Consolidated Financial Statements-Summary

November 7, 2002

(Six months ended September 30, 2002)

English translation from the original Japanese-language document

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

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1. Results of FY2002 interim (April 1, 2002 through September 30, 2002)

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

	Net sales	Operating income	Ordinary income
	Million yen	Million yen	Million yen
FY2002 interim	**435,654**	**15,209**	**7,952**
FY2001 interim	456,102	17,614	12,532
FY2001	923,446	29,496	17,804

	Net income (loss)	E.P.S.	Diluted E.P.S.
	Million yen	Yen	Yen
FY2002 interim	**(1,077)**	**(1.16)**	**-**
FY2001 interim	7,201	7.95	-
FY2001	975	1.07	-

cf. Equity in income : 586 million yen (FY2001 interim 435 million yen, FY2001 -1,274 million yen)

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity Ratio	Equity per share
	Million yen	Million yen	%	Yen
FY2002 interim	**1,056,012**	**297,696**	**28.2**	**320.79**
FY2001 interim	1,136,898	320,870	28.2	354.17
FY2001	1,104,633	311,468	28.2	335.55

(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
FY2002 interim	**27,823**	**(31,538)**	**10,005**	**35,899**
FY2001 interim	17,886	(25,882)	277	27,053
FY2001	52,393	(51,283)	(6,197)	30,179

(4) Scope of consolidation and equity method

Consolidated subsidiaries 101 companies

Unconsolidated subsidiaries 56 (Number of applying equity method 56)

Affiliates 49 (Number of applying equity method 48)

(5) Change in scope of consolidation and equity method

Consolidated subsidiaries (increase) 2 (decrease) 2

Equity method companies (increase) 6 (decrease) 1

2. Estimate of business results for the year ending March 31,2003

	Net sales	Ordinary income	Net Income
	Million yen	Million yen	Million yen
FY2002	**900,000**	**22,000**	**7,000**

cf. Estimated E.P.S. 7.54 yen

Consolidated Statements of Income

TEIJIN LIMITED

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

	FY2002 interim (Apr. 2002 - Sep. 2002)	FY2001 interim (Apr. 2001 - Sep. 2001)	Increase (Decrease)	FY2001 (Apr. 2001 - Mar. 2002)
Net sales	435,654	456,102	(20,447)	923,446
Cost of sales	333,847	347,524	(13,676)	711,786
Sales profit	101,806	108,578	(6,771)	211,659
Selling, general and administrative expenses	86,597	90,964	(4,367)	182,163
Operating income	15,209	17,614	(2,404)	29,496
Non-operating revenues				
Interest income	284	371	(87)	1,279
Dividend income	309	234	75	856
Foreign exchange gain	-	543	(543)	1,253
Gain on monetary position due to inflation accounting	472	410	61	906
Gain on sales of account receivables due on installment	330	1,008	(678)	1,323
Amortization of net book value in excess of cost of consolidated subsidiaries	-	63	(63)	174
Equity in earnings of unconsolidated subsidiaries and affiliates	586	435	150	-
Other income	771	648	123	2,375
Total	2,754	3,717	(962)	8,171
Non-operating expenses				
Interest expense	4,839	7,360	(2,521)	13,936
Foreign exchange losses	2,519	-	2,519	-
Equity in losses of unconsolidated subsidiaries and affiliates	-	-	-	1,274
Other expenses	2,653	1,438	1,214	4,652
Total	10,012	8,799	1,212	19,862
Ordinary income	7,952	12,532	(4,579)	17,804
Extra-ordinary income				
Gain on sales of property, plant and equipment	2,318	110	2,207	1,945
Gain on sales of investment securities	592	1,664	(1,071)	2,865
Reversal of allowance for doubtful receivables	724	469	255	-
Gain on securities contributed to employee retirement benefit trust	-	-	-	9,991
Compensation received for the transfer of the facilities	-	2,400	(2,400)	2,400
Repayment of deposits for antidumping duties	-	2,033	(2,033)	2,153
Other income	78	61	17	1,976
Total	3,713	6,739	(3,025)	21,331
Extra-ordinary losses				
Loss on disposal of property, plant and equipment	1,182	486	696	1,797
Loss on sales of property, plant and equipment	24	104	(80)	3,043
Write-down of investment securities	1,005	535	469	3,395
Loss on sales of investment securities	326	80	246	-
Special provision for allowance for doubtful receivables	1,241	153	1,088	4,293
Write-down of golf club membership	4	66	(61)	-
Restructuring costs	5,954	5,346	607	19,060
Other losses	1,772	1,610	161	3,870
Total	11,511	8,383	3,128	35,462
Income before income taxes	155	10,888	(10,732)	3,674
Income taxes - current	5,776	7,448	(1,672)	10,773
Income taxes - deferred	(2,922)	(1,632)	(1,290)	467
Minority interest in net losses of consolidated subsidiaries	1,620	2,130	(509)	8,541
Net income (loss)	(1,077)	7,201	(8,279)	975

