

TO OUR STOCKHOLDERS

On behalf of Toray Industries, Inc., I would like to thank our stockholders for their continued support. It is my pleasure to report our performance in the fiscal year ended March 31, 2007 (FY Mar/07).

BUSINESS ENVIRONMENT AND RESULTS

The world economy was generally healthy in the year under review despite some negative factors including sharp increases in the price of crude oil in the first half of the period and a downturn in the U.S. housing market in the second half. The U.S. economy showed a solid trend overall, driven by personal consumption although the pace of growth in the U.S. economy slowed due to a decline in housing investments. Economies in Europe continued to recover in general, while Asian economies, led by China, continued expanding. Despite lack of strength in the consumer sector, the Japanese economy remained on a path of moderate growth thanks to the firm trend of the corporate sector.

Amid these conditions, Toray Group worked hard to achieve targets set forth under "Project NT-II" (NT-II), its mid-term management reform program that began in April 2004. In October 2006, we launched our new mid-term business strategies, named "Project Innovation TORAY 2010" (IT-2010), which calls for even higher targets. Guided by these initiatives, the

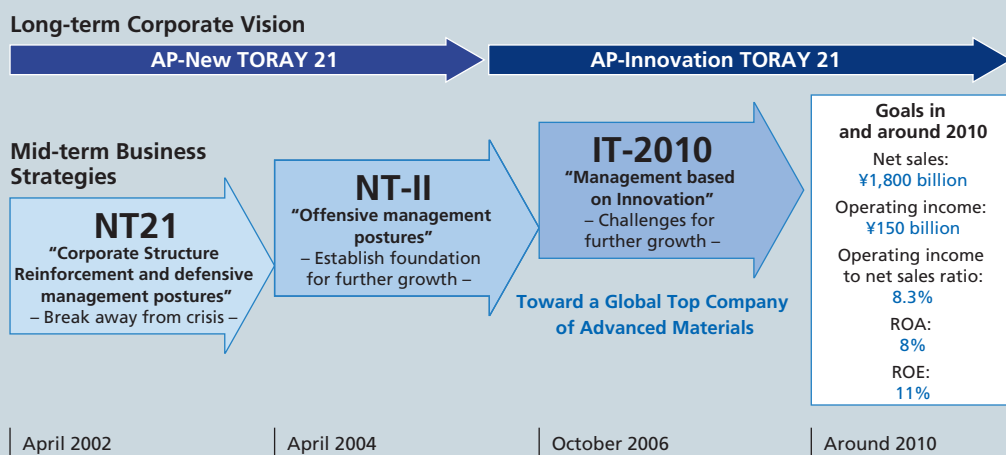
Group strove exhaustively to expand operations and earnings by reinforcing its corporate structure and implementing business structure reforms.

As a result of these efforts, consolidated net sales for the year amounted to ¥1,546.5 billion, up 8.3% from the previous fiscal year. Operating income rose 10.1%, to ¥102.4 billion, reaching the ¥100 billion target set forth under NT-II, and net income increased 23.6%, to ¥58.6 billion. Accordingly, Toray Group achieved record-high figures for net sales (fourth consecutive year), operating income (third consecutive year), as well as net income (second consecutive year).

