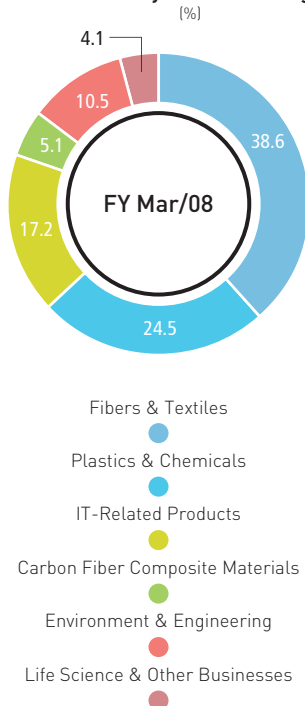


Toray's Business at a Glance	Fibers & Textiles	Plastics & Chemicals	IT-Related Products
20	22	24	26
Carbon Fiber Composite Materials	Environment & Engineering	Life Science & Other Businesses	
28	30	32	

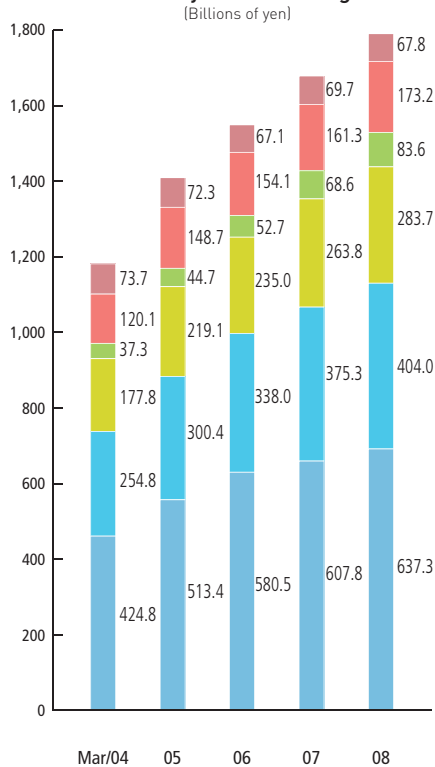
TORAY'S BUSINESS AT A GLANCE

PERFORMANCE BY BUSINESS SEGMENT

Sales Ratio by Business Segment (%)



Net Sales by Business Segment (Billions of yen)



Operating Income by Business Segment (Billions of yen)



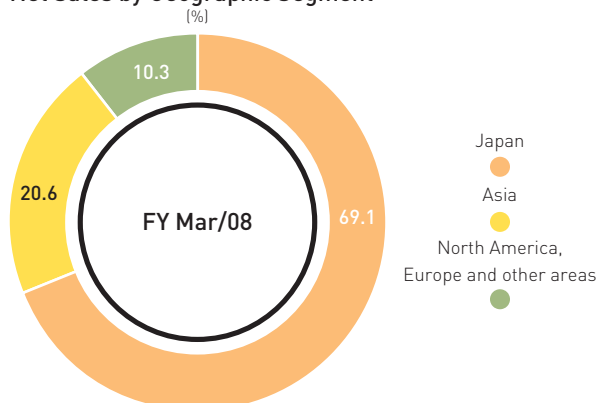
■ Fibers & Textiles
 ■ Plastics & Chemicals
 ■ IT-Related Products
 ■ Carbon Fiber Composite Materials
 ■ Environment & Engineering
 ■ Life Science & Other Businesses
 ■ Elimination & Corporate

PERFORMANCE BY REGIONAL SEGMENT

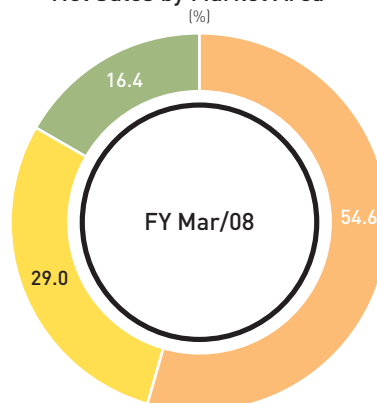
Toray Group has 126 overseas subsidiaries and affiliates.

It engages in global operations that match the unique characteristics of 21 countries and regions.

Net Sales by Geographic Segment* (%)



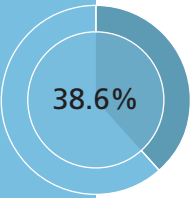
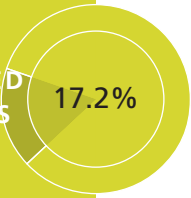
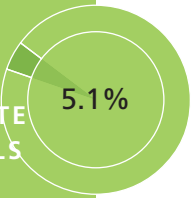
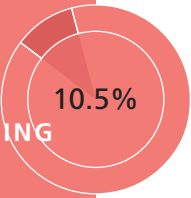
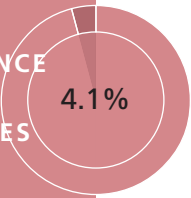
Net Sales by Market Area** (%)



