

November 8, 2006

## Toray Announces Consolidated Results for the Six Months Ended September 30, 2006

Tokyo, November 8, 2006 - Toray Industries, Inc. today announced its consolidated and non-consolidated business results for the six months ended September 30, 2006. 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,			2006	Year ended March 31, 2006
	2006	2005	Change		
	Yen		%	U.S. Dollars	Yen
Net sales	<b>¥746,217</b>	¥678,796	9.9	<b>\$6,329</b>	¥1,427,488
Operating income	<b>42,905</b>	38,837	10.5	<b>364</b>	93,043
Ordinary income	<b>40,515</b>	36,812	10.1	<b>344</b>	87,650
Net income	<b>28,049</b>	16,750	67.5	<b>238</b>	47,409

Depreciation	<b>¥33,403</b>	¥30,372	10.0	<b>\$283</b>	¥62,866
Capital investment	<b>51,377</b>	31,828	61.4	<b>436</b>	102,884
Total assets	<b>1,561,826</b>	1,422,573	9.8	<b>13,247</b>	1,537,422
Property, plant and equipment, net	<b>594,868</b>	535,781	11.0	<b>5,046</b>	586,215
Net assets	<b>604,745</b>	484,421	24.8	<b>5,129</b>	537,026

#### Per Share of common stock (yen)

Net Income Primary	<b>¥20.03</b>	¥11.96	67.5	-	¥33.72
Cash dividends	<b>5.00</b>	4.00	25.0	-	8.00
Net assets	<b>392.07</b>	345.93	13.3	-	383.42

#### Ratios (%)

Operating income to net sales	<b>5.7%</b>	5.7%	-	-	6.5%
Net income to net sales	<b>3.8%</b>	2.5%	-	-	3.3%
Equity ratio	<b>35.1%</b>	34.1%	-	-	34.9%
Return on equity	<b>10.3%</b>	7.2%	-	-	9.6%

#### Notes:

1. Net assets for both the first half and full year of fiscal 2005 do not include minority interests and deferred gains and losses on hedge. Net assets of the first half under review comprise "stockholders' equity," "valuation, transition adjustment and others" and "minority interests."
2. For calculation of "net assets per share," "equity ratio," and "return on equity," minority interests are deducted from net assets.
3. U.S. dollar amount have been converted from yen at the exchange rate of ¥117.9=U.S.\$1, the approximate rate of exchange prevailing on September 30, 2006.
4. 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, 2006
	2006	2005	Change	2006	
	Yen		%	U.S. dollars	Yen
Fibers and Textiles	<b>¥301,817</b>	¥288,748	4.5	<b>\$2,560</b>	¥580,549
Plastics and Chemicals	<b>184,607</b>	158,843	16.2	<b>1,566</b>	337,978
IT-related Products	<b>127,773</b>	111,124	15.0	<b>1,084</b>	234,994
Carbon Fiber Composite Materials	<b>31,901</b>	24,415	30.7	<b>271</b>	52,714
Environment and Engineering	<b>67,825</b>	61,926	9.5	<b>575</b>	154,135
Life Science and Other Businesses	<b>32,294</b>	33,740	(4.3)	<b>274</b>	67,118
Total	<b>746,217</b>	678,796	9.9	<b>6,329</b>	1,427,488
Elimination and Corporate	-	-	-	-	-
Consolidated Total	<b>746,217</b>	678,796	9.9	<b>6,329</b>	1,427,488

Operating Income	Six months ended September 30,				Year ended March 31, 2006
	2006	2005	Change	2006	
	Yen		%	U.S. dollars	Yen
Fibers and Textiles	<b>¥9,457</b>	¥10,350	(8.6)	<b>\$80</b>	¥20,687
Plastics and Chemicals	<b>8,664</b>	8,622	0.5	<b>73</b>	18,484
IT-related Products	<b>14,527</b>	13,104	10.9	<b>123</b>	31,264
Carbon Fiber Composite Materials	<b>8,837</b>	5,900	49.8	<b>75</b>	11,820
Environment and Engineering	<b>115</b>	(1,174)	-	<b>1</b>	4,920
Life Science and Other Businesses	<b>1,963</b>	2,016	(2.6)	<b>17</b>	6,453
Total	<b>43,563</b>	38,818	12.2	<b>369</b>	93,628
Elimination and Corporate	<b>(658)</b>	19	-	<b>(6)</b>	(585)
Consolidated Total	<b>42,905</b>	38,837	10.5	<b>364</b>	93,043

### Notes:

1. U.S. dollar amount have been converted from yen at the exchange rate of ¥117.9=U.S.\$1, the approximate rate of exchange prevailing on September 30, 2006.
2. Amounts are rounded to the nearest million.

