

November 9, 2005

Toray Announces Consolidated Results for the Six Months Ended September 30, 2005

Tokyo, November 9, 2005 - Toray Industries today announced its consolidated and non-consolidated business results for the six months ended September 30, 2005. The following summary of the business results that Toray submitted to the Tokyo Stock Exchange is unaudited and for reference only. (Code Number: 3402)

Consolidated Financial Highlights

(Millions of yen, millions of U.S. dollars, except per share data)

	Six months ended September 30,			2005	Year ended March 31, 2005
	2005	2004	Change		
	Yen		%	U.S. Dollars	Yen
Net sales	¥678,796	¥575,721	17.9	\$5,996	¥1,298,606
Operating income	38,837	35,597	9.1	343	81,052
Ordinary income	36,812	34,784	5.8	325	76,800
Net income	16,750	19,782	(15.3)	148	34,397

Depreciation	30,372	31,475	(3.5)	268	62,580
Capital investment	31,828	23,394	36.1	281	69,513
Total assets	1,422,573	1,395,305	2.0	12,567	1,402,264
Property, plant and equipment, net	535,781	532,083	0.7	4,733	531,965
Total stockholders' equity	484,421	433,560	11.7	4,279	452,519

Per Share of common stock (yen)

Net Income Primary	¥11.96	¥14.12	(15.3)	-	¥24.46
Cash dividends	¥4.00	¥3.50	14.3	-	¥7.00
Stockholders' equity	¥345.93	¥309.50	11.8	-	¥323.04

Ratios (%)

Operating income to net sales	5.7%	6.2%	-	-	6.2%
Net income to net sales	2.5%	3.4%	-	-	2.6%
Equity ratio	34.1%	31.1%	-	-	32.3%
Return on equity	7.2%	9.3%	-	-	7.9%

Notes:

1. U.S. dollar amount have been converted from yen at the exchange rate of ¥113.2=U.S.\$1, the approximate rate of exchange prevailing on September 30, 2005.
2. Amounts are rounded to the nearest million.

Consolidated Business Segment Information

(Millions of yen, *millions of U.S. dollars*)

Net Sales	Six months ended September 30,				Year ended March 31, 2005
	2005	2004	Change	2005	
	Yen		%	U.S. dollars	Yen
Fibers and Textiles	¥288,748	¥224,215	28.8	\$2,551	¥513,354
Plastics and Chemicals	158,843	134,847	17.8	1,403	300,404
IT-related Products	111,124	108,450	2.5	982	219,142
Carbon Fiber Composite Materials	24,415	21,494	13.6	216	44,697
Environment and Engineering	61,926	52,021	19.0	547	148,661
Life Science and Other Businesses	33,740	34,694	(2.7)	298	72,348
Total	678,796	575,721	17.9	5,996	1,298,606
Elimination and Corporate	-	-	-	-	-
Consolidated Total	678,796	575,721	17.9	5,996	1,298,606

Operating Income	Six months ended September 30,				Year ended March 31, 2005
	2005	2004	Change	2005	
	Yen		%	U.S. dollars	Yen
Fibers and Textiles	¥10,350	¥10,051	3.0	\$91	¥20,872
Plastics and Chemicals	8,622	6,043	42.7	76	15,658
IT-related Products	13,104	14,974	(12.5)	116	28,280
Carbon Fiber Composite Materials	5,900	2,814	109.7	52	5,596
Environment and Engineering	(1,174)	270	-	(10)	4,294
Life Science and Other Businesses	2,016	1,291	56.2	18	6,468
Total	38,818	35,443	9.5	343	81,168
Elimination and Corporate	19	154	(87.7)	0	(116)
Consolidated Total	38,837	35,597	9.1	343	81,052

Notes:

1. U.S. dollar amount have been converted from yen at the exchange rate of ¥113.2=U.S.\$1, the approximate rate of exchange prevailing on September 30, 2005.
2. Amounts are rounded to the nearest million.