* Net sales of the company and consolidated subsidiaries by geographic segment

** includes export sales from Japan

TORAY'S BUSINESS SEGMENTS

	MAIN PRODUCTS	APPLICATION EXAMPLES
FIBERS & TEXTILES  38.6%	Filament yarns, staple fibers, and woven and knitted fabrics of nylon, polyester, and acrylic fibers, etc.; non-woven fabrics, man-made suede, apparel products	• Women's and men's clothes (coats: man-made suede, dress shirts: polyester-cotton blended fabric, stockings: nylon fiber, apparel products, swimwear) • Automobiles (car seats: polyester fiber, airbags: nylon fiber, seatbelts: polyester fiber) • Sportswear • Furniture & interior (sofas: man-made suede, carpets: BCF nylon, curtains: halogen-free, flame retardant materials) • Disposable diapers: polypropylene filament yarn non-woven fabric • Tents: polyester fiber
PLASTICS & CHEMICALS  24.5%	Nylon, ABS, PBT, PPS and other resins and molded products, polyolefin foam; polyester, polypropylene, PPS and other films and processed film products; raw materials for synthetic fibers and other plastics; gypsum; zeolite catalysts; fine chemicals for pharmaceuticals and agrochemicals; veterinary medicine (excludes film and resin covered in IT-related Products segment)	• Automobiles (radiator tanks: nylon resin, intake manifold: nylon resin, connectors: PBT resin, capacitor for hybrid cars: polypropylene film) • Home appliances (housing for washing machines, vacuum cleaners, air conditioners: ABS resin) • Power tools (circular tools housing: nylon resin) • Helmets (nylon resin) • Solar battery panels (PET film) • Sandwich bags (polypropylene film) • Veterinary medicine (for dogs and cats)
IT-RELATED PRODUCTS  17.2%	Films and plastic products for information and telecommunications related products; electronic circuits and semiconductor-related materials; color filters for LCDs and related materials and equipment; materials for plasma display panels; magnetic recording materials; graphic materials and related equipment	• Flat panel display televisions (PET film, PDP rear panel pastes) • PCs (circuit materials, PET film, polyimide coatings) • Cellular phones (color filters, LCP resin, circuit materials, PET film) • Printing (waterless printing plates, relief printing on resins, printing equipment) • Digital video camera recording film (PET film) • In-vehicle multimedia LANs (optical fiber)
CARBON FIBER COMPOSITE MATERIALS  5.1%	Carbon fibers, carbon fiber composite materials and their molded products	• Aircraft structure (carbon fiber composite materials) • Bridge pier reinforcement (carbon fiber woven fabrics) • PC chassis (carbon fiber molded products) • Wind-power generator blades (carbon fibers) • Marine vessels (carbon fibers)
ENVIRONMENT & ENGINEERING  10.5%	Comprehensive engineering; condominiums; industrial equipment and machinery; environment-related equipment; water treatment membranes and related equipments; materials for housing, building and civil engineering applications	• Seawater desalination facilities (water treatment membranes and equipment) • Sewage and waste-water treatment facilities (water treatment membranes and equipment) • Condominiums • Pavements (porous-ceramic paving materials) • Plants and manufacturing facilities (comprehensive engineering services)
LIFE SCIENCE & OTHER BUSINESSES  4.1%	Pharmaceuticals and medical products; analysis, physical evaluation and research services	• Pharmaceuticals (natural interferon-β drugs, prostacyclin) • Medical treatment devices (hemodialyzers, artificial dialysis equipment) • Analytical services

FIBERS & TEXTILES

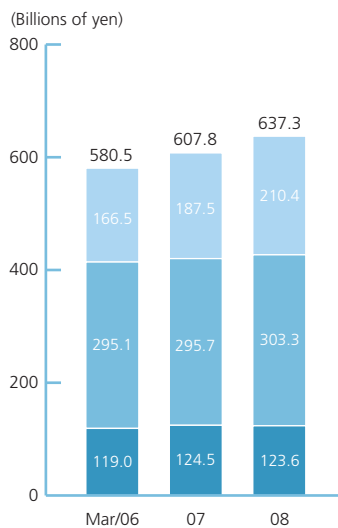


*Stylish White**, the first new product co-developed with UNIQLO, became a huge hit, thanks to a comfortable and transparency-prevented property realized by polyester fiber with highly concentrated ceramics kneaded.

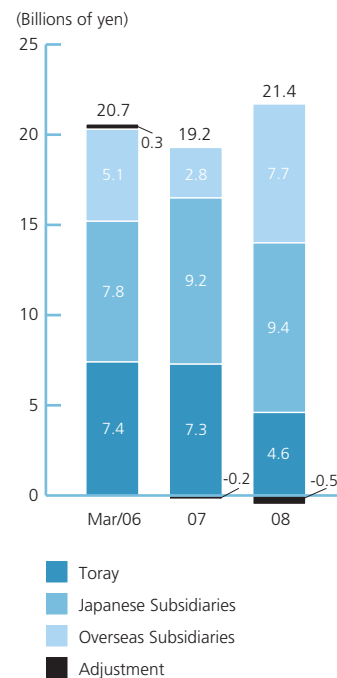


The second offering is *Heat-tech Plus*. Cationic dye atypical cross-section polyester rapidly absorbs, disperses, and evaporates perspiration, while hollow spun fiber has high heat retention that prevents the body from becoming cold.

Net Sales



Operating Income



Operating income to net sales:

3.4%

Sales growth:

+4.9%

Capital expenditures:
(property, plant and equipment)

21.2
billion yen

ROA:

4.4%

A sofa made with *Ecsaine**, Toray's suede-texture artificial leather that holds world No.1 market share for man-made suede.

SUMMARY OF BUSINESS RESULTS FOR THE FISCAL YEAR ENDED MARCH 2008

In the fiscal year ended March 2008 (FY Mar/08), net sales in this segment rose 4.9%, to ¥637.3 billion, and operating income climbed 11.0%, to ¥21.4 billion.

Toray (the parent company) recorded strong domestic sales of fabrics for airbags and increased the sales of garments for uniforms. However, Toray's sales and operating income declined because of transfer of some sales rights for industrial applications from Toray to a subsidiary, fuel and raw material cost hike, and increased depreciation costs related to the revision of Japanese taxation system.

Total sales and operating income of subsidiaries in Japan increased due to higher fiber sales and strong textile exports by a trading subsidiary.

