

**'TORAY'**

Innovation by Chemistry



**ANNUAL REPORT 2009**

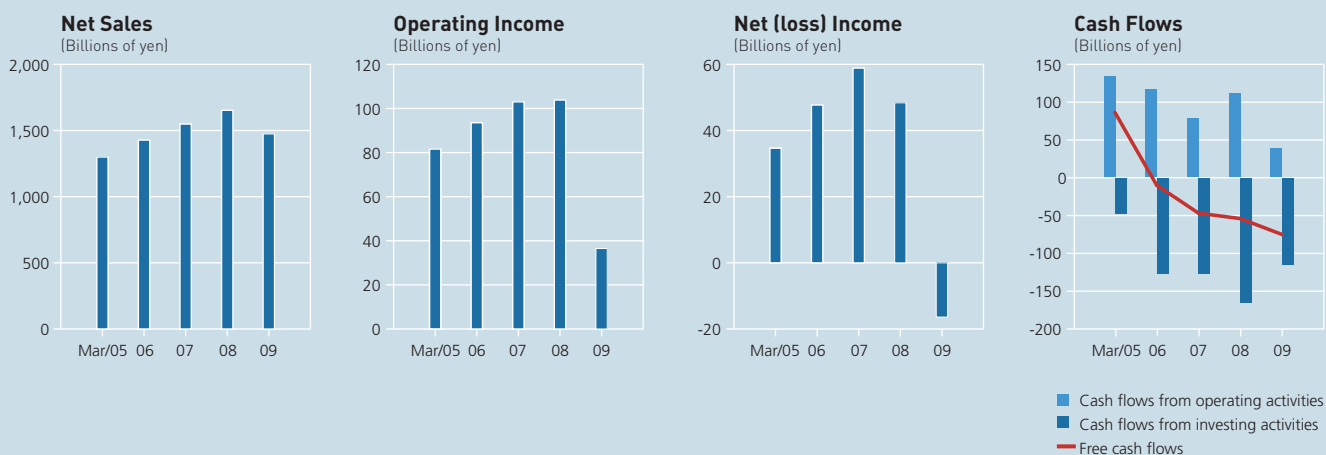
April 1, 2008 — March 31, 2009

# CONSOLIDATED FINANCIAL HIGHLIGHTS

Toray Industries, Inc. and Consolidated Subsidiaries  
Years ended March 31

	Millions of yen			Thousands of U.S. dollars
	2007	2008	2009	2009
<b>For the year:</b>				
Net sales	¥ 1,546,461	¥ 1,649,670	<b>¥ 1,471,561</b>	<b>\$ 15,015,929</b>
Operating income	102,423	103,429	<b>36,006</b>	<b>367,408</b>
Net (loss) income	58,577	48,069	<b>(16,326)</b>	<b>(166,592)</b>
Net cash provided by operating activities	77,539	110,367	<b>38,447</b>	<b>392,316</b>
Capital expenditures	126,444	146,787	<b>92,349</b>	<b>942,337</b>
<b>Per share of common stock (in yen and U.S. dollars):</b>				
Net (loss) income:				
Basic	¥ 41.84	¥ 34.34	<b>¥ (11.66)</b>	<b>\$ (0.12)</b>
Diluted	—	—	—	—
Cash dividends	10.00	10.00	<b>7.50</b>	<b>0.08</b>
Net assets	421.51	423.78	<b>335.04</b>	<b>3.42</b>
<b>At year-end:</b>				
Total assets	¥ 1,674,447	¥ 1,698,226	<b>¥ 1,523,603</b>	<b>\$ 15,546,969</b>
Net assets	649,670	642,159	<b>512,610</b>	<b>5,230,714</b>

Note: U.S. dollars amounts have been converted from yen at the exchange rate of ¥98=US\$1, the approximate exchange rate prevailing on March 31, 2009



## CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Descriptions of predicted business results, projections and business plans contained in this annual report are based on forecasts and assumptions regarding the future business environment made at the present time. This annual report is not a guarantee of the Company's future business performance.

Product names in italic with an asterisk (\*) are registered trademarks of Toray Group in Japan.

# PROFILE

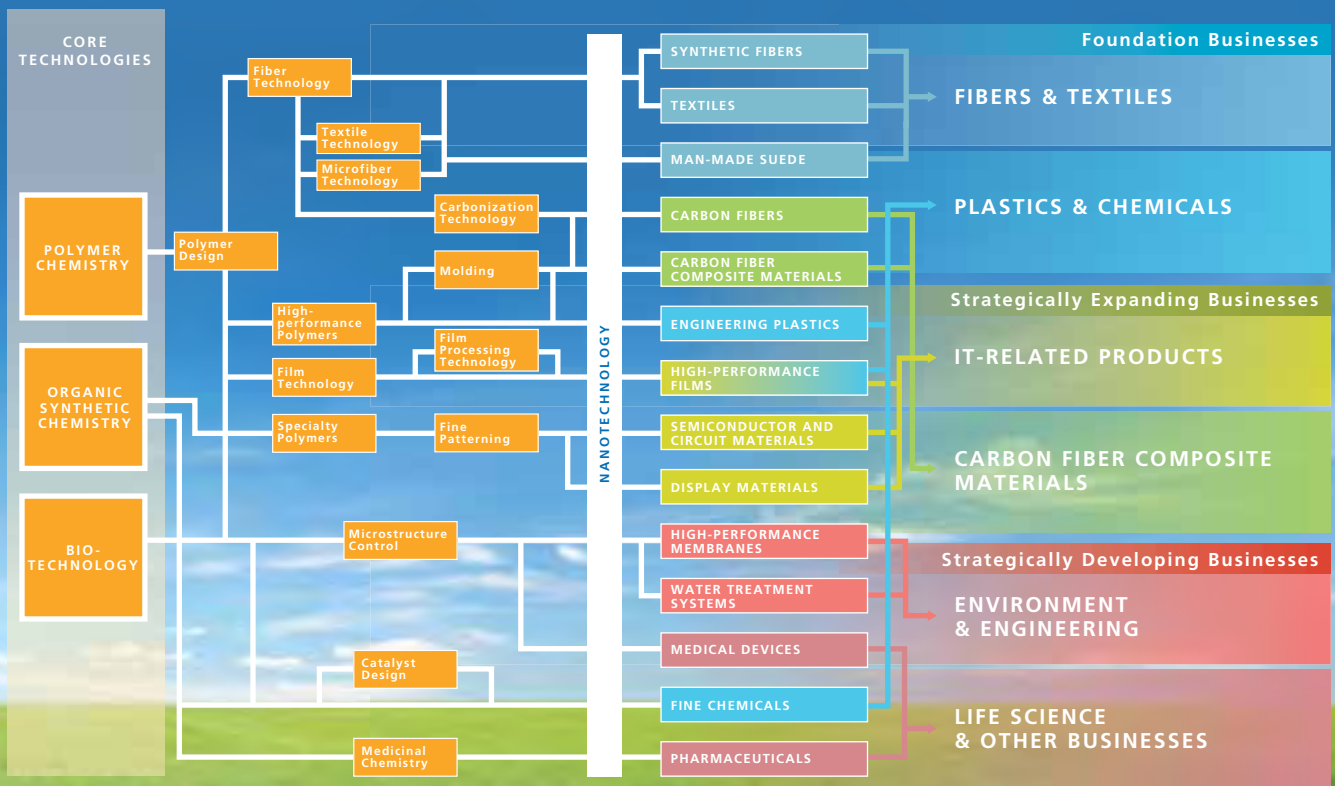
Toray Group is mobilizing its strengths in four core technologies—organic synthetic chemistry, polymer chemistry, nanotechnology, and biotechnology—to globally expand a variety of businesses, namely, “Foundation Businesses” (Fibers & Textiles and Plastics & Chemicals), “Strategically Expanding Businesses” (IT-related Products and Carbon Fiber Composite Materials) and “Strategically Developing Businesses” (including pharmaceuticals, medical products and water treatment).

The Group is aiming to become a “global top company of advanced materials.” To this end, we have adopted an innovative approach in offering solutions to problems that have emerged amid changes to the socioeconomic structure. These problems, which have a restraining effect on economic growth, include preservation of global environment, depletion of fossil resources and energy, and aging population with declining birthrates. We will promote growth strategies and work continuously to further improve the value of Toray Group, while realizing our corporate philosophy of “contributing to society through the creation of new value with innovative ideas, technologies and products.”

**CORPORATE PHILOSOPHY**  
Contributing to society through the creation of new value with innovative ideas, technologies and products

**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



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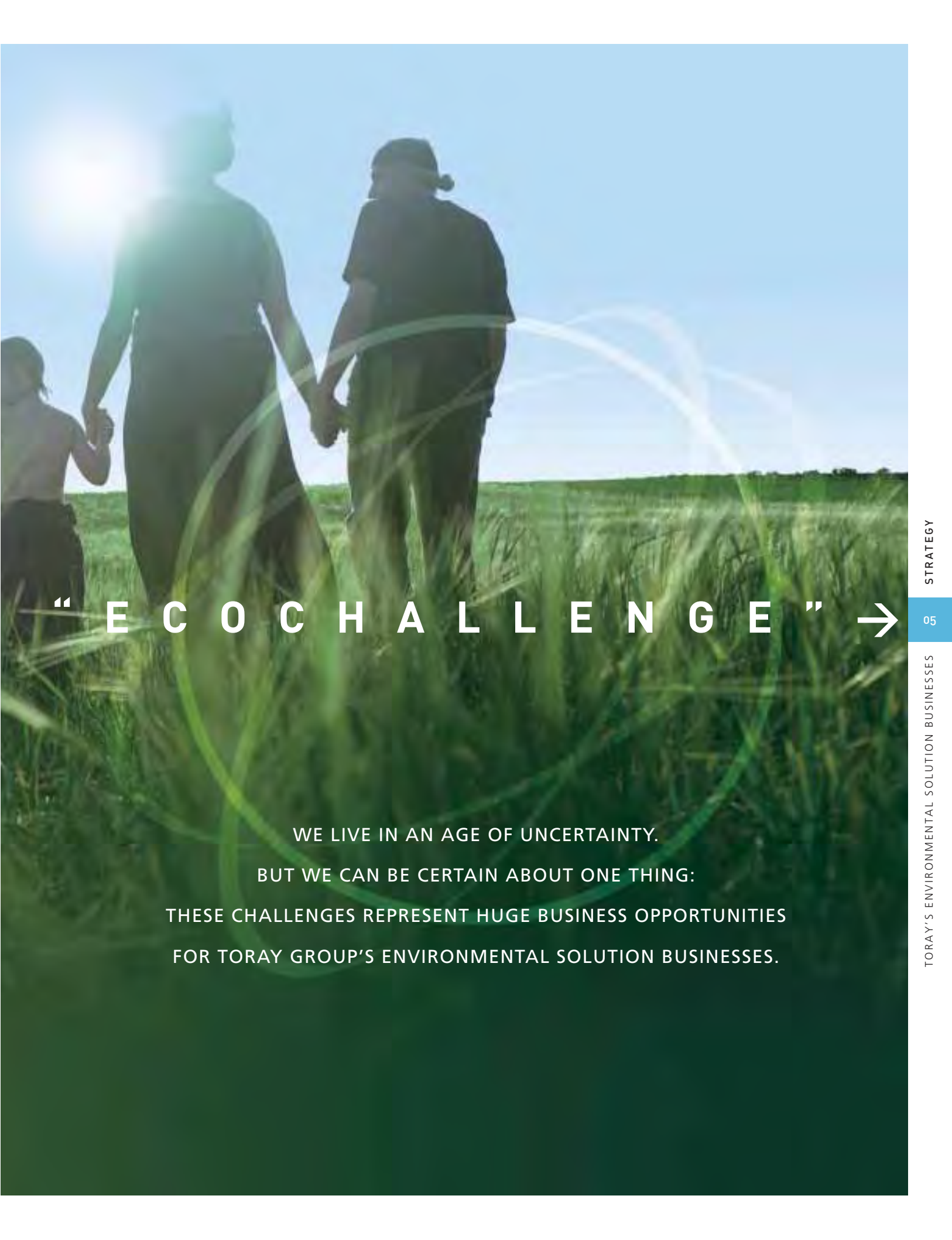
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# “ E C O C H A L L E N G E ” →

WE LIVE IN AN AGE OF UNCERTAINTY.  
BUT WE CAN BE CERTAIN ABOUT ONE THING:  
THESE CHALLENGES REPRESENT HUGE BUSINESS OPPORTUNITIES  
FOR TORAY GROUP'S ENVIRONMENTAL SOLUTION BUSINESSES.



FIBER STRONGER THAN IRON IS  
REVOLUTIONIZING FUEL ECONOMY

SAVING ENERGY

Toray's share of the world market  
for polyacrylonitrile (PAN)-based carbon fiber:

**34%**

A material that is ten times stronger in terms of specific intensity and four times lighter than iron (and even lighter than aluminum). What is more, it doesn't rust. That material is Toray's carbon fiber. For automobiles and aircraft, "weight reduction" is the key to saving energy and reducing CO<sub>2</sub>.

It is said that if it were possible to convert to energy 100% of the sunlight that reaches the Earth, the amount obtained in one hour would be sufficient to meet the world's energy consumption for a year. Toray's weather resistant polyester film has become the de facto standard for PET-based back sheets that protect photovoltaics (PV) modules.

Toray's share of the world market  
for polyester films for PV back sheet applications:

**43%**


**NEW ENERGY**

**ADVANCED MATERIALS PROTECT PHOTOVOLTAICS**



CONVERTING BOTH SEAWATER  
AND WASTEWATER INTO FRESH WATER

WATER TREATMENT



The number of people supplied with water  
by Toray's reverse osmosis membranes:

**65**  
million people

Toray's full lineup of water treatment membranes is backed by its world-class membrane technologies. Although the Earth is often called the "water planet," a mere 0.01% of its water is fit for human consumption. The global water shortage is worsening by the year. Water treatment membranes developed by Toray make a valuable contribution to solving the problem of insufficient water resources.

Polylactic acid (PLA) bio-plastic made from plants instead of petroleum is a renewable material. Toray's proprietary technology delivers enhanced thermal resistance, shock resistance and moldability to PLA products, paving the way for a wide range of applications, including in notebook computer chassis.

An inexhaustible recyclable resource:



## B I O M A S S

U S I N G P L A N T S F O R N O T E B O O K C O M P U T E R P A R T S



# TO TORAY STOCKHOLDERS

ON BEHALF OF TORAY INDUSTRIES, INC.,  
I WOULD LIKE TO THANK TORAY  
STOCKHOLDERS FOR THEIR CONTINUED  
SUPPORT. IT IS MY PLEASURE TO  
REPORT OUR PERFORMANCE IN THE FIS-  
CAL YEAR ENDED MARCH 31, 2009.

## Comfortably, Stylishly "Cool"

The material used in the suit and shirt in the photograph on the right-hand page is bamboo fiber and is one of Toray's many, environmentally-friendly products. Bamboo is considered to be an environmentally-friendly material, as it grows fast and does not require much space for it to grow.

We offer a range of other clothing products with a cooling effect that makes it possible to set the office temperature higher and help curb global warming by reducing CO<sub>2</sub> emissions.

One example of such a product is now in its 10th year on the market, the *Kazetoru*\* (literally "passing breeze" in Japanese) Series, highlighted by *Kazetoru*\* shirts, now covers the entire range of clothing from head to toe, including socks, underwear, dress shirts, jackets and hats. Special yarn characteristics and textural structure achieve excellent ventilation performances of 120cc/cm<sup>2</sup>/sec for dress shirts and 350cc for underwear.

For jackets and trousers, where performance above 100cc creates transparency problems, we use mesh for the pockets and porous shoulder pads for ventilation.

As a piece of comfortable clothing that provides high ventilation, this "passing breeze" plays an important role during the summer in Japan, which is known for its high humidity.