Changes in Business Segments

The Company changed its business segments starting from this fiscal year to the following. "Carbon Fiber Composite Materials" was separated from "New Products and Other Businesses" to a new segment as the size of the business expanded. The size of "Pharmaceuticals and Medical Products" business became relatively small and therefore was merged into "New Products and Other Businesses" and the entire segment was renamed as "Life Science and Other Businesses." Furthermore, "Housing and Engineering" segment was renamed as "Environment and Engineering" to reflect the contents of that business more appropriately. The figures for the fiscal 2004 were modified to show the results according to the new business segments.

<Previous business segments>

Fibers and Textiles
Plastics and Chemicals
IT-related Products
Housing and Engineering
Pharmaceuticals and Medical Products
New Products and Other Businesses

<New business segments>

Fibers and Textiles
Plastics and Chemicals
IT-related Products
Carbon Fiber Composite Materials
Environment and Engineering
Life Science and Other Businesses

Consolidated Geographic Segment Information

(Millions of yen, millions of U.S. dollars)

Net Sales	Six months ended September 30,				Year ended March 31, 2005
	2005	2004	Change	2005	
	Yen		%	U.S. dollars	Yen
Japan	¥497,249	¥412,372	20.6	\$4,393	¥961,633
Asia	112,967	102,334	10.4	998	211,192
North America, Europe & Others	68,580	61,015	12.4	606	125,781
Total	678,796	575,721	17.9	5,996	1,298,606
Elimination and Corporate	-	-	-	-	-
Consolidated Total	678,796	575,721	17.9	5,996	1,298,606

Operating Income	Six months ended September 30,				Year ended March 31, 2005
	2005	2004	Change	2005	
	Yen		%	U.S. dollars	Yen
Japan	¥30,284	¥27,619	9.6	\$268	¥65,793
Asia	4,942	5,708	(13.4)	44	10,269
North America, Europe & Others	3,673	2,353	56.1	32	5,103
Total	38,899	35,680	9.0	344	81,165
Elimination and Corporate	(62)	(83)	-	(1)	(113)
Consolidated Total	38,837	35,597	9.1	343	81,052

Export Sales and Sales by Overseas Subsidiaries

(Millions of yen, millions of U.S. dollars)

	Six months ended September 30,				Year ended March 31, 2005
	2005	2004	Change	2005	
	Yen		%	U.S. dollars	Yen
Asia	¥184,750	¥167,699	10.2	\$1,632	¥357,048
North America, Europe & Others	102,873	86,290	19.2	909	182,988
Total	287,623	253,989	13.2	2,541	540,036

Percentage against consolidated net sales	Six months ended September 30,		Year ended March 31, 2005
	2005	2004	
Asia	27.2 %	29.1 %	27.5 %
North America, Europe & Others	15.2 %	15.0 %	14.1 %
Total	42.4 %	44.1 %	41.6 %

Notes:

1. U.S. dollar amount have been converted from yen at the exchange rate of ¥113.2=U.S.\$1, the approximate rate of exchange prevailing on September 30, 2005.
2. Amounts are rounded to the nearest million.

Forecast of Consolidated Results for the fiscal year ending March 31, 2006

(Millions of yen, millions of U.S. dollars)

	Year ending March 31, 2006	
	Yen	U.S. dollars
Net sales	¥1,430,000	\$13,000
Operating income	92,000	836
Ordinary income	87,000	791
Net income	43,000	391

Notes: U.S. dollar amount have been converted from yen at the exchange rate of ¥110=U.S.\$1, the estimated rate of exchange for the second half of 2005 (Oct 2005 - March 2006).