## Consolidated Geographic Segment Information

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

Net Sales	Six months ended September 30,				Year ended March 31, 2006
	2006	2005	Change	2006	
	Yen		%	U.S. dollars	Yen
Japan	<b>¥532,695</b>	¥497,249	7.1	<b>\$4,518</b>	¥1,043,325
Asia	<b>138,322</b>	112,967	22.4	<b>1,173</b>	245,632
North America, Europe & Others	<b>75,200</b>	68,580	9.7	<b>638</b>	138,531
Total	<b>746,217</b>	678,796	9.9	<b>6,329</b>	1,427,488
Elimination and Corporate	-	-	-	-	-
Consolidated Total	<b>746,217</b>	678,796	9.9	<b>6,329</b>	1,427,488

Operating Income	Six months ended September 30,				Year ended March 31, 2006
	2006	2005	Change	2006	
	Yen		%	U.S. dollars	Yen
Japan	<b>¥33,319</b>	¥30,284	10.0	<b>\$283</b>	¥71,762
Asia	<b>5,280</b>	4,942	6.8	<b>45</b>	13,450
North America, Europe & Others	<b>5,056</b>	3,673	37.7	<b>43</b>	8,510
Total	<b>43,655</b>	38,899	12.2	<b>370</b>	93,722
Elimination and Corporate	<b>(750)</b>	(62)	-	<b>(6)</b>	(679)
Consolidated Total	<b>42,905</b>	38,837	10.5	<b>364</b>	93,043

## Export Sales and Sales by Overseas Subsidiaries

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

	Six months ended September 30,				Year ended March 31, 2006
	2006	2005	Change	2006	
	Yen		%	U.S. dollars	Yen
Asia	<b>¥208,104</b>	¥184,750	12.6	<b>\$1,765</b>	¥377,306
North America, Europe & Others	<b>115,290</b>	102,873	12.1	<b>978</b>	212,456
Total	<b>323,394</b>	287,623	12.4	<b>2,743</b>	589,762

Percentage against consolidated net sales	Six months ended September 30,		Year ended March 31, 2006
	2006	2005	
Asia	<b>27.9 %</b>	27.2 %	26.4%
North America, Europe & Others	<b>15.4 %</b>	15.2 %	14.9%
Total	<b>43.3 %</b>	42.4 %	41.3%

Notes:

1. U.S. dollar amount have been converted from yen at the exchange rate of ¥117.9=U.S.\$1, the approximate rate of exchange prevailing on September 30, 2006.
2. Amounts are rounded to the nearest million.

## Forecast of Consolidated Results for the fiscal year ending March 31, 2007

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

	Year ending March 31, 2007	
	Yen	U.S. dollars
Net sales	¥1,550,000	\$13,478
Operating income	104,000	904
Ordinary income	101,000	878
Net income	59,000	513

Notes: U.S. dollar amount have been converted from yen at the exchange rate of ¥115=U.S.\$1, the estimated rate of exchange for the second half of 2006 (Oct 2006 - March 2007).

