


'TORAY'



Semiannual Report

(Consolidated Basis)

For the Six Months Ended
September 30, 2000



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Toray Industries, Inc.

Financial Highlights

Toray Industries, Inc. and Subsidiaries
Six months ended September 30

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Net sales	¥510,085	¥478,894	\$4,723,009
Net income	7,903	4,557	73,176
		Yen	U.S. dollars
Net income per share	¥5.64	¥3.25	\$0.052

Note: All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at the rate of ¥108 to \$1. Billion is used in the American sense of one thousand million.

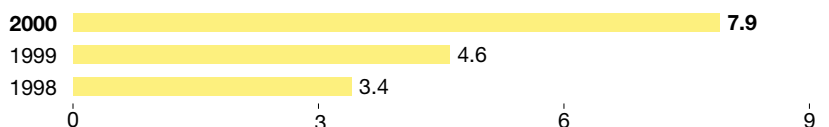
Semiannual Net Sales

(Billion ¥)



Semiannual Net Income

(Billion ¥)



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From the President

During the six-month period ended September 30, 2000, the Japanese economy showed a moderate recovery, driven by expanded information technology (IT)-related investment and economic recoveries in Asia. However, a recovery in domestic consumer spending has yet to take hold, and the Toray Group continued to face a harsh business environment. Meanwhile, economies continued to be robust in Asia and Europe, while the U.S. economy remained strong.

Under these economic conditions, the Company extended efforts to expand sales and improve profitability. As a result, compared with the corresponding period of the previous fiscal year, consolidated sales rose 6.5%, to ¥510.1 billion, operating income increased 57.0%, to ¥21.7 billion, and net income jumped 73.4%, to ¥7.9 billion.

Looking at sales by segment, in fibers and textiles the Korean subsidiary Toray Saehan Inc. made a solid contribution to consolidated financial results, while other overseas businesses, especially subsidiaries in China and Southeast Asia, bolstered sales. As a result, sales in this segment increased compared with the corresponding period of the previous year.

Sales in the plastics and chemicals segment were boosted mainly by growing IT-related demand, recovery in the domestic automotive sector, continuing recoveries of Asian markets, and other factors that led to sales increases in resins, films, and chemicals businesses.

The housing and engineering segment saw growth in semiconductor and electronic

manufacturing equipment, however, a falloff in sales of synthetic fiber production machinery brought about an overall sales decline.

In pharmaceuticals and medical products, sales of Dornier*, a drug for peripheral vascular disorders, advanced as a result of expanded marketing as well as revenues from licensing and royalties. Sales expansion of Toraysulfone*, a polysulfone-membrane-based artificial kidney, and Toraymyxin*, a blood purification device for the treatment of septicemia, also contributed to sales increases.

In the new products and other businesses segment, the sales volume of Torayca* carbon fiber increased despite a stagnant recovery in the market, and sales of Toptical* color filters for thin-film transistor (TFT) liquid crystal displays and IC circuit materials were favorable. As a result, sales in this segment rose from the first half of fiscal 1999.

Regarding operating income, lower selling prices of carbon fiber caused deterioration in profitability in advanced composite materials business, and operating income in the new products and other businesses segment suffered. The housing and engineering segment reported an operating loss on a par with the previous year. However, these results were more than compensated for by earnings increases in fibers and textiles, plastics and chemicals, and pharmaceuticals and medical products. Consequently, consolidated operating income advanced compared with the corresponding period of the previous year.

During the period, Toray signed a joint venture contract with Ionics Incorporated of the United States, one of the world's largest manufacturers of water treatment systems, and Mitsui & Co. (U.S.A.), Inc., to establish Toray Membrane America, Inc., in the United States. The new joint venture company will engage in manufacturing and marketing reverse osmosis membrane elements in the Americas as well as marketing Toray's highly efficient two-stage brine conversion seawater desalination plants.

The domestic and overseas business environments seem to be characterized by steadily stiffening competition, accelerated by a borderless economy and the increasing evolution of IT. We believe these trends will become yet more challenging as we go forward.