Non-consolidated Financial Highlights

(Millions of yen, *millions of U.S. dollars*, except per share data)

	Six months ended September 30,				Year ended March 31, 2005
	2005	2004	Change	2005	
	Yen		%	<i>U.S. Dollars</i>	Yen
Net sales	¥243,171	¥237,522	2.4	\$2,148	¥476,056
Operating income	18,162	15,481	17.3	160	35,422
Ordinary income	22,555	17,661	27.7	199	43,086
Net income	12,754	10,853	17.5	113	11,786

Depreciation	12,377	13,183	(6.1)	109	26,888
Capital investment	9,861	6,418	53.6	87	29,785
Total assets	903,604	879,706	2.7	7,982	889,966
Property, plant and equipment, net	247,127	245,059	0.8	2,183	252,105
Total stockholders' equity	463,726	439,250	5.6	4,097	441,901

Per Share of common stock (yen)

Net Income Primary	¥9.10	¥7.75	17.4	-	¥8.32
Cash dividends	¥4.00	¥3.50	14.3	-	¥7.00
Stockholders' equity	¥331.05	¥313.55	5.6	-	¥315.37

Ratios (%)

Operating income to net sales	7.5%	6.5%	-	-	7.4%
Net income to net sales	5.2%	4.6%	-	-	2.5%
Equity ratio	51.3%	49.9%	-	-	49.7%
Return on equity	5.6%	5.0%	-	-	2.7%

Notes:

1. U.S. dollar amount have been converted from yen at the exchange rate of ¥113.2=U.S.\$1, the approximate rate of exchange prevailing on September 30, 2005.
2. Yen amounts are rounded to the nearest million.

Forecast of Non-consolidated Results for the fiscal year ending March 31, 2006

(Millions of yen, *millions of U.S. dollars*)

	Year ending March 31, 2006	
	Yen	<i>U.S. dollars</i>
Net sales	¥500,000	\$4,545
Operating income	39,000	355
Ordinary income	51,000	464
Net income	26,000	236

Notes: U.S. dollar amount have been converted from yen at the exchange rate of ¥110=U.S.\$1, the estimated rate of exchange for the second half of 2005 (Oct 2005 - March 2006).

Management Policies

1. Corporate Mission

Toray's corporate philosophy is "to contribute to society through the creation of new value by innovative ideas, technologies and products." Under this philosophy, Toray has established the following corporate missions:

For our customers:

To provide new value to our customers through high-quality products and superior services

For our employees:

To provide our employees with opportunities for self-development in a challenging environment

For our shareholders:

To provide our shareholders with dependable and trustworthy management

For the local community:

To act as a responsible corporate citizen and build a long-lasting, beneficial partnership with the local communities in which we do business

Toray is committed to taking on responsibility and contributing to its customers, employees, shareholders and the local community.

2. Policy on Distribution of Surplus Profits

Toray recognizes that its profit distribution policy is a vital matter for the company, and accordingly is committed to distributing such profits fairly through comprehensive consideration of every factor, including business results, financial conditions and a retention of earnings necessary for future investment.

3. Issues to Be Solved and Medium- to Long-term Business Strategy

The Toray Group launched "Project New TORAY 21" ("NT21") management reform program in April 2002, in a bid to achieve early income improvement by dramatically strengthening corporate structure and the Company was able to achieve the targets one year ahead of schedule in fiscal 2003. Building on this success, the Company has initiated "Project NT-II" ("NT-II") as the second stage of the reform in April 2004, with the medium-term management objective of building a dynamic and highly profitable corporate group.

Project NT21 consisted of management reforms to reinforce the corporate structure from the "defensive" perspective. NT-II, on the other hand, seeks to sustain management from the "defensive" perspective through further reinforcement of the corporate structure while simultaneously advancing with an "offensive" management approach of expanding revenues and profits through business structure reform. In order to realize this objective, the Toray Group will be focusing on the following eight issues.