Consolidated Balance Sheets

TEIJIN LIMITED

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

	FY2002 interim (As of Sep. 30, 2002)	FY2001 (As of Mar. 31, 2002)	Increase (Decrease)	FY2001 interim (As of Sep. 30, 2001)
< Assets >				
Current assets				
Cash and time deposits	35,842	30,098	5,743	27,215
Trade notes and accounts receivable	244,914	264,363	(19,448)	263,610
Marketable securities	73	230	(157)	147
Inventories	123,869	132,278	(8,409)	143,796
Short-term loans	6,365	5,471	894	5,224
Deferred income taxes	6,408	7,429	(1,020)	10,739
Other current assets	21,808	23,747	(1,938)	27,474
Allowance for doubtful receivables	(4,874)	(4,285)	(588)	(3,569)
Total	434,408	459,334	(24,925)	474,639
Fixed assets	621,603	645,299	(23,695)	662,258
(1) Tangible assets				
Buildings	105,518	109,192	(3,673)	109,368
Machinery & equipment	186,523	200,628	(14,105)	190,626
Land	81,406	85,829	(4,423)	91,102
Construction in progress	33,998	20,793	13,205	24,392
Other	15,639	16,576	(937)	16,925
Total	423,086	433,021	(9,935)	432,414
(2) Intangible assets				
Software and others	33,323	36,856	(3,533)	37,254
Cost in excess of net book value of consolidated subsidiaries	25,341	23,942	1,399	23,994
Total	58,665	60,798	(2,133)	61,248
(3) Investments and other assets				
Investments in securities	86,744	92,123	(5,378)	123,279
Long-term loans	2,708	2,759	(51)	3,000
Prepaid pension expense	17,284	18,020	(735)	-
Deferred income taxes	9,629	11,684	(2,055)	7,911
Other assets	31,561	34,718	(3,157)	39,666
Allowance for doubtful receivables	(7,187)	(7,093)	(94)	(5,262)
Valuation allowance for investments	(888)	(733)	(154)	-
Total	139,851	151,478	(11,627)	168,595
Total assets	1,056,012	1,104,633	(48,621)	1,136,898

Consolidated Balance Sheets

TEIJIN LIMITED

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

	FY2002 interim (As of Sep. 30, 2002)	FY2001 (As of Mar. 31, 2001)	Increase (Decrease)	FY2001 interim (As of Sep. 30, 2001)
< Liabilities >				
Current liabilities				
Trade notes and accounts payable	118,220	135,028	(16,807)	141,578
Bank loans	178,462	167,295	11,166	189,144
Long-term loans due within one year	32,502	44,899	(12,397)	37,758
Commercial paper	14,000	28,000	(14,000)	5,000
Convertible bonds due within one year	-	29,320	(29,320)	29,320
Income taxes payable	5,610	7,558	(1,948)	8,554
Accrued expenses	21,155	24,168	(3,013)	21,919
Miscellaneous provisions	105	134	(27)	274
Deferred income taxes	1,386	65	1,320	309
Other current liabilities	51,375	59,120	(7,744)	53,777
Total	422,819	495,590	(72,770)	487,636
Non-current liabilities				
Bonds	85,220	55,220	30,000	55,220
Long-term loans	128,748	104,440	24,307	111,120
Employees' retirement benefits	29,106	29,052	53	27,358
benefits	1,584	1,886	(301)	1,666
Reserve for special repair	-	-	-	60
Liabilities in accordance with the application of the equity method	2,388	1,923	464	866
Deferred income taxes	24,191	30,598	(6,406)	40,632
Other non-current liabilities	6,882	7,297	(415)	6,838
Total	278,121	230,420	47,701	243,762
Total liabilities	700,941	726,010	(25,069)	731,399
< Minority interest in consolidated subsidiaries >	57,373	67,153	(9,779)	84,627
< Shareholders' equity >				
Common stock	70,787	70,787	-	70,787
Capital surplus	63,118	63,118	-	52,313
Retained earnings	168,260	169,033	(773)	176,882
Net unrealized holding gains on securities	7,713	11,090	(3,377)	27,715
Foreign currency translation adjustments	(12,074)	(2,528)	(9,546)	(6,826)
Treasury stock	(108)	(32)	(76)	(1)
Total shareholders' equity	297,696	311,468	(13,772)	320,870
Total liabilities and shareholders' equity	1,056,012	1,104,633	(48,621)	1,136,898

Consolidated Statements of Appropriations

TEIJIN LIMITED

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

	FY2002 interim (Apr. 2002 - Sep. 2002)	FY2001 interim (Apr. 2001 - Sep. 2001)	FY2001 (Apr. 2001 - Mar. 2002)
(Capital surplus)			
Balance at beginning of period	63,118	-	-
Balance at end of period	63,118	-	-
(Retained earnings)			
Balance at beginning of period	169,033	175,340	175,340
Increase in retained earnings			
Increase due to application of inflation accounting by a foreign affiliate, etc	3,154	-	-
Effect of changes in investments accounted for by the equity method	-	-	72
Total	3,154	-	72
Decrease in retained earnings			
Net loss	1,077	-	-
Effect of changes in investments accounted for by the equity method	-	35	54
Effect of merger of consolidated subsidiaries	-	695	695
Decrease due to application of inflation accounting by a foreign affiliate, etc	-	1,641	148
Cash dividends paid	2,784	3,170	6,341
Bonuses to directors and statutory auditors	64	116	116
Total	3,927	5,659	7,354
Net income	-	7,201	975
Balance at end of period	168,260	176,882	169,033