## 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, 2006
	2006	2005	Change	2006	
	Yen		%	<i>U.S. Dollars</i>	Yen
Net sales	<b>¥264,575</b>	¥243,171	8.8	<b>\$2,244</b>	¥499,339
Operating income	<b>17,326</b>	18,162	(4.6)	<b>147</b>	37,545
Ordinary income	<b>19,603</b>	22,555	(13.1)	<b>166</b>	53,639
Net income	<b>(1,820)</b>	12,754	-	<b>(15)</b>	24,152

Depreciation	<b>¥12,992</b>	¥12,377	5.0	<b>\$110</b>	¥26,126
Capital investment	<b>22,063</b>	9,861	123.7	<b>187</b>	42,761
Total assets	<b>968,942</b>	903,604	7.2	<b>8,218</b>	992,696
Property, plant and equipment, net	<b>273,453</b>	247,127	10.7	<b>2,319</b>	265,485
Net assets	<b>462,239</b>	463,726	(0.3)	<b>3,921</b>	481,691

Per Share of common stock (yen)

Net Income Primary	<b>¥(1.30)</b>	¥9.10	-	-	¥17.12
Cash dividends	<b>5.00</b>	4.00	25.0	-	8.00
Net assets	<b>330.02</b>	331.05	(0.3)	-	343.77

Ratios (%)

Operating income to net sales	<b>6.5%</b>	7.5%	-	-	7.5%
Net income to net sales	<b>(0.7)%</b>	5.2%	-	-	4.8%
Equity ratio	<b>47.7%</b>	51.3%	-	-	48.5%
Return on equity	<b>(0.8)%</b>	5.6%	-	-	5.2%

Notes:

1. U.S. dollar amount have been converted from yen at the exchange rate of ¥117.9=U.S.\$1, the approximate rate of exchange prevailing on September 30, 2006.
2. Amounts are rounded to the nearest million.

## Forecast of Non-consolidated Results for the fiscal year ending March 31, 2007

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

	Year ending March 31, 2007	
	Yen	<i>U.S. dollars</i>
Net sales	¥545,000	\$4,739
Operating income	41,000	357
Ordinary income	48,000	417
Net income	15,000	130

Notes: U.S. dollar amount have been converted from yen at the exchange rate of ¥115=U.S.\$1, the estimated rate of exchange for the second half of 2006 (Oct 2006 - March 2007).

# Management Policies

## 1. Corporate Mission

Toray's corporate philosophy is "to contribute to society through the creation of new value with 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 society:

To establish ties and develop mutual trust as a responsible corporate citizen

Toray is committed to taking on responsibility and contributing to its customers, employees, shareholders in society.

## 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 retention of earnings necessary for future investment.

While the implementation of Company Law removes the restrictions on the number of times dividends can be paid, Toray intends to continue with the semi-annual payment based on dividend record dates at the end of the first half and full year.

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

Toray Group launched "Project New TORAY 21" ("NT21") mid-term management reform program in April 2002. As the second phase of the reform, the Company initiated "Project NT-II" ("NT-II") in April 2004 and has promoted the initiative with the aim of building a dynamic and highly profitable corporate group.

"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, and these efforts have been a significant success.

At the same time, the environment surrounding Toray Group is rapidly changing reflecting factors such as development of information and technology-related industry, rise of China and other emerging economies and intensifying international competition, surges in prices of crude oil and petrochemical materials, and heightened awareness in corporate social responsibilities. To respond to these changes and realize sustainable growth, Toray Group must achieve substantial innovation of its business structure through dynamic technological innovation and constant enhancement of its competitiveness, on the strength of the business base built through its NT Reforms.

Under such circumstances and building on the past achievements of NT reforms, Toray formulated a new long-term management vision targeting another great leap forward in April of this year, the 80th anniversary of its foundation. This new long-term corporate vision “AP (Action Program) – Innovation TORAY 21” envisions what Toray Group aspires to be 10 years from now and calls for concerted efforts in that direction from the entire Group. Toray aims to realize its corporate philosophy “Contributing to society through the creation of new value by innovative ideas, technologies and products” and demonstrate its ability in innovation in all kinds of business areas to achieve dynamic evolution and sustainable growth through creation of new values.

For realizing this new long-term corporate vision, Toray Group in October 2006 embarked on the new mid-term business strategies “Project Innovation TORAY 2010 (IT-2010).”

The basic strategy of IT-2010 is to secure stable profit from Foundation Businesses represented by Fibers & Textiles and Plastics & Chemicals, while leading future profit expansion with Strategically Expanding Businesses such as IT-related Products and Carbon Fiber Composite Materials and Strategically Developing Businesses such as Life Science and water treatment to transform itself into a highly profitable business group. At the same time, IT-2010 calls for improvement of the Group’s asset and capital efficiencies, setting goals of 8% in ROA and 11% in ROE around 2010.