Total sales and operating income of overseas subsidiaries also rose owing to efforts by subsidiaries in Indonesia, China, Italy, and Korea. Actuarial gains in retirement benefits at a European subsidiary also contributed to the rise in operating income.

OUTLOOK

Fibers & textiles segment remains in challenging business environment under continued high raw materials and fuel prices and increased production in China and India, an oversupply of production capacity and intense competition stemming from advances in Economic Partnership Agreements and Free Trade Agreements. In Japan, demand of the fibers and textiles is expected to continue to decline due to gradual increase of garments imports and automotive-related users continuing in their business transferring overseas.

Under these circumstances, we will work to increase sales of advanced materials and environmentally friendly or recycled products, promote New Value Creator* business model and expand our garment business. We will raise selling prices and shift to high value-added products to offset high raw material and fuel costs. Nonetheless, we forecast a decrease in operating income due to some factors. These include the impact of weak and shrinking-trend Japanese market and the non-recurrence of actuarial gains in retirement benefits at a European subsidiary in the previous year.

* Initiatives to boost new products, facilitate new supply chains, and bring new customers.

TOPICS

UNIQLO and Toray Launch Heat-tech Series

The New Co-developed Products a Huge Success

Toray and UNIQLO Inc., launched the *Heat-tech Plus* series of garments for men and *Heat-tech Moist* series for women and children as the second fruits under the two companies' strategic partnership.

An enhanced drying function of *Heat-tech Plus* realizes to absorb, disperse, and evaporate perspiration quickly to prevent the body from feeling cold, while retaining moisture. The *Heat-tech Moist* series features moisture retention and an even better body-fit stretch. These two series have proven so popular that they have sold out, selling a total of 20 million garments thanks to the following factors: (1)Functionality and superior features based on Toray's materials technologies, (2)integrated production management system ranging from fiber production to fibers processing such as weaving, knitting, dyeing, through to some sewing processes, and (3)global production and supply structure that affords stable supply.

Strategic Partnership Strengthened

Toray entered into a strategic partnership with UNIQLO in June 2006. Since then, we have shared sales information and built a seamless product development system that integrates all stages, from development of materials to final product sales. At the same time, we have sped up the R&D process and reduced inventory-related risk. Both Toray and UNIQLO are committed to the development of new revolutionary materials directly linked to consumer needs.

In April 2007, we launched *Stylish White** women's pants, the first product from our joint development initiative. Combining transparency-prevented white fabric and excellent comfort, the new product was an enormous hit.

Toray and UNIQLO are targeting to create a business worth ¥200 billion by 2010. To this end, Toray is working to greatly strengthen its flexible production system and global supply chain for UNIQLO, while Toray and UNIQLO are promoting unified operations through personnel exchanges, in addition to sharing medium-term visions and information.

PLASTICS & CHEMICALS

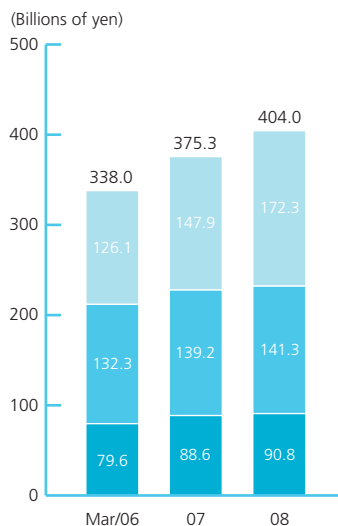


*Torayfan** is a high-barrier film with superior barrier functions and high quality. The high-barrier film of Toray Plastics (America), Inc. boasts the top market share of about 60% in the North American market.

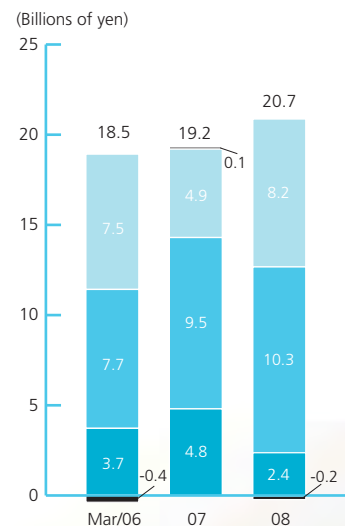


*Torelina** is a PPS resin with outstanding heat resistance, chemical resistance, mechanical strength, and flame retardancy. It is used in an increasing variety of fields, including electric and electronic components and automotive electronics.

Net Sales



Operating Income



■ Toray ■ Japanese Subsidiaries
■ Overseas Subsidiaries ■ Adjustment

Operating income to net sales:

5.1%

Sales growth:

+7.7%

Capital expenditures:
(property, plant and equipment)

32.4
billion yen

ROA:

4.5%

A motorbike cowl made from ABS resin *Toyolac**, which combines exceptional physical properties with moldability.

SUMMARY OF BUSINESS RESULTS FOR THE FISCAL YEAR ENDED MARCH 2008

In the fiscal year ended March 2008 (FY Mar/08), net sales in this segment grew 7.7% year-on-year, to ¥404.0 billion. Operating income also rose 7.7%, to ¥20.7 billion.

In the plastic resins business, Toray (the parent company) boosted sales of its offerings for automotives and electric appliances. In the films business, we achieved higher sales of products used in solar cells, and other products. Despite recording increased sales, higher costs stemming from high fuel and material prices and increased depreciation costs related to the revision of Japanese taxation system resulted in a decline in operating income.

Japanese subsidiaries posted increases in both total sales and operating income thanks to higher sales by trading and chemical-related subsidiaries.

