducing costs, thereby maintaining a stable profit base.

Trading and Retail

NI Teijin Shoji Co., Ltd., spearheads our efforts to reinforce coordination among the materials businesses within the Teijin Group, enabling us to build a value chain in our fibers business that encompasses materials as well as finished products and to reinforce our ability to add value.

Other businesses

New Products

To cultivate new businesses, the holding company and individual business groups will conduct collaborative research in promising fields—including regenerative medicine, bioplastics and new carbon fibers—that enable us to maximize existing strengths. To nurture new markets, we are currently developing additional applications for *Aramica*[®], a highly advanced para-aramid film.

4. TASKS AHEAD

Implement measures aimed at ensuring sustainable growth in corporate value

The adoption of a holding company system, effective April 2003, has enabled us to augment the competitive strengths of key individual businesses by spinning them off into individual companies. It has also positioned Teijin Limited, as the holding company, to conceive and incubate new businesses. We are confident that this new structure will allow us to achieve profitable growth, one of our basic management policies, and we will continue to take steps to promote its firm establishment.

To realize the promise of our brand statement, “Human Chemistry, Human Solutions”—which summarizes our promise to continue developing chemical

technologies that are friendly to both people and the global environment and to provide solutions that deliver the real value that society and our customers expect—on April 1, 2005, we established a new Chief Social Responsibility Officer (CSRO) position. Guided by the CSRO, we are moving toward Corporate Social Responsibility (CSR)-based management, that is, management that balances economic and social concerns. At the same time, we have renewed our commitment to Teijin’s core values regarding “human resources”, “the environment, safety and health” and “sound corporate ethics”, and are redoubling our efforts to ensure these values are respected in all aspects of our operations.

Implement measures aimed at achieving the goals of our medium-term management plan

Fiscal 2005 will be the final year of our current medium-term management plan, “WING 2003”, which commenced in April 2003. As such, it is the year in which we will put the finishing touches on efforts to achieve the three principal goals of the plan, which are to restructure our business portfolio and strengthen Groupwide profitability; allocate management resources in accordance with our strategy of concentration and selectivity in all businesses; and strengthen Group management through implementation of our holding company system.

In addition to decisively implementing the measures outlined in the plan, we will continue to respond to changes in the operating environment swiftly and effectively. We will also reinforce our “cross-sectional” marketing approach to better reflect the needs of markets and customers, while at the same time we will take steps to improve recognition of Teijin Group products and the Teijin brand.

We will also continue to enhance strategic businesses through assertive capital investment, focusing on realizing concrete results and ensuring solid returns. As well, recognizing the return of remaining loss-making businesses to profitability as an urgent task, we will implement prompt and decisive restructuring measures, thereby contributing to enhanced results Groupwide.

Finally, in response to rising raw materials prices and fuel costs, which are expected to remain high in fiscal 2005, and other factors expected to drive up costs, we will establish a team to reinforce the implementation of cost-cutting measures. Through this effort, we will endeavor to lower outlays Groupwide and build a stronger and leaner organization. Concurrently, we will strengthen cash flow

management by, among others, liquidating assets not directly pertinent to our business activities, shrinking working capital and introducing a consolidated tax return system. This will enable us to enhance profitability and reduce interest-bearing debt, thereby creating a solid financial base for our next medium-term business plan, which will focus on further growth and expansion.

Through these and other efforts, we will continue to work toward our numerical targets, namely, ROA of 8.5% and a debt-to-equity ratio of less than 0.9 times.

Reinforce accountability

We recognize that overall accountability is a precondition for achieving prosperity and raising shareholder value. In line with this policy, we have established management practices that emphasize transparency and fairness, as well as policies that ensure the timely disclosure of information. We view timely and accurate financial disclosure as an equally important component of internal control as compliance and risk management. Moreover, we recognize the improvement of our internal control system as a key management task, and will take steps to address this task while keeping abreast of revisions to pertinent laws and ordinances.