Consolidated Statements of Cash Flows

TEIJIN LIMITED

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

	FY2002 interim (Apr. 2002 - Sep. 2002)	FY2001 interim (Apr. 2001 - Sep. 2001)	FY2001 (Apr. 2001 - Mar. 2002)
Cash flows from operating activities			
Income before income taxes	155	10,888	3,674
Depreciation and amortization	24,202	26,520	51,185
Increase (decrease) in retirement benefits	194	(2,492)	(481)
Increase (decrease) in allowance for doubtful receivables	735	(48)	2,392
Interest and dividend income	(593)	(606)	(2,136)
Interest expense	4,839	7,360	13,936
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(586)	(435)	1,274
Gain on sales of property, plant and equipment	(2,318)	(110)	(1,945)
Loss on sales and disposal of property, plant and equipment	1,206	590	4,841
Gain on sales of investment securities	(265)	(1,584)	(2,543)
Write-down of investment securities	1,005	535	3,395
Compensation received for the transfer of the facilities	-	(2,400)	(2,400)
Decrease in receivables	17,029	17,276	15,577
(Increase) decrease in inventories	4,905	(13,067)	(1,513)
Decrease in payables	(13,933)	(9,804)	(16,004)
Others, net	5,127	(679)	5,448
Subtotal	41,704	31,943	74,700
Interest and dividends received	1,261	1,414	2,969
Interest paid	(6,654)	(6,888)	(12,392)
Income taxes paid	(8,489)	(10,984)	(15,283)
Proceeds from compensation received for the transfer of the facilities	-	2,400	2,400
Net cash provided by operating activities	27,823	17,886	52,393
Cash flows from investing activities			
Proceeds from sales of securities	-	2	304
Purchase of property, plant and equipment	(35,364)	(26,262)	(50,861)
Proceeds from sales of property, plant and equipment	8,493	1,162	4,498
Purchase of investment securities	(3,031)	(764)	(1,756)
Proceeds from sales & redemption of investment securities	2,307	3,398	6,099
Proceeds incurred in the acquisition of the shares of newly consolidated subsidiaries	-	232	298
Increase in short-term loans receivable	(1,460)	(1,383)	(4,179)
Long-term loans advanced	(23)	(162)	(263)
Collections on long-term loans receivable	167	206	1,314
Other, net	(2,627)	(2,311)	(6,738)
Net cash used in investing activities	(31,538)	(25,882)	(51,283)
Cash flows from financing activities			
Increase (decrease) in short-term bank loans, net	15,777	19,746	(5,234)
Increase (decrease) in commercial paper, net	(14,000)	5,000	28,000
Issue of debentures	29,722	-	-
Redemption of debentures	(29,320)	-	-
Proceeds from long-term debt	52,002	12,848	27,095
Repayment of long-term debt	(35,010)	(33,833)	(51,856)
Cash dividends paid	(2,784)	(3,170)	(6,341)
Cash dividends paid to minority shareholders	(362)	(365)	(627)
Cash distributions paid to minority shareholders	(5,966)	-	-
Other, net	(53)	51	2,766
Net cash provided (used) in financing activities	10,005	277	(6,197)
Effect of exchange rate changes on cash and cash equivalents	(603)	506	1,129
Net increase (decrease) in cash and cash equivalents	5,687	(7,211)	(3,957)
Cash and cash equivalents at beginning of period	30,179	29,395	29,395
Increase of cash & cash equivalents due to change in scope of consolidation	32	282	154
Increase of cash & cash equivalents due to merger of consolidated subsidiaries	-	4,587	4,587
Cash and cash equivalents at end of period	35,899	27,053	30,179

Segment Information

TEIJIN LIMITED

1. Industrial Segment Information

(1) FY2002 interim (Apr. 2002 - Sep. 2002)

Millions of Yen

	Fibers & Textiles	Films & Plastics	Pharma. & H. H. Care	Machinery & Eng.	New business etc.	Total	Elimination & corporate	Consolidated Total
Sales								
1) External customers	238,320	93,045	45,163	33,485	25,639	435,654	-	435,654
2) Intersegment net sales or transfer	10,229	2,485	35	8,457	4,952	26,160	(26,160)	-
Net sales	248,549	95,530	45,198	41,943	30,592	461,815	(26,160)	435,654
Operating expenses	245,395	94,043	37,884	40,335	29,185	446,843	(26,398)	420,444
Operating income	3,154	1,487	7,313	1,608	1,407	14,971	238	15,209

(2) FY2001 interim (Apr. 2001 - Sep. 2001)

Millions of Yen

	Fibers & Textiles	Films & Plastics	Pharma. & H. H. Care	Machinery & Eng.	New business etc.	Total	Elimination & corporate	Consolidated Total
Sales								
1) External customers	252,202	97,163	46,667	33,958	26,109	456,102	-	456,102
2) Intersegment net sales or transfer	5,156	6,588	0	7,244	4,493	23,483	(23,483)	-
Net sales	257,358	103,751	46,667	41,203	30,603	479,585	(23,483)	456,102
Operating expenses	253,444	101,405	38,680	40,314	28,340	462,185	(23,697)	438,488
Operating income	3,914	2,346	7,987	888	2,262	17,399	214	17,614