Under such circumstances, Toray's most important midterm management task is improving the profitability of its core businesses. We will proceed to transform the structure of the Group towards a more profitable constitution by executing Global Re-engineering in such businesses as polyester filament yarn, polyester/cotton spinning and weaving, and polyester film products through the reorganization of global production and marketing systems. Furthermore, we will raise added value by shifting the product development focus of these core businesses towards applications with growth potential and strengthen our total cost-competitiveness across all divisions.

In addition, as another midterm management task for future growth, we aim to focus

on advanced composite materials, pharmaceuticals and medical products, electronics and information-related products, and such environmental business as water treatment by concentrating managerial resources into these strategically expanding businesses, making them the next generation of our core businesses. As they are closely linked to major fields in which growth is anticipated—information and telecommunications, life science, the environment, and energy—Toray will make great efforts to boost these businesses by taking advantage of its competitive edge in research and technology development.

The third midterm task is to strengthen our financial structure. We will carry out financial restructuring by maintaining capital investment below depreciation and improve our asset utilization through such measures as asset liquidation.

We would like to thank you, our stockholders, for your continued assistance and look forward to your ongoing support in the challenging period ahead.

December 2000



Katsuhiko Hirai
President and Chief Executive Officer

Consolidated Statements of Income and Surplus

Toray Industries, Inc. and Subsidiaries
Six months ended September 30, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2000	1999	2000
Net sales	¥510,085	¥478,894	\$4,723,009
Costs and expenses:			
Cost of sales	391,798	366,917	3,627,759
Selling, general and administrative expenses.....	76,731	78,008	710,472
Research and development expenses.....	19,200	19,503	177,778
Amortization of cost in excess of net assets acquired	633	633	5,861
	488,362	465,061	4,521,870
Operating income	21,723	13,833	201,139
Other income (expenses):			
Interest expenses.....	(8,632)	(8,570)	(79,926)
Interest and dividend income	2,248	1,860	20,815
Equity in earnings of affiliates	4,750	3,562	43,981
Other, net	(1,689)	339	(15,639)
	(3,323)	(2,809)	(30,769)
Income before special credits (charges)	18,400	11,024	170,370
Special credits (charges):			
Loss on sale and disposal of property, plant and equipment, net	(557)	(759)	(5,157)
Gain on sale and write-down of investments in securities, net	114	3,480	1,056
Special severance payments and other restructuring expenses	(2,513)	(3,698)	(23,269)
Other, net	(721)	(255)	(6,676)
	(3,677)	(1,232)	(34,046)
Income before income taxes	14,723	9,792	136,324
Income taxes:			
Current	7,231	7,072	66,954
Deferred	(2,113)	(2,618)	(19,565)
	5,118	4,454	47,389
Income from consolidated operations	9,605	5,338	88,935
Minority interests in net income of consolidated subsidiaries	(1,702)	(781)	(15,759)
Net income	7,903	4,557	73,176
Consolidated surplus:			
At beginning of period	233,152	308,770	2,158,815
	241,055	313,327	2,231,991
Appropriations:			
Cash dividends	4,905	4,905	45,417
Bonuses to directors and corporate auditors.....	—	141	—
Surplus eliminated from affiliates previously accounted for under the equity method	2,943	—	27,250
	7,848	5,046	72,667
At end of period	¥233,207	¥308,281	\$2,159,324
		Yen	U.S. dollars (Note 2)
Net income per share	¥5.64	¥3.25	\$0.052