5. CORPORATE GOVERNANCE: BASIC PHILOSOPHY AND IMPLEMENTATION

Basic philosophy

Any company that secures capital from shareholders is expected to create consistent, profitable growth through its business activities and achieve steadily increasing returns to shareholders on their investments. The first duty of management is to respond to this expectation. In addition, management must also fulfill its responsibilities to other stakeholders, which include employees, creditors, customers, suppliers, consumers, and local residents and communities. Conducting business in a manner that enables a company to fulfill these responsibilities requires the establishment of effective corporate governance. To this end, and to facilitate the selection of directors, determine fair remuneration, monitor management and guarantee compliance, we have implemented several key reforms aimed at ensuring transparency, fairness and objectivity, and at accelerating decision making. These reforms have enabled us to formulate a new management system, the four key components of which are outlined below.

Implementation

Corporate governance

Through our Advisory Board, Group Board of Auditors, Board of Directors and corporate officer system, we believe that we have achieved a level of corporate governance that is essentially equal to that sought by the amendment to Japan's Commercial Code in April 2003 facilitating the adoption of a "Company with Committees" system as a monitoring/auditing function for management.

Accordingly, we do not plan to adopt a "Company with Committees" system at this time. We will, however, continue to monitor changes to the Commercial Code as part of our commitment to continually improving our own corporate governance system.

Advisory Board

We have established an Advisory Board that includes experts from Japan and overseas to advise on management issues and evaluate the performance of top management. It is positioned as a consultative body to the Board of Directors. The Advisory Board comprises five or six external members, of which three are Japanese and two or three are non-Japanese, as well as the chairman and the president and chief executive officer (CEO) of Teijin. Teijin's chairman serves as chairman of the committee, which meets twice annually.

Within the Advisory Board, we have created a Nomination and Remuneration Committee, which is charged with deliberating the appointment and retirement of the president and CEO and the selection of successors, as well as appraising the remuneration systems, salary levels and performance of directors, auditors and corporate officers. Issues pertaining to the president and CEO and/or the chairman are deliberated without the participation of these two individuals.

Board of Directors and corporate officer system

We have set the number of directors on the Board, as stipulated in Teijin's Articles of Incorporation, at a maximum of 10 to expedite decision making and clarify accountability. We have also introduced a corporate officer system and delegated considerable authority and responsibility to corporate officers. The president and

CEO and chairman are appointed from among internal directors. In principle, other internal directors also serve as chief officers. Three directors are independent individuals appointed from outside the Company and engaged by Teijin under limited responsibility agreements.

To ensure the appropriate separation of responsibility for monitoring/auditing and internal, front-line management of operations, the chairman is in charge of the Board of Directors. The chairman does not participate in internal, operations-level decision making and, unless deemed necessary, does not have the right of representation.

Board of Auditors and internal auditing system

Teijin has assembled a Board of Auditors comprising five auditors, of which three are external auditors and thus entirely objective, thereby ensuring transparent and effective monitoring/auditing of management, including that of total risk management.

To reinforce the functions of the Board of Auditors, we have introduced a system of auditor assistants. We have also installed a Group Board of Auditors comprising auditors from Group companies, thereby reinforcing the effectiveness of monitoring and auditing procedures with respect to Group consolidated management and ensuring the fairness of auditing.

In terms of an internal auditing system, we have set up the Business Auditing Office, which reports directly to the president and CEO. This office is responsible for assessing the appropriateness and effectiveness of internal controls Groupwide.

The Board of Auditors and other auditing teams within the Group work together closely. The Board of Auditors plays a leading role in selecting independent auditing firms for Group companies, and is also responsible for internal coordination, particularly with the Business Auditing Office, to facilitate regular and comprehensive access to internal audit information.

Auditing of Group accounts

The independent certified public accountants (CPAs) responsible for auditing the accounts of Teijin and their assistants were as follows:

CPAs

Name	Affiliation	Consecutive periods providing auditing services for Teijin
Akira Yonebayashi	KPMG AZSA & Co.	4
Yo Kodera	KPMG AZSA & Co.	1
Yasuhiro Wada	KPMG AZSA & Co.	4