(3) FY2001 (Apr. 2001 - Mar. 2002)

Millions of Yen

	Fibers & Textiles	Films & Plastics	Pharma. & H. H. Care	Machinery & Eng.	New business etc.	Total	Elimination & corporate	Consolidated Total
Sales								
1) External customers	509,891	192,425	94,541	74,481	52,106	923,446	-	923,446
2) Intersegment net sales or transfer	8,511	12,950	1	18,485	8,396	48,344	(48,344)	-
Net sales	518,402	205,376	94,542	92,966	60,502	971,790	(48,344)	923,446
Operating expenses	510,966	208,534	77,627	90,397	55,583	943,110	(49,160)	893,949
Operating income	7,435	(3,158)	16,915	2,568	4,919	28,680	816	29,496

2. Regional Segment Information

(1) FY2002 interim (Apr. 2002 - Sep. 2002)

Millions of Yen

	Japan	Asia	Americas	Other	Total	Elimination & corporate	Consolidated Total
Sales 1) External customers	309,380	43,162	59,357	23,755	435,654	-	435,654
2) Intersegment net sales or transfer	21,724	7,357	724	5,021	34,828	(34,828)	-
Net sales	331,105	50,520	60,081	28,776	470,483	(34,828)	435,654
Operating expenses	317,485	49,826	62,208	25,431	454,952	(34,507)	420,444
Operating income	13,619	693	(2,127)	3,345	15,531	(321)	15,209

(2) FY2001 interim (Apr. 2001 - Sep. 2001)

Millions of Yen

	Japan	Asia	Americas	Other	Total	Elimination & corporate	Consolidated Total
Sales 1) External customers	323,536	42,508	66,722	23,334	456,102	-	456,102
2) Intersegment net sales or transfer	26,128	7,550	1,215	2,833	37,727	(37,727)	-
Net sales	349,664	50,059	67,938	26,168	493,830	(37,727)	456,102
Operating expenses	335,442	46,315	71,431	22,611	475,801	(37,313)	438,488
Operating income	14,221	3,743	(3,493)	3,556	18,028	(414)	17,614

(3) FY2001 (Apr. 2001 - Mar. 2002)

Millions of Yen

	Japan	Asia	Americas	Other	Total	Elimination & corporate	Consolidated Total
Sales 1) External customers	642,965	91,598	137,004	51,877	923,446	-	923,446
2) Intersegment net sales or transfer	51,118	14,111	2,186	6,259	73,676	(73,676)	-
Net sales	694,084	105,709	139,191	58,136	997,122	(73,676)	923,446
Operating expenses	666,489	100,592	150,294	49,564	966,940	(72,990)	893,949
Operating income	27,595	5,117	(11,103)	8,572	30,182	(685)	29,496

Management Policies

To ensure Teijin's place as a key global player in the 21st century, we have formulated a medium-term management plan dubbed "Forward 2000," the basic policies of which are to achieve consistently profitable growth, develop our business globally and strengthen Group management. In line with these policies, we continue to undertake ambitious initiatives aimed at amending our corporate structure and improving profitability by revolutionizing our management system, strategically focusing on the expansion of key businesses and enhancing asset efficiency.

1. Management System

Teijin is a major player in several dynamic and rapidly changing global markets. Achieving consistently profitable growth in such markets demands that we build a management structure capable of responding to change. This, in turn, requires management that is compatible with accepted international business standards—in other words, places a high priority on ensuring effective corporate governance and strengthening competitiveness. To this end, Teijin has implemented several key reforms aimed at enhancing transparency, ensuring fairness and accelerating decision making. As a consequence of these reforms, we have formulated a new management system, four key components of which are:

- ***Advisory Board***

  We have established an Advisory Board that includes experts from Japan and overseas and is charged with advising on management matters and evaluating the performance of top executives. The Advisory Board is positioned as a consultative body to the Board of Directors.

- ***Board of Directors and corporate officer system***

  We have set the number of directors on the board 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.

- ***Auditing structure***

  To ensure fairness and objectivity, we have made external auditors on the parent company's five-member board a majority and installed a Group Board of Auditors, comprising members from the parent company and key Group companies.

- ***Group management structure***

  To strengthen Group management, we implemented a fundamental reorganization in April 2001, creating a consolidated Group management structure comprising nine business groups.

2. Principal Management Goal and Basic Business Strategies

The principal goal of our medium-term management plan, which will conclude in fiscal 2002, is to achieve a return on assets (ROA)—calculated using operating income—of 7.6%. Although we attained an ROA of 4.2% in fiscal 2000, we recognize that achieving our ROA goal will be extremely difficult given the unexpectedly harsh economic conditions since then, which has pushed our U.S. film operations into the red. Nonetheless, we are devoting our utmost efforts to improving our performance by implementing various measures in line with the basic business strategies outlined below.