Toray Group develops and supplies a variety of apparel products that enable businesspeople to be comfortable in this era of fighting global warming. In these activities, we adopt diverse approaches, including development of eco-friendly materials and weaving technologies.

## BUSINESS RESULTS

During the period under review, the world economy, which underwent only a relatively moderate slowdown in the first six months despite surges in crude oil and other resource prices and large fluctuations in currency exchange rates, slumped to a worldwide recession in the second half. Reflecting the worsening financial crisis that originated in the U.S., overall demand shrank rapidly and drastically. While the U.S. and European economies worsened with each passing month and China and other emerging economies slowed down significantly, Japanese economy also registered a steep decline, with both domestic and foreign demand weakening sharply.

Under such a business environment, Toray Group continued its efforts to reform business structure and enhanced profitability of the Group under the mid-term business strategies "Project Innovation TORAY 2010" ("IT-2010") launched in October 2006. At the same time, to cope with the increases in raw materials and fuel prices in the first half, the Group took actions to reduce costs, transfer cost increases on to selling prices and shift to high value added products. It also strived to reduce capital expenditures, cut down expenses and adjust inventory levels in response to the economic slowdown.

Despite these efforts, the significant drop in demand in the second half meant that consolidated net sales for the fiscal year ended March 31, 2009 declined 10.8% on a year-on-year basis to ¥1,471.6 billion. Operating income was ¥36.0 billion, down 65.2% from the previous fiscal year, reflecting reduced output to adjust inventory levels. The Group posted a net loss of ¥16.3 billion reflecting extraordinary losses of ¥43.0 billion including loss on write-down of investment securities and loss from impairment of property, plant and equipment.

Taking into account the earnings performance, Toray declared a year-end dividend of ¥2.50 per share, which brings total annual dividends to ¥7.50 per share after adding the interim dividend already paid.

## THE NEW MEDIUM-TERM MANAGEMENT PROGRAM "PROJECT IT-II" TO OVERCOME THE ECONOMIC CRISIS

In April 2006, the 80th anniversary of its foundation, Toray Group established "AP (Action Program) — Innovation TORAY 21," a long-term corporate vision incorporating the great aspiration to become a global top company of advanced materials. In pursuit of this vision, the Group established the mid-term business strategies, "IT-2010" in October 2006, undertaking the challenge of further growth through innovation. Guided by "IT-2010," the Group proactively implemented various activities to transform into a highly profitable business group. Toray Group will continue to adhere to the fundamental, underlying principles of "AP-Innovation TORAY 21" and "IT-2010."

However, with the global economy in a deep recession, the demand for various products including basic materials has fall-

en significantly, magnified by inventory de-stocking process across supply chains. Toray Group is also severely affected by the global recession, which forces the Group to reduce production in a number of its businesses. The urgent priority of the Group is the implementation of emergency measures to overcome the drastic changes of the business environment.

Therefore, over the next two years, the Group will focus its efforts on surviving the economic crisis. As a basic strategy to guide the efforts, the Group has established a new medium-term management program "Project IT-II (Innovation TORAY II)" launched in April 2009.

Under "IT-II," every aspect of our operations will be open to bold and rapid development of initiatives to improve earnings, which are: total cost reduction including a cut in the annual remuneration and elimination of bonuses for executives of the Company, maximization of earnings by ensuring sales through every possible effort, optimization of the scale and systems of the businesses in response to structural changes in the business environment, in-depth reduction of capital expenditures and working capital, and promotion of business structure reform to prepare for future growth.

To address these challenges, Toray will promote three group-wide projects — Total Cost Reduction Project, Action Program for Survival Project and Action Program for Growth Project. Through these projects, the Group will implement comprehensive measures to bolster earnings as well as promote a growth strategy from the viewpoint of providing solutions for the constraining factors on economic growth in response to socioeconomic structural changes relating to environmental issues, natural resources and energy, and aging population with declining birthrate, etc.

### **A NEW LEAP FORWARD BY OVERCOMING THE ECONOMIC CRISIS**

We recognize this crisis as one of the severest challenges in the history of the Company, but at the same time, we perceive it to be as an opportunity for growth. Through our concerted efforts, we will overcome the current economic crisis and carve out a new future to achieve sustainable growth as a highly profitable business group.

We hope all stockholders will extend their continued understanding and support.

August 2009



Sadayuki Sakakibara  
President, CEO and COO, Representative Director  
Toray Industries, Inc.



# NEW MEDIUM-TERM MANAGEMENT PROGRAM "PROJECT IT-II (INNOVATION TORAY II)"

Long-term vision **AP-Innovation TORAY 21**

Corporate image of Toray Group in the 21st century  
Corporate slogan "Innovation by Chemistry"  
"Toward a Global Top Company of Advanced Materials"

Mid-term Business Strategies **IT-2010**

Management with Innovation and Creativity  
-Challenges for Further Growth-

Major issues: Five Innovations

- Basic Strategies
1. transforming to a highly profitable business group
  2. expanding advanced materials in four major growing business fields



In April 2009, Toray Group launched its new medium-term management program, called "Project IT-II." While adhering to the fundamental principles of Toray's long-term corporate vision, "AP Innovation TORAY 21," and the mid-term business strategies of "Project Innovation TORAY 2010 (IT-2010)," the program's five basic principles set out strategies for overcoming the current economic crisis. They are (1) Total cost reduction; (2) Profit maximization by comprehensively "ensuring sales through every possible effort;" (3) Optimization of the scale and systems of businesses in response to structural changes in the business environment; (4) In-depth reduction of capital expenditures and working capital; and (5) Promotion of business structure reform to prepare for future growth.

Three group-wide projects have been established under "IT-II": Total Cost Reduction Project (TC Project), "Action Program for Survival" Project (APS Project), and "Action Project for Growth" Project (APG Project). Through promoting the tasks set out in these projects, Toray will implement sweeping measures to enhance its profitability. At the same time, the Group will respond to socioeconomic structural changes by pursuing growth strategies that provide solutions to factors constraining economic growth. We will also cut back on capital expenditures, reduce working capital, and improve cash flows.

By concentrating its efforts on "IT-II," the Group aims to overcome the economic crisis and regain by FY Mar/11 the same level of consolidated operating income achieved in FY Mar/09. This is our immediate target for overcoming the pressing challenges presented by the economic crisis.

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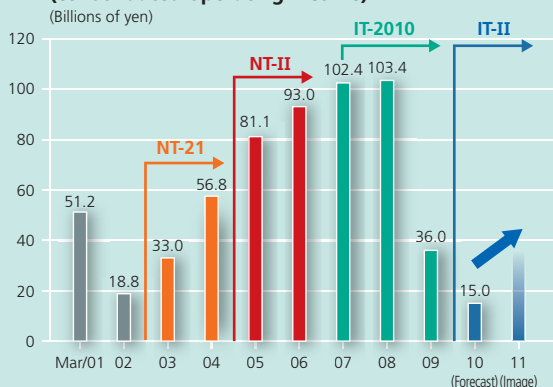
By concentrating its efforts on "IT-II," the Group aims to overcome the economic crisis and regain by FY Mar/11 the same level of consolidated operating income achieved in FY Mar/09. This is our immediate target for overcoming the pressing challenges presented by the economic crisis.

## THREE GROUP-WIDE PROJECTS

### 1. Total Cost Reduction (TC) Project

In order to survive the economic crisis, it is essential for Toray Group to comprehensively reduce all types of costs and strengthen competitiveness. This means reducing personnel and fixed costs to a scale commensurate with profitability, as well as lowering variable costs as much as possible. By reducing fixed and variable costs in response to the sudden decline in sales and production volumes brought about by the global economic recession, we will strive to minimize the extent of deterioration in earnings. We believe that when the economy recovers, these measures for strengthening our business foundation will lead to a significant improvement in our profitability.

Image of Business Recovery under IT-II (consolidated operating income)



### Key Issues

- Reduce production fixed costs by scaling down, shutting down, or integrating production lines
- Reduce SG&A fixed costs (product development costs, labor costs, sales promotion costs, etc.)
- Reduce variable costs (improve earnings, Value Analysis (VA) in purchasing, logistics efficiency improvement, etc.)

Specific targets to be reached by FY Mar/11 are to reduce fixed costs by more than ¥60 billion and variable costs by more than ¥40 billion, for a total cost reduction of ¥100 billion compared with the FY Mar/09 budget. We aim to achieve cost reductions of more than ¥50 million by FY Mar/10.

## 2. "Action Program for Survival" (APS) Project

In addition to reducing costs and strengthening competitiveness under the TC Project, Toray Group will maximize earnings even in contracting markets by comprehensively "ensuring sales through every possible effort." Given the expectation that unlike previous occasions the world economy will not return to high growth in a short period of time, we will optimize the scale and systems of our businesses based on medium-term business forecasts. Rather than surviving by merely downsizing businesses, we will make fundamental enhancement in our profitability through the restructuring of systems. To this end, we will flexibly and efficiently leverage one of Toray Group's key strengths, namely, its global operations.

Under the APS Project, we will fast-track development themes, and thereby boost earnings, by reassessing technology development resources and costs, as well as concentrating resources on top-priority themes expected to make an early contribution to profits. And to ensure rapid engagement with aforementioned key issues, we will also establish a framework for quick decision-making on project-related matters, and each business division will address specific tasks through the collaborative efforts of the sales and marketing, production, technology and R&D functions.

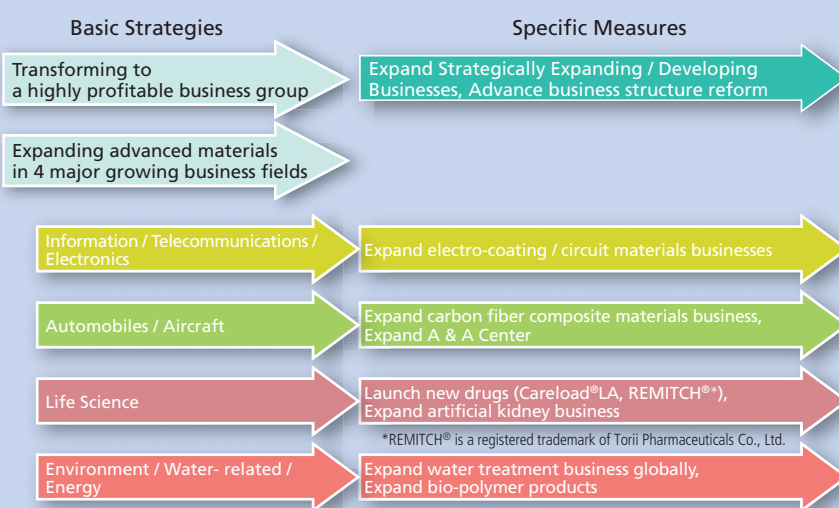
## 3. "Action Program for Growth" (APG) Project

Amid changes in the socioeconomic structure, a number of global factors are emerging as constraints to economic growth. Among these are issues related to preservation of global environment, depletion of fossil resources and energy, as well as the aging population with declining birthrates. In response, Toray Group will harness its combined strengths to promote growth strategies for developing businesses in a new way by providing solutions to these issues, and thereby make a positive contribution to society. The APG Project adheres to the fundamental, underlying principles of "IT-

### Key Issues

- Increase sales volumes using appropriate pricing strategies (expand market share in priority fields)
- Establish reasonable forecasts for the scale of businesses in the medium term, and optimize the scale and systems for the marketing and, production, and development functions (includes taking action on unprofitable and low-profit businesses/companies)
- Review allocation of technology development resources and costs, and realize profits ahead of schedule by concentrating resources on top-priority development themes expected to make an early contribution to profits
- Establish and implement specific tasks to achieve the group-wide targets set under the TC Project

### Medium-term and long-term growth strategies inherited from IT-2010



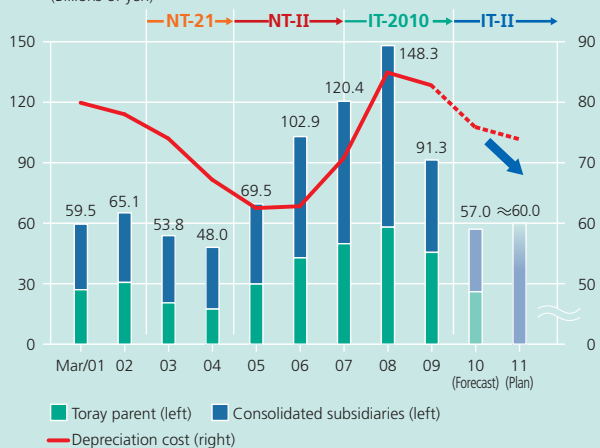
### Basic strategies of the Action Program for Growth addressed in IT-II

#### Providing solutions to the constraining factors on economic growth with Toray Group products and technologies

- Preservation of global environment: (CO<sub>2</sub> reduction, etc.) Energy conservation, Renewable energies
- Depletion of fossil resources and energy: New energy resources, Non-petrochemical raw materials-based polymers
- Securing of water resources / food stocks: Seawater desalination system, Non-edible bio-polymers
- Aging population with declining birthrates: QOL improvement with life science business, others

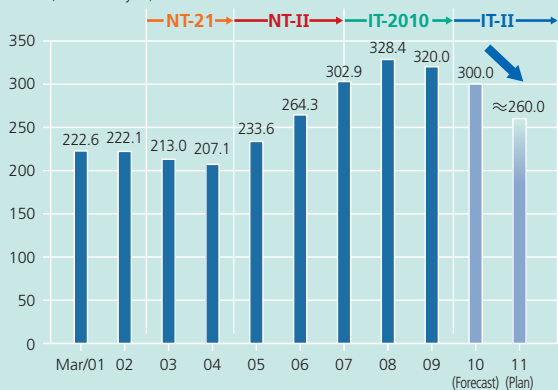
### Trends in Consolidated Capital Expenditures and Depreciation Cost

(Billions of yen)



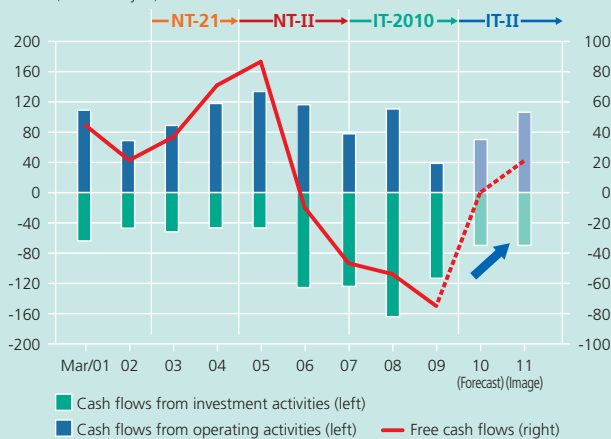
### Trends in Consolidated Inventories

(Billions of yen)



### Trends in Consolidated Cash Flows

(Billions of yen)



2010" of transforming Toray into a highly profitable business group and expanding advanced materials in the four major growing business fields. At the same time, Toray Group will deploy products and technologies to provide solutions concerning preservation of the global environment, depletion of fossil resources and energy, securing water and food resources, aging population with the declining birthrates, and other factors constraining economic growth.

## REDUCING CAPITAL EXPENDITURES AND WORKING CAPITAL AND IMPROVING CASH FLOWS

Toray Group will maintain and bolster its financial position. Under "IT-II," we will also work hard to cut back on capital expenditures and working capital, as well as improve cash flows.

### Reduction of Capital Expenditures

We plan to cut back capital expenditures to ¥57 billion in FY Mar/10 on a consolidated basis. We aim to reduce capital expenditures to below the Group's depreciation costs, which are expected to total around ¥60 billion in FY Mar/11.

### Reduction of Working Capital

We will reduce working capital, particularly inventories. In the next two years, we plan to set inventory levels that are commensurate with sales by establishing and applying indicators, such as inventory turnover ratio.