Activating Group Energy

The first key is mobilizing the energy of the entire Toray Group. NT21 fostered a healthy sense of crisis combined with a new clarity of purpose and direction, and this is now being shared by all employees of the Toray Group. Building on this spirit, Toray Group has been implementing additional measures to strengthen communication and information sharing, and endeavoring to create a revitalized organization. In the term under review, the Group launched a company-wide campaign named "Multi-Communication Campaign" to improve and strengthen the communication and information sharing within the organization. Furthermore, the Group also embarked on revitalization activities such as disseminating the president's message using the intranet on a regular basis and rolling out concrete measures and actions towards establishing a corporate culture that allows even greater scope for women's active participation.

Strengthening Cost Competitiveness

The second aspect is the strengthening of total cost competitiveness. By building on the success of the "strengthening cost competitiveness project" of NT21, the Toray Group undertook extensive measures to achieve further reductions in total cost across the entire Group including gross labor costs, fixed production costs, and procurement and logistics expenses as well as head-office and marketing expenses, and these efforts have been successful.

This project was completed in March 2005 and the Group in April has initiated the "self-reliant efforts project," which aims to eliminate the wastes and losses associated with the business operation and reduce the costs by employing a different approach.

Strengthening Financial Structure

The third point is the strengthening of financial structure. While continuing with the measures to strengthen financial structure undertaken in NT21, the Group set a new financial goal under NT-II of achieving early reduction of the ratio of interest bearing debt to shareholders' equity (D/E ratio) to 1.0 or lower, in order to realize both increased investment in its advanced materials businesses and further strengthening of the financial structure. Reforms were steadily implemented in the term under review towards achieving these objectives.

Marketing Reforms

The fourth aspect is marketing reforms. While promoting the various themes such as the awareness raising endeavors for sales and marketing staff, promotion of new value creators, target management based on marketing management target indices and IT buildup that were introduced under NT21, the Group is striving to strengthen the marketing power by initiating new themes such as further promotion of awareness reforms through marketing self-help analysis and expansion of one-stop-total-service function that consolidates the major customer accounts.

Strengthening Profit Management by Product

The fifth point is strengthening profit management by product. Under NT21, as part of its measures focused on the core objective of structural reinforcement, the Group sought to cut back on loss-generating businesses and companies or bring them into the black, and was able to improve income by achieving such a goal. NT-II takes this approach one step further: each business is expected to improve income by increasing the share of high-margin products, regaining profitability or at the very least cutting losses from unprofitable products included in the portfolios of otherwise profitable businesses. In order to achieve this goal, Toray as well as the affiliated

companies within and outside Japan under the Toray Group are ensuring profit management by product, and have carried out the planned reforms by formulating and steadily implementing concrete measures.

Expanding Advanced Materials Businesses

The sixth action is expansion of advanced materials businesses. Advanced materials development at the Toray Group has to date focused on the core technologies of organic synthetic chemistry, polymer chemistry, and biochemistry. Business expansion has been driven by supplying these products to industries and users primarily in the three growth areas of IT-related products; life sciences; and environment, safety, and amenity.

NT-II calls for an expansion of existing advanced materials businesses within and outside Japan, accompanied by rapid development of new advanced materials and related business initiatives using the Toray Group's core technologies as well as sophisticated technologies such as technologies for increasing the limits of performance, nanotechnology, biotechnology, etc. To this end, concrete measures have been initiated while putting in place a structure that combines the synergies of production, sales, technology and research and allocating management resources for vital areas.

Expanding and Reinforcing Global No. 1 Businesses

The seventh measure is expanding and strengthening Toray Group businesses that rank global no. 1 in their fields. 30 of the Toray Group's businesses have claimed the top share of the global market — in the polyester-cotton blended textiles, man-made suede, polyester film, carbon fiber composite materials, and other businesses. In NT-II, Toray is trying to further expand and reinforce these no.1 businesses by clarifying the strategic positioning of each business and allocating adequate management resources. Under this policy, business strategies that exploit the Group's competitive strengths were formulated and implemented under each project leader in the term under review.