- ***Overall basic business strategy***

  We are working to enhance our position as a major global player in polyester fibers, polyester film, aramid fibers, carbon fibers and polycarbonate resin, which we have positioned as core materials businesses. In response to the needs of society in the 21st century, we are expanding our pharmaceuticals and home health-care businesses by reinforcing our development and sales activities and creating new value, as well as cultivating new businesses in the information technology (IT) and electronics materials fields. We are also implementing selective measures to reform noncore businesses and reduce assets, thereby bolstering ROA and enhancing shareholder value.

- ***Basic business strategies for individual business groups***

  Textile fibers

  We are maximizing the benefits of our extensive polyester fiber manufacturing presence in Japan, other parts of Asia and North America, as well as our textile operations in Japan, other parts of Asia and Europe. This will enable us to restructure our global textile fibers manufacturing system, thereby ensuring optimum effectiveness and a stable earnings base.

  Industrial fibers

  Our aramid fibers operations focus on three key products: *TEIJINCONEX*® meta-linked aramid fibers, *Technora*® para-linked aramid fibers and *Twaron*®

para-linked aramid fibers. In response to soaring demand, particularly for *Twaron*®, we are augmenting our production facilities and developing new applications with the aim of significantly expanding sales. Efforts to enhance quality, improve cost competitiveness and add value, combined with synergies derived from the interrelationships with our other fibers businesses, are expected to contribute to a rapid improvement in the performance of our carbon fibers business.

Fiber products marketing

By reinforcing the capabilities of subsidiary NI Teijin Shoji Co., Ltd., in planning, production and sales, we are working to build a value chain that encompasses both fibers and finished products.

Films

Our polyester film joint venture with E.I. du Pont de Nemours and Company (DuPont) operates in seven countries. To return this business to profitability, the company is taking various steps, such as improving production efficiency to raise its cost competitiveness and developing new applications. Demand is expanding for *Teonex*®, a proprietary polyethylene naphthalate (PEN) film, for use in computer backup tapes and other new applications. Our film joint venture is enabling us to expand our operations in this key area.

Plastics

Our total production capacity for polycarbonate resin, that is, the combined capacity of facilities in Singapore and Japan, is 250,000 tons. With global demand expected to continue growing, we are expanding facilities to increase annual capacity to 300,000 tons, a move aimed at eventually making us the world's third-largest manufacturer in terms of global market share.

Pharmaceuticals and home health care

Our research and development in the pharmaceuticals field continues to focus on three key therapeutic areas: respiratory ailments, cardiovascular disorders and bone calcium metabolism disorders. In addition to in-house efforts, we are reinforcing alliances with leading domestic and overseas manufacturers. Through one such alliance, we brought new osteoporosis drug *Bonalon*® to market in August 2001, while through another alliance we are aiming to launch TMX-67, a therapeutic agent for gout and hyperuricemia, in Japan and overseas.

A pioneer in home health care in Japan, we currently enjoy the leading share of the nation's market for home oxygen therapy (HOT). We are broadening the scope of our home health-care operations by capitalizing on our strong operating base, as well as by cultivating new business areas through such efforts as a joint project with U.S. firm Aksys, Ltd., to develop an innovative dialysis unit for use at home. We will continue to diversify our lineup with the aim of becoming a provider of integrated home health-care services.

Machinery and engineering

We are developing revolutionary new technologies in this sector by building on our core motion control technologies. At the same time, we are targeting expansion into high-growth areas, such as semiconductor manufacturing equipment and drive units for wind generators.

New business development

Our current focus is on maximizing our proprietary materials and technologies to develop new products in promising areas of the electronics sector, such as materials for liquid crystal displays (LCDs) and high-performance specialty films, and environmental and safety-related areas.

IT business

In March 2002, subsidiary Infocom Corporation, which develops and provides a variety of IT-related services, listed its shares on the Japan Securities Dealers Association Automated Quotations (JASDAQ) market. The new company's strategy is to secure the top market share in such niche areas as mobile content and packaged health-care solutions, enabling it to respond to the needs of customers in this increasingly information-oriented age.

3. Management Measures and Dividend Policy

We continue to implement the basic business strategies outlined above to achieve the goals of our medium-term management plan. Nonetheless, we recognize the need to create a stronger corporate structure and realize a dramatic increase in efficiency if we are to withstand current global economic conditions. To this end, we are preparing to introduce a holding company system. This will involve the establishment of separate companies for each business, thereby facilitating the creation of cost structures appropriate to each business. The new system will also accelerate decision making, thus positioning us to capitalize on promising opportunities and improve the objectivity of performance evaluations.

In addition to promoting improved profitability through the implementation of basic business strategies, we will endeavor to boost ROA by taking decisive steps to shrink assets. These efforts include reducing working capital, eliminating inefficient assets and implementing selective measures to reform noncore operations.

We will also maximize groundbreaking new polyester chemical recycling technologies to reinforce our recycling business and hasten the development of innovative products, thereby creating new value that reflects the needs and concerns of society.

In line with our commitment to improving shareholder value, we pledge to maintain timely and accurate disclosure of information, ensure the safety and environmental soundness of our operations and observe strict corporate ethics.