Overseas subsidiaries recorded substantial increases in both total sales and operating income. Contributing factors include increased sales of high value-added products by our films subsidiary in the United States, an improvement in operating income by our European films subsidiary owing to business structure reform, and efforts to boost sales by our plastic resins subsidiaries in China and Southeast Asia.

OUTLOOK

We anticipate continued increases in demand for plastic resins on the back of the following factors: globally expansion in plastic resins demand for automotive applications, increasing demand in Asia for electric and electronics devices consumed within the area or exported to developed countries. We also look for a continuation of firm demand for films used in solar cells as a result of heightened worldwide concern for environmental issues. On the negative side, however, we expect that fuel and raw material cost hike will put pressure on earnings.

In light of these circumstances, we plan to increase sales of acrylonitrile butadiene styrene (ABS) resins produced by our Malaysian subsidiary, whose expanded facilities came on stream in April 2008. We also anticipate sales growth for our two super engineering plastic resins: liquid crystal polymer (LCP) and polyphenylene sulfide (PPS) resins, for which production capacity was expanded in January and February 2008 respectively. We will also boost sales of films for fast-growing solar cell applications. We intend to address higher costs stemming from rapidly soaring fuel and raw material prices by raising selling prices and shifting to high value-added products. However, we expect the risk of a decline in income, as these efforts may not be sufficient to completely offset increased costs.

TOPICS

New High-Barrier Film Business Planned for Europe

Toray has decided to embark on local production in Europe of *Torayfan**, a bi-axially oriented polypropylene (OPP) high performance, high-barrier metallized film. Currently, *Torayfan**, manufactured by U.S. subsidiary Toray Plastics (America), Inc. (TPA), boasts the top market share of about 60% in North America. Although TPA has been exporting *Torayfan** to Europe, Toray made its decision owing to the expanding European market for high-barrier film, which has an annual growth rate exceeding 10%. Another factor was requests from its valued customers for a local production system.

Toray established Toray Films Europe S.A.S. (TFE) in France in February 2008. Construction of a film processing facility is currently under way with an annual capacity of 20,000 tons, and a metallizing facility with an annual capacity of 22,000 tons. Toray is investing a total of approximately ¥10.0 billion in the two facilities, which are scheduled to come on stream in April 2010.

Toray will position TFE as its core production base in Europe for high-barrier films. At the same time, TPA will develop next-generation products with the aim of further raising the value the business provides.

Decision to Increase Production of PPS Resin

*Torelina**

Toray continues to expand its production capacity for *Torelina** PPS resin in response to growing demand.

The adoption of PPS resin; whose excellent properties include heat resistance, chemical resistance, mechanical strength, and flame retardancy, is increasing in fields such as electrical, electronic and office automation devices and equipment, and electronic automotive components. With worldwide demand estimated at approximately 75,000 tons in 2007, demand is forecasted to grow at an annual rate of more than 7% in the future.

In February 2008, Toray has started full production at its new facilities at the Tokai Plant in Tokai City, Aichi Prefecture. Further upgrading of facilities is being undertaken at the plant in FY Mar/09 to expand capacity. When increased production come on stream in April 2009, we will have increased annual capacity by 2,500 tons, to 14,000. Toray has already begun making next plans to further expand production year, with a view to commencing increased production by 2010.

IT-RELATED PRODUCTS



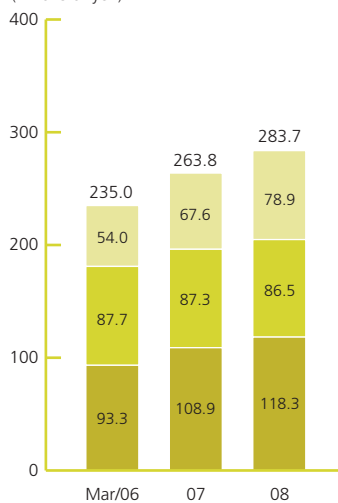
Positive-tone photosensitive polyimide coating material *Photoneece** has outstanding heat resistance, fine-pattern processing capability and process stability. Demand as a buffer coating for semiconductors is expected to increase significantly.



Toray developed a film for LCD applications with the highest reflectivity in the world. This high-performance reflective film also realizes improved picture quality and reduced power consumption.

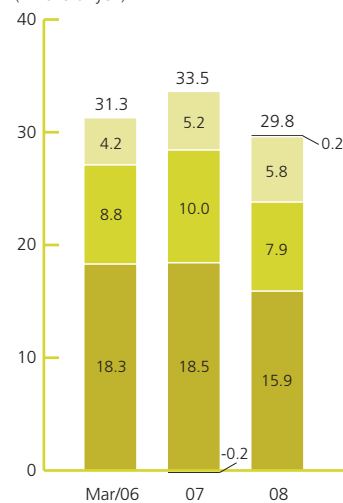
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)



- Toray
- Japanese Subsidiaries
- Overseas Subsidiaries
- Adjustment

Operating income to net sales:

10.5%

Sales growth:

+7.6%

Capital expenditures:
(property, plant and equipment)

35.3
billion yen

ROA:

9.1%

*Photoneece**, Toray's positive-tone photosensitive polyimide coating material protects the surface of cutting-edge semiconductor devices. *Photoneece** holds world No.1 market share for buffer coatings used in 300mm wafer production.

SUMMARY OF BUSINESS RESULT FOR THE FISCAL YEAR ENDED MARCH 2008

In the fiscal year ended March 2008 (FY Mar/08), the IT-related Products segment posted a 7.6% increase in sales, to ¥283.7 billion. Operating income fell 11.1%, to ¥29.8 billion.