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

Toray Industries, Inc. and Subsidiaries
September 30, 2000 and 1999

Assets	Millions of yen		Thousands of U.S. dollars (Note 2)
	2000	1999	2000
Current assets:			
Cash.....	¥ 44,155	¥ 38,473	\$ 408,843
Time deposits	16,033	22,632	148,454
Marketable securities.....	25,073	30,233	232,158
Trade receivables:			
Notes receivable	68,199	55,578	631,472
Accounts receivable	156,881	162,682	1,452,602
Allowance for doubtful accounts.....	(3,836)	(3,549)	(35,519)
Inventories	221,058	221,843	2,046,833
Deferred tax assets.....	15,028	9,868	139,148
Prepaid expenses and other current assets	29,154	32,062	269,944
Total current assets	571,745	569,822	5,293,935
Property, plant and equipment:			
Land	87,685	81,440	811,898
Buildings	373,722	359,721	3,460,389
Machinery and equipment	1,240,897	1,206,894	11,489,787
Construction in progress	18,509	36,138	171,380
	1,720,813	1,684,193	15,933,454
Accumulated depreciation.....	(1,098,601)	(1,057,938)	(10,172,232)
	622,212	626,255	5,761,222
Investments, long-term loans and other assets:			
Affiliates	42,160	42,283	390,371
Marketable equity securities.....	151,448	58,993	1,402,296
Other securities.....	16,878	16,718	156,278
Deferred tax assets.....	12,301	—	113,898
Other	33,635	43,049	311,435
Allowance for doubtful accounts.....	(1,372)	(1,053)	(12,704)
	255,050	159,990	2,361,574
Intangible assets	6,968	6,454	64,519
Cost in excess of net assets acquired	882	2,148	8,167
Foreign currency translation adjustment	—	51,301	—
	¥1,456,857	¥1,415,970	\$13,489,417

See accompanying notes to consolidated financial statements.

Liabilities, Minority Interests and Stockholders' Equity	Millions of yen		Thousands of U.S. dollars (Note 2)
	2000	1999	2000
Current liabilities:			
Bank loans	¥ 207,357	¥ 165,570	\$ 1,919,972
Long-term debt due within one year	81,883	77,568	758,176
Commercial paper	—	500	—
Trade payables:			
Notes payable.....	47,560	55,750	440,371
Accounts payable	102,894	95,912	952,722
Income taxes payable.....	8,051	5,398	74,546
Accrued liabilities.....	44,691	47,734	413,806
Other current liabilities.....	23,920	28,239	221,481
Total current liabilities.....	516,356	476,671	4,781,074
Long-term debt	333,589	362,888	3,088,787
Deferred tax liabilities	2,417	1,110	22,380
Employees' retirement benefits	143,008	40,919	1,324,148
Customers' guarantee deposits and other liabilities	8,830	8,772	81,759
	1,004,200	890,360	9,298,148
Minority interests in consolidated subsidiaries	33,887	34,601	313,769
Stockholders' equity:			
Common stock:			
Authorized—4,000,000,000 shares			
Issued—1,401,481,403 shares (1,401,481,403 shares—1999)	96,937	96,937	897,565
Additional paid-in capital	85,792	85,792	794,370
Consolidated surplus.....	233,207	308,281	2,159,324
Unrealized gain on securities.....	53,130	—	491,945
Foreign currency translation adjustment	(50,293)	—	(465,676)
	418,773	491,010	3,877,528
Treasury stock, at cost	(3)	(1)	(28)
Total stockholders' equity	418,770	491,009	3,877,500
	¥1,456,857	¥1,415,970	\$13,489,417