Our dividend policy is to maintain stable payouts over the long term while, at the same time, ensuring dividends are in keeping with our consolidated fiscal results and business performance, provisions for our strategies and the prospects for our business operations. Despite our less-than-satisfactory performance, fiscal 2002 interim cash dividends were declared at ¥3.00 per share, the same amount as the fiscal 2001 year-end dividend.

4. Policy Regarding the Lowering of Our Minimum Investment Unit

Given Teijin’s current share price and liquidity, it is management’s opinion that the Company is not in a position to lower its minimum investment unit at this time. In line with our commitment to shareholders, however, we will continue to monitor share price movements with a view to lowering our minimum investment unit at some point in the future.

Results of Operations

The progress of inventory adjustments, particularly by U.S. manufacturers, brought signs of economic recovery in the United States, Southeast Asia and Europe early in the first half of fiscal 2002, ended September 30, 2002. Early optimism was countered, however, by increasing concern over the future direction of the global economy, fueled by such factors as political instability in the Middle East, stubbornly high crude oil prices and flagging domestic consumer spending. Accordingly, the operating environment remained harsh. Under these conditions, we continued to take decisive steps to reduce costs and reinforce our operating foundation, thereby facilitating the more efficient use of management resources. We also implemented a variety of forward-looking measures in line with our strategy of concentration and selectivity. Despite these efforts, consolidated net sales slipped 4.5% from the first half of fiscal 2001, to ¥435.7 billion, while operating income declined 13.6%, to ¥15.2 billion and ordinary income fell 36.5%, to ¥8.0 billion. Owing to an extraordinary loss of ¥11.5 billion, largely attributable to our withdrawal from certain unprofitable businesses and measures to reform our business structure, we recorded a net loss of ¥1.1 billion. Segment results for the first half of fiscal 2002 are outlined below.

Fibers and Textiles

Sales in the Fibers and Textiles segment fell 5.5% compared with the first half of fiscal 2001, to ¥238.3 billion, while operating income decreased 19.4%, to ¥3.2 billion.

The global market for polyester textile fibers remained sluggish. In the People's Republic of China (PRC), the market continued to expand despite a shift toward domestic sourcing. Nonetheless, intensifying competition with manufacturers from the PRC contributed to an increasingly difficult operating environment for manufacturers in Southeast Asia and other nearby areas. Demand in Japan remained weak as deflation restrained consumer spending and credit concerns hindered the retail industry. In line with our drive to reorganize operations in this segment, new subsidiary Teijin Fibers Limited—created by spinning off our domestic textile fibers business—commenced operations in April 2002. We also closed the Matsuyama Factory (North), a polyester filament manufacturing facility, in September 2002, and took steps to reinforce ties with overseas Group companies as part of efforts to promote cost-cutting on a global scale. Group textile fibers companies in Japan and Southeast Asia saw profits tumble as a result of high prices for raw materials. Profitability at a Group company in Mexico also failed to recover as rising imports from Asia drove down fiber prices. In line with our goal of promoting awareness of recycling, in April 2002 we launched a new chemical recycling business whereby polyester raw materials are recovered from polyethylene terephthalate (PET) bottles and other polyester products.

In the area of industrial fibers, firm demand for *Twaron*® para-linked aramid fibers for use in ballistic protective apparel, brake materials and rubber-reinforcing materials countered slack demand for optical fiber applications. Sales of *Technora*® para-linked aramid fibers, particularly those for export, were stagnant, while sales of *TEIJINCONEX*® meta-linked aramid fibers for industrial materials and protective apparel remained firm. In the area of industrial-use polyester fibers, sales to tire, seatbelt and rubber material manufacturers were brisk, although demand for monofilament products from the paper industry, its mainstay customer, was low. Owing to production adjustments by aerospace firms, as well flagging sales for use in sports and leisure and a delayed recovery in sales for IT-related applications, the balance between supply and demand for *BESFIGHT*® carbon fibers did not improve as quickly as expected. In response, Teijin has stepped up efforts to improve production efficiency and cultivate new applications. Despite improving profitability for *Cordley*® artificial leather—thanks to rationalization measures, such as the launch of original equipment manufacturer (OEM) production in the PRC—a lagging recovery in the balance between supply and demand prevented a full recovery.

In the fiber products marketing business, we continued to respond to the growing polarization of Japan's market into high-end, high quality products and low-priced, primarily practical products. Subsidiary NI Teijin Shoji continued to reinforce its planning, production and sales activities for fiber products, while striving to ensure comprehensive management of trading- and retail-related risk and contribute to stable profitability in both businesses. As a consequence, results in this category stabilized as income improved markedly despite a slight decrease in sales.

Films and Plastics

The Films and Plastics segment generated sales of ¥93.0 billion, down 4.2%. Operating income fell 36.6%, to ¥1.5 billion.

Demand for mainstay PET film picked up, particularly for information and electronics applications, after U.S., European and Japanese markets bottomed out in early 2002. As a consequence, our U.S. joint venture raised its product prices early in the period and maximized the benefits of rationalization measures implemented since the previous term, thereby enabling it to shrink its operating loss substantially. Results at our Japanese joint venture benefited from a recovery in demand for PET film for industrial applications and brisk demand for PEN film for data storage tapes. Thanks also to lower fixed costs—a consequence of restructuring efforts—our global polyester film joint ventures, which comprise companies in Europe, the United States and Asia, including companies accounted for using the equity method, moved into the black at the operating level.