We reported strong sales of IT-related films and semiconductor coating materials. However, the segment was affected by increased depreciation costs related the revision of Japanese taxation system, a fall in the price of color filters for liquid crystal display (LCD) due to harsher competition in the market for small and medium-sized LCDs, and a slump in sales of circuit materials. As a result, Toray (the parent company) posted an increase in segment sales, but a decline in operating income.

Japanese subsidiaries recorded lower sales and operating income. Our IT-related machinery subsidiary recorded low sales of LCD manufacturing equipment due to the slowing of capital investment in the LCD panel industry, and our film processing subsidiary suffered from a sharp drop in product prices.

Overseas subsidiaries recorded higher sales and operating income. This was attributable to healthy sales by our Korean films subsidiary and a recovery in the second half of the year in the performance of our circuit materials subsidiary, which was impacted in the first half by production adjustments at its customers and a drop in prices.

Broken down into sub-segments, sales of Display Materials grew thanks to higher sales of optical films used in flat-panel displays (FPDs). In the Electronic Component, Semiconductor, Circuit Materials, we posted higher sales of films for electronic component applications and semiconductor coating materials.

As for the Equipments and others, however, sales declined due to a fall in sales of LCD-related manufacturing equipment, including our slit coater used in the manufacture of color filters.

(Billions of yen)

Sub-Segment	Full Fiscal Year		
	FY Mar/07	FY Mar/08	Changes
Display Materials	74.1	84.5	+14%
Electronic Component, Semiconductor, Circuit Materials	86.7	97.1	+12%
Data Storage Materials	48.7	48.8	+0%
Equipments, Others	54.3	53.4	-2%
Total of IT-related Products Segment	263.8	283.7	+8%

Sub-Segment	Products
Display Materials	Optical films, processed optical films, PDP paste materials, color filters, others
Electronic Component, Semiconductor, & Circuit Materials	Films for electronic components / circuit materials, electronic circuit materials, semiconductor coating materials, plastics, others
Data Storage Materials	Magnetic materials, TTR (Thermal Transfer Ribbon), films for graphic art base, printing plate, others
Equipments, Others	IT-related equipment, trading companies, IT support services, services, others

OUTLOOK

Although demand for IT-related materials, including materials for FPD used in LCD panels and plasma display panels (PDPs), is expected to continue growing, ongoing price falls are also expected. Demand for LCD-related equipment is forecasted to increase owing to active capital investment in the LCD panel industry.

Under these circumstances, Toray Group will endeavor to increase sales of IT-related materials and LCD-related equipment while declines in prices of IT-related materials continue.

TOPICS

Expanded Production Facilities for *Photoneece**

In FY Mar/08, Toray expanded production facilities for *Photoneece**, a positive-tone photosensitive polyimide coating material. Investing around ¥1.0 billion, annual production capacity has been increased three-fold to 150 tons.

The market for polyimide coating materials used as stress buffer coatings for semiconductors, centering on 300mm wafer production, is forecasted to increase to ¥30.0 billion by 2010.* It is expected that positive-tone photosensitive polyimide with fine processability and relatively low environmental impact, will account for over 50% of the market for polyimide coating materials.

Today, *Photoneece** occupies No.1 market share with more than 50% of the world market for 300mm wafer production. As a result of increased production capacity, Toray aims to obtain a 70% share of the positive-tone photosensitive polyimide for 300mm wafers and a more than 50% share of the market for all positive-tone photosensitive polyimide by 2010. In addition, we aim for faster development of new applications, and in the next five years intend to increase total sales of polyimide coating materials to ¥10.0 billion.

* Toray estimate; current market size is approximately ¥20.0 billion.

Development of High-Performance Reflective Film for LCD

In December 2007, we announced the successful development of a reflective film for LCD applications that boasts the best reflective performance in the world.

The spread of LCD TVs has led to calls for larger and brighter models and for measures to reduce the power consumption of these TVs. Further improving the performance of reflective film is essential for achieving these goals. Toray has combined its proprietary *Nano-alloy** technology** and laminated technology to develop a revolutionary technology that controls fine void structure. Featuring enhanced heat resistance and planarity, this new product boasts the highest reflective performance for a film in the world.

Toray intends to add the new film to its lineup of products that contribute to higher resolution and lower power consumption in LCDs. At the same time, we intend to meet growing worldwide demand for LCDs by enhancing our supply structure.

** Proprietary technology that optimally blends two or more plastics at a nano-meter level; *Nano-alloy** is a registered trademark of Toray.

CARBON FIBER COMPOSITE MATERIALS

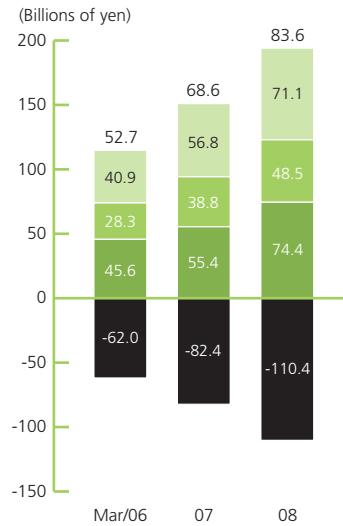


Demand for carbon fiber *Torayca** is rising in a variety of fields, from primary structures for aircraft, to industrial applications such as blades for wind power turbines, to sports products. Demand for *Torayca** for automobile applications is also expected to increase.

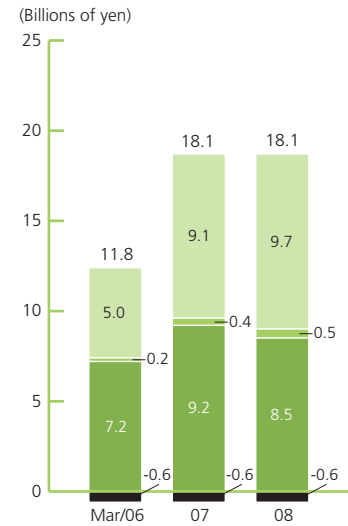


"Automotive Center (AMC)", opened in Nagoya in June 2008. AMC serves as an advanced materials technological development center for automotive applications where Toray collaborates with customers.