Assistants

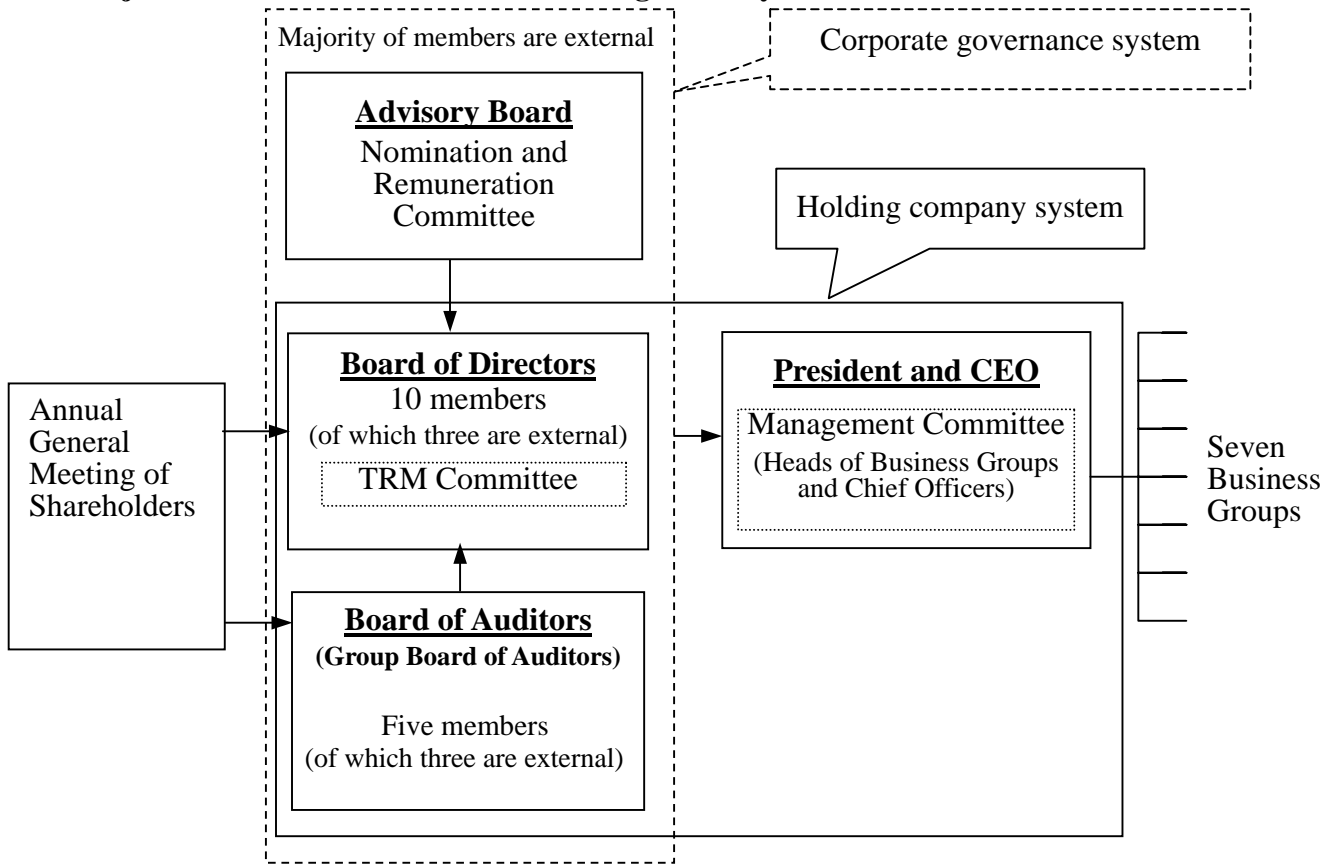
Qualification	Number of individuals
Accountants	15
Junior accountants	4
Other	2
Total	21

Total risk management

To counter the various uncertainties facing the Teijin Group, in April 2003 we established a Total Risk Management (TRM) Committee, headed by the CEO, which is responsible for managing the numerous risks the Group encounters in its daily operations, within the Board of Directors. The TRM Committee formulates basic policy for total risk management and submits annual plans, which are evaluated and approved by the Board of Directors.

Recognizing our obligation for ensuring the safety and protection of personal information in all aspects of our activities, effective August 2, 2004, we formulated the Teijin Group Privacy Protection Policy, which outlines basic internal rules governing the handling of personal information.

Teijin's Internal Control and Risk Management Systems



Capital, personal or business relationships, or other interests between the Company and external directors and between the Company and external auditors

There are no capital, personal or business relationships, or other interests between the Company and external directors or between the Company and external auditors.