Expanding Revenues and Profits from Businesses Outside Japan

The eighth aspect involves expanding earnings from businesses outside Japan. The Toray Group will strive to implement further structural reform at its businesses in 20 countries and regions worldwide, strengthening them as sources of earnings, while simultaneously pursuing business growth outside Japan through new business initiatives. Project teams have been constituted to promote the various themes such as entering into new businesses in regions that Toray have already been penetrating, business development in regions such as Eastern Europe and Russia that boast of significant economic growth, expansion into fields with high growth rates such as IT applications or automobile applications and promotion of forays into overseas markets by group companies.

TOREX Brand Strategy*

In addition to these points, establishing a brand strategy is more essential to remaining victorious amid conditions of global overproduction and to achieving business expansion and earnings growth. To this end, the Group has positioned *TOREX** as the Toray Group's core brand, symbolizing the Group's high quality, superior product grades, and advanced materials, and is currently planning for implementation of a global brand strategy.

All employees of the Toray Group are united in their efforts towards reforms under NT-II, which take the reform efforts of NT21 and advance them even further and continue to strive for the early achievement of the NT-II target of 100 billion in consolidated operating income. Furthermore, through realization of the goals of NT-II, the Toray Group seeks to increase ROA and ROE, and to transform itself into a global, highly profitable corporate group.

4. Corporate Governance

The Toray Group's basic stance on corporate governance is clearly articulated in its Corporate Mission: "to provide our shareholders with dependable and trustworthy management," as well as in its Guiding Principles: "Fairness and sincerity — Behaving fairly with a strong feeling of responsibility and a high ethical sense, thereby establishing a trustworthy relationship with society." This is one of the Toray Group's most important management policies.

The Board of Directors has 30 members and the Board of Corporate Auditors has four, two of whom are external auditors. The Toray Group is a manufacturing conglomerate that supplies a wide variety of basic materials to a diverse range of industries, and therefore management needs to make varied judgments and decisions based on specialist knowledge and close liaison with the business field. To ensure that management fulfills its responsibility to shareholders, the Toray Group believes that directors who oversee business operations and make decisions at board meetings should be appointed by the general shareholders meetings and be familiar with the Toray Group's businesses. For this reason, the Toray Group intends to retain the current framework of its Board of Directors and Board of Auditors.

Members of the Company's Board of Auditors attend all important company meetings, including board meetings, as well as hold meetings to interview individual directors and senior managers. Further, they audit each of the Company's business locations, manufacturing bases, and domestic and overseas subsidiaries and affiliates to ensure proper oversight of directors' performance. External auditors have no financial interest in (i.e., no business relationship with) the Toray Group, and the Audit Department carries out internal audits, including of subsidiaries and affiliates.

Toray has established a Corporate Ethics Committee, which is composed of members of the Board of Directors and includes the Board of Auditors as observers, in order to address corporate ethics and legal compliance — an essential component of Corporate Social Responsibility (CSR). In addition, Toray established a Compliance Committee under the Corporate Ethics Committee to strengthen those activities through a reinforcement of the management structure.

The company employs the accounting firm ChuoAoyama PricewaterhouseCoopers to provide the services of accounting auditors in accordance with the Japanese Commercial Code and perform accounting audits in accordance with the Securities and Exchange Law. Also, it reports the audit results and exchange opinions between the Board of Auditors and the Audit Department.

Consolidated Business Results and Financial Condition

1. Overview of First Half (April 2005 – September 2005)

During the six months under review, in spite of adverse factors such as steep rise in crude oil prices, the U.S. economy held on to its inherent strengths, while the Asian economies led by China also maintained expansion. Despite certain weaknesses in export and production mainly caused by worldwide demand and supply adjustment in the IT-related sectors since the latter half of last year, Japan also enjoyed steady economic recovery buoyed by solid consumer spending thanks to improvements in consumer confidence and strong capital investments by businesses.

Amid these conditions, the Toray Group worked on the expansion of revenues and profits through structural reinforcement and business structure reform under its medium-term management reform program “NT-II,” which commenced in April 2004.