Net Sales



Operating Income



■ Toray
■ Japanese Subsidiaries
■ Overseas Subsidiaries
■ Adjustment

As the segment highly conducts global operation with Japanese, Europe, and US facilities, internal sales figures are shown in adjustment line, to describe the true state of the business.

Operating income to net sales:

21.7%

Sales growth:

+21.8%

Capital expenditures:
(property, plant and equipment)

49.8
billion yen

ROA:

9.2%

*Torayca** prepeg; Sheet-form *Torayca** carbon fiber impregnated with resin.

SUMMARY OF BUSINESS RESULTS FOR THE FISCAL YEAR ENDED MARCH 2008

In the fiscal year ended March 2008 (FY Mar/08), Toray Group recorded 21.8% growth in segment sales, to ¥83.6 billion, while operating income remained largely unchanged, at ¥18.1 billion.

Toray (the parent company) reported a rise in sales, primarily of products for aircraft applications. However, increase in cost including higher depreciation associated with additional facilities at the Ehime Plant, which came on stream in January 2007, resulted in a decline in operating income.

Steady growth in sales by our trading subsidiary resulted in increased total sales and operating income of our Japanese subsidiaries.

Regarding overseas subsidiaries, we reported growth in both sales and operating income thanks to steady growth in sales for aircraft and industrial applications in both Europe and the United States.

We reported year-on-year increases in sales for all applications—Aircraft, Sports, and Industrial. We saw a large 54% increase in sales for aircraft applications in particular, owing to growth in demand for commercial aircraft applications.

(Billions of yen)

Sub-Segment	Full Fiscal Year		
	FY Mar/07	FY Mar/08	Changes
Aircraft	22.2	34.3	+54%
Sports	14.3	16.6	+16%
Industrial	32.1	32.7	+2%
Total of Carbon Fiber Composite Materials Segment	68.6	83.6	+22%

OUTLOOK

Looking ahead, we forecast annual average growth in demand of around 15% for carbon fiber used in aircraft, sports, and various industrial applications.

In light of this outlook, we will work to increase sales for (1) aircraft applications for which we anticipate higher demand on the back of the launch of new passenger aircraft programs by Boeing Co., and Airbus S.A.S., and (2) the rapidly growing industrial applications for CNG* tanks and other environmental, safety, and energy applications.

However, we forecast that factors such as higher depreciation expenses stemming from our active capital investment program, an increase in R&D expenses associated with the development of future applications, and exchange rate fluctuations will have a negative effect on operating income.

* Compressed natural gas

TOPICS

Boost in *Torayca** Production Facilities in Japan, United States, and Europe

Toray has decided to expand carbonization facility for special thin carbon fibers for industrial use at the Ehime Plant having an annual capacity of 1,000 tons. The aim is to create a stable supply structure to ease pressure from the sharp increase in demand for carbon fiber for industrial and aircraft applications. Toray will spend a total of ¥16.0 billion on this expansion, and the facility is scheduled to come on stream in July 2009.

This project, combined with facilities in the United States and France currently under expansion, will raise the Group's annual capacity from 14,300 tons (as March 2008) to an estimated 18,900 tons by July 2009.

The Group intends to increase its annual production capacity to 25,000 tons by the end of 2010. At the same time, it will continue to enhance the vertically integrated business structure covering carbon fiber, prepreg**, and composites.

** Prepreg: sheet-form carbon fiber impregnated with resin

New Advanced Materials Technological Development Base in Nagoya to Supply Automobile and Aircraft Industries

Toray is converting its Nagoya Plant situated in Nagoya City, Aichi Prefecture, which is close to major automobile and aircraft industry customers, to a technological development base for advanced materials used in the two industries.

The plan is to establish the "Automotive & Aircraft Center (A&A Center)", which will serve as an integrated technological development center. The Center will combine the "Automotive Center (AMC)", technological development facility for automobile applications, which was opened in June 2008; the "Advanced Composites Center (ACC)", a composite materials development facility currently under construction and scheduled to open in April 2009; and the existing "Resin Applications Development Center".

Toray will take full advantage of the A&A Center to strengthen joint development with customers, speed up development schedules, and promote full-scale adoption of composite products, primarily in the automotive and aircraft industries.

ENVIRONMENT & ENGINEERING

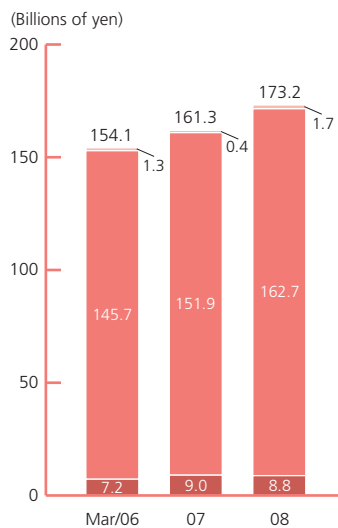


Toray's submerged membrane module for Membrane Bioreactors (MBRs) used for the treatment and reuse of wastewater, is highly rated for its low excess sludge and low-fouling properties. Toray continues to receive orders from large plants.