Consolidated Statements of Cash Flows

Toray Industries, Inc. and Subsidiaries
Six months ended September 30, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2000	1999	2000
Cash flows from operating activities:			
Income before income taxes	¥14,723	¥ 9,792	\$136,324
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	40,163	38,724	371,879
Interest and dividend income	(2,248)	(1,860)	(20,815)
Equity in earnings of affiliates	(4,750)	(3,562)	(43,981)
Interest expenses	8,632	8,570	79,926
Loss (gain) on sale and disposal of noncurrent assets	443	(2,147)	4,102
Increase (decrease) in retirement benefits	44	(1,651)	407
Decrease in trade receivables	14,132	5,863	130,852
Increase in inventories	(4,332)	(3,899)	(40,111)
Decrease in trade payables and accrued liabilities	(3,767)	(13,262)	(34,880)
Other, net	(13,166)	(602)	(121,907)
Subtotal	49,874	35,966	461,796
Interest and dividend income received	3,605	8,906	33,380
Interest expenses paid	(8,632)	(8,513)	(79,926)
Income taxes paid	(4,549)	(8,081)	(42,120)
Net cash provided by operating activities	40,298	28,278	373,130
Cash flows from investing activities:			
Capital expenditures	(28,939)	(33,278)	(267,954)
Purchase of investment securities	(8,038)	(2,050)	(74,426)
Proceeds from sale and disposal of noncurrent assets	5,017	5,745	46,454
Other, net	1,863	(4,043)	17,250
Net cash used in investing activities	(30,097)	(33,626)	(278,676)
Cash flows from financing activities:			
Increase in short-term debt	35,321	4,995	327,046
Proceeds from long-term debt	29,683	56,536	274,843
Repayments of long-term debt	(57,281)	(52,883)	(530,380)
Cash dividends paid	(5,215)	(5,796)	(48,287)
Net cash provided by financing activities	2,508	2,852	23,222
Effect of exchange rate changes on cash and cash equivalents	(166)	205	(1,537)
Net increase (decrease) in cash and cash equivalents	12,543	(2,291)	116,139
Cash and cash equivalents at beginning of period	73,023	85,819	676,139
Cash and cash equivalents at end of period	¥85,566	¥83,528	\$792,278

See accompanying notes to consolidated financial statements.

Segment Information

Toray Industries, Inc. and Subsidiaries
September 30, 2000

Results by Industrial Segment

Six months ended September 30, 2000:	Millions of yen							Elimination and corporate	Consolidated total
	Fibers and textiles	Plastics and chemicals	Housing and engineering	Pharmaceuticals and medical products	New products and other businesses	Total	Total		
Sales to outside customers.....	¥213,985	¥167,435	¥ 45,989	¥26,392	¥ 56,284	¥ 510,085	¥ —	¥ 510,085	
Intersegment sales	184	12,447	18,487	178	10,466	41,762	(41,762)	—	
Total sales.....	¥214,169	¥179,882	¥ 64,476	¥26,570	¥ 66,750	¥ 551,847	¥(41,762)	¥ 510,085	
Operating income (loss)..	¥ 10,622	¥ 7,903	¥ (2,616)	¥ 3,220	¥ 2,484	¥ 21,613	¥ 110	¥ 21,723	
Assets.....	¥482,767	¥551,637	¥180,514	¥67,128	¥223,811	¥1,505,857	¥(49,000)	¥1,456,857	
Depreciation and amortization.....	13,416	15,707	1,445	1,169	8,210	39,947	(417)	39,530	
Capital expenditures.....	9,040	9,262	838	2,352	4,534	26,026	61	26,087	

Results by Geographic Segment

Six months ended September 30, 2000:	Millions of yen				Elimination and corporate	Consolidated total
	Japan	Asia	North America and Europe	Total		
Sales to outside customers.....	¥ 376,964	¥ 78,699	¥ 54,422	¥ 510,085	¥ —	¥ 510,085
Intersegment sales	30,808	10,634	2,337	43,779	(43,779)	—
Total sales	¥ 407,772	¥ 89,333	¥ 56,759	¥ 553,864	¥(43,779)	¥ 510,085
Operating income	¥ 13,658	¥ 6,143	¥ 1,456	¥ 21,257	¥ 466	¥ 21,723
Assets.....	¥1,102,121	¥225,314	¥153,661	¥1,481,096	¥(24,239)	¥1,456,857

Export Sales and Sales by Overseas Subsidiaries

Six months ended September 30, 2000:	Millions of yen		
	Asia	North America, Europe and other areas	Total
Export sales and sales by overseas subsidiaries	¥103,722	¥86,686	¥190,408
Percentage of such sales against consolidated net sales.....	20.3%	17.0%	37.3%

Notes to Consolidated Financial Statements

Toray Industries, Inc. and Subsidiaries
September 30, 2000 and 1999

1. Accounting Policies

The accompanying semiannual consolidated financial statements have been prepared in accordance with the same accounting policies as those adopted for the preparation of the annual consolidated financial statements included in the Company's Annual Report for the year ended March 31, 2000, except for accounting policies for financial instruments and translation of foreign currency transactions, which the Company changed according to the revision of Japanese accounting standards. Due to the application of revised accounting standards for financial instruments, marketable securities, evaluated at fair value, were increased by ¥92,144 million (US\$853,185 thousand), ¥53,130 million (US\$491,944 thousand) was recorded under stockholders' equity as "unrealized gain on securities," and income before income taxes increased by ¥3,139 million (US\$29,065 thousand) compared with the previous accounting policies. Furthermore, "foreign currency translation adjustment" account, which was hitherto recorded under assets, was recorded under stockholders' equity in this period.