BASIC POLICY ON DISTRIBUTION OF PROFITS

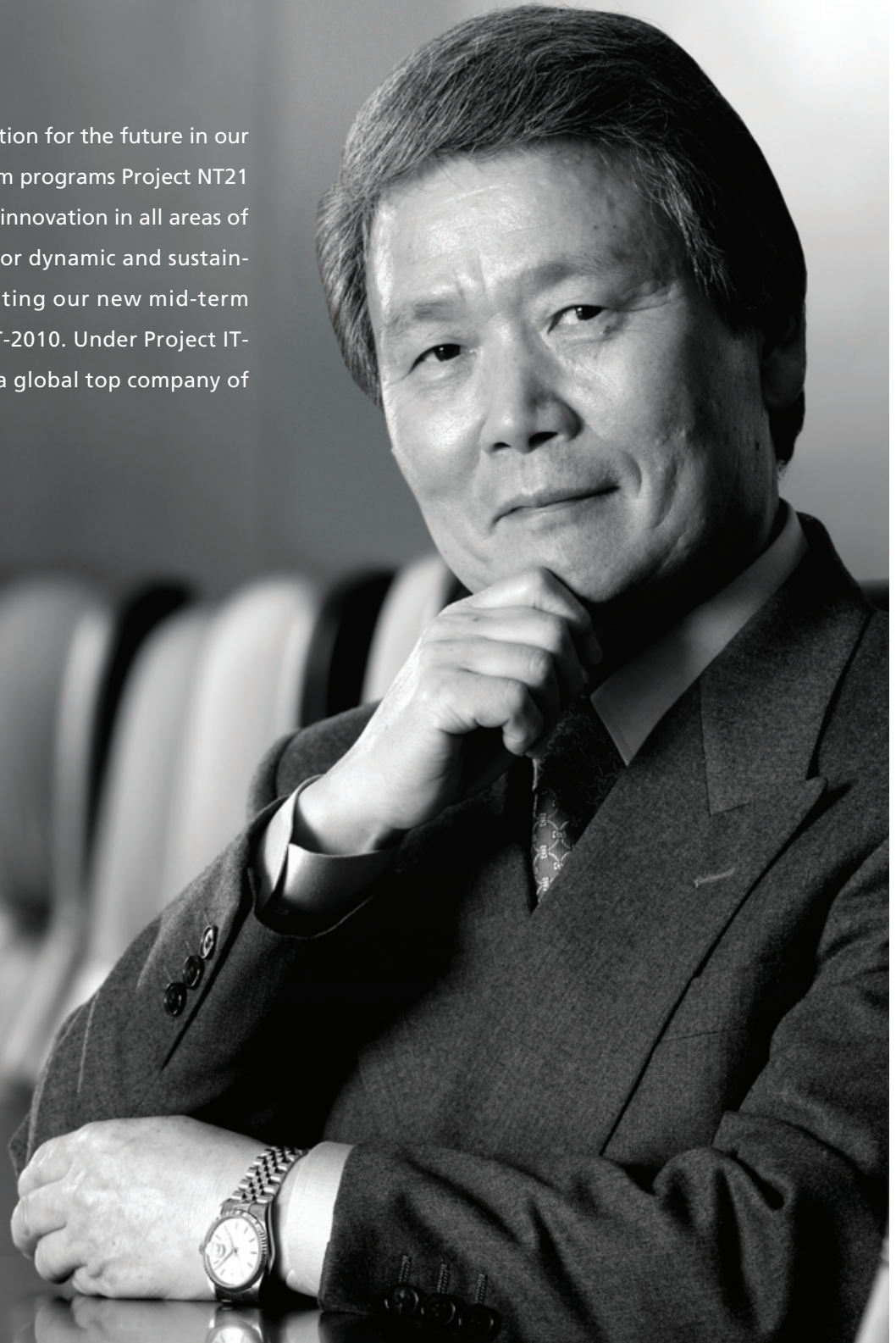
Toray regards the distribution of profits as one of the most important corporate priorities. Our basic policy is to distribute profits appropriately, based on comprehensive consideration of factors such as business performance, financial strength, and retained earnings necessary to invest for the Group's future.

Taking into account its performance in the year under review, Toray declared a year-end dividend of ¥5.00 per share. After adding the interim dividend already paid, this brings total annual dividends to ¥10.00 per share, up ¥2.00 from the previous fiscal year.



We strengthened our foundation for the future in our mid-term management reform programs Project NT21 and Project NT-II. Striving for innovation in all areas of our operations and aiming for dynamic and sustainable growth, we are promoting our new mid-term business strategies Project IT-2010. Under Project IT-2010, we are working to be a global top company of advanced materials.

SADAYUKI SAKAKIBARA
President, CEO and COO,
Representative Director





ISSUES AND STRATEGIES

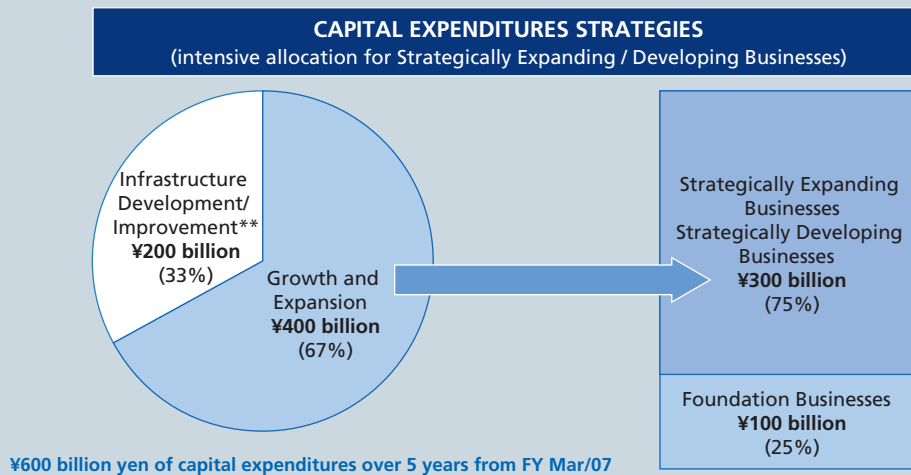
The business environment surrounding Toray Group is changing dramatically, characterized by a number of factors. These include progress in the information technologies and telecommunications industries, the rise of China and other newly emerging economies along with intensifying international competition, soaring prices of oil and petrochemical raw materials, and growing awareness of corporate social responsibilities. To respond to these changes and grow continuously, Toray Group recognizes that it must step up reforms while maintaining a robust foundation established under NT-II.