RESULTS OF OPERATIONS AND FINANCIAL POSITION

RESULTS OF OPERATIONS

In the first half of fiscal 2005, ended September 30, 2005, firm economic growth persisted in the United States. In the PRC, growth remained strong as investment continued to drive brisk business conditions. In Europe, internal demand failed to expand and the economy continued to languish. In Japan, the economy appeared ready to emerge from a long slump, stimulated by rising capital investment, progress in inventory adjustments and a recovery in exports, combined with an increase in consumer spending. Despite these positive trends, with a peak in crude oil prices expected to slow the pace of recovery, the outlook for the global economy continues to warrant caution. In this environment, the Teijin Group implemented a variety of strategic initiatives in line with its strategy of concentration and selectivity and, guided by its current medium-term management plan, “WING 2003”, promoted rigorous cost reductions and measures to reinforce its business structure.

Owing to these and other factors, consolidated net sales rose 3.6% from the corresponding period in the previous fiscal year, to ¥449.3 billion. Operating income climbed 50.9%, to ¥35.0 billion, and ordinary income jumped 52.9%, to ¥31.7 billion, while net income edged down 1.1%, to ¥14.0 billion.

SEGMENT RESULTS

Synthetic Fibers

Sales in the Synthetic Fibers segment declined 5.1%, to ¥126.4 billion, while operating income rose 22.0%, to ¥7.1 billion.

Sales of textile fibers were hampered by flagging consumption in the domestic market and by soaring fuel costs. In the industrial fibers category, Teijin faced a tight supply–demand situation for Twaron[®] and carbon fibers.

Textile fibers

Operating conditions continued to exert pressure on profits. Results were affected by flagging domestic demand for polyester fibers for textiles, pressure from imported fibers products from the PRC and other countries, and soaring prices for raw materials and fuel.

In line with a decision made in fiscal 2004 to withdraw from the business of our European textiles subsidiary, we are currently in the process of shifting certain textile fibers-related equipment from Europe to Southeast Asia. In Japan, we shut down a portion of our Hokuriku Processing Plant with the aim of drastically restructuring our dyeing operations. Through such measures, we will endeavor to better focus our investments, thereby enabling us to build a business foundation that ensures competitiveness over the medium to long term.

On another front, we sought to reduce our vulnerability to short-term fluctuations in demand and ensure a competitive edge over products offered by competitors overseas. To these ends, we focused on reinforcing efforts to develop new products and establish new business models. New products included a next-generation functional fiber with a self-regulating mechanism. We began sales this fiber exclusively to Nike, Inc., for use in its innovative *NIKE SPHERE REACT* sportswear. We also formed an agreement with outdoor gear and apparel company Patagonia, Inc., whereby Patagonia will use our ECOCIRCLE[®] closed-loop recycling system for polyester fibers in a recycling program for its *Capilene*[®] baselayers. This is the first application of the ECOCIRCLE[®] system overseas.

Industrial fibers

In aramid fibers, *Twaron*[®] continued to perform well as demand remained firm, particularly for ballistic applications and friction materials. In response to rapid market growth, in May we completed construction aimed at increasing production capacity for *Twaron*[®] and in July began a second phase of construction to expand facilities. Production facilities for *Technora*[®] continued to operate at full capacity, while the supply–demand situation for *TEIJINCONEX*[®], primarily for filter applications, remained tight. We also continued to see brisk sales of *BESFIGHT*[®] carbon fibers in both Europe and the Americas, particularly in the industrial materials field and aircraft industry, while in Asia demand also remained healthy for applications in the sporting goods field, supporting strong sales and a recovery in prices and improved results. The expansion of our production facility in Germany, scheduled for completion in the second half of 2006, proceeded as scheduled.

In the area of industrial-use polyester fibers, although demand remained favorable, particularly for automotive applications, rising raw materials prices and fuel costs continued to hamper profitability. Accordingly, we pushed ahead with efforts to restore profits by cutting costs and hiking prices.

In the area of artificial leather, the appreciation of the yen and higher raw materials prices and fuel costs pushed down the profitability of *Cordley*[®]. Nonetheless, we proceeded with plans to begin sales of *LOELE*[®], a newly developed environment-friendly, next-generation artificial leather.

Films and Plastics

Sales in the Films and Plastics segment increased 23.3%, to ¥125.4 billion, while operating income soared 152.7%, to ¥18.8 billion.