As a result, consolidated net sales for the first half of the fiscal year increased 17.9% year-on-year to ¥678.8 billion (US\$5,996 million), while operating income rose 9.1% to ¥38.8 billion (US\$343 million). Ordinary income increased 5.8% to ¥36.8 billion (US\$325 million), while net income declined 15.3% to ¥16.8 billion (US\$148 million).

The Company made changes to its business segments starting from this fiscal year to the following. Composite materials were separated from “New Products and Other Businesses” to form a new segment called “Carbon Fiber Composite Materials” due to expansion in business volume. While the “Pharmaceuticals and Medical Products” segment continues to be viewed as one of the mid- to long-term strategic growth sectors for the Company, the size of the business had become relatively small and therefore was merged into “Life Science and Other Businesses.” Furthermore, “Housing and Engineering” segment was renamed as “Environment and Engineering” to highlight the Company’s management policy to strategically expand environment-related businesses including water treatment.

Business Performance by Sector:

Fibers and Textiles

In domestic trading, overall sales of nylon fiber increased as sales in high-margin yarns expanded in apparel applications, despite the transfer of commercial rights for industrial-use nylon yarns for air bag applications to a Thai subsidiary. Overall sales of *Tetoron** polyester fiber also expanded, as sales in general industrial applications steadily increased and sales in non-woven fabric applications showed strong sales even though it suffered from worsening market for filament yarn in apparel applications. At the same time, sales of *Ecsaine** artificial suede showed strong growth especially in advanced materials applications for the IT field. The addition of Chori Co., Ltd. as a consolidated subsidiary in the second half of the past fiscal year also contributed to remarkable gains in overall domestic sales.

Total overseas sales also rose, helped by increases at polypropylene spunbond operations in South Korea and polyester filament textile operations in China.

At the same time, in response to the steep rise in global raw materials and fuel prices, the Toray Group made efforts to transfer the cost increase on to the selling price.

As a result, overall sales of Fibers and Textiles increased to ¥288.7 billion (US\$2,551 million), while operating income also rose to ¥10.4 billion (US\$91 million) from the previous year.

On the production side, the installation of a new production facility for nylon fiber in use for air bags at Thai Toray Synthetics Co., Ltd. was completed and the facility has started operations.

Plastics and Chemicals

Sales of engineering plastic resins such as *Amilan** nylon resin, *Toraycon** polybutylene terephthalate (PBT) resin and *Torelina** polyphenylene sulfide (PPS) resin saw strong growth in the automobile sector while those of *Toyolac** acrylonitrile butadiene styrene (ABS) resin also increased both in Japan and abroad, contributing to overall sales growth in the plastics sector.

In the film business, sales of the Toray Group mainstay *Lumirror** polyester (PET) film continued to advance. This expansion reflected demand in packaging and industrial application markets along with a shift to value-added products both in Japan and overseas. Sales of *Torayfan** polypropylene film also expanded steadily thanks to higher demand in packaging and industrial application in both Japanese and overseas markets.

Sales in the chemicals segment declined, mainly due to consolidation of Caprolactam (a raw material for nylon) production system to the Tokai plant and cutback of less profitable exports.

In response to the steep rise in global raw materials and fuel prices, efforts were made to transfer the cost increase on to the selling price.

As a result of the aforementioned factors and also due to the positive impact accompanying the addition of Chori Co., Ltd. as a consolidated subsidiary in the latter half of the previous fiscal year, the total sales for Plastics and Chemicals increased year-on-year to ¥158.8 billion (US\$1,403 million) and operating income rose to ¥8.6 billion (US\$76 million).

IT-related Products

In spite of the impact of the continued downturn in the Information and Telecommunications (IT) market since the latter half of the previous fiscal year, sales of IT-related Products increased following efforts to expand sales of liquid crystal display (LCD), cellular phone and digital home electronic appliance applications.