### Improvement of Cash Flows

In addition to reducing capital expenditure and working capital, we will maximize earnings through the measures for reducing costs and by "ensuring sales through every possible effort" set out in the TC Project and APS Project under "IT-II." Through these efforts, we plan to return to a surplus level in terms of free cash flows.

# SPECIAL FEATURE:

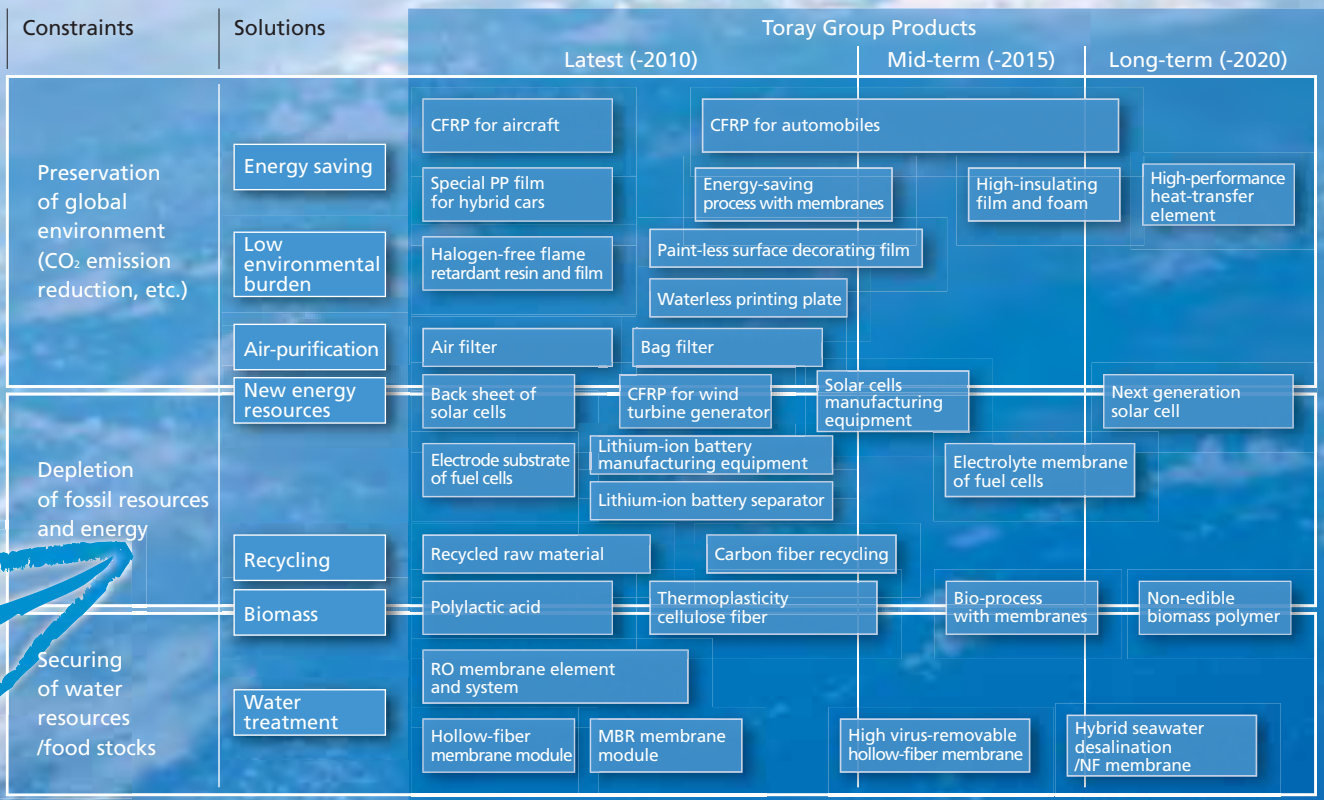
## BALANCING ECONOMIC GROWTH AND ENVIRONMENTAL PRESERVATION

Toray Group's business strategies have a strong focus on the global environment. Based on our comprehensive strategies, the Group is promoting the Project "EcoChallenge," consisting of proactive activities directed at conserving resources and preserving the global environment, with the aim of realizing a sustainable society with a low carbon footprint.

In April 2009, Toray launched "Project IT-II," a new medium-term management program. One of the group-wide projects initiated under the program is the "Action Program for Growth (APG)" Project, which sets out growth strategies targeted for post economic crisis. The aim of APG Project is to make a contribution to society by proposing solutions for issues that are constraining economic growth, namely, problems related to preservation of global environment, depletion of fossil resources and energy, securing of water resources / food stocks and aging population with declining birthrate. In May 2009, Global Environment Business Strategic Planning Department was established directly under President in order to further energize "EcoChallenge" under the APG Project.

### PROJECT "ECOCHALLENGE": NEW GROWTH STRATEGIES FOCUSING ON GLOBAL ENVIRONMENT

#### SOLUTION PROPOSAL TO CONSTRAINING FACTORS ON ECONOMIC GROWTH



## GLOBAL ENVIRONMENTAL ISSUES AND OUR BUSINESSES

### Heightened Interest in Lightweight Energy-saving Benefits of Carbon Fiber

Energy saving with aircraft and automobile weight reduction as well as the enhancement of their engines is an important subject to prevent global warming because such an effort can realize to reduce CO<sub>2</sub> emissions from airplanes and cars, which currently use fossil fuels as primary source of mobility.

Carbon Fiber Reinforced Plastics (CFRP) is gaining increased attention from aircraft and automobile manufacturers as a material that can keep their physical strength intact, while reducing their body weight.

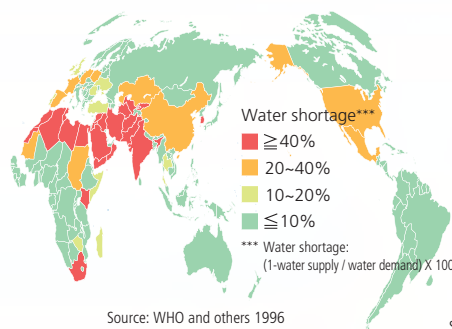
### Shifting from Fossil Fuels to Renewable Energy Sources

There is a danger that fossil fuels, such as coal, petroleum and natural gas, will be depleted in a hundred years. Today, photovoltaic generation and wind power generation are being sought on a global scale as renewable forms of clean energy and as a means of preventing the depletion of fossil fuels and global warming. As a lightweight, super strong and high modulus material, CFRP has become the focus of attention for the blades of large wind turbines used in wind power generation facilities.

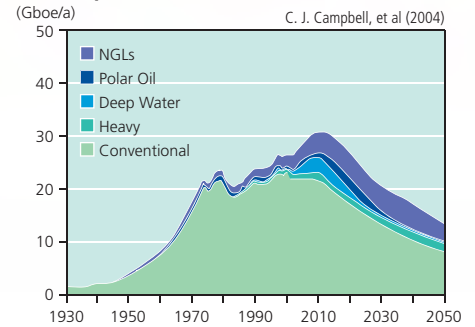
### Membrane Technology Key to Water Resource Problems

Water shortages are becoming a serious global issue due to surging demand for water as a result of rising populations and economic development in emerging nations, as well as droughts caused by global warming and water pollution accompanying industrialization. Such circumstances are creating strong demand for low-cost water treatment using state-of-the-art technologies for the desalination of seawater, purification and recycling of wastewater.

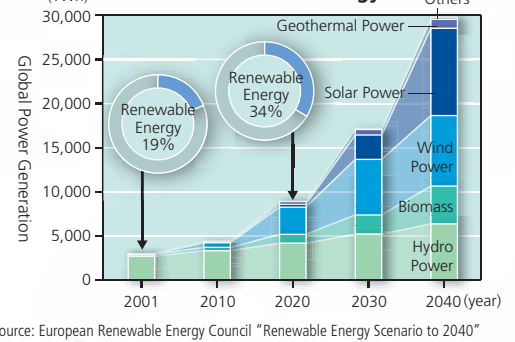
### Water Shortage Presumed Regions in 2025



### Depletion of Fossil Resources



### Trend of Renewable Energy



## TORAY GROUP SOLUTIONS SAVING ENERGY

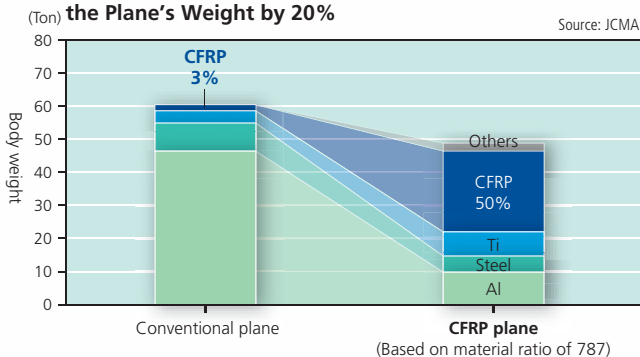
As the world leader in carbon fiber manufacturing, Toray is engaged not only in materials development but also in the development of molding technology.

### AIRCRAFT:

#### CFRP for 50% of Structural Materials

Improving fuel economy and reducing carbon dioxide emissions are the two greatest challenges facing aircraft manufacturers. Toray Group's reputation for its advanced technological capabilities and track record in aircraft applications has resulted in the adoption of Toray's carbon fiber reinforced plastics (CFRP) in the Boeing 787. The use of CFRP for 50% of the Boeing 787's structural materials has reduced the plane's weight by 20% and contributed largely to a 20% improvement in fuel economy. Other aircraft that use a large amount of CFRP are being developed to improve fuel economy and reduce carbon dioxide emissions. Toray Group's carbon fiber composite materials technologies are expected to become a solution that majorly contributes to the reduction of the carbon dioxide emissions of aircraft.

#### The Use of CFRP for 50% of Structural Materials Reduce the Plane's Weight by 20%

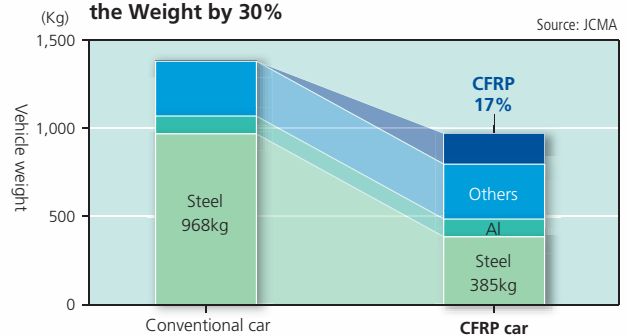


### AUTOMOBILES:

#### Reducing Carbon Dioxide by Lighter Vehicles Using CFRP

For regular vehicles as well, reducing weight is important for complying with more stringent environmental regulations, such as those restricting carbon dioxide emissions, as well as for meeting consumer demand for improved fuel economy. It is said that reducing the weight of next-generation electric vehicles will accelerate the adoption of electric vehicles with longer cruising distances. Toray Group is developing advanced CFRP mass-production technology for automobiles at the A & A Center (Automotive and Aircraft Development Center) located at its Nagoya Plant. The aim is to help reduce vehicle carbon dioxide emissions by realizing lighter automobiles using CFRP and engineering plastics.

#### The Use of CFRP for 17% of the Body Reduce the Weight by 30%





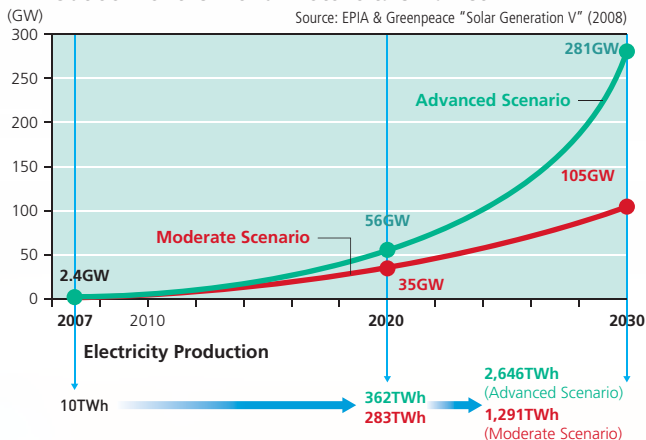
Primary components used in solar cells and wind power generators are made from the advanced materials of Toray.

**PHOTOVOLTAIC GENERATION:**

**Leading the Way with Polyester (PET) Films and Organic Thin Films**

Photovoltaic generation is garnering considerable attention as a form of clean energy that produces virtually no carbon dioxide emissions during its operation. Toray Group holds the top market share for PET film used for back sheets, which protect the rear side of solar modules. We are also developing an organic thin film solar cell, which is expected to lower the cost of solar cells. Recently, this development project achieved an exceptional milestone, realizing the highest reported conversion efficiency in the world for an organic thin film solar cell. Toray Group will continue expanding its solar cell-related materials business and activities aimed at commercialization of new photovoltaics.

**Outlook for the World Photovoltaic Market**



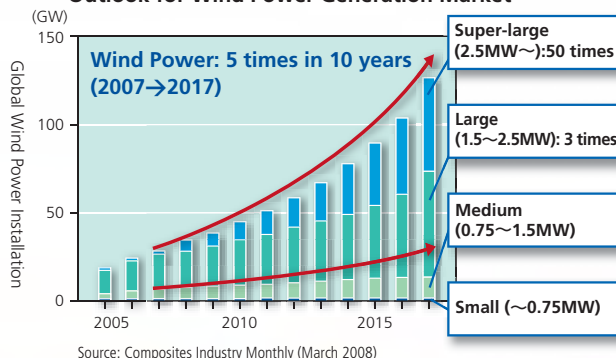
**WIND POWER GENERATION:**

**CFRP Makes Super-large Windmills a Reality**

Large and super-large windmill blades, which are a highly efficient method of power generation, are being installed at a feverish pace. The blade of a super-large wind turbine which is capable of producing over 2.5 megawatts of power can be more than 40 meters long with a diameter of more than 80 meters. For super-large turbines such as this, rigid yet light CFRP is essential for preventing the blade from colliding with the supporting column due to bending. At present, the amount of power generated by super-large wind turbines made mostly from carbon fiber is still small, but we anticipate that it will increase 50-fold over the ten-year period from 2007 through 2017. Accordingly, we expect to see a dramatic increase in demand for carbon fiber for windmill applications.

Wind power generation systems do not virtually produce any carbon dioxide emissions when generating power. Toray Group is expanding its CFRP business for windmill applications with the aim of contributing to the reduction of carbon dioxide emissions.

**Outlook for Wind Power Generation Market**



**Including Reverse Osmosis (RO) Membranes, a range of products addressing the various needs of water treatment are available**

Not only are water treatment plants that use the RO process economic than plants using thermal process, but they also help reduce the amount of energy used and carbon dioxide emitted. Toray holds a world-leading position in the field of water treatment membrane technology. We have developed an RO membrane that rejects boron from seawater with high efficiency, a process that is technologically

difficult, and a membrane for the recycling of wastewater that does not clog easily. Furthermore, we boast various types of proprietary membranes that can handle any kind of water treatment needs, for instance, micro-filtration (MF) membranes used for water purifying treatment and the membranes used in membrane bioreactors (MBR) for treatment of wastewater.

**Separation Targets and Membrane Types**

Size	0.001µm	0.01µm	0.1µm	1µm	10µm
Separation Materials	Ion, Low Molecule Weight Organics Trihalomethane Monovalent Ions	Agricultural & Organic Material Multivalent Ions	High Molecular Weight Polymer	Colloid	Clay Coliform Cryptosporidium
Types	Semi-permeable Membrane RO (Reverse Osmosis)		NF (Nanofiltration)	Low Pressure Membrane UF (Ultrafiltration) MF (Microfiltration)	
Toray's Membrane Products	Ultrapure Water Seawater Desalination Wastewater Reclamation RO membrane		Softening Removal of Toxic Matter NF membrane	Municipal Drinking Water Reuse of Wastewater Pre-treatment for Seawater Desalination UF membrane MF membrane MBR	



**Developing Non-edible Biomass**

Toray Group is engaged in the development of biomass-based polymer products made from plant-derived feedstock, which makes a huge contribution to the reduction of carbon dioxide throughout their life cycle. It also addresses the issues that are caused by the depletion of petroleum and the other fossil fuels. We put considerable emphasis on developing products made from polylactic acid (PLA), a plant-based polymer. We are also working on developing PLA applications for fibers, films and plastic resins employing our proprietary polymer modifying technologies, as well as expanding this business.