Shipments of *Panlite®* polycarbonate resin expanded significantly as inventory adjustments by customers, particularly those in IT-related industries, neared completion, spurring a rapid recovery in demand. With sales for general industrial applications in Asia particularly strong, our production facilities in the region, including a new line at Teijin Polycarbonate Singapore Pte Ltd., operated at full capacity. Despite a recovery in prices for industrial applications in Asia, prices in general—driven down late in fiscal 2001 by instability in the global balance of supply and demand—remained substantially lower than in the corresponding period in fiscal 2001. Owing to sagging demand for bottled drinks, attributable to unfavorable weather in May and June, shipments of PET resin for use in the manufacture of bottles were level with first half of the preceding fiscal year. As a consequence, sales of plastics advanced, although operating income declined.

Pharmaceuticals and Home Health Care

Owing to the revision of official prices for prescription drug and medical treatment premiums, sales in the Pharmaceuticals and Home Health Care segment slipped 3.2%, to ¥45.2 million, and operating income declined 8.4%, to ¥7.3 billion.

Despite concerns the revision of prescription drug prices in April 2002 would negatively impact results in the pharmaceuticals category, rising sales of *Bonalon®*, a new osteoporosis drug, and firm sales of established drugs contributed to stable sales. In July 2002, we introduced unit-dose vials for *Laxoberon®* solution, a laxative administered prior to colon examinations. In research and development, TMX-67, a therapeutic agent for gout and hyperuricemia, entered phase III clinical testing, joining asthma treatment BTR-15. We also commenced development in Japan of a new, weekly-dose version of *Bonalon®*.

In response to a sharp downward revision of official fees for HOT after April 2002, we took steps to lower costs for oxygen tanks and minimize related administrative costs. Despite these efforts, we were unable to avoid declines both in sales and operating income in the home health-care category. On a positive note, sales of new versions of our *SLEEPMATE®* positive pressure ventilator, *NIP NASAL®* bi-level positive pressure ventilator and *SAFHS®* (Sonic Accelerated Fracture Healing System) were firm.

Machinery and Engineering

In the Machinery and Engineering segment, sales amounted to ¥33.5 billion, a decrease of 1.4%, while operating income totaled ¥1.6 billion, up 81.1%.

In the precision equipment and new businesses category, capital investment by domestic and overseas automakers supported brisk sales of precision reduction gears for use in industrial robots and bolstered the profitability of these products. Nonetheless, category sales fell as a consequence of sluggishness in IT-related industries and flagging conditions in the U.S. and European semiconductor industries.

The aircraft and oil hydraulic equipment category recorded gains in operating income. Brisk sales of specialized oil hydraulic motors for use in power shovels in the PRC and effective cost-cutting measures countered a decline in demand from Boeing Co. and other private-sector aircraft companies as well as flagging conditions in the market for replacement parts.

Despite a prolonged imbalance in supply and demand in the polyester fibers market, manufacturers in the PRC and parts of India stepped up capital investment, bolstering sales of textile machinery. Operating income in this category also improved, owing to increasingly rigorous rationalization measures. Sales of industrial machinery were hindered by food product-related scandals in Japan, which drove down demand for automated flexible packaging machinery.

Although sluggish capital investment-led demand continued to adversely affect the operating environment, results for our engineering business were at approximately the same level as in the first half of fiscal 2001.

New Products and Other Businesses

Sales in the New Products and Other Businesses segment declined 1.8%, to ¥25.6 billion. Operating income decreased 37.8%, to ¥1.4 billion.

Notwithstanding a drop in overall shipments of electronics-related products in fiscal 2001, owing to the impact of unfavorable conditions in IT-related industries, sales of

PURE-ACE®, a polycarbonate film used as phase-difference film, and *ELECLEAR*® processed film substrates for LCDs, showed signs of recovering. In response, we are stepping up efforts to market these films for use in large-screen LCD televisions, next-generation DVD systems and other promising new applications. We proceeded with work on a new production facility in Matsuyama for *Solufill*® super high-molecular-weight porous polyethylene film, which is expected to see significant demand for use in multilayer ceramic capacitors. The new facility is scheduled to begin commercial production in October 2003.

In the IT-related services category, which centers on subsidiary Infocom, systems integration and other IT solutions services were hit hard as mobile phone companies cut capital spending and price competition intensified in the market for mobile phone ringing tone melodies. During the period under review, we invested actively to reinforce our operating foundation with the aim of launching operations in such key areas as mobile commerce and knowledge management. Category sales remained level with the first half of fiscal 2001, while operating income edged down.

In recording media, environmental analysis and other categories, conditions remained harsh, reflecting slack demand and heightened competition.

Financial Position and Cash Flows

Financial Position

Total assets as of September 30, 2002, amounted to ¥1,056.0 billion, down ¥48.6 billion from the end of the previous fiscal year. Thanks to efforts by Group companies to reinforce the Group's operating foundation by improving the efficiency of management resources, withdrawing from unprofitable businesses and shrinking assets, we succeeded in paring inventories and divesting inefficient assets. As a consequence, we achieved particularly significant reductions in trade notes and accounts receivable, inventories and property, plant and equipment.