Total sales in the electronic materials business also increased due to sales expansion in circuit materials business in Korea as well as the sales expansion in plasma-display related materials.

The sales of color filters used in LCDs rose, as they gained popularity in applications for highly functional small and medium-sized LCDs mainly used in cellular-phone handsets, leading to an overall expansion in sales of the liquid crystal materials business.

Aggregate sales of the IT-related equipment business declined, as sales of liquid crystal coating equipment, which were strong in the same period last year, slowed down due to weakening in demand.

As a result, sales of IT-related Products increased to ¥111.1 billion (US\$982 million) while operating income declined to ¥13.1 billion (US\$116 million).

On the production side, infrastructure expansion works to produce color filters for LCDs at the Shiga plant and the installation of a new production facility for film substrates for LCDs at STEMCO, Ltd. of South Korea were completed and these facilities have started operations.

Carbon Fiber Composite Materials

Total sales of Carbon Fiber Composite Materials rose as carbon fiber *Torayca** expanded in aircraft applications and also steadily increased in industrial applications including CNG tanks for natural gas vehicles, windmill blades for wind-power generation and civil engineering. Sales of carbon fiber molded products also grew strongly in IT devices sectors such as computer chassis and industrial machinery.

As a result, overall sales of the Carbon Fiber Composite Materials segment rose to ¥24.4 billion (US\$216 million) while operating income increased to ¥5.9 billion (US\$52 million).

Environment and Engineering

Sales of reverse osmosis membrane element *Romembra** increased thanks to strong exports to countries led by China. As a result of this and also due to the addition of Suido Kiko Kaisha, Ltd., which makes profits mostly in the second half, as a consolidated subsidiary in the latter half of the previous fiscal year, the total sales of Environment and Engineering had increased to ¥61.9 billion (US\$547 million) while posting operating loss of ¥1.2 billion (US\$10 million).

Life Science and Other Businesses

While the market environment remained difficult for the pharmaceuticals and medical products, the business registered increased sales. The Company received compensation revenue from joint development agreements with other companies and licensing of distribution rights of innovative treatments such as an antipruritic drug. Besides, sales of a prostacyclin (PGI₂) derivative *Dorner**, a polysulfone hollow-fiber artificial kidney *Toraysulfone**, and a blood purification device for treating septicemia *Toraymyxin**, also increased.

On the other hand, the Company withdrew from the hotel business at the end of last year. As a result, sales of the segment declined year-on-year to ¥33.7 billion (US\$298 million), while operating income increased to ¥2.0 billion (US\$18 million).

Recent Investments

In an effort to further expand the medium to high quality polyester/cotton blend (T/C) fabric business, one of the Group's Global No. 1 Businesses, the Company established a joint venture Toray Jifa (Qingdao) Textile Company Limited (TJQ) in Shandong with Qingdao Jifa Group. The initiative is aimed at bringing out the competitiveness rivaling local businesses in China as well as building a new business model that combines the Group's expertise in the T/C fabric business as well as its sales network.

2. Dividends

Taking into consideration the earnings performance during the term under review and considering the outlook for the full year through March 2006, Toray is proposing to pay an interim dividend of ¥4.0 per share of common stock for the first half, an increase of ¥0.5 per share from the previous term.

3. Finance and Cash Flows in the First Half of Fiscal 2005

As of September 30, 2005, the Toray Group's total assets stood at ¥1,422.6 billion (US\$12,567 million), up ¥20.3 billion (US\$179 million) from the level as of March 31, 2005, the end of the previous fiscal year, as current assets fell by ¥20.5 billion (US\$181 million) due to declines in cash and time deposits while noncurrent assets increased by ¥40.8 billion (US\$361 million) mainly due to increase in investment securities resulted by an increase in appraisal difference. Total stockholders' equity came to ¥484.4 billion (US\$4,279 million), up ¥31.9 billion (US\$282 million) from the end of the previous fiscal year, due to increases in retained earnings and unrealized gains on securities. As a result, the equity ratio at the end of the first half was 34.1%, a 1.8 percentage-point increase compared with the end of the previous fiscal year.