In addition, we are undertaking research aimed at the efficient extraction of polymer ingredients from non-edible biomass. This is particularly important from the perspective of using alternatives to corn and other food sources as raw materials to prevent the depletion of food supplies. Our aim is to commercialize polymers made from non-edible biomass by combining Toray's unique technologies and entering into technical alliances with external entities. Also, recently we succeeded in making a "Bionylon" prototype as a result of a research project on making polymer ingredients from non-edible biomass using microorganisms.

**LONG-TERM TARGETS**

**By 2020: Targeting ¥1 Trillion in Sales of Environmentally-friendly Products; More Contribution to CO<sub>2</sub> Emission Reduction Exceeding 200 Million Tons**

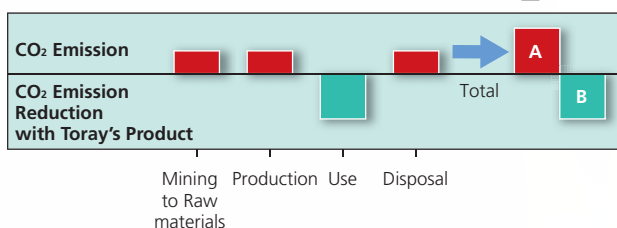
Project "EcoChallenge" is a long-term initiative setting out important challenges that do not have deadlines. Nonetheless, we have set two near-term targets to be reached by around 2020.

The first is to increase sales of environmentally-friendly products business which provides solutions to global environmental issues, to ¥1 trillion.

The second is to expand our businesses in environmentally-friendly products for more contribution to reduce carbon dioxide emissions with Toray products by more than 200 million tons based on life cycle assessment (LCA) measures.

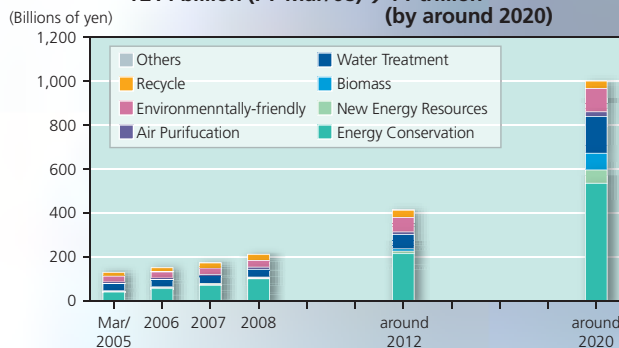
**CO<sub>2</sub> Emission Reduction in Life Cycle**

- CO<sub>2</sub> emission from mining of natural resources to disposal: **A**
  - CO<sub>2</sub> emission reduced in the use of the product: **B**
  - Total CO<sub>2</sub> emission reduced in the product life cycle: **B-A**
- LCA**

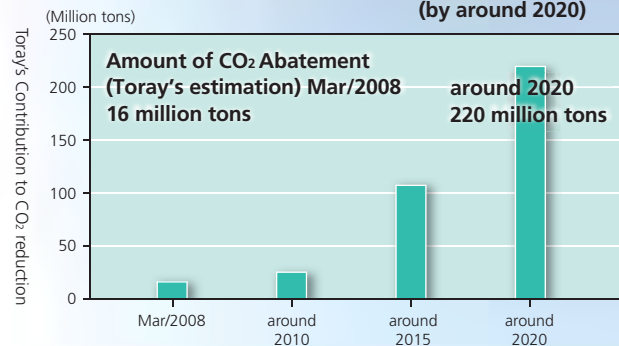


**"EcoChallenge" Targets**

**Target 1: Expand environmentally-friendly products business ¥214 billion (FY Mar/08)→ ¥1 trillion (by around 2020)**



**Target 2: More Contribution to reduce CO<sub>2</sub> emissions with Toray products 16 million tons (FY Mar/08)→ over 200 million tons (by around 2020)**



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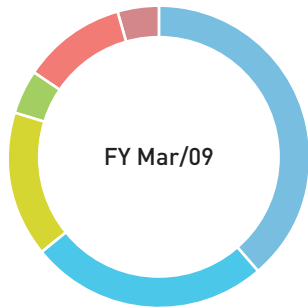
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RESEARCH & DEVELOPMENT AND INTELLECTUAL PROPERTY

# TORAY'S BUSINESS AT A GLANCE

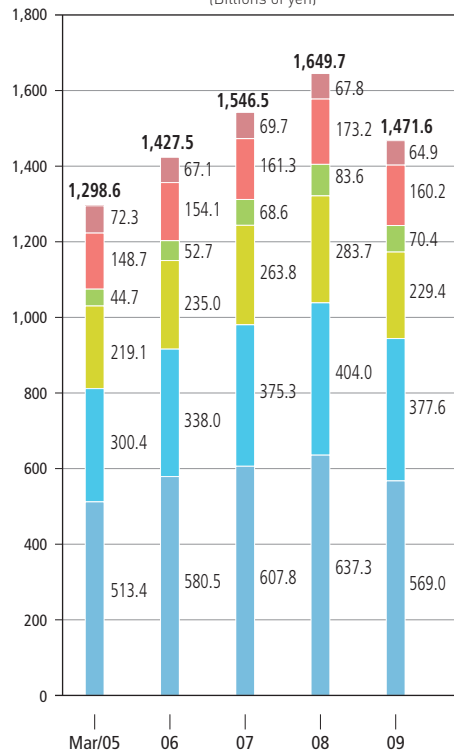
## PERFORMANCE BY BUSINESS SEGMENT

Sales Ratio by Business Segment (%)

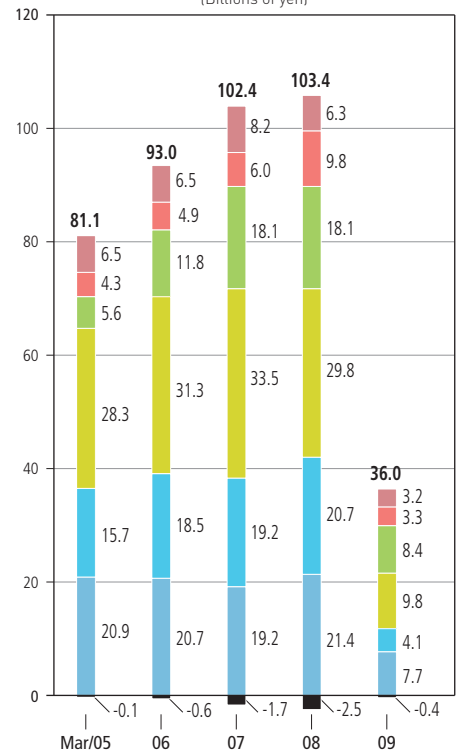


Fibers & Textiles	38.7%
Plastics & Chemicals	25.6%
IT-Related Products	15.6%
Carbon Fiber Composite Materials	4.8%
Environment & Engineering	10.9%
Life Science & Other Businesses	4.4%

Net Sales by Business Segment (Billions of yen)



Operating Income by Business Segment (Billions of yen)

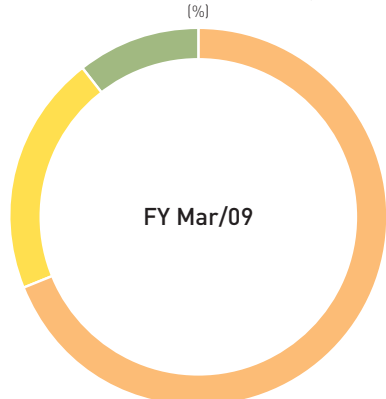


Fibers & Textiles Plastics & Chemicals IT-Related Products Carbon Fiber Composite Materials Environment & Engineering Life Science & Other Businesses Elimination & Corporate

## PERFORMANCE BY REGIONAL SEGMENT

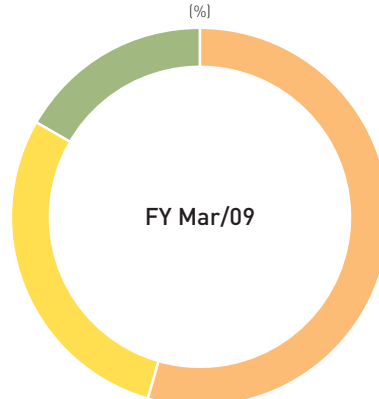
Toray Group has 124 overseas subsidiaries and affiliates. It engages in global operations that match the unique characteristics of 21 countries and regions.

Net Sales by Geographic Segment\* (%)



Japan	69.0%
Asia	20.6%
North America, Europe and other areas	10.4%

Net Sales by Market Area\*\* (%)



Japan	53.9%
Asia	29.3%
North America, Europe and other areas	16.8%

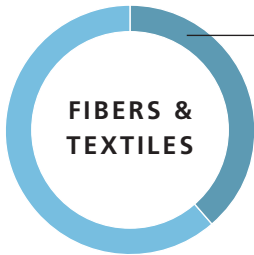
\*Net sales of the company and consolidated subsidiaries by geographic segment

\*\* includes export sales from Japan

TORAY'S BUSINESS SEGMENTS

MAIN PRODUCTS

APPLICATION EXAMPLES



38.7%

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



25.6%

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)

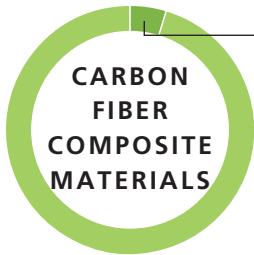
- Automobiles (radiator tanks: nylon resin, intake manifold: nylon resin, connectors: PBT resin, capacitor for hybrid cars: polypropylene film)
- Home appliances (housing for washing machines, vacuum cleaners, air conditioners: ABS resin)
- Power tools (circular tools housing: nylon resin)
- Helmets (nylon resin)
- Solar battery panels (PET film)
- Potato chip bags (polypropylene film)
- Veterinary medicine (for dogs and cats)



15.6%

Films and plastic products for information and telecommunications related products; materials for electronic circuits and semiconductors; color filters for LCDs and related materials and equipment; materials for plasma display panels; magnetic recording materials; graphic materials and related equipment

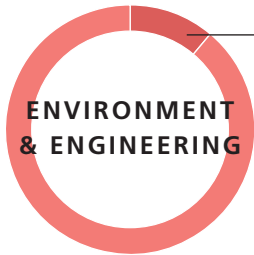
- Flat panel display televisions (PET film, PDP rear panel pastes)
- PCs (circuit materials, PET film, polyimide coatings)
- Cellular phones (color filters, LCP resin, circuit materials, PET film)
- Printing (waterless printing plates, relief printing on resins, printing equipment)
- Digital video camera recording film (PET film)
- In-vehicle multimedia LANs (optical fiber)



4.8%

Carbon fibers, carbon fiber composite materials and their molded products

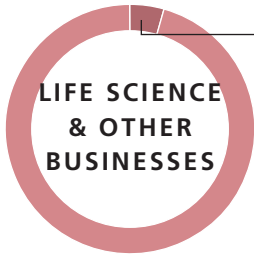
- Aircraft structure (carbon fiber composite materials)
- Bridge pier reinforcement (carbon fiber woven fabrics)
- PC chassis (carbon fiber molded products)
- Wind-power generator blades (carbon fibers)
- Marine vessels (carbon fibers)



10.9%

Comprehensive engineering; condominiums; industrial equipment and machinery; environment-related equipment; water treatment membranes and related equipment; materials for housing, building and civil engineering

- Seawater desalination facilities (water treatment membranes and equipment)
- Sewage and waste-water treatment facilities (water treatment membranes and equipment)
- Condominiums
- Housing (wall siding for houses, interior materials for buildings)
- Plants and manufacturing facilities (comprehensive engineering services)



4.4%

Pharmaceuticals and medical products; analysis, physical evaluation and research services

- Pharmaceuticals (natural interferon-β drugs, prostacyclin)
- Medical treatment devices (hemodialyzers, artificial dialyzer and equipment)
- Analytical services

# FIBERS & TEXTILES

## SUMMARY OF BUSINESS RESULTS FOR THE FISCAL YEAR ENDED MARCH 2009

In the fiscal year ended March 2009 (FY Mar/09), sales in this segment declined 10.7% year-on-year, to ¥569.0 billion, and operating income fell 64.1%, to ¥7.7 billion.

Toray (the parent company) recorded a decline in both sales and operating income. Amid a continued slump in demand for apparel products, sales for industrial applications were comparatively strong in the first half of the year. However, along with deteriorating economic conditions worldwide in the second half of the year, the Company saw a further decline in demand for apparel products and a large fall in demand for products for automobile applications. We also reduced output from the second half of the year in order to adjust inventory levels.

Japanese subsidiaries recorded lower sales and operating income. Some trading subsidiaries reported steady sales in apparel businesses. Overall, however, most subsidiaries were affected by the global economic downturn.

Total sales and operating income of overseas subsidiaries also declined. Businesses such as the man-made suede business in Europe and nylon fibers and fabrics businesses for airbag applications in Thailand recorded strong sales up until summer. However, businesses in all parts of the world were affected by the broadening impact of the economic downturn from autumn onwards.

## OUTLOOK

Business conditions for the fibers and textiles segment are expected to remain challenging due to long-term stagnation in demand for apparel products coupled with slow recovery of industrial applications primarily for automobiles.

Under these circumstances, we will make an all out effort to reduce costs, and faced with a flagging market we will strive to increase our market share in major applications and customers by adopting optimal pricing strategies. We will also improve profitability by expanding sales in high value-added products and reviewing and taking action on unprofitable and low-profit products.

We suppose sales volumes to decline significantly in the next fiscal year due to depressed demand. As a result, we forecast a 12.1% year-on-year decline in segment sales, to ¥500 billion, and a 60.9% decline in operating income, to ¥3.0 billion.

## TOPICS

### Launch of Machine-washable Knitwear under Toray-UNIQLO Strategic Partnership

In December 2008, machine-washable knitwear, which was developed by Toray and UNIQLO Inc., under a strategic partnership, was launched. Easily washed in a household machine, the new sweaters are made using Toray's anti-pilling micro acrylic fiber, which is colorfast and finer than cashmere.

In June 2006, Toray and UNIQLO signed a comprehensive medium-to-long-term procurement and supply MOU, under which, both companies have been promoting medium-to-long-term collaboration to realize the target that Toray should supply materials and products to UNIQLO worth more than ¥200 billion over a five-year period from 2006 through 2010.

### Construction of Next-generation Weather Simulation Laboratory, "Technorama GII," Completed in China

At Toray Fibers & Textiles Research Laboratories (China) Co., Ltd. (TFRC), a Chinese research subsidiary, Toray established a next-generation weather simulation laboratory, "Technorama GII (Generation 2nd)," and its construction has been completed on June 30, 2008. "Technorama" is able to reproduce meteorological environments found in all parts of the world, including polar blizzards, dry deserts and high-humidity tropical jungles.

Weather simulations replicating complex environmental changes can be held in "Technorama GII." Scientific data obtained from the tests, including the effects of such changes on human physiology, will be used for designing high-functional textiles and industrial materials. The addition of the climate facility at TFRC makes it possible to efficiently develop new materials and products.

Toray established TFRC in Nantong, Jiangsu Province in 2002 to provide a key base for research and technological development activities in China, where there is huge potential for market growth and abundant human resources. TFRC was the first fiber and textiles research subsidiary established by a foreign company in China. The completion of "Technorama GII" marks the strengthening of research into cutting-edge materials in China aimed at developing and bringing to market fibers and textiles for apparel and industrial applications with new and advanced functions.