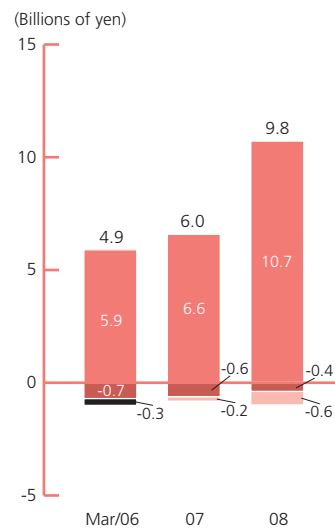


Toray Membrane USA, Inc. (TMUS), located in California, has expanded production facilities to meet growing demand.

Net Sales



Operating Income



■ Toray
■ Japanese Subsidiaries
■ Overseas Subsidiaries
■ Adjustment

Operating income to net sales:

5.7%

Sales growth:

+7.4%



ROA:

5.5%

Capital expenditures:
(property, plant and equipment)

6.6
billion yen

Toray's reverse osmosis (RO) membrane *Romembra**, is used in seawater desalination plants.

SUMMARY OF BUSINESS RESULTS FOR THE FISCAL YEAR ENDED MARCH 2008

In the fiscal year ended March 2008 (FY Mar/08), the Environment and Engineering segment recorded a 7.4% increase in sales, to ¥173.2 billion. Operating income rose substantially, to ¥9.8 billion.

In the water treatment business, sales of reverse osmosis (RO) membranes increased thanks to healthy growth in demand, as well as the commencement of operations of our newly established U.S. subsidiary Toray Membrane USA, Inc. Sales of home water purifiers were firm, while Toray's domestic water treatment engineering subsidiary also generated higher sales.

In the engineering business, our domestic engineering subsidiary reported increased sales and operating income owing to the expansion of its industrial machinery business.

OUTLOOK

The water treatment membrane market continues to expand as a result of worldwide water shortages, as well as demand for securing environmentally friendly water resources. However, the business environment for our industrial machinery and plant engineering business and the condominium business remains severe. Although we are seeing signs of improvement with respect to (1) the decline in corporate capital investment due to a downturn in the economy, (2) delays in approvals and construction starts for condominiums following enactment of the revised Building Standards Law, and a full-scale recovery in construction starts is not expected soon.

Under these circumstances, we expect our water treatment business to expand with the aid of increased production at RO membrane manufacturing facilities, for which we expanded capacity in the previous fiscal year, as well as our strengthened global marketing and sales network. However, we forecast a fall in sales from condominium construction at our construction subsidiary, as well as industrial machinery and plant engineering sales at our engineering subsidiary.

TOPICS

Increase in Production Capacity of RO Membranes and Elements for Water Treatment

The RO membrane market is expanding at an annual rate of 8% on the back of worsening water shortages globally and the need to secure environmentally friendly sources of water. To meet this sharp rise in demand, in FY Mar/08 Toray

expanded its production facilities for RO elements at the Ehime Plant in Japan (Masaki-cho, Iyo-gun, Ehime Prefecture) and at its wholly owned U.S. subsidiary, Toray Membrane USA, Inc. (TMUS) in California.

Toray invested a total of approximately ¥7.0 billion in the expansion of these two facilities, installing state-of-the-art, high-speed polyamide composite membrane production equipment and automated element rolling machines. In addition to enhancing quality, this expansion has increased Toray's total RO membrane production capacity by 1.8 times, to a total of 7.25 million cubic meters per day in terms of desalination plant capacity.

Orders for RO Membranes for Large-Scale Water Treatment Plants in Saudi Arabia, Australia and Singapore

Toray has received orders to supply RO membranes for three large water treatment plants. The first plant is the Shuaibah seawater desalination plant in Saudi Arabia, which is currently under construction and will have desalination capacity of 150,000 cubic meters of seawater per day when operation begins in 2009. The second is a large wastewater recycling plant in Australia, scheduled to come on stream in 2008, that will produce 66,000 cubic meters of water per day. The third is the Changi wastewater recycling plant in Singapore, the second largest facility of its kind in the world, scheduled to start operation in 2009 with the capacity to produce 228,000 cubic meters of water per day.

The aggregated orders the company has received to date for membranes in the seawater desalination field exceed 2.5 million cubic meters per day in terms of the amount of water being desalinated, which is sufficient to meet the daily needs of 10 million people, and is one of the largest player in the field. Toray has gained a worldwide reputation for its record in supplying large-scale plants with RO membranes that meet rigorous technical specifications. We are the only RO membrane manufacturer that has received orders for large-scale desalination plants producing more than 100,000 cubic meters of water per day in the Caribbean, Mediterranean, Middle East and East Asia. Toray will continue to actively seek orders for its products, based on its world class membrane technologies, from the Middle East and other areas with worsening water shortages, including the Mediterranean, China and Oceania.

RO Plants with Toray Romembra* Elements

No.	Country	Location	Capacity m ³ /d*1	Purpose	Operation year*2
1	Kuwait	Sulaibiya	320,000	Wastewater recycling	2005
2	Singapore	Changi	228,000	Wastewater recycling	(2009)
3	Algeria	Hamma	200,000	Seawater desalination	(2007)
4	Saudi Arabia	Shuaibah	150,000	Seawater desalination	(2009)
5	Trinidad & Tobago	Point Lisas	136,000	Seawater desalination	2002
5	Singapore	Tuas	136,000	Seawater desalination	2005
7	Saudi Arabia	Salboukh & Boweib	120,000	Brackish water desalination	2006
8	Iran	Fajr	100,000	Brackish water desalination	2001
9	Israel	Palmachim	92,250	Seawater desalination	2007
10	Saudi Arabia	Al Jubail-III	90,909	Seawater desalination	2000
12	Korea	Daesan/HPC	84,000	Brackish water desalination	1997
11	Spain	Mallorca	69,300	Seawater desalination	2001
13	Australia	Luggage Point	66,000	Wastewater recycling	(2008)

*1 Total water production capacity of the plant.