With respect to Foundation Businesses, the Group aims to establish a stable profit base through measures of 1) global business development, 2) promotion of New Value Creators, and 3) development of downstream and processing businesses. It also seeks to upgrade the base of the Foundation Business by expanding sales of advanced materials such as high-performance fibers of polyphenylene sulfide (PPS) fiber, fluorine fiber, microfiber and nanofiber as well as high-performance plastics and films to reinforce the business foundation and ensure stable profit and expansion of profits.

In the Strategically Expanding Businesses, the Group aims to enhance its approach towards information technology, automobile and aircraft applications and markets, which are expected to grow significantly, through focused allocation of management resources to strategically and actively expand the businesses and to make them into pillars of profit growth in the medium to long term.

The Company plans to strategically nurture and expand the Strategically Developing Businesses as the next pillar of profit growth by taking measures such as lateral allocation of management resources, M&A and business alliances.

By implementing the above-mentioned measures under the basic strategy, the Group aims to double net sales in Strategically Expanding Businesses and Strategically Developing Businesses by around 2010 to significantly change the business structure.

Based on this basic strategy, IT-2010 sets Five Innovations of business structure, technologies, competitiveness, business-awareness and CSR as the major issue over the next five years and promotes implementation of Eight Projects across the Group.

In “Innovation of business structure,” the Group will create and expand into businesses with high profitability and growth potential, strategically allocate management resources and review less profitable businesses through the business structure innovation project. The overseas business enhancement project promotes strategic expansion of overseas businesses and measures to handle unprofitable operations.

In “Innovation of technologies,” which is the driving force to propel the innovation of business structure, the Group aims to move forward with rapid commercialization of new advanced materials under the advanced material business expansion project as well as continuous generation of large-scale research and development themes under the R&D capabilities innovation project, while achieving best in class in terms of quality and cost in the manufacturing technology innovation project.

In “Innovation of competitiveness,” the Group aims to further strengthen its business structure by reinforcing its earning capability in the cost innovation project while promoting thorough implementation of customer-oriented, proposal-based marketing and sales activities in the marketing and sales innovation project.

Under “Innovation of business-awareness,” the Group will implement the corporate brand strengthening project to consolidate the trust placed in the Group by its stakeholders including customers and further enhance employees’ loyalty.

In “CSR innovation,” the entire Group will put concerted efforts to reinforce activities such as safety, disaster prevention, environmental conservation, security export control, internal control, compliance and corporate ethics through its organizations and reporting lines.

Through these Five Innovations and Eight Projects under IT-2010, Toray Group will promote management with innovation and creativity and aim to be the world’s No. 1 company in advanced materials. The Group will promote innovation in itself in response to changes in management environment and put into practice its corporate philosophy: Challenge for Further Growth through Innovation and Creativity.

# Consolidated Business Results and Financial Condition

## 1. Overview of First Half (April 2006 – September 2006)

During the six months under review, amidst steep rise in crude oil prices during the summer months, the global economy on the whole remained strong while the pace of expansion differed by country and region. The U.S. economy continued to expand in spite of the slowdown in growth of the household sector, while the corporate sector led the recovery in the European economy. The Asian economies led by China also continued expansion. The Japanese economy enjoyed a slow but sustained expansion primarily on the back of domestic private-sector demand as well as strong capital investments by businesses and robust household consumption.

Against this backdrop, 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 through September 30, 2006 increased 9.9% year-on-year to ¥746.2 billion (US\$6,329 million), while operating income rose 10.5% to ¥42.9 billion (US\$364 million). Ordinary income increased 10.1% to ¥40.5 billion (US\$344 million) and net income rose 67.5% to ¥28.0 billion (US\$238 million).

### **Business Performance by Sector:**

#### *Fibers and Textiles*

In domestic trading, overall sales of nylon fiber increased by a shift to high-margin yarns in apparel applications in addition to increased sales of industrial-use nylon yarns primarily for carpets. Overall sales of *Tetoron*\* polyester fiber declined slightly owing to the shrinking demand for filament yarn, though demand for staple fiber expanded primarily in automotive applications. Combined with strong showing by *Toraylon* acrylic fiber, *Ecsaine*\* artificial suede and the trading business, overall domestic sales of the sector expanded.