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

ROA:

**1.7%**

Operating income to net sales:

**1.3%**

Capital expenditures:  
(property, plant and equipment)

**13.8**  
billions yen

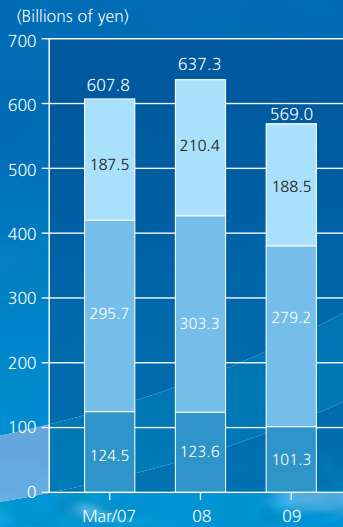


Machine-washable knitwear for women developed by Toray and UNIQLO.

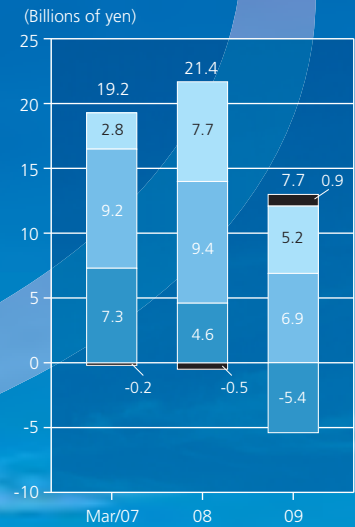


In-vehicle tests conducted in the Next-generation Weather Simulation Laboratory, "Technorama GII."

**Net Sales**



**Operating Income**



Toray  
 Japanese Subsidiaries  
 Overseas Subsidiaries  
 Adjustment

# PLASTICS & CHEMICALS

## SUMMARY OF BUSINESS RESULTS FOR THE FISCAL YEAR ENDED MARCH 2009

In the fiscal year ended March 2009 (FY Mar/09), net sales in this segment declined 6.5% year-on-year, to ¥377.6 billion. Operating income fell 80.3%, to ¥4.1 billion.

Toray (the parent company) recorded a decline in both sales and operating income. In the plastic resins business, it recorded strong sales of its offerings for automotive and electric and electronic applications in the first half of the year. However, this was insufficient to offset the decline in demand caused by a worsening worldwide economic environment in the second half of the year. In the films business, it achieved higher sales of products used in solar cells. In the second half of the year, however, sales volumes for other applications declined. From the third quarter it reduced output with the aim of adjusting inventory levels in both the plastic resins and films businesses.

Japanese subsidiaries posted similar sales to the previous year, but recorded a fall in operating income. Up to the second half of the year, our fine chemicals-related subsidiary reported strong sales, and trading subsidiaries posted an increase in transaction volumes. However, they were not immune from the decline in demand caused by the worsening global economic situation from the third quarter onwards.

With the exception of our films subsidiaries, which performed well, overseas subsidiaries recorded a decline in both sales and operating income. Our plastic resins subsidiary in Malaysia was affected by soaring raw materials and fuel costs up through the second quarter and the global economic downturn that began in the following quarter.

## OUTLOOK

We suppose to see a continuation of the challenging operating environment, while expecting a slight recovery from the huge fall in demand due to adjustments made to inventories of end products and intermediate materials in the second half of FY Mar/09.

Under these circumstances, we expect demand to grow in environment-related areas especially for next-generation energy applications and environmentally-friendly products. We will work hard to improve operating income through thorough cost reductions and sales expansion efforts including sales increase of bio-based plastics and films used in solar cells and hybrid car capacitors.

However, we assume the slump in demand to cause a significant decline in sales. Therefore, for the fiscal year ending March 2010, we forecast a 19.2% year-on-year fall in sales, to ¥305.0 billion, and a 26.3% fall in operating income, to ¥3.0 billion.

## TOPICS

### Joint Development with Canon Inc. of Bio-based Plastics with World's Highest level of Flame Retardance

Toray and Canon Inc. have succeeded in developing bio-based plastics called *Ecodear*\* that achieve the world's highest level of flame retardance. The new bio-based plastics include more than 25% (by weight) of plant-derived components.

Plant-derived bio-based plastics, which curb increases in CO<sub>2</sub> and decrease the consumption of oil resources, offer material properties that effectively reduce environmental burden. To date, however, bio-based plastics have not performed as well as conventional petroleum-based plastics in such areas as flame retardance, impact resistance, heat resistance and moldability, and therefore their use in products had been limited to a very few number of parts.

From 2009, Canon intends to introduce multifunction office systems that incorporate the newly developed *Ecodear*\*. Through continued technical development, Toray and Canon will work to realize further enhancements in the field of bio-based plastics with the aim of expanding the range of applications in which they can be used.

### Full-scale Launch of Sales of *PICASUS*\* Metallic Luster, Easy-moldable Film

Toray has launched full-scale sales of *PICASUS*\*, an environmentally-friendly, easy-moldable film with metallic luster, through a blend of its proprietary nano-multilayer and polymer design technologies.

*PICASUS*\* is a polyester film made by alternatively laminating several hundred to several thousand layers of different polymers with high precision. Because it reflects light with high luminance, the material produces metallic luster and texture without using metal.

When *PICASUS*\* is laminated onto the surface of components, it makes possible the metallic texture without plating or coating which generate harmful waste solutions. Therefore, the product is expected to contribute to the reduction of environmental burden.

*PICASUS*\* is rustless and also allows the transmission of radio waves in wireless communication. These properties make it suitable for use in a wide range of applications. Furthermore, its excellent moldability and integral molding with resin enable simplified processes. *PICASUS*\* also has excellent heat resistance, chemical resistance and printability, and with its excellent moldability, makes it possible to simplify processes through integral molding with plastic resins.

Our aim is to utilize these properties to develop its use in automobiles, communication equipment, household appliance and construction material applications. We will increase production capacity to enable the supply of 10,000,000m<sup>2</sup> of the film in 2009.

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

ROA:

1.0%

Operating income to net sales:

1.1%

Capital expenditures:  
(property, plant and equipment)

23.6  
billions yen

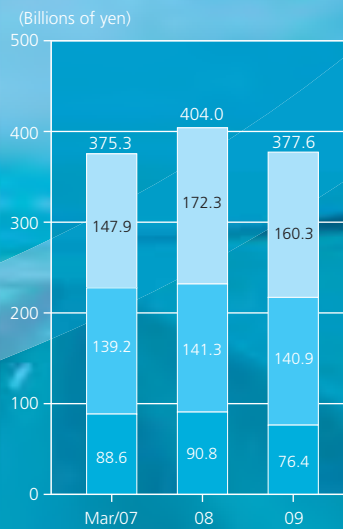


Bio-based plastics, *Ecodear\**, with world's highest level of flame retardance used in multifunction office systems.

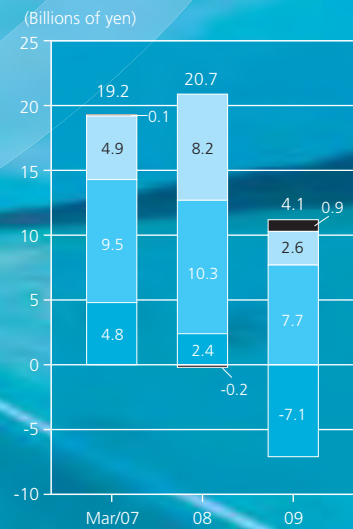


Examples of the application of metallic luster, easy-moldable film, *PICASUS\**.

Net Sales



Operating Income



■ Toray      ■ Japanese Subsidiaries  
■ Overseas Subsidiaries      ■ Adjustment

# IT-RELATED PRODUCTS

## SUMMARY OF BUSINESS RESULTS FOR THE FISCAL YEAR ENDED MARCH 2009

In the fiscal year ended March 2009 (FY Mar/09), the IT-related Products segment posted a 19.1% year-on-year decrease in sales, to ¥229.4 billion. Operating income fell 67.0%, to ¥9.8 billion.

Toray (the parent company) recorded substantial declines in sales and operating income in this segment. In the first half of the year, we reported strong sales of semiconductor coating materials, color filters for LCDs, and plasma display panel (PDP) materials. From the third quarter, however, sales volumes for most products declined in the wake of major production adjustments in the flat panel display, semiconductor and electronic component industries. In addition to this, we reduced output to adjust inventory levels.

Most of our Japanese subsidiaries also posted year-on-year declines in sales and operating income. The exception was our IT-related machinery subsidiary, which generated healthy sales. Our film processing subsidiary recorded a decrease in sales due to production adjustments for flat panel displays. Meanwhile, Japanese trading subsidiaries reported a fall in transaction volume.

Overseas subsidiaries also recorded decreases in both sales and operating income. Our Korean films subsidiary and our circuit materials-related subsidiary posted considerable declines in sales. These were due to the impact of production adjustments in the fourth quarter by makers of flat panel displays and electronic components.

(Billions of yen)

Sub-Segment	FY Mar/08	FY Mar/09	Changes
Display Materials	84.5	75.2	-11%
Electronic Component, Semiconductor, Circuit Materials	97.1	73.1	-25%
Data Storage Materials	48.8	40.0	-18%
Equipments, Others	53.4	41.1	-23%
Total of IT-related Products Segment	283.7	229.4	-19%

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, graphic materials, others
Equipments, Others	IT-related equipment, trading companies, IT support systems, services, others

## OUTLOOK

Following the low point reached in the first three months of calendar 2009, we expect to see a recovery in capacity utilization for flat panel displays, semiconductors and electronic components owing to positive measures to stimulate the Chinese economy and other strategies. However, the sustainability of such a recovery is uncertain. Although major manufacturers have some plans to expand production facilities for flat panel displays and semiconductors, at this stage we are not expecting their large-scale capital investments.

Under these circumstances, we will strive to optimize our global production structure for LCD-related films and transform ourselves into a highly profitable business group. At the same time, we will work hard to expand the market shares of our semiconductor coating materials and other products. We will also increase operating income by implementing drastic cost reduction measures.

However, we cannot expect sales to recover to the strong levels posted in the first half of FY Mar/09. As a result, for the year ending March 2010 we forecast a 12.8% decline in sales for the segment, to ¥200.0 billion, and a 58.9% fall in operating income, to ¥4.0 billion.

## TOPICS

### Organic Thin Film Solar Cell with World's Highest Conversion Efficiency

Toray has succeeded in developing an organic thin film solar cell with a conversion efficiency (efficiency of converting light to electricity) of 5.5%, the highest efficiency achieved to date. The most common type of solar cell today is an inorganic silicon solar cell. Due to the complicated manufacturing process involved and problems related to cost, however, attention has turned to an organic thin film solar cell that uses an organic semiconductor. The cost advantages and versatile applications for this new material make it a leading contender as a next-generation solar cell. However, the low conversion efficiency achieved by organic thin film solar cells up until now has made commercialization difficult.

Toray is accelerating development in order to establish technologies capable of achieving higher conversion efficiency. By around 2015, we aim to commercialize a lightweight and flexible organic thin film solar cell with a conversion efficiency of 7% by fully exploiting the advantages of this organic material.

### Development of Positive-tone High Photosensitive Polyimide Coating Material

Toray has developed the PW-3000 Series of *Photoneece*\*, a positive-tone photosensitive polyimide coating material which has the highest level of photosensitivity in the world, as well as exceptional dimensional stability. With these features, the PW-3000 Series boasts an unprecedented wide margin of processability and has prompted many leading semiconductor manufacturers to adopt this material as buffer coatings for semiconductor devices in their mass production. We intend to accelerate proposals for both Japanese and overseas semiconductor manufacturers with the aim of expanding market share even further.

At present, Toray's market share of positive-tone photosensitive polyimide coating materials for semiconductor applications stands at around 40%. By taking advantage of the development of the PW-3000 Series, we intend to capture new demand. While working to further expand its market share, Toray will cement its position as the market leader.

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

ROA:

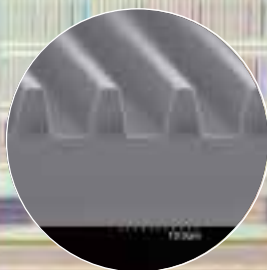
**3.1%**

Operating income to net sales:

**4.3%**

Capital expenditures:  
(property, plant and equipment)

**15.9**  
billions yen

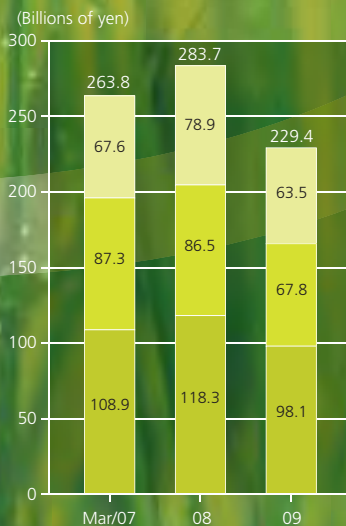


Cross-section pattern profile with positive-tone high photosensitive polyimide coating material, Photoneece\*.

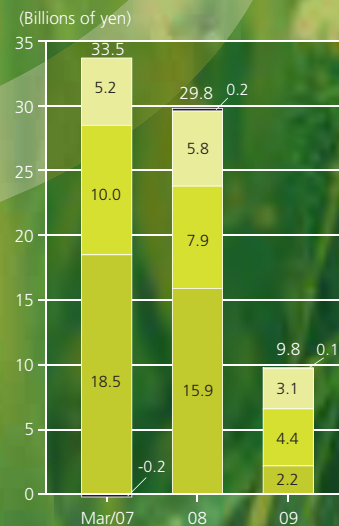


Toray's organic thin film solar cell with world's highest conversion efficiency.

**Net Sales**



**Operating Income**



■ Toray  
■ Japanese Subsidiaries  
■ Overseas Subsidiaries  
■ Adjustment

# CARBON FIBER COMPOSITE MATERIALS

## SUMMARY OF BUSINESS RESULTS FOR THE FISCAL YEAR ENDED MARCH 2009

In the fiscal year ended March 2009 (FY Mar/09), Toray Group recorded segment sales of ¥70.4 billion, down 15.8% year-on-year. Operating income fell 53.6%, to ¥8.4 billion.

Toray is actively developing new applications for carbon fiber composite materials, focusing on major growing business fields that include automotive, environmental and energy-related applications. In the medium and long terms, we expect to see substantial growth in demand for our materials, mainly for aircraft and industrial applications. However, tight supply and demand situation has been eased off mainly in general purpose products due to the expansion of production facilities by each supplier in the industry since the previous fiscal year. We have faced a decline in shipments for sports and industrial applications with the impact of the worsening economic situation and in sales for aircraft applications mainly due to the delay in the Boeing 787 program. Sales in this segment were also affected by exchange rate fluctuations and reduced output due to inventory adjustments from the end of the previous fiscal year. In response to slowing growth in demand for carbon fiber, we have decided to delay bringing some of our new production facilities into operation.

(Billions of yen)

Sub-Segment	FY Mar/08	FY Mar/09	Changes
Aircraft	34.3	31.3	-9%
Sports	16.6	11.7	-29%
Industrial	32.7	27.4	-16%
Total of Carbon Fiber Composite Materials Segment	83.6	70.4	-16%

## OUTLOOK

In the medium and long terms, we project ongoing growth in demand for carbon fiber composite materials, mainly for aircraft and industrial applications. However, we suppose the business environment to remain challenging amid a deteriorating global economy since the latter half of FY Mar/09, including the delay in the Boeing 787 program. By contrast, we forecast considerable expansion in the market for environmental applications on the back of ongoing growth in demand for materials used in wind power generation.

Under these circumstances, we will strive to expand sales of materials for industrial applications, for example, windmill blades used in large-scale wind power generation projects. We will also take strategic steps aimed at expanding business over the medium and long terms.

In FY Mar/10, we forecast a 14.8% year-on-year decline in segment sales, to ¥60.0 billion, and a 100% decline in operating income, to around the break-even point. We base these forecasts on uncertainties surrounding the economy, falling sales of aircraft and sports applications, reduced output due to adjustments of inventories, and impact of exchange rate fluctuations.