*2 The year the plant began operation. () denotes that the plant is currently being constructed.

LIFE SCIENCE & OTHER BUSINESSES

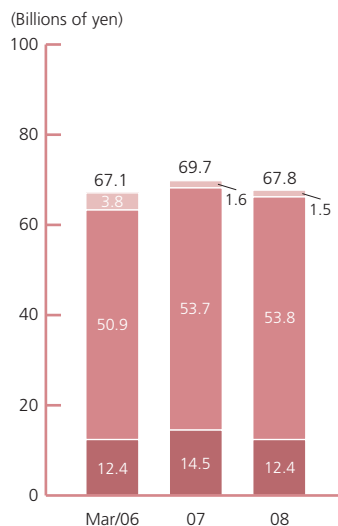


Careload* LA Tablets 60µg (generic name: beraprost sodium) is the world's first oral PGI₂ derivative prolonged release drug. It has high hopes as a treatment for pulmonary arterial hypertension.

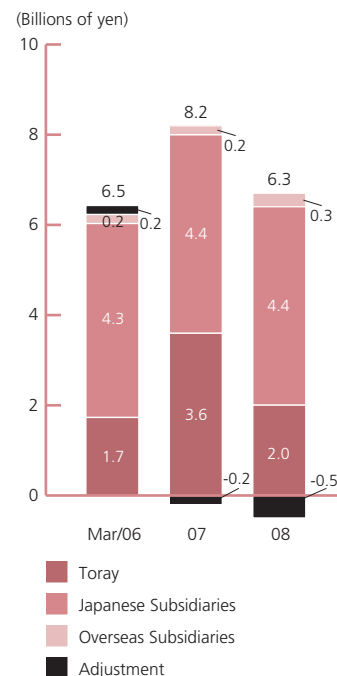


Toray's high sensitivity protein analysis chip for testing and diagnostics detects minute amounts of disease marker proteins contained in blood and urine. Potential applications include not only the medical field, but also a wide range of areas such as food and environmental analysis.

Net Sales



Operating Income



Operating income to net sales:

9.3%

Sales growth:

-2.8%



Capital expenditures:
(property, plant and equipment)

3.0
billion yen

ROA:

5.8%

Natural Interferon-β preparation *Feron** is Japan's first antiviral drug used for the treatment of hepatitis C compensated cirrhosis.

SUMMARY OF BUSINESS RESULTS FOR THE FISCAL YEAR ENDED MARCH 2008

In the fiscal year ended March 2008 (FY Mar/08), sales in the Life Science & Other Businesses segment declined 2.8%, to ¥67.8 billion, and operating income fell 22.7%, to ¥6.3 billion.

Sales in the pharmaceuticals and medical products business increased for a number of reasons. We boosted sales of our natural Interferon β preparation, for which we received approval in April 2006 for the treatment of hepatitis C compensated cirrhosis. In December 2007, we also launched a new drug, called *Careload**, used for the treatment of pulmonary arterial hypertension (PAH). In the medical products business, we increased sales of *Toraylite**, a new type of artificial kidney. However, a decline in licensing revenues and other factors resulted in a fall in operating income.

OUTLOOK

The pharmaceuticals and medical products market in Japan is expected to be challenging amid further drug price revisions and revisions to reimbursement prices for artificial kidneys and other medical products in FY Mar/09.

Under these circumstances, we will strive to expand sales of the new drug *Careload** and boost sales of *Toraylite**. We will also launch a new drug to alleviate intractable pruritis for hemodialysis patients and we anticipate a rise in licensing revenues.

We also intend to proactively expand our businesses in DNA chip and protein analysis chip, which have huge market potential as key tools in genomic drug discovery and the so-called "tailor-made" medicine.

TOPICS

Launch of the Pulmonary Arterial Hypertension Agent *Careload**

In December 2007, Toray and Astellas Pharma Inc. together launched the world's first oral Prostacyclin (PGI₂) derivative prolonged release *Careload** LA Tablets 60 μ g (generic name: berapost sodium) for the indication of PAH.

Prostacyclin's vascular dilation and platelet aggregation inhibition actions make it a very effective method for treating pulmonary hypertension. However, because existing prostacyclin drugs break down quickly inside the body, there are problems associated with making its effect last, such as the necessity for intravenous administration over a long period of time.

Toray synthesized berapost sodium to stabilize this unstable prostacyclin. We also applied slow-release technology* to sustain the blood concentration of berapost sodium, as well as lower the maximum blood concentration. As an oral drug that can be used from the early stages of PAH, Toray expects *Careload** to provide patients suffering from the disease with a new therapeutic choice.

* Technology for regulating the release of active ingredients.

Development of Highly Sensitive Protein Analysis Chip

In May 2008, Toray announced the development of a protein analysis chip system for testing and diagnostic applications that can detect minute disease marker proteins contained in blood and urine easily and with high sensitivity.

Toray applied its proprietary capabilities in the integration of bio- and nano-technologies, together with its expertise in the development of bio-tools, to incorporate a number of functions required to analyze disease marker proteins into a single chip. These functions include sample pre-treatment, separation, and detection. As a result, analysis, which currently takes more than several hours, can be completed with high sensitivity within 15 minutes. Potential application fields are not only emergency and preventive medical care, but also a wide range of other fields, including food and environmental safety testing.

Following on the ultrahigh-sensitive *3D-Gene** series of DNA chip launched in June 2006, Toray plans to develop this protein analysis chip system into a Toray's core bio-tool and a key tool for use in tailor-made medical care through the developing of practical applications.