April 2006 marked the 80th anniversary of Toray Group's founding. We took this opportunity to formulate a new long-term corporate vision targeting dramatic progress in the future. The vision, entitled "AP (Action Program)-Innovation Toray 21," outlines the ideal image of Toray Group to be realized in 10 years. It calls for the Group to promote innovation across all of the Group's business activities, in our quest to achieve dynamic progress and sustainable growth. Under its corporate slogan, "Innovation by Chemistry," the Group aspires to be a global top company of advanced materials. To help realize this long-term corporate vision, in October 2006 Toray embarked

on new mid-term business strategies, called IT-2010.

We have cited two basic strategies in IT-2010. The first is to transform ourselves into a highly profitable business group. Especially, we will strive to transform to a highly profitable business group while achieving sustainable business expansion, with the aim of achieving consolidated operating income of ¥150 billion by around 2010. Maintaining earnings stability in our "Foundation Businesses" (Fibers & Textiles, Plastics & Chemicals), we will drive profit growth through our "Strategically Expanding Businesses" (IT-related Products, Carbon Fiber Composite Materials). At the same time, we will nurture our "Strategically Developing Businesses" (Life Science, water treatment and environmentally friendly products). In addition to these structural business reforms, we will pursue improvements in capital efficiency, targeting return on assets (ROA*) of 8% and return on equity (ROE) of 11% by around 2010.

The second basic strategy of IT-2010 is to expand our advanced material businesses across "four major growing business fields" which are expected to expand greatly in the 21st century: (1) Information, Telecommunications, and Electronics; (2) Automobiles and Aircraft; (3) Life Science; and (4) Environment, Water-related and Energy. By developing advanced materials and stepping up cross-organizational



** Infrastructure development / improvement = environment, safety, accident prevention, optimization of head count, rationalization, preservation expenditures, etc.



efforts to deliver optimal solutions to customers, we will expand our business by major contribution of advanced materials.

As for capital expenditures, we plan to make around ¥600 billion in investments over the five-year period from April 2006. About two-thirds of this amount, or ¥400 billion, will be allocated to projects targeted for growth, and three-quarters of the latter figure, or ¥300 billion, will be allocated to Strategically Expanding Businesses and Strategically Developing Businesses.

In addition, over the same five-year period we plan to make R&D investments of around ¥240 billion, allocating 80% of our R&D resources on advanced materials. At the same time, we will reinforce our intellectual property capabilities.

*The ratio of operating income to total assets

FIVE INNOVATIONS AND EIGHT PROJECTS

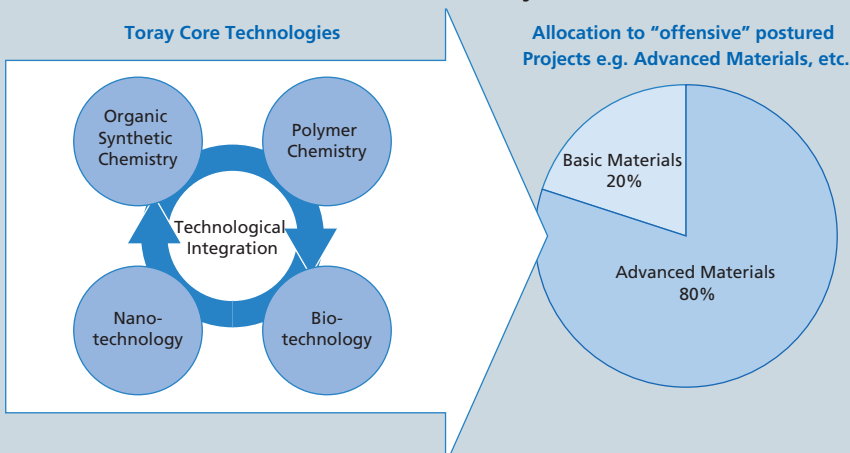
Under the basic strategies of IT-2010, we will target "Innovation" in five areas over the five years: (1) Innovation of business structure, (2) Innovation of technologies, (3) Innovation of competitiveness, (4) Innovation of business-awareness, and (5) CSR Innovation. To promote these innovations, eight projects are being implemented across the Group.