## TOPICS

### Completion of the "Automotive and Aircraft Center (A&A Center)"

In April 2009, Toray completed construction of the "Advanced Composite Center (ACC)," a technology development facility at the Nagoya Plant for composite products (carbon fiber composite products).

The opening of the new facility marks the completion of the "Automotive and Aircraft Center (A&A Center)," which will serve as a comprehensive technological development base for the automobile and aircraft industries, integrating two other entities: the "Automotive Center (AMC)," an integrated base for automobiles opened at the Nagoya Plant in June 2008, and Toray's existing "Plastics Applications Technology Development Center (PATEC)."

Through the organic cooperation between the ACC, AMC and PATEC as the A&A Center, Toray will offer solutions to its many customers by integrating the Group's advanced materials and technologies. We will strengthen and accelerate joint development with customers, taking advantage of the Nagoya Plant's proximity to Japan's leading automotive and aircraft manufacturers.

Taking the opportunity of the start-up of the A&A Center, we will reform the function of our Nagoya Plant from the chemical plant to Toray's production base for high-performance plastic resins, composites and high-performance chemical products for automobile and aircraft applications.

### Development and Production of Carbon Fiber Reinforced Plastics-based Automobile Parts in Europe (Equity Participation in a German advanced composites manufacturer)

In December 2008, Toray invested in ACE Advanced Composite Engineering GmbH (ACE), a German advanced composites manufacturer, taking an equity stake of 21%. The aim is to establish a development and production base for carbon fiber reinforced plastics (CFRP) in Europe, with a view to expanding Toray's business in the automobile industry.

By embarking on local development and production of CFRP in Europe, where CFRP application for automotive parts is advanced, we aim to achieve significant expansion of our automobile-related CFRP business, which is projected to grow rapidly in the future.

Established in 2001, ACE develops, produces and sells CFRP components for high-end vehicles, trucks and other vehicles. The company possesses advanced technological capabilities, including technologies for the design and molding of CFRP automotive parts, mold jig manufacture and machining. ACE enjoys an excellent reputation among leading European automobile manufacturers.

Torayca \*cloth, carbon fiber woven fabric which has characteristics such as high workability and easy impregnability for resin.

ROA:

**3.7%**

Operating income to net sales:

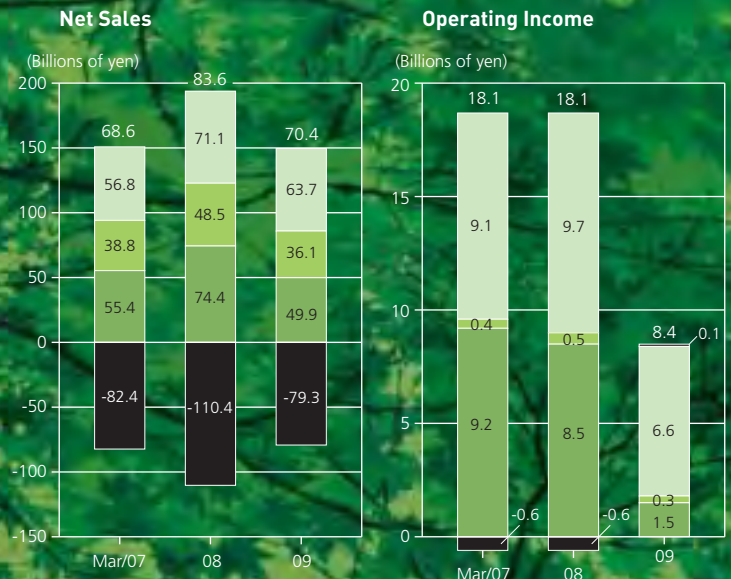
**11.9%**

Capital expenditures:  
(property, plant and equipment)

**37.8**  
billions yen



Advanced Composite Center (ACC) opened in April 2009.



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.

■ Toray  
■ Japanese Subsidiaries  
■ Overseas Subsidiaries  
■ Adjustment

# ENVIRONMENT & ENGINEERING

## SUMMARY OF BUSINESS RESULTS FOR THE FISCAL YEAR ENDED MARCH 2009

In the fiscal year ended March 2009 (FY Mar/09), the Environment & Engineering segment recorded a 7.5% decline in sales, to ¥160.2 billion. Operating income fell 66.1%, to ¥3.3 billion.

In the water treatment business, we expanded sales of reverse osmosis (RO) membranes and submerged membrane modules for membrane bioreactor (MBR) processes in overseas markets, primarily Europe, the United States, China and the Middle East. We reported firm sales of home water purifiers in Japan. However, declining revenues from exports due to a high yen and increased up-front business development costs accompanying business expansion in the water treatment business squeezed operating income. Toray's water treatment engineering subsidiary also recorded a decline in sales.

As for Japanese subsidiaries, the engineering business and condominium business reported weaker year-on-year results.

## OUTLOOK

Despite a slowdown in the rate of expansion due to the impact of the global economic downturn, the water treatment market is expected to grow steadily as a result of worldwide water shortages and heightened awareness of the need to protect the environment. Meanwhile, operating conditions in the engineering business are supposed to be challenging due to hold down of corporate capital investments.

Under these circumstances, in the expanding water treatment market we will increase sales of RO membranes and submerged membrane modules for MBR processes primarily in Europe, the United States, China and the Middle East. At the same time, we will endeavor to improve the profitability of our water treatment engineering subsidiary.

For FY Mar/10, we forecast a 6.1% increase in sales, to ¥170.0 billion, and operating income of ¥3.0 billion, mostly unchanged from the year under review.

## TOPICS

### Establishment of Water Treatment Joint Venture Company in China

In July 2009, Toray and China National BlueStar (Group) Co., Ltd. established a new joint venture company in Beijing to manufacture, sell, import and export water treatment membrane products. The company, called Toray BlueStar Membrane Co., Ltd. (TBMC), was established with a capital of \$US35 million, with Toray Group investment of 50.1%. TBMC is planning to spend approximately ¥7.5 billion on the construction of facilities for RO membrane production and element assembly. Construction started in August 2009, and operations are scheduled to commence in April 2010.

Once the plant starts operation in 2010, Toray Group's

annual production capacity for RO membrane elements will be 1.5 times that of FY Mar/09 including its existing production facilities at the Ehime Plant and Toray Membrane USA, Inc.

Demand for RO membranes continues to increase at an annual rate of more than 20% in China, owing to surging water consumption along with that nation's strong economic growth. Membrane manufacturers from around the world are establishing operations in China to seize a share of this expanding market. TBMC will introduce Toray Group's state-of-the-art technologies in water treatment membranes. It will utilize China BlueStar's sales network to supply water treatment membranes with world-class quality and cost competitiveness to wastewater reuse and seawater desalination projects in China. The water treatment membrane market in China is expected to expand to ¥50.0 billion in five years' time, and Toray Group aims to acquire a 30% share of this growing market.

### Solid RO Membrane Orders from Singapore and the Middle East

Toray has received orders for seawater desalination plants in the four Arabian Gulf countries of the United Arab Emirates (UAE), Kuwait, Qatar and Oman. This follows a significant order to supply RO membranes to a large wastewater reuse plant in Singapore.

The Changi Water Reclamation Plant in Singapore has the capacity to produce 228,000 cubic meters of water per day, making it the second-largest facility as a wastewater reuse plant in the world. It is the last and biggest plant built under the Singapore government's NEWater project\*. The Sulaibiya Wastewater Treatment and Reclamation Plant in Kuwait also uses Toray's RO membranes. With a capacity of 320,000 cubic meters of water per day, it is the world's largest wastewater reuse plant that uses the membrane method. Toray's orders for the Changi and Sulaibiya facilities means that its RO membranes are used by the two largest membrane method wastewater reuse plants in the world.

Toray recently received orders for four seawater desalination plants in the Arabian Gulf with a combined daily production capacity of 332,000 cubic meters. The facilities are the Fujairah II plant in UAE, Shuwaikh plant in Kuwait, Pearl Qatar plant in Qatar, and the Qarn Aram plant in Oman. Until recently, the Arabian Gulf has had few RO desalination plants due to the high technological requirements for desalination of seawater in the region. Toray's advanced technological capabilities and proven track record in desalination using RO membranes were instrumental in its acquisition of these orders.

Toray Group will continue expanding its water treatment business on a global scale, centering on RO membranes used in wastewater reuse plants and seawater desalination plants.

\* With the Public Utilities Board of Singapore taking the lead in its implementation, it is a policy that has been set out to consolidate the use of reuse facilities for such purposes of reuse water for industrial use and for supplying reservoirs.



Signing ceremony for the agreement of TBMC establishment.

ROA:

**1.8%**

Operating income to net sales:

**2.1%**

Capital expenditures:  
(property, plant and equipment)

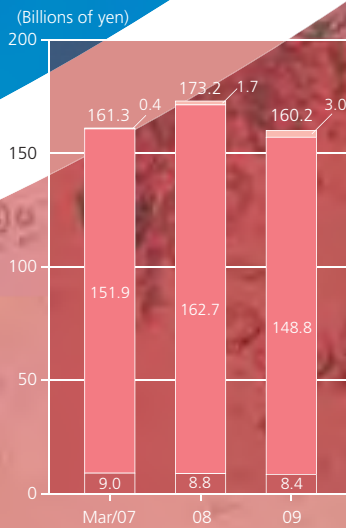
**1.4**  
billions yen

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

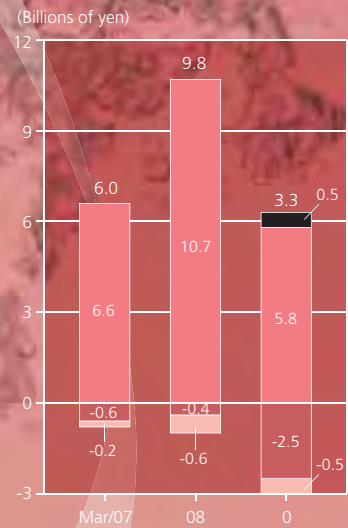


Toray's RO membranes adopted in Middle-East and Singapore.

**Net Sales**



**Operating Income**



Legend: Toray (dark red), Overseas Subsidiaries (light red), Japanese Subsidiaries (pink), Adjustment (black)

**RO Plants with Toray *Romembra\** Elements**

**Seawater Desalination**

as of June 2009

No.	Country	Location	Capacity*1m <sup>3</sup> /d	Operation Year*2
1	Algeria	Hamma	200,000	2008
2	Saudi Arabia	Shuaibah III	150,000	2009
3	Trinidad & Tobago	Point Lisas	136,000	2002
3	Singapore	Tuas	136,000	2005
3	UAE	Fujairah II	136,000	(2010)
3	Kuwait	Shuwaikh	136,000	(2010)
7	Algeria	Oued Sebt	100,000	(2010)
8	Israel	Palmachim	92,250	2007
9	Spain	Alicante	65,000*3	2002
10	UAE	Dubai	64,000	2008

**Wastewater Reuse**

as of June 2009

No.	Country	Location	Capacity*1m <sup>3</sup> /d	Operation Year*2
1	Kuwait	Sulaibiya	320,000	2005
2	Singapore	Changi	228,000	2009
3	China	Ningxia	78,000	2008
4	Australia	Luggage Point	66,000	2008
5	China	Tianjin TEDA	30,000	2006
6	China	Dongguan	25,000	2005
7	Singapore	Seletar	24,000	2004
8	China	Tianjin Dongjiao	12,000	2008
9	South Africa	Lethabo	11,350	2003
10	China	Shenzhen	10,000	2008

Notes: \*1 Total output of all units \*2 The year in which the plants started their operations. The RO plants with parenthesis year are under construction. \*3 expansion: 15,000m<sup>3</sup>/d (2006)

# LIFE SCIENCE & OTHER BUSINESSES

## SUMMARY OF BUSINESS RESULTS FOR THE FISCAL YEAR ENDED MARCH 2009

In the fiscal year ended March 2009 (FY Mar/09), sales in the Life Science & Other Businesses segment declined 4.3%, to ¥64.9 billion, and operating income fell 49.4%, to ¥3.2 billion.

Sales and operating income in the pharmaceuticals and medical products business declined. Although we increased sales of our artificial kidneys on a volume basis, falling pharmaceutical prices due to the revision of National Health Insurance and reimbursement prices and harsher competition had a negative effect on the business. On a positive note, a new drug developed jointly by Toray, Japan Tobacco Inc. and Torii Pharmaceutical Co., Ltd. was launched in March 2009. Called REMITCH®\* CAPSULES 2.5µg (REMITCH®), it is an oral antipruritus drug for hemodialysis patients.

Sales in the Other Businesses sector were generally down due to a number of factors. These included a decrease in the transaction volume generated by Japanese trading subsidiaries and a decline in the value of orders received by our analytical service subsidiary.

\*REMITCH® is a registered trademark of Torii Pharmaceuticals Co., Ltd.

## OUTLOOK

We forecast market growth in our two leading pharmaceuticals, *Feron*\* and *Dorner*\*. However, we presume the operating environment to remain challenging due to competition between our products and generic drugs.

Under these circumstances, we will strive to expand sales of the new drug REMITCH®, an oral antipruritus drug for hemodialysis patients launched in March 2009. We will also work hard to expand sales of *Toraylite*\*, a small, light, moist-type highly functional dialyzer.

In light of the above measures, we expect a 0.1% increase in sales for the Life Science & Other Businesses segment for the fiscal year ending March 2010. However, we forecast a 37.2% fall in operating income due to the negative impact of the economic downturn on the operating income of the Other Businesses sector.

## TOPICS

### Launch of REMITCH®, an Oral Antipruritus Drug for Hemodialysis Patients

Toray developed this new oral antipruritus drug for hemodialysis patients jointly with Japan Tobacco Inc. and Torii Pharmaceutical Co., Ltd. In January 2009, Toray obtained approval for the manufacturing and marketing of REMITCH® CAPSULES 2.5µg (generic name: Nalfurafine hydrochloride) for improvement of pruritus in hemodialysis patients only for cases resistant to conventional treatments. Torii Pharmaceutical released the drug in Japan in March 2009.

Hemodialysis-related uremic pruritus is a condition that causes systemic and severe itching without inflammation on the skin. The precise cause of the condition remains unclear. In some patients this itching is not relieved adequately by conventional antipruritus drugs, such as antihistamines, and the development of an effective medicine has been long awaited. REMITCH® is the world's first selective κ (kappa)-opioid receptor agonist for treating itching in hemodialysis patients that has been caused due to the resistance from existing treatments. The drug is expected to make a significant contribution to the treatment of pruritus in hemodialysis patients.

### Development of Innovative Nanoparticle-based Drug Delivery System Technology

Toray has developed a basic technology for an innovative drug delivery system (DDS\*) for the controlled release of biopharmaceuticals that were produced by biotechnology.

Biopharmaceuticals generally have high therapeutic efficacy. Because they are unstable and absorbed poorly by the digestive tract, however, most of the drugs require frequent injections in order to maintain their therapeutic efficacy.

Toray has developed a new technology for encapsulating biopharmaceuticals in reverse-micelle nanoparticles (whose inner side are hydrophilic), which are made of biodegradable amphiphilic polymers. These nanoparticles are then aggregated to form microparticles called "nanoparticle aggregates." Adoption of this unique particle structure and the selection of optimal polymer structure enabled efficient encapsulation and sustained release of drugs.

Expected benefits of the technology are a considerable reduction in the frequency of injections, enhanced therapeutic efficacy and fewer side effects. Toray aims to commercialize this DDS technology in collaboration with biopharmaceutical manufacturers.

\* Drug Delivery System (DDS): System that delivers the "required amount" of a drug injected into the body to the "required site" at the "required time." Such systems enhance therapeutic efficacy, reduce side effects, and are more convenient for patients.

Toray's high sensitivity protein analysis chip for testing and diagnostics detects minute amounts of disease marker proteins contained in blood and urine.