In the area of films, demand was firm for both PET and polyethylene naphthalate (PEN) films, while in plastics, healthy demand in the PRC contributed to a tight supply–demand situation.

Films

Our global films joint ventures with E.I. du Pont de Nemours and Company (DuPont) currently have operations in six countries. In the six months under review, demand, particularly in Asian markets, remained firm for mainstay PET film.

In Japan, despite initial concerns over inventory adjustments by key users, brisk sales of display-related products and others for industrial applications in the domestic and overseas markets and an increasingly sophisticated sales structure supported stable sales gains. In response to soaring demand for PET film for use in flat-panel displays (FPDs), we are currently in the process of constructing new production facilities for clear, thick PET film at our factory in Gifu. The new facilities are scheduled to come on line in the third quarter of fiscal 2006.

In the U.S. market, competition is intensifying, owing to slack market conditions and an influx of low-priced imported products from overseas manufacturers. Nonetheless, our U.S. operations remained profitable in the period under review, thanks to an increase in the percentage of sales represented by films for high-value-added applications, as well as a revision of product prices to reflect higher raw materials prices and fuel costs and efforts to lower costs. Sales were also steady in Indonesia, particularly for the electronics materials industry.

In the PRC, we continue to operate at full capacity to meet burgeoning demand in the Chinese market. However, a rush by competitors to expand production capacity has prompted increased pressure to lower prices, particularly for general-purpose products. In Europe, competition is intensifying as a consequence of a sharp fall in demand for

films for magnetic applications and a rise in imports attributable to a strong euro. During the period under review, we sought to restore profitability by taking decisive steps to expand marketing and improve productivity—an effort that also included cutting costs.

We also registered increased sales of *Teonex*[®] PEN film, primarily for use in the manufacture of high-density data storage tapes. Sales of *Teonex*[®] also increased for applications in automotive-related fields. In the area of processed film products, sales of products for FPDs rose steadily.

In summary, our global films joint ventures—which include companies accounted for using the equity method—reported increases in sales and income.

Plastics

Soaring demand, particularly in the PRC, supported steady sales gains for *Panlite*[®] polycarbonate resin. Demand for optical applications rose sharply, centered on the growing digital versatile disc (DVD) market. Thanks to the superior quality of *Panlite*[®], we continue to enjoy a leading market share. In the period under review, we recorded brisk sales of *Panlite*[®] for general industrial applications, particularly office automation (OA) equipment, and electric and electronic appliances. We commenced production on schedule at a new polymer plant in Zhejiang Province, in the PRC, in April 2005. We also began construction of a second production line at the plant, which is scheduled to come on line in December 2006. We also completed the second compounding line at our compounds plant in Shanghai, commencing production in October 2005. This has doubled our supply capabilities for compounds, an achievement we expect to contribute to expanded sales in the PRC.

Demand for *Panlite*[®] sheet polycarbonate resin sheets is rising steadily, particularly for use in diffusion plates for backlights used in liquid crystal displays (LCDs) for large-screen televisions. In September 2004 and July 2005, we completed the fifth and sixth dedicated *Panlite*[®] sheet production lines at the Matsuyama Plant. The plant is currently operating at full capacity. *PURE-ACE*[®] is the only polycarbonate film selected for the cover coating of the Blu-ray Disc, a next-generation optical disc format. With demand expected to increase, we are currently building a new, high-productivity facility that uses high-precision melt extrusion.

In the area of PET resin for beverage bottles, we commenced commercial production using the world's first production technology for heat-resistant PET resin to use a titanium catalyst instead of the rare metal germanium following favorable reviews by

customers who tested samples. In April 2004, we began shipments of PET resin chemically recycled from used PET bottles with the world's first *Bottle to Bottle*[®] technology for use in the production of new PET bottles. However, because we failed to win a contract to recycle collected PET bottles in early 2005 (under Japan's Containers and Packaging Recycling Law, companies may bid on recycling contracts), in July 2005 we temporarily closed our bottle-to-bottle recycling plant.

Pharmaceuticals and Home Health Care

The Pharmaceuticals and Home Health Care segment posted sales of ¥51.6 billion, an increase of 8.8%, and operating income of ¥9.4 billion, up 5.5%.