2. U.S. Dollar Amounts

The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetic results of translating yen into U.S. dollars at the rate of ¥108 to \$1, the approximate exchange rate prevailing on September 30, 2000.

3. Contingent Liabilities

The Company and its subsidiaries were contingently liable as endorers of trade notes receivable discounted with banks in the amount of ¥5,570 million (\$51,574 thousand) at September 30, 2000.

In addition, the Company and its subsidiaries were contingently liable as guarantors of loans to affiliated companies and others in the amount of ¥20,356 million (\$188,481 thousand) at September 30, 2000.

4. Interim Dividends

In December 2000, interim cash dividends of ¥3.50 (\$0.032) per share, aggregating ¥4,905 million (\$45,417 thousand), were paid.

Certificate of Principal Financial and Accounting Officer

I, Motoo Yoshikawa, managing director of Toray Industries, Inc., do hereby certify that, in my opinion, the accompanying consolidated balance sheets at September 30, 2000 and 1999, and the related consolidated statements of income and surplus and cash flows for the six-month periods then ended have been prepared to present a true and fair view of the consolidated financial position at September 30, 2000 and 1999, and the consolidated results of operations and cash flows for the six-month periods then ended.

December 2000

Motoo Yoshikawa
Managing Director

Board of Directors and Corporate Auditors

September 30, 2000

Chairman of the Board and Representative Director

Katsunosuke Maeda

President and Chief Executive Officer and Representative Director

Katsuhiko Hirai

Executive Vice Presidents and Representative Directors

Hidetane Iijima
Yoichi Shimokawa
Hin Igarashi

Senior Managing Directors

Sadayuki Sakakibara
Takanobu Shibuya
Hirotaka Nakashima
Satoru Masuzaki

Managing Directors

Kiyoteru Wakasugi
Kazuo Tomiita
Shinji Koyama
Masao Katsurauma
Noboru Fujihara
Hiroaki Kobayashi
Yoshihiro Okumura
Junichi Ujike
Motoo Yoshikawa

Directors

Toshiyuki Umemoto
Keizo Sano
Tsuyoshi Watanabe

Chiaki Tanaka
Shunji Nakazawa
Nobuyuki Matsubara
Tetsuo Mitsuyasu
Yukihiro Sugimoto
Shinsuke Imamura
Osamu Nakatani
Koichi Minorikawa

Corporate Auditors

Junichi Kabe
Akira Sawamura
Eiichi Kakei
Kenichi Suematsu

Global Network

September 30, 2000

NORTH AMERICA

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Tong Shing Inc.

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Fax: 886 (2) 2508-0662

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Investor Information

September 30, 2000

Toray Industries, Inc.

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Osaka Head Office

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Fax: 81 (6) 6452-7774

Established

January 1926

Common Stock

Authorized: 4,000,000,000 shares
Issued: 1,401,481,403 shares

Number of Stockholders

167,222

Listings

Common stock is listed on the
Tokyo Stock Exchange, the Osaka
Securities Exchange, and four other
domestic stock exchanges. Over-
seas listings are on exchanges in
London, Luxembourg, Frankfurt,
Düsseldorf, and Paris.

Transfer Agent

The Chuo Mitsui Trust & Banking
Co., Ltd.
3-33-1, Shiba, Minato-ku,
Tokyo 105-0014, Japan

• Notice

The Company's transfer agent, The
Chuo Mitsui Trust & Banking Co.,
Ltd., was created as a result of the
merger between The Mitsui Trust &
Banking Co., Ltd., and Chuo Trust &
Banking Co., Ltd.