Overseas sales also rose, led by increases at nylon yarn operation for air bag applications and staple-fiber textile operation in Thailand and polyester filament textile operation in China.

At the same time, in response to the steep rise in global raw materials and fuel prices, 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 ¥301.8 billion (US\$2,560 million) from the same period a year earlier. On the other hand, operating income declined to ¥9.5 billion (US\$80 million) on year due to the impact of the steep rise in fuel and raw materials prices.

#### *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. The steady

expansion of resin compound business in South China also contributed to overall sales growth in the plastics business.

In the film business, sales of the Group's mainstay *Lumirror*\* polyester (PET) film continued to advance, reflecting strong demand in industrial applications both in Japan and overseas. Sales of *Torayfan*\* polypropylene film also expanded steadily thanks to higher demand in condenser applications as well as packaging applications in overseas markets.

Sales in the chemicals business increased, mainly due to efforts in expanding the sales of fine chemicals such as xylene isomerization catalyst and veterinary medicine *Interdog*\*.

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, the total sales for Plastics and Chemicals increased year-on-year to ¥184.6 billion (US\$1,566 million) and operating income rose slightly to ¥8.7 billion (US\$73 million).

On the production side, Tsuchiura Plant completed expansion of its *Torayfan*\* polypropylene film production facility and the new facility has started operations.

#### *IT-related Products*

Sales of the IT-related plastics and film business increased following efforts to expand sales in applications including flat panel displays and digital home electronic appliance.

Sales in the electronic materials business also increased led by polyimide coating agents and printing materials as well as the sales expansion in plasma-display related materials.

With the drastic price decline in small- to medium-sized LCD panels, the competition intensified in both domestic and overseas markets, leading to a decline in sales of the liquid crystal materials business.

As a result, sales of IT-related Products increased to ¥127.8 billion (US\$1,084 million) while operating income rose to ¥14.5 billion (US\$123 million).

On the production side, Toray Saehan Inc. of South Korea completed expansion of its film processing facility and the new facility has started operations.

#### *Carbon Fiber Composite Materials*

In the Carbon Fiber Composite Materials segment, sales of carbon fiber *Torayca*\* expanded steadily in aircraft applications, rapidly expanding sports applications such as golf shafts, fishing equipment and high-end bicycles, and industrial applications including civil engineering and CNG tanks for natural gas vehicles. Sales of carbon fiber molded products also grew strongly in the IT devices sector including computer chassis and the industrial machinery sector.

As a result, overall sales of the Carbon Fiber Composite Materials segment rose to ¥31.9 billion (US\$271 million) while operating income increased to ¥8.8 billion (US\$75 million).

On the production side, expansion works of Toray Carbon Fibers America, Inc.'s carbon fiber production facilities and Toray Composites (America), Inc.'s prepreg production facilities have been completed and the new facilities have started operation.

#### *Environment and Engineering*

Sales of the water treatment business rose, as sales of reverse osmosis membrane element *Romembra*\* increased in the Middle East and Europe and its exports to China expanded. Combined with the strong showing by the condominium building and engineering businesses, the total sales of Environment and Engineering increased to ¥67.8 billion (US\$575 million) while posting an operating income of ¥0.1 billion (US\$1 million).

#### *Life Science and Other Businesses*

The pharmaceuticals and medical products business registered a slight decline in sales with the steep fall in prices caused by the price reduction of drugs and intensified competition, even as the Company strived to expand the sales of products such as the polysulfone hollow-fiber artificial kidney *Toraysulfone*\* and the blood purification device *Toraymyxin*\* for treating septicemia.

Moreover, transactions declined at a domestic trading subsidiary. As a result, sales of the segment declined from the same period a year earlier to ¥32.3 billion (US\$274 million), while operating income remained at about the same level of ¥2.0 billion (US\$17 million).