ROA:

**3.0%**

Operating income to net sales:

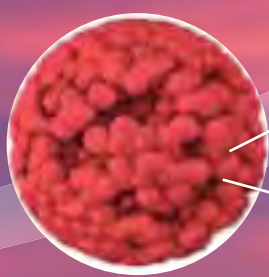
**4.9%**

Capital expenditures:  
(property, plant and equipment)

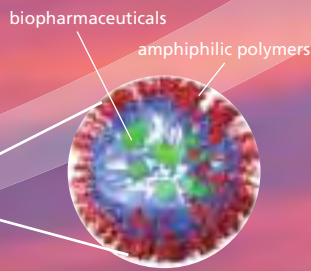
**3.1**  
billions yen



**REMITCH®\***  
\*REMITCH® is a registered trademark of Torii Pharmaceuticals Co., Ltd.



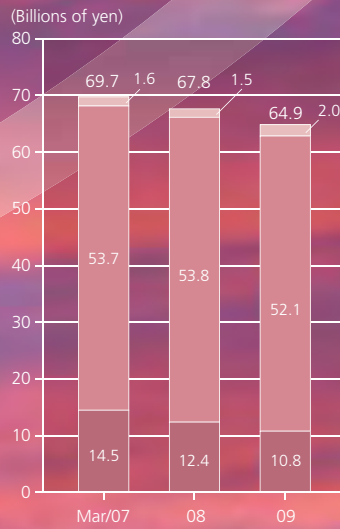
1~10µm  
nanoparticle aggregates



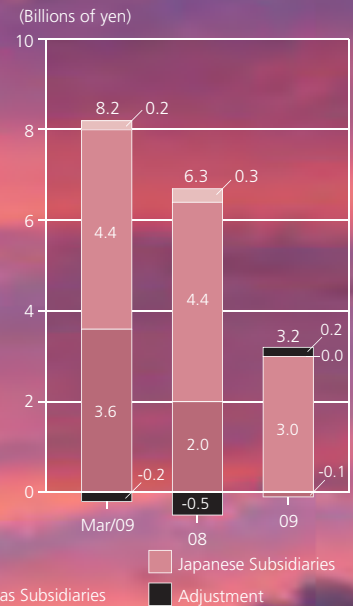
100~300nm  
reverse-micelle nanoparticles

Diagram of innovative nanoparticle-based Drug Delivery System (DDS) infolding biopharmaceuticals.

**Net Sales**



**Operating Income**



Legend:  
 Toray  
 Overseas Subsidiaries  
 Japanese Subsidiaries  
 Adjustment

# RESEARCH & DEVELOPMENT AND INTELLECTUAL PROPERTY

## RESEARCH & DEVELOPMENT

### BASIC STRATEGY

Since its establishment, Toray Group has fostered the core technologies of polymer chemistry, organic synthetic chemistry and biochemistry. While developing these technologies, we have expanded our business from fibers and textiles to films, fine chemicals and plastic resins. We continue to expand our business areas, which today include electronics and information-related materials, carbon fiber composite materials, pharmaceuticals and medical products and water treatment-related products and technologies. Toray Group recently designated polymer chemistry, organic synthetic chemistry, biotechnology and nanotechnology as its four core technologies. By employing and integrating these core technologies, we will continue developing a variety of advanced materials for growing markets.

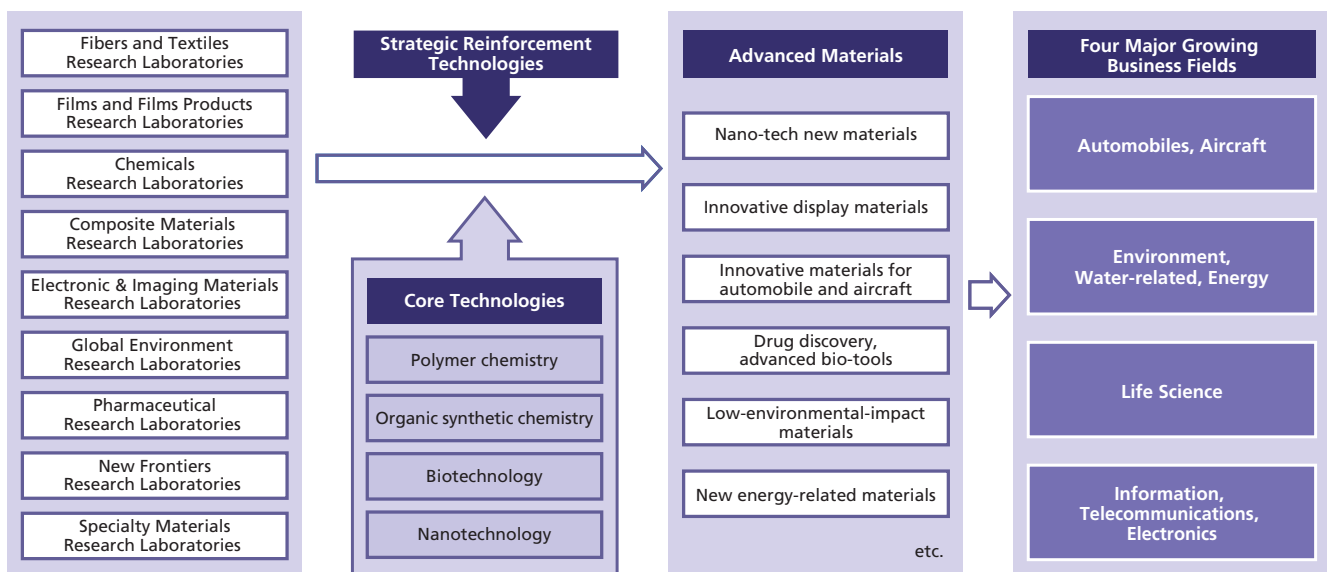
In April 2006, Toray Group formulated its long-term corporate vision, "AP-Innovation TORAY 21," with the goal of evolving into a global top company of advanced materials. To realize this vision, in October 2006 we implemented the mid-term business strategies "IT-2010," undertaking the challenge of further growth through innovation. Guided by "IT-2010," Toray Group has proactively implemented various activities to transform into a highly profitable business group. One of such activities is to introduce newly developed advanced materials in four major growing business fields: (1) Information, Telecommunications, and Electronics; (2) Automobiles and Aircraft; (3) Life Science; and (4) Environment, Water-related and Energy.

However, there has been a sudden and significant contraction in demand globally since the second half of FY Mar/09, and we recognize that recovery will take some time. In response to this dramatic change in circumstances, in April 2009 Toray Group launched its new medium-term management program, called "Project IT-II." While adhering to the fundamental underlying principles of "AP-Innovation TORAY 21" and "IT-2010," "IT-II" seeks to achieve greater efficiencies by reviewing research and development themes to enable the Group to overcome the current economic crisis. We will work toward further R&D successes by strategically allocating resources to top priority technological development themes expected to make an early contribution to the Group's earnings.

"IT-II" also sets out strategies for implementation after overcoming the economic crisis, to enable Toray Group to achieve sustainable growth once again as a highly profitable business group. In addition to expanding advanced materials in the four major growing business fields, it calls for Toray to take advantage of its products and technologies to provide solutions to factors constraining economic growth, such as problems related to preservation of global environment, depletion of fossil resources and energy and aging population with declining birthrate.

Toray Group is especially implementing Project EcoChallenge, which sets out proactive activities for conserving resources and preserving the global environment, with the aim of realizing a sustainable society with a low carbon footprint. Under Project EcoChallenge, we will continue R&D initiatives designed to foster the development of a sustainable recycling-oriented society.

### Advanced Materials R&D Strategies



### R&D EXPENSES

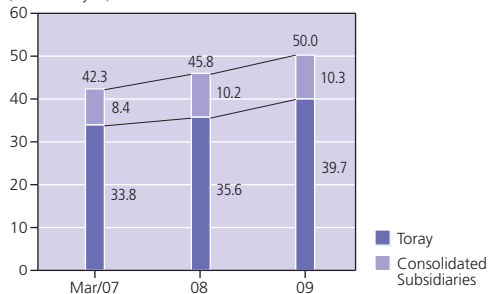
In FY Mar/09, we invested proactively in the development of advanced materials in the four major growing business fields. As a result, consolidated R&D expenses increased 9.2% from the previous year, to ¥50.0 billion. Non-consolidated R&D expenses totaled ¥39.7 billion.

In FY Mar/10, we plan to reduce R&D expenditures by 2%, to ¥49.0 billion. Guided by our strong conviction that research and development activities provide the key to creating the Toray of tomorrow, we will spend roughly the same as we did

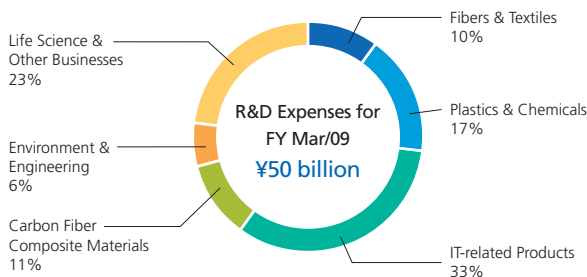
on R&D in the year under review, despite the current harsh economic conditions. We will strive to achieve greater efficiencies in R&D activities by allocating resources to top priority technology development themes expected to make an early return, and focus business resources on expanding advanced materials in the four major growing business fields. We will also concentrate on providing solutions to factors constraining economic growth, in anticipation that such solutions will become drivers of future growth.

#### R&D Expenses

(Billions of yen)



#### R&D Expenses by Business Segment



## INTELLECTUAL PROPERTY STRATEGIES

### BASIC STRATEGY

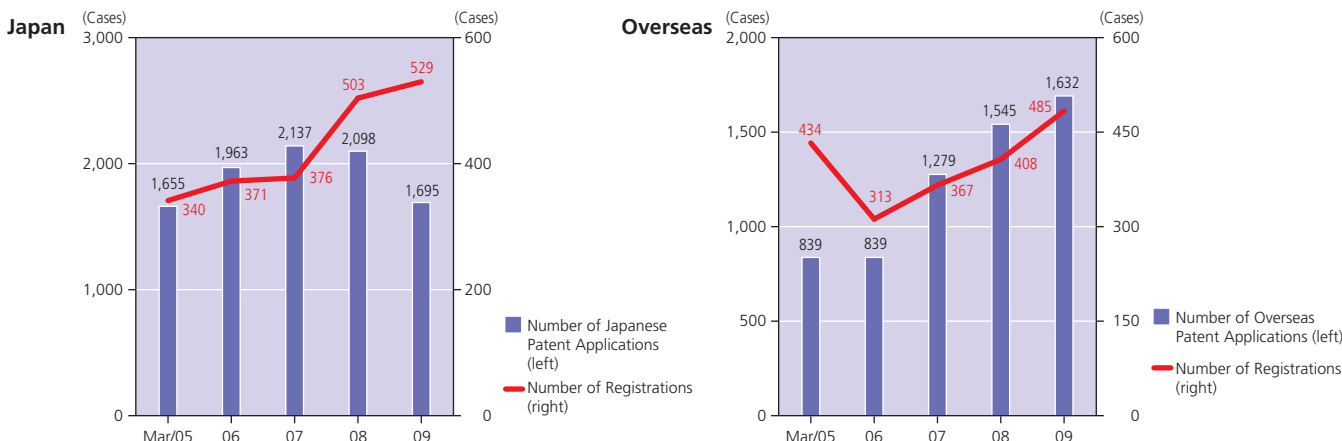
As a Group that targets dynamic progress and sustainable growth through innovation, Toray recognizes that strengthening its performance in intellectual property is an important management issue. It is vital that we link intellectual property strategies organically with business strategies and R&D strategies. In other words, the strategic trinity formed by the linking

of the three types of strategies in accordance with management policy constitutes the cornerstone of Toray Group's intellectual property approach.

### PATENT APPLICATIONS AND REGISTRATIONS

In FY Mar/09, Toray Group filed applications for 1,695 patents in Japan and 1,632 overseas. The number of patent registered to us is 529 in Japan and 485 overseas.

#### Patent Applications and Registrations



## 1 Molding of Automobile Platform with Carbon Fiber Composite Materials In Less Than Ten Minutes

Toray has succeeded in molding the front floor of an automobile platform made out of carbon fiber reinforced plastics (CFRP) in less than ten minutes. Using CFRP instead of steel reduces the vehicle's weight by 50% and makes it 1.5 times safer in a collision by increasing the amount of energy it absorbs. Possessing lightweight and safety properties, CFRP is recognized as a next-generation structural material for vehicles. However, shortening CFRP molding time is critical in order to raise mass productivity and reduce costs. The "short-cycle integral molding technology" developed by Toray has achieved the aim of molding CFRP in a ten-minute cycle.

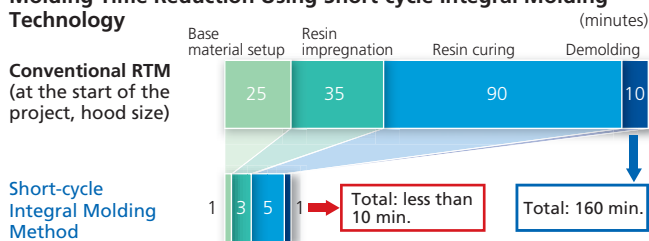
Toray developed its proprietary short-cycle integral molding technology by completely revising the conventional Resin Transfer Molding (RTM) method. In RTM, CFRP preform (layers of carbon fiber sheets cut to the shape of the part to be molded) is placed inside the mold, and resin is quickly injected into the mold and allowed high speed curing. This new technology led

to the development of short-cycle molding resin which features dramatic improvements to fluidity, curing speed and thermal stability. Quality control is difficult in the conventional preform manufacturing process due to the considerable amount of manual labor that is required. However, we have solved this problem by developing an automatic preforming technology. Further innovations that contributed to achieving a ten-minute molding cycle include development of short-cycle injection method, whereby the resin impregnates the carbon fiber sheets evenly within three minutes, and an automatic carrier system.

In addition to automobiles, these newly developed technologies can be applied to the manufacture of aircraft and a wide range of other areas. We will continue R&D aimed at commercializing these technologies at Toray A & A Center (Automotive and Aircraft Center), which is the comprehensive R&D center for automobiles and aircraft applications.

Toray developed these technologies as the participant of the "R&D of CFRP Materials to Reduce Vehicle Weight" project, which is part of the Energy-Saving Technology Development Program sponsored by Japan's New Energy and Industrial Technology Development Organization (NEDO).

### Molding Time Reduction Using Short-cycle Integral Molding Technology



The front floor of a platform formed in ten-minute molding cycle

## 2 "Bio-nylon" Prototype Made from Non-edible Biomass

Toray has succeeded in making a Bio-nylon prototype as a result of a research project on making polymer ingredients from non-edible biomass using microorganisms.

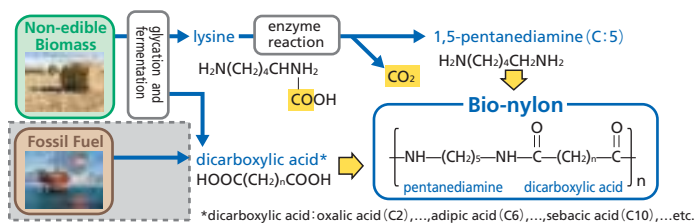
An amino acid, which was made by fermenting biomass, was converted to C5 diamine\* by using enzymes found in microorganisms, which was then used to make the Bio-nylon.

Because C5 diamine is made using a bio-process that requires minimal energy input, the Bio-nylon is an advanced material that makes a substantial contribution to lowering greenhouse gas emissions.

It is possible to design Bio-nylon with a wide range of melting points ranging between 200°C to over 300°C, by adjusting

the monomers combined with C5 diamine. We have also confirmed that Bio-nylon possesses the equivalent physical properties, mechanical properties and durability as nylons made from fossil materials. Accordingly, this new material has potential in diverse applications for fibers and textiles, plastics and resins and sheets and films.