Total shareholders' equity slipped ¥13.8 billion, to ¥297.7 billion. This decrease was primarily attributable to dividend payments, which pushed down retained earnings, and a sharp decline in the market price of shares held, which led to a sharp drop in net unrealized holding gains on securities. As a consequence of these factors, the equity ratio was 28.2%.

Cash Flows

Net cash provided by operating activities amounted to ¥27.8 billion, as a net loss was offset by a decrease in receivables and the reduction of inventories, which enabled us to shrink working capital. Despite increases in proceeds from sales of property and proceeds from sales of securities, which largely countered a jump in expenditures for purchase of property, plant and equipment, to ¥35.4 billion, net cash used in investing activities was ¥31.5 billion. Expenditures for purchase of property, plant and equipment during the first half of fiscal 2002 were concentrated in high-growth businesses. Principal applications of these expenditures in materials businesses included the expansion of production facilities for *Twaron*® para-linked aramid fibers, the addition of a fourth polycarbonate resin production line at our factory in Singapore and the construction of production facilities for *Solufill*® super high-molecular-weight porous polyethylene film. As a consequence, net cash used in investing activities exceeded net cash provided by operating activities by ¥3.7 billion.

Net cash provided by financing activities totaled ¥10.0 billion, owing to the redemption and issue of debentures; the expansion of long-term borrowings, aimed at ensuring stable funding; and the payment of dividends. As a consequence, cash and cash equivalents at end of period were ¥35.9 billion.

Outlook for Fiscal 2002

(Billions of yen/%)

	Net sales	Operating income	Ordinary income	Net income
Fiscal 2002 (forecast)	¥900.0	¥34.0	¥22.0	¥7.0
Fiscal 2001 (actual)	923.4	29.5	17.8	1.0
Difference	–23.4	+4.5	+4.2	+6.0
Percentage change	–2.5%	+15.3%	+23.6%	+617.9%

With political instability in the Middle East expected to contribute to continued weakness in the U.S. economy in the second half of fiscal 2002, sluggish demand and restrained capital investment will likely persist worldwide throughout the second half of fiscal 2002. In Japan, the delayed implementation of the government’s structural reform plans is forecast to hamper activity in all sectors, while consumer spending is likely to remain slack.

In the Fibers and Textiles segment, we expect raw material prices to remain high and intense price competition with products from the PRC to continue in Japan and elsewhere in Asia. Accordingly, we have decided to accelerate the implementation of the *Tetoron*® Global Strategy Plan, a series of decisive restructuring measures aimed at improving the competitiveness of our polyester fibers business. In the area of industrial fibers, we anticipate benefits from the expansion of production facilities for *Twaron*® para-linked aramid fibers. Accordingly, we expect high-performance fibers to lead sales growth.

In the Films and Plastics segment, we will focus on reinforcing our film business by endeavoring to develop new products and stepping up efforts to lower administrative costs and otherwise rationalize operations. With demand for polycarbonate resin for general industrial applications expected to recover and demand for use in DVDs to rise, we will endeavor to expand sales by developing new applications, raise product prices and further lower costs.

In the Pharmaceuticals and Home Health Care segment, we expect expanded marketing to boost sales of *Bonalon*® in the second half of fiscal 2002. Conditions in the market for home health care are likely to remain severe, owing to an increase in the portion of medical costs borne by senior citizens, which took effect in October. We also anticipate a persistently harsh operating environment for the Machinery and Engineering segment. In the New Products and Other Businesses segment, we project growth in IT-related services in the second half of fiscal 2002 will contribute to firm results.

Reflecting the above projections, as well as expanded marketing of high-growth products and the positive impact of restructuring measures implemented since fiscal 2001, we forecast consolidated net sales of ¥900.0 billion in fiscal 2002, ending March 31, 2003. Nonetheless, we project operating income of ¥34.0 billion and ordinary income of ¥22.0 billion, in line with our initial estimates. Owing to extraordinary expenses incurred as a result of measures taken to reinforce our operating foundation, we expect net income of ¥7.0 billion. These projections assume an exchange rate of ¥125.0 to US$1.00 in the second half of fiscal 2002.

Disclaimer Regarding Forward-Looking Statements

Any statements in this document, other than those of historical fact, are forward-looking statements about the future performance of Teijin and its Group companies, which are based on management's assumptions and beliefs in light of information currently available, and involve risks and uncertainties. Actual results may differ materially from these forecasts.

Potential risks and uncertainties include, but are not limited to, domestic and overseas economic conditions, such as consumer spending and private capital expenditures, particularly given the continuing sluggish economy of Japan; currency exchange rate fluctuations, notably with the yen, U.S. dollar, Asian currencies, the euro and other currencies in which Teijin operates its international business; direct and indirect restrictions imposed by other countries; fluctuations in market prices of securities in which Teijin has substantial holdings; and Teijin's ability to maintain its strength in many product and geographical areas, through such means as new product introductions, in a market that is highly competitive in terms of both price and technology, pertinent to the industry to which the Company primarily belongs.