In the pharmaceuticals business, we reported robust results for our osteoporosis treatment, while in the home health care business, results were particularly favorable for home oxygen therapy (HOT) equipment. Progress was also reported in R&D.

Pharmaceuticals

Steadily rising shipments of bisphosphonate *Bonalon*[®] and solid sales of active vitamin D₃-based *Onealfa*[®] secured an increase in sales for drugs used in the treatment of osteoporosis, a key area of focus. We also continued to record firm sales of human immunoglobulin preparation *Venilon*[®], while sales of expectorant *Mucosolvan*[®] were also largely favorable. In the area of cardiovascular and metabolic disease, we positioned the hyperlipidemia drug *Tricor*[®], launched in March 2005, as a strategic product and took steps to promote greater market penetration for the product.

On the R&D front, in April 2005 we acquired exclusive rights to develop, register and commercialize a phosphodiesterase-IV (PDE4) inhibitor discovered by Glenmark Pharmaceuticals Ltd. of India for the Japanese market. This drug shows tremendous potential as a treatment for chronic obstructive pulmonary disorder (COPD) and asthma. We are currently conducting preclinical tests with the aim of commencing clinical trials at the earliest possible date. In August 2005, we reached a basic agreement with Nissan Chemical Industries, Ltd., to collaborate in developing a novel candidate for the treatment of atrial fibrillation/flutter and began discussions regarding details of this project.

Home health care

In the home health care business, rental volume for mainstay HOT equipment in Japan rose steadily against a background of increasingly intense competition with other

companies. Other key products—including *SLEEPMATE*[®], a positive pressure ventilator for sufferers of sleep apnea syndrome (SAS); *AutoSet*[™], a continuous positive airway pressure (CPAP) ventilator for sufferers of SAS; *NIP NASAL*[®], a bi-level positive pressure ventilator; and *SAFHS*[®] (Sonic Accelerated Fracture Healing System), a bone fracture treatment device that uses pulsed ultrasound—also performed well. Rental volume for SAS ventilators continued to rise at a rate similar to the previous fiscal year, bolstered by the launch of a new model, *SLEEPMATE*[®] S8.

Trading and Retail

In the Trading and Retail segment, sales slipped 1.6%, to ¥125.2 billion, and operating income declined 20.2%, to ¥2.3 billion.

In the textiles and apparel business, sales of young casual apparel and other products were firm. In the industrial textiles and materials business, however, sales were sluggish overall.

Textiles and apparel

Despite struggling sales of knitwear, particularly for ladies, in the domestic market and sales of textiles to Europe and the Americas, the textiles and apparel business reported steady results overall, owing to consistently favorable weather and increasing awareness of the Japanese government’s “cool biz” campaign, which seeks to encourage workers to dress casually during the hot, humid months of summer, thereby helping to conserve energy. Sales of fashions by Luciano Soprani of Italy, which began with the 2005 fall/winter collection, were in line with targets, underscoring positive customer evaluation of the brand’s strategy, which emphasizes a high-quality image, and outstanding workmanship.

Industrial textiles and materials

The industrial textiles and materials business recorded languid sales and income. This was attributable to a number of factors, notably rising raw materials costs, which boosted sales costs of materials for automotive applications; a decline in sales volume for aramid and carbon fibers, reflecting persistent supply shortages; and flagging sales of interior décor products and bedding, owing to a decline in housing starts and other structural factors.

IT and New Products, etc.

Sales in the IT and New Products ,etc., segment fell 14.8%, to ¥20.7 billion, while operating income soared 110.3%, to ¥0.7 billion. These results reflected declines in sales and increases in income in both businesses.

IT

The IT business is divided into IT services and IT solutions, both provided by subsidiary Infocom Corporation. IT services primarily involves infocommerce services, including the provision of ring tones, concert ticket sales and sales of other items; news distribution, animated advertising services and other services for mobile phones. IT solutions include *GRANDIT*[®], an enterprise resource planning (ERP) software package for small and medium-sized companies, and solutions for medical care facilities.

In IT services, sales of ring tones were sluggish. In contrast, in IT solutions, sales of software packages developed in-house for companies in general industry, mobile phone service providers, hospitals and public-sector facilities were firm. During the period, we continued to implement measures aimed at improving cost efficiency in all business areas.