#### *Recent Investments*

The Company, in a joint venture with Nippon Pigment Co., Ltd and Toyota Tsusho Corporation, established Tianjin Pigment Engineering Plastics Co., Ltd in the Tianjin Economic-Technological Development Area (TEDA) as its new base for compound products based on engineering plastics and ABS resin in North China. With this move, the Company gains bases in each of North, East and South China, paving its way towards a nationwide expansion of its resin compound business in the country.

The Company also made a decision to establish a new company in the Economic and Technological Development Zone of Nantong in Jiangsu, China for the production and distribution of highly functional polypropylene spunbond and its processed goods. The Group's polypropylene spunbond business is currently centered on its South Korean subsidiary Toray Saehan Inc. and addition of a new production and distribution base in China will allow Toray Group to take advantage of the expected rapid rise in demand in the country.

## **2. Dividends**

Taking into consideration the business performance during the term under review and considering the outlook for the full year through March 2007, Toray is proposing to pay an interim dividend of ¥5.0 per share of common stock, an increase of ¥1 per share compared with the same period a year ago.

### 3. Finance and Cash Flows in the First Half of Fiscal 2006

As of September 30, 2006, Toray Group's total assets stood at ¥1,561.8 billion (US\$13,247 million), up ¥24.4 billion from the level as of March 31, 2006, the end of the previous fiscal year. Current assets rose by ¥24.3 billion due to increases in inventories, while the increase in fixed assets was limited to ¥0.1 billion, as an increase in tangible assets was offset by decline in investment securities due primarily to a fall in appraisal difference. Net assets came to ¥604.7 billion (US\$5,129 million), of which ¥548.9 billion (US\$4,656 million) accounted for stockholders' equity (net assets minus minority interests). As a result, the equity ratio at the end of the first half was 35.1%, a 0.2 percentage-point increase compared with the end of the previous term.

For the six months ended September 2006, free cash flows, derived by subtracting the cash flows from investment activities from the cash flows from operating activities, was negative at ¥40.6 billion (US\$344 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,		
	2006	2005	2006
	Yen		U.S. \$
Cash flows from operating activities	17.0	31.5	144
Cash flows from investment activities	(57.6)	(58.6)	(488)
Balance (Free cash flows)	(40.6)	(27.1)	(344)
Cash flows from financing activities	16.2	(16.0)	137
Translation gains/losses	0.0	1.1	0
Change in cash and cash equivalents for the period	(24.3)	(42.1)	(207)
Cash and cash equivalents at beginning of the period	87.0	98.7	738
Effect of changes in consolidated subsidiaries	0.1	0.3	0
Cash and cash equivalents at end of the period	62.7	56.9	532

#### Index of Cash Flows:

	Year ended March 31,				Six months ended September 30, 2006
	2003	2004	2005	2006	
Stockholders' equity / Total assets (%)	30.0	32.0	32.3	34.9	35.1
Market capitalization / Total assets (%)	28.3	52.2	48.0	87.8	79.7
Interest-bearing debt / Operating cash flow (years)	6.2	4.2	3.5	4.2	-
Operating cash flow/Interest paid (times)	10.6	16.5	21.6	14.9	4.3

Notes:

1. All indices are computed based on consolidated data.
2. 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).
3. 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 interest is paid.
4. Interest-bearing debt/Operating cash flow is not calculated for the interim period.

### 4. Forecast for Fiscal 2006 (Ending March 31, 2007)

During the second half of the current fiscal year, the global economy in general is expected to undergo steady expansion, though there may be some slowdown in growth rate, and despite risk factors such as monetary tightening caused by inflationary pressures, impact of record high crude oil prices and adjustment in the

housing sector in the U.S. The Japanese economy also is likely to continue expanding thanks to exports bottoming out on the back of overseas economic expansion and the continuing expansion in domestic private sector demand caused by strong corporate earnings and increased employee incomes.

Amid these conditions, to achieve its goal of rapid transformation to a highly profitable corporate group, Toray Group will work to reinforce the corporate structure and enhance the revenue base as set out in the new mid-term management strategy of IT-2010 that was implemented from the second half of the currently fiscal year and based on the management foundation built under NT21 and NT-II. For fiscal 2006, the Group expects to achieve sales of ¥1,550 billion (US\$13,478 million), operating income of ¥104.0 billion (US\$904 million), ordinary income of ¥101.0 billion (US\$878 million), and net income of ¥59 billion (US\$513 million). These forecasts are based on a foreign exchange rate of ¥115 to the U.S. dollar.