With respect to innovation of business structure, we will undertake far-reaching reforms of our operations with the aim of transforming ourselves into a highly profitable business group. To this end, we have embarked on two projects. The first is the Business Structure Innovation Project, which will work on creating new businesses strategically and reassessing existing businesses to reshape our business portfolio drastically. The second is the Overseas Business Strengthening Project, through which we will expand overseas businesses and strengthen their profitability.

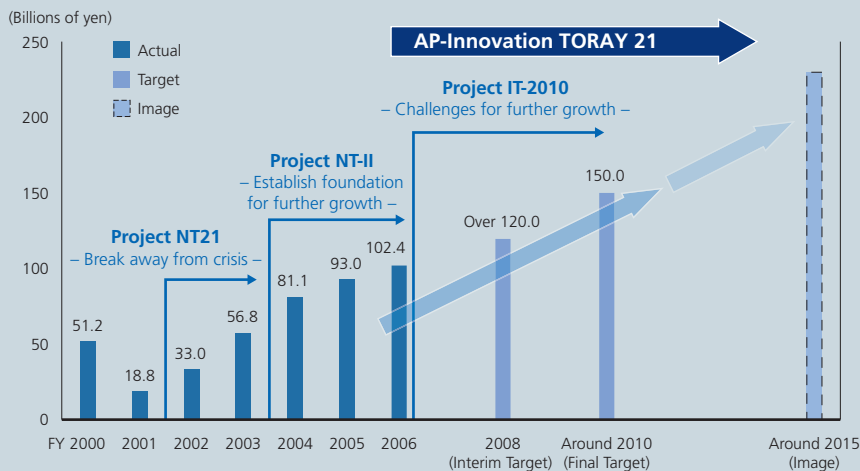
Innovation of technologies represents the driving force for promoting innovation of our business structure. Here, we are engaged in three projects. The first is the Advanced Material Businesses Expansion Project, which targets business expansion across the four major growing business fields described earlier, as well as the swift commercialization of new advanced materials. The second is the R&D Capabilities Innovation Project, which calls for more prioritization of R&D themes, creation of large-scale themes for the next generation, and reinforcement of our research and technology foundation. The third is the Manufacturing Technology Innovation Project, through which we are targeting the world's best-in-class product quality and cost competitiveness, by building manufacturing operation

R&D INVESTMENT STRATEGIES (intensive allocation for Advanced Materials)

¥240 billion of R&D investment over 5 years from FY Mar/07



Targets in Operating Income under IT-2010



strength and technological development capabilities.

Innovation of competitiveness means further strengthening our corporate capabilities in both production and marketing. For the goal, we have launched the Cost Innovation Project, to promote optimization of manufacturing structure with lower fixed costs, reduction of variable cost through groupwide endeavors, and improvement of the capital expenditure efficiency. We have also launched the Marketing and Sales Innovation Project, which calls for enhancement of customer-oriented and proposal-based marketing and sales.

Innovation of business-awareness means further solidifying the trust we have earned from our stakeholders and raising loyalty and spirit of our employees. For this innovation, we have embarked on the Corporate Brand Strengthening Project, which aims to maximize the value of the Toray brand, enhance communications with our stakeholders and raise brand awareness among employees.

Our CSR Innovation initiatives involve fulfilling our corporate social responsibilities more comprehensively. Here, we are working on strengthening observance of corporate ethics and laws, safety, accident prevention, environmental preservation, security trade control, and internal control system.

CHALLENGE FOR FURTHER GROWTH THROUGH INNOVATION

Through these Five Innovations and Eight Projects under IT-2010, Toray Group will promote management based on innovation. The Group will work on IT-2010 with a unified effort by the entire Group to be a dynamically evolving and highly profitable business group. We will challenge innovation in every facet of our business activities for putting into produce our corporate philosophy: "Contributing to society through the creation of new value with innovative ideas, technologies and products."

We look forward to your ongoing support for these endeavors.

August 2007

SADAYUKI SAKAKIBARA
 President, CEO and COO, Representative Director