New products

We continue to focus on developing new markets for *Aramica*[®], a highly advanced para-aramid film by developing new applications in electronic materials. These efforts are enabling us to cultivate new customers and thus gradually expand sales.

**FINANCIAL POSITION AND CASH FLOWS FOR THE SIX MONTHS ENDED
SEPTEMBER 30, 2005**

Financial Position

Total assets as of September 30, 2005, amounted to ¥876.3 billion, up ¥24.2 billion from the fiscal 2004 year-end. This increase, which occurred despite declines in trade notes and accounts receivable due to seasonal factors, was primarily attributable to an increase in inventories, owing to rising raw materials prices and fuel costs and costs associated with the start-up of a new plant in the PRC, and to an upward revaluation of marketable securities in line with recent stock price gains.

Despite decreases in bonds and long-term loans, total liabilities rose ¥1.4 billion, to ¥527.5 billion, reflecting increases in bank loans and commercial paper, among others. As a result, interest-bearing debt, including bank loans, bonds and long-term loans, was ¥282.1 billion.

Total shareholders' equity rose ¥21.2 billion, to ¥311.8 billion. This was largely due to increases in net income for the period and net unrealized holding gains on securities, a consequence of stock price gains. As a result, the equity ratio was 35.6%.

Cash Flows

Despite an increase in inventories, net income and depreciation and amortization contributed to net cash and cash equivalents provided by operating activities of ¥24.7 billion. Net cash and cash equivalents used in investing activities amounted to ¥26.7 billion, owing primarily to an outlay of ¥22.3 billion for purchase of property, plant and equipment. During the period, we invested to expand production facilities for *Twaron*[®] aramid fibers in the Netherlands, build a new plant for polycarbonate resins in the PRC and augment production facilities for carbon fibers in Germany. We also took steps to counter high fuel costs, which included installing a coal-fired boiler in Indonesia. Operating and investing activities during the period resulted in a net cash outlay of ¥2.0 billion.

Net cash and cash equivalents used in financing activities amounted to ¥1.1 billion, owing to the redemption of debentures, repayment of long-term debt and reborrowing of short-term bank loans, as well as to proceeds from the issue of commercial paper.

Owing to operating, investing and financing activities during the period under review, cash and cash equivalents as of September 30, 2005, were down ¥2.7 billion from the previous corresponding period, including the effect of exchange rate changes.

Key Indicators

	FY2001 (As of March 31, 2002)	FY2002 (As of March 31, 2003)	FY2003 (As of March 31, 2004)	FY2004 (As of March 31, 2005)	FY2005 Interim (As of September 30, 2005)
Return on assets (ROA) (%)	2.7%	3.3%	4.0%	5.9%	—
Debt-to-equity ratio (times)	1.38	1.59	1.21	0.95	0.90
Equity ratio (%)	28.2%	26.9%	32.1%	34.1%	35.6%
Equity ratio (market value basis) (%)	33.2%	24.6%	34.4%	44.7%	53.8%
Payback period (years)	8.2	7.6	7.9	3.8	—
Interest coverage ratio (times)	4.2	5.3	5.8	11.1	7.3

Note: Calculations are based on consolidated figures.

ROA	Operating income ÷ Average* total assets (not included in interim financial statements summary) *([Beginning balance + ending balance] ÷ 2)
Debt-to-equity ratio	Interest-bearing debt ÷ Total shareholders' equity
Equity ratio	Total shareholders' equity ÷ Total assets
Equity ratio (market value basis)	Market value of equity* ÷ Market value of total assets** (*Ending price × Number of shares issued at end of period) (**Total shareholders' equity recalculated at market value)
Payback period	Interest-bearing debt ÷ Cash provided by operating activities* (not included in interim financial statements summary) (*As in Consolidated Statements of Cash Flows)
Interest coverage ratio	Cash provided by operating activities ÷ interest expense* (*As in Consolidated Statements of Cash Flows)

OUTLOOK FOR FISCAL 2005

Outlook for Operating Results

(Billions of yen)

	Net Sales	Operating Income	Ordinary Income	Net Income
FY2005(forecast)	940.0	73.0	64.0	30.0
FY2004	908.4	51.9	43.1	9.2
Amount change	+31.6	+21.1	+20.9	+20.8
Percentage change	+3.5%	+40.8%	+48.5%	+227.5%

In the second half of fiscal 2005, economic growth in the PRC is expected to remain brisk, driven by aggressive investment interest. Growth in the U.S. economy is forecast to remain stable, while in Europe, economic sluggishness is likely to persist. Japan's economy is expected to remain firm, owing to the completion of inventory adjustments and steady capital investment, as well as to a recovery in consumer spending. With oil prices forecast to rise considerably, however, the global economic outlook continues to warrant caution.