## **5. Business and Other Risks**

Toray Group is involved in wide-ranging businesses from basic raw materials to finished products, both at home and abroad, and considers the following as major risks that may have significant impact on investors' judgment. The Group has been making efforts in its daily operations to avoid such risks or to minimize their impact, while striving to build a system that enables prompt handling and proper disclosure in the event of such contingencies. The following, however, does not cover all the risks associated with the Group and the risks to the businesses are not limited to these.

### **(1) Risks associated with domestic and overseas demand and market trends**

Among the Group's major products, there are items whose demand may suddenly decline rapidly as well as products whose prices are significantly affected by changes in the global supply-demand environment. In addition, the Pharmaceuticals and Medical Products business faces the price fluctuation factor of revision of official drug prices and reimbursement prices. When demand or price of such products declines, the Group's business performance and financial conditions may be adversely affected.

### **(2) Risks associated with foreign exchange rate fluctuation**

All items in the financial statement based on local currencies for the Group's overseas operations are influenced by the exchange rate when converted into yen. While the Group implements measures to reduce the risks in foreign currency denominated transactions using measures such as forward exchange contracts, unexpectedly large exchange fluctuations may affect the Group's business performance and financial conditions.

### **(3) Risks associated with increase in fuel and raw material prices**

Prices of petrochemical materials and fuel used by the Group may be subject to significant fluctuations and its business performance and financial conditions may be adversely affected if the Group is unable to transfer such increases in fuel or raw material prices on to the selling prices or if it is unable to raise the selling prices due to delay in switch to high-value added products.

### **(4) Risks associated with overseas business activities**

The Group operates wide-ranging businesses in various countries and these operations may be exposed to the following risks. In case such an event occurs, the Group's business performance and financial conditions may be adversely affected.

- (i) Unforeseen establishment or abolishment of regulations such as disadvantageous changes in the taxation system
- (ii) Occurrence of unexpected and disadvantageous economic or political factors
- (iii) Social instability such as terrorisms or conflicts.

(5) Risks associated with product liability

While the Group pursues the world's highest level of quality, this does not necessarily rule out occurrence of unexpected and significant quality problems. Such serious situations may adversely affect the Group's business performance and financial conditions.

(6) Risks associated with litigations

In its wide-ranged business activities, the Group faces risks that may be subject to various litigations related to intellectual property rights, product liability, environment, and labor affairs. Any serious legal action, brought to the court against the Group, may adversely affect its business performance and financial conditions.

(7) Risks associated with regulations

In the countries and regions where the Group is engaged in business activities, its operations are subject to the scrutiny of various relevant regulations regarding environment, commerce, labor affairs, intellectual properties, taxation and foreign exchange in addition to investment approvals and trade restrictions. Changes to these regulations may affect the Group's business performance and financial conditions.

(8) Risks associated with natural disasters and accidents

Toray Group gives priority to safety, disaster prevention and environmental conservation over all other management issues and implements regular inspection of its production facilities, maintenance of facilities and safety activities to limit the damages from disruption of production activities. Nevertheless, if production facilities are damaged by an unexpected natural disaster or accident, the Group's business performance and financial conditions may be adversely affected.

Notes:

- 1) U.S. dollar amounts have been converted from yen at the exchange rate of ¥117.9 = U.S.\$1, the approximate rate of exchange prevailing on September 30, 2006.
- 2) U.S. dollar amounts of Forecast for Fiscal 2006 (ending March 31, 2007) have been converted from yen at the exchange rate of ¥115=U.S.\$1, the estimated rate of exchange for the second half of 2006 (Oct 2006 - March 2007).
- 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.

For further information, please contact:

Mr. Kenjiro Kamiyama  
General Manager  
Investor Relations Department  
Tel: +81-3-3245-5113  
Fax: +81-3-3245-5459

Mr. Ichiro Maeda  
General Manager  
Corporate Communications Department  
Tel: +81-3-3245-5178  
Fax: +81-3-3245-5459

Toray Industries, Inc.  
<http://www.toray.co.jp>