

## **Capacity Expansion for Carbon Fiber “TENAX”**

The board of Toho Tenax Co., Ltd. ("TOHO") passed a resolution today for the capacity expansion of PAN-based carbon fiber “TENAX”. TOHO plans to install in its Mishima plant, Japan, a new carbonization line with annual production capacity of 2,700 metric tons, with startup scheduled in April 2008. Also, the expansion of its precursor (raw material of carbon fibers) production capacity is to be pursued in parallel. The capital expenditure for the new capacities for both carbon fiber and precursor will be 10.7 billion yen. Consequently, TOHO group’s annual production capacity for carbon fiber will reach 11,800 metric tons in April 2008.

Demand for PAN-based carbon fibers is expected to grow at an annual rate of between 10 and 15 % and will already exceed 30,000 metric tons in the year 2008. Driving forces are launches of new airliners and increase of composite parts for existing liners in the aerospace segment as well as demand increase in the industrial segment, i.e., wind energy, pressure vessel, automotive, and digital device applications.

Predicting such business circumstances, TOHO group has already commenced construction of a new carbon fiber line with annual production capacity of 1,500 metric tons in its German plant, which will start commercial production in September 2006 as scheduled.

The decision this time for the additional expansion aims at further intensification of TOHO group’s ability to respond to the increasing requirements of customers, particularly in the industrial segment. Meanwhile, TOHO group plans to increase production of materials qualified with aerospace programs on its existing lines worldwide, meeting increasing demands from the aerospace segment as well.

TOHO group is implementing its new three-year operating program “STEP FORWARD 2008” that just started in April 2006, of which this investment forms a part. Allocating preferentially its resources to the carbon fiber business, TOHO group targets scale-up of the business and profitability. TOHO group strengthens its position as a leading supplier of carbon fibers by establishing responsible supply capability and would like to win customers’ esteem.

## Appendix 1

### TOHO Group's Production Capacity of Carbon Fibers (metric tons/year)

	Today	End of 2006	April 2008
Japan – TTJ Mishima Plant	3,700	3,700	6,400
Germany – TTE Oberbruch Plant	1,900	3,400	3,400
U.S.A. – TTA Tennessee Plant	2,600	2,000	2,000
Group Total	8,200	9,100	11,800

(Remark) TTJ: Toho Tenax Co., Ltd.

TTE: Toho Tenax Europe GmbH

TTA: Toho Tenax America, Inc.

## Appendix 2

### TOHO's Demand Forecast for PAN-based Carbon Fibers (metric tons/year)

Year	2005	2006	2007	2008	2009	2010
Aerospace	4,620	5,630	6,550	7,050	7,850	8,530
Industrial	11,300	13,310	14,970	17,910	21,050	23,470
Recreation	4,900	5,110	5,260	5,430	5,610	5,720
Total	20,820	24,050	26,780	30,390	34,510	37,720

*Cautionary note concerning forward-looking statements: Contents in this data are based on various assumptions and do not guarantee or promise to achieve the listed plans and forecasted figures.*