For the six months ended September 2005, free cash flows, derived by subtracting the cash flows from investment activities from the cash flows from operating activities, was negative at ¥27.1 billion (US\$239 million). Cash flows, as well as changes in the balances of cash and cash equivalents, for the first half are as follows:

(Billions of yen, *millions of U.S. dollars*)

	Six months ended September 30,		
	2005	2004	2005
	Yen		U.S. \$
Cash flows from operating activities	31.5	45.9	278
Cash flows from investment activities	(58.6)	(11.9)	(518)
Balance (Free cash flows)	(27.1)	34.0	(239)
Cash flows from financing activities	(16.0)	(30.1)	(142)
Translation gains/losses	1.1	0.2	10
Change in cash and cash equivalents for the period	(42.1)	4.0	(372)
Cash and cash equivalents at beginning of the period	98.7	78.7	872
Effect of changes in consolidated subsidiaries	0.3	0.2	2
Cash and cash equivalents at end of the period	56.9	82.9	503

Index of Cash Flows:

	Year ended March 31,				Six months ended September 30, 2005
	2002	2003	2004	2005	
Stockholder's equity / Total assets (%)	29.8	30.0	32.0	32.3	34.1
Market capitalization / Total assets (%)	35.6	28.3	52.2	48.0	59.5
Interest-bearing debt / Operating cash flow (years)	8.5	6.2	4.2	3.5	-
Operating cash flow/Interest paid (times)	4.5	10.6	16.5	21.6	8.5

Notes:

- All indices are computed based on consolidated data.
- Market capitalization equals the stock price at the end of the period multiplied by the number of shares outstanding at the end of the period (excluding treasury stock).
- Operating cash flow is stated in the consolidated statements of cash flows. Interest-bearing debt is all debt included in the consolidated balance sheets on which is paid.
- Interest-bearing debt/Operating cash flow is not calculated for the interim period.

4. Forecast for Fiscal 2005 (Ending March 31, 2006)

While the global economy for the second half of the current fiscal year is expected to undergo steady expansion led by the U.S. and Asian countries such as China, uncertainty is likely to remain for the foreseeable future due to negative factors such as further increase in raw materials and fuel prices and concern that such prices may remain high. At the same time, though the outlook for Japanese economy is likely to remain uncertain as it is weighed down by risk factors such as sharp rise in raw materials and fuel prices, the economy is expected to gain strength buoyed by the recovery in the market for IT/digital-related products and anticipated expansion of the export market.

Amid these conditions, the Toray Group will work to address the medium-term management issues of constant reinforcement of corporate structure and expanding revenues and profits through business structure reform, as set out in NT-II, in order to achieve its goals of rapid transformation to a highly profitable corporate group. For fiscal 2005, the second year under NT-II, the Group expects to achieve sales of ¥1,430 billion (US\$13,000 million), operating income of ¥92 billion (US\$836 million), ordinary income of ¥87 billion (US\$791 million), and net income of ¥43 billion (US\$391 million). These forecasts are based on expectations of a foreign exchange rate of ¥110 to the U.S. dollar.

Notes:

- 1) U.S. dollar amounts have been converted from yen at the exchange rate of ¥113.2 = US\$1, the approximate rate of exchange prevailing on September 30, 2005.
- 2) U.S. dollar amounts of Forecast for Fiscal 2005 (ending March 31, 2006) have been converted from yen at the exchange rate of ¥110=U.S.\$1, the estimated rate of exchange for the second half of 2005 (Oct 2005 - March 2006).
- 3) Product names with (*) abbreviation are trademarks of Toray Industries, Inc.

Disclaimer

Descriptions of predicted business results, forecasts and business plans contained in this material are based on predictive forecasts of the future business environment made at the present time. The material in this statement is not a guarantee of the Company's future business performance.

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