Strategic Businesses

In this environment, we will take determined steps in the industrial fibers business to expand operations and secure growth by capitalizing on *Twaron*[®] para-aramid fibers—for which the supply–demand situation remains tight, particularly for use in friction materials and protective clothing—and other key products, including carbon fibers, which are expected to benefit from expanding demand for industrial and aircraft applications. Responding to soaring demand, we are currently expanding our production capacity for *Twaron*[®] para-aramid fibers and expect to have the newly expanded facilities on line from July 2006. We are also expanding capacity for carbon fibers at our production facility in Germany, a project we expect to complete in October 2006.

In the plastics business, we anticipate demand for polycarbonate resins for general industrial applications will continue rising in Asian markets, particularly the PRC. Accordingly, we are confident we will be able to make sufficient use of the capacity of our new polycarbonate resins plant in the PRC, which was completed in April 2005. At the same time, we will take decisive actions to lower costs and develop new applications.

In the pharmaceuticals and home health care businesses, we will step up efforts to boost sales of pharmaceuticals by reinforcing our sales systems, particularly for

Bonalon[®], a treatment for osteoporosis, and *Tricor*[®], a drug for hyperlipidemia launched in March 2005, and to expand rentals of home health care equipment. We will also prepare for the approval and launch of promising new pharmaceuticals, notably BTR-15, an asthma treatment, and GTH-42W, a version of *Bonalon*[®] designed for weekly administration.

In IT and new products, we will focus on expanding operations in such areas as mobile commerce. We will also broaden our enterprise solutions business, which encompasses such products as *GRANDIT*[®], an ERP software package for small and medium-sized companies, as well as cultivate new businesses to reinforce growth potential and profitability.

Stable-Profit Businesses

In the area of textile fibers, we will respond to high raw materials prices and fuel costs by steadily adjusting product prices, while at the same time implementing bold measures aimed at lowering costs by cutting fixed costs and raising output per unit of raw materials. In addition, we will intensify our focus on improving profitability and reinforcing our competitive edge by developing high-value-added, distinctive and environment-friendly products.

In films, we will concentrate investment in key growth areas, including films for display applications, PEN film and processed films. We will also work to further reduce costs and strengthen product development and marketing capabilities—measures that will enable us to bolster our stable profit base in this business. Our U.S. joint venture with DuPont, which returned to profitability in fiscal 2004, will redouble its efforts to ensure steady profitability by further rationalizing its operations and reinforcing its marketing capabilities.

In the trading and retail businesses, we will focus on maximizing our converter functions and promoting cooperation with other materials businesses in the Teijin Group to enhance value chains and on evolving as a comprehensive fibers supplier that delivers both midstream and downstream products. Through these efforts, we will endeavor to increase our market share and cultivate new markets, thereby reinforcing our stable profit base in these businesses.

In light of these and other factors, we forecast consolidated net sales of ¥940.0 billion, operating income of ¥73.0 billion, ordinary income of ¥64.0 billion and net income of ¥30.0 billion for fiscal 2005. These forecasts assume an exchange rate of ¥109 to

US\$1.00 for the second half of the period.

Outlook for Financial Condition

In line with our strategy of concentration and selectivity, we will continue to reorganize and strengthen Groupwide profitability by ensuring the effective allocation of management resources, as well as to reduce assets. Through these and other efforts, we are targeting an ROA of 8.5%—exceeding our original target of 7.6%—and a debt-to-equity ratio of less than 0.9 times in fiscal 2005, the final year of our “WING 2003” medium-term management plan.

Disclaimer Regarding Forward-Looking Statements

This document contains forward-looking statements. These statements are based on internal projections and estimates and should not be interpreted as representation that quantitative or qualitative objectives therein will be fulfilled.