\* C5 diamine: Pentane-1,5-diamine, which has five carbon atoms, obtained by the decarboxylation of the amino acid L-lysine.



All executives and employees in Toray Group constantly strive to fulfill their social responsibilities in all domains of Toray's business activities with the aim of realizing sustainable growth together with society. Toray pursues a wide range of corporate social responsibility (CSR) activities in ensuring safety, accident prevention, environmental preservation, corporate ethics and compliance with laws and regulations while maintaining management transparency. The Group also utilizes its unique research and technological development capabilities to expand businesses of products that provide solutions to global environmental problems. At the same time, we provide support for science and technology, social welfare, the arts, culture and sports, and we work in collaboration with non-profit organizations and local communities.

For full details on Toray Group's CSR activities, please refer to our website or the Toray Group CSR Report. The latest CSR report can be downloaded from the website.  
(<http://www.toray.com/csr/download/index.html>)

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# CORPORATE GOVERNANCE AND INTERNAL CONTROL

## BASIC POLICY

Toray Group positions the following basic policy on corporate governance as a top priority managerial principle:

- “We will provide our shareholders with dependable and trustworthy management.” (Our Corporate Mission)
- “We will obtain the trust of society and meet the expectations by acting fairly while maintaining high ethical standards and a strong sense of responsibility, and maintaining transparency in management.” (Our Corporate Guiding Principles)

Toray Group carries out activities covering diverse domains on a global scale. We supply a wide range of industries with basic materials based on our core technologies in the areas of polymer chemistry, organic synthetic chemistry, biotechnology and nanotechnology. Therefore, we believe that management judgment and decision-making must be based on the expertise closely related to each business, and we believe it is important that members of the Board well-versed in Toray’s businesses, elected at general stockholders meetings, have responsibilities for managerial decision-making, business execution and oversight of management so that they can fulfill their management responsibilities to shareholders.

For this reason, we have not introduced an operating officer system. Rather, we will continue to work within the framework of the Board of Directors and Board of Corporate Auditors.

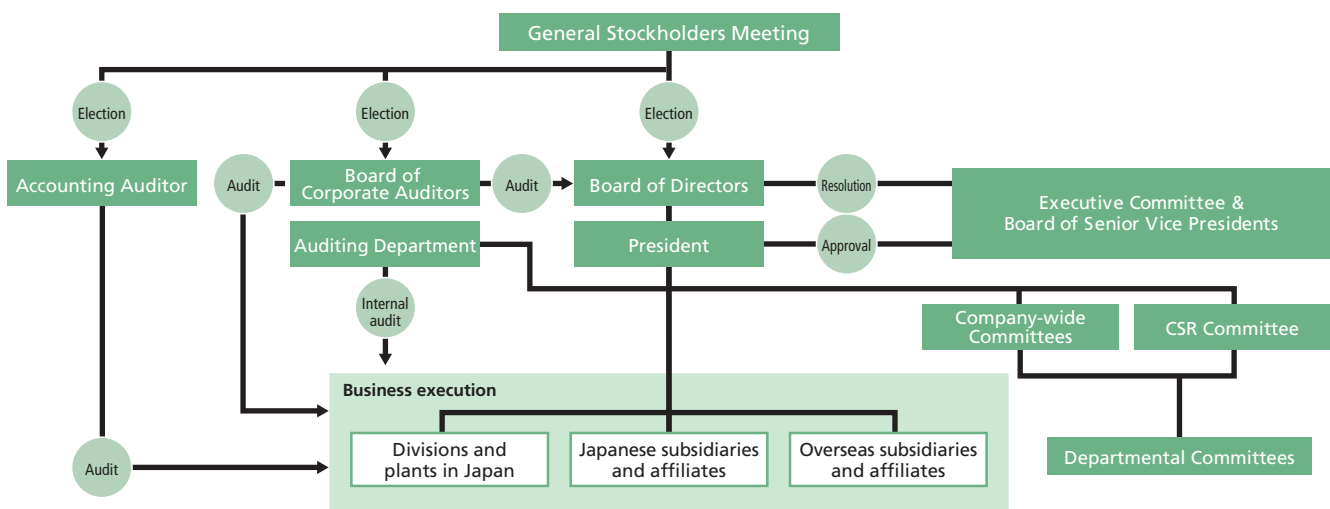
At present, our governance structure does not include outside directors. However, all members of the Group’s top management recognize the importance of incorporating useful outside perspectives, and the matter of how best to introduce outside directors in a way that truly benefits the Group is an ongoing management issue.

## CORPORATE GOVERNANCE SYSTEM

Toray Group is building a management system aimed at implementing its basic policies with respect to corporate governance, which are to “provide a sincere and trustworthy management” and “obtain the trust of society and meet the expectations by acting fairly while maintaining high ethical standards and a strong sense of responsibility and maintaining transparency in management.”

Toray Group established the Authority of Top Management as regulations that stipulate authority reserved respectively for the Board of Directors, President, and General Managers of each division and strictly keep to the regulations. The Board of Directors, which meets at least once a month, is not only responsible for decision-making concerning important matters, including those as stipulated by the Corporation Law, but also functions as a setting where members of the Board present reports and exchange opinions in order to mutually monitor the execution of their respective duties. We clearly define the role and functions, under which each executive committee strictly operates. For example, there are explicit rules governing decisions on important matters, such as capital investments. Such matters are decided either by the Board of Directors, President, or General Managers of divisions and departments depending on the importance of the issue, the amount of investment involved in this case. The Executive Committee deliberates the general direction of policy concerning matters for which the Board of Directors and President have the authority to make decisions, while the Board of Senior Vice Presidents concerns itself with issues related to implementation.

Governance Diagram



Additionally, for every key management issue, company-wide committees are established in order to oversee and play a supplementary role in management execution.

As of June 24, 2009, the Board of Directors consisted of 28 members.

The role of the Group's corporate auditors is to monitor the business execution of the members of the Board by attending Board of Directors meetings and other important company meetings. Based on annual policies and plans adopted by the Board of Corporate Auditors, which meets at least once every three months, corporate auditors perform regular audits of Toray offices and plants worldwide, including subsidiaries and affiliates. They also meet with the President, all the members of the Board, and General Managers of divisions and departments. As of June 24, 2009, there were four corporate auditors, of whom two were outside corporate auditors. The outside corporate auditors have no business dealings whatsoever with Toray Group. Auditing Department conducts internal audits, including audits of subsidiaries and affiliates.

Toray has appointed Ernst & Young ShinNihon LLC as its independent auditor. The auditor performs Corporation Law and Financial Instruments and Exchange Law audits. Corporate auditors and Auditing Department confirm outlining audit plans with the independent auditor and receive the outcome of audits from the independent auditor, and regularly engage in discussions with the independent auditor.

### **CORPORATE ETHICS AND LEGAL COMPLIANCE ACTIVITIES**

Corporate ethics and legal compliance are priority management issues on a par with maintaining safety, accident prevention and environmental preservation. Toray Group works together towards these goals.

The Corporate Ethics Committee is chaired by the President & CEO and includes all members of the Board, with corporate auditors and the chair of the labor union in attendance as observers. The Committee ensures legal compliance and the observance of corporate ethics, two key components of corporate social responsibility. The Company-wide Legal Compliance Committee and the CSR / Legal Compliance Committees at all offices and plants and major Japanese and overseas subsidiaries and affiliates work under the Corporate Ethics Committee to strengthen activities throughout the organization.

To ensure that all executives and employees observe corporate ethics and comply with laws and regulations, Toray has adopted a Corporate Ethics and Legal Compliance Code of Conduct and Corporate Ethics and Legal Compliance Guidelines. The code of conduct and guidelines has been combined in the Corporate Ethics and Legal Compliance

Handbook to ensure thorough dissemination to all executives and employees. We are also establishing an Internal Reporting System for executives and employees to report violation of laws, regulations, or the Company's Articles of Incorporation.

Toray subsidiaries and affiliates in Japan respectively promote their own CSR / Legal Compliance Committees activities with support from the Affiliated Companies Division. Overseas subsidiaries and affiliates also respectively promote their CSR / Legal Compliance Committee activities in collaboration with the International Division, CSR Operations Department and other relevant departments.

### **MAINTENANCE, OPERATION AND ASSESSMENT OF INTERNAL CONTROL SYSTEM FOR FINANCIAL REPORTING**

In FY Mar/08, Toray Group established an internal control system for financial reporting, which became mandatory under Japan's Financial Instruments and Exchange Law, enacted in FY Mar/09. Toray Group implemented the system in April 2008 to fulfill its obligations for submitting internal control reports and undertaking independent audits regarding internal control. An assessment of Toray's implementation of an internal control system in compliance with the Financial Instruments and Exchange Law determined that in FY Mar/09, the Group had an effective internal control system for financial reporting.

### **INFORMATION DISCLOSURE AND SYSTEM FOR ACHIEVING ACCOUNTABILITY**

As a basic principle, Toray Group will continue functioning in an open manner and achieve accountability to all stakeholders. We are committed to independent and fair disclosure of information based on our Information Disclosure Principles. Business results are announced in annual, and quarterly financial reports, and important information related to the Group is disclosed in a timely manner through a variety of channels. These include filing reports with the Tokyo Stock Exchange, issuing press releases to media organizations, and posting information on the Toray website.

We have a robust system for storing and managing important documents and information, including minutes and financial reports related to management decision-making. Such information is kept available for reference as necessary. Confidential information is controlled by Confidential Information Management Regulations, which specify systems and methods for the appropriate management of such information. We have also adopted measures to prevent improper access to such information by those outside the Group. In addition, Toray has put in place a system for protecting personal information through its Personal Information Management Regulations.

# RISK MANAGEMENT

## BASIC POLICY

For Toray Group, risk management is the root of business management. Toray has formulated Crisis Management Regulations and identified potential risks in its activities to reduce risk in everyday situations, and to prevent future crises. At the same time, we are putting in place emergency response measures in the event of a major crisis.

## PROMOTION OF GROUP-WIDE RISK MANAGEMENT

In addition to mitigating risks in everyday situations, Toray's risk management encompasses internal control, product safety, export control and responding to other individual risks. We are also building a company-wide risk management system that sets countermeasures for dealing with a wide range of risks we have identified as having the potential to affect our business activities.

In FY Mar/09, Toray identified nine priority risks that need to be addressed, based on an extensive assessment exercise undertaken the previous fiscal year. During the year under review, the respective divisions responsible for such risk implemented specific risk mitigation measures. During the year, we established a Working Group to formulate and implement comprehensive risk mitigation measures for three risks affecting several divisions and for which jurisdiction is unclear. These risks relate to new influenza strains, information leaks and the supply chain.

## ENHANCEMENT OF BUSINESS CONTINUITY PLAN

Toray Group has previously established measures under an Emergency Response Plan for Major Earthquakes in line with the serious risks posed by the occurrence of a major earthquake. In FY Mar/09, we formulated three measures from the standpoint of head office functions based on the scenario of an earthquake occurring in the Tokyo metropolitan area: (1) Emergency Response Plan; (2) Early Recovery Plan; and (3) measures for confirming the safety of personnel and establishing contact, with the aim of resuming important activities on the third day after the event.

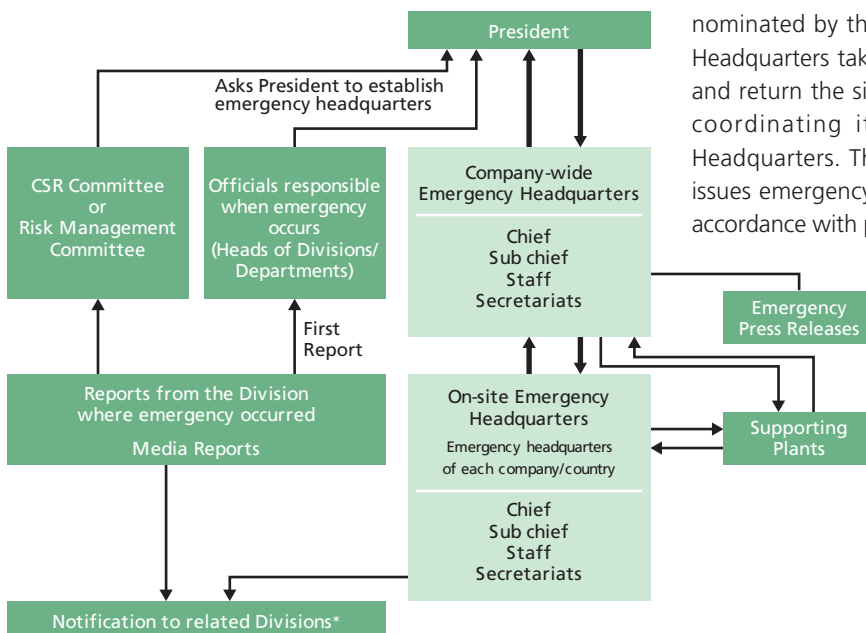
With respect to Toray Group's information systems, we undertook earthquake proofing at the Information Systems Center on the Shiga Plant. We also implemented measures to restrict damage caused by an earthquake to an absolute minimum with the aim of restoring operations as soon as possible.

In July 2008, we launched group-wide protocols for confirming damage and maintaining information regarding production, purchasing and logistics in the event of a major earthquake. The protocols cover not only Toray Group's activities, but also those of customers, raw material manufacturers and others in the supply chain.

## CRISIS MANAGEMENT SYSTEM

Crisis Management Regulations set out basic principles for a company-wide response in the event of a major crisis. Should a crisis occur, the emergency response system is activated, whereupon a Company-wide Emergency Headquarters is established under the leadership of the President or a person nominated by the President. The Company-wide Emergency Headquarters takes steps to prevent the crisis from escalating and return the situation to normal as early as possible, while coordinating its efforts with the On-site Emergency Headquarters. The Company-wide Emergency Headquarters issues emergency bulletins to internal and external entities in accordance with predetermined rules.

### Emergency Quick Response System



\* Notification will be conducted according to the Emergency Reporting Route for Significant Disasters, Environmental Accidents, and Other Crisis Outbreaks.

# BOARD OF DIRECTORS AND CORPORATE AUDITORS

(As of June 26, 2009)

## Chairman of the Board



Akikazu Shimomura

June 1995 Vice President (Member of the Board)  
 June 1997 Senior Vice President (Member of the Board)  
 June 2002 Senior Vice President and Representative Member of the Board (Member of the Executive Committee)  
 June 2004 Executive Vice President and Representative Member of the Board  
 June 2007 Chairman of the Board

## President, Chief Executive Officer, Chief Operating Officer and Representative Director



Sadayuki Sakakibara

June 1994 General Manager, First Corporate Planning Dept.  
 June 1996 Vice President (Member of the Board)  
 June 1998 Senior Vice President (Member of the Board)  
 June 1999 Senior Vice President (Member of the Board and Member of the Executive Committee)  
 June 2001 Executive Vice President and Representative Member of the Board  
 June 2002 President and Representative Member of the Board (Presently Chief Executive Officer and Chief Operating Officer)

## Executive Vice Presidents and Representative Members of the Board



Chiaki Tanaka

June 1998 General Manager, Manufacturing Division (Plastics and Films)  
 June 1999 Vice President (Member of the Board)  
 June 2001 Senior Vice President (Member of the Board)  
 June 2005 Senior Vice President (Member of the Board and Member of the Executive Committee)  
 June 2006 Senior Vice President and Representative Member of the Board (Member of the Executive Committee)  
 June 2007 Executive Vice President and Representative Member of the Board

(Presently in charge of Resins & Chemicals Division, Films Division, Intellectual Property Division, Information Systems Division, Automotive Material Strategic Planning Dept. and Global Environment Business Strategic Planning Dept.; General Manager, Technology Center)



Yukihiro Sugimoto

October 1997 General Manager, Fibers Division  
 June 2000 Vice President (Member of the Board)  
 June 2006 Senior Vice President (Member of the Board and Member of the Executive Committee)  
 June 2007 Executive Vice President and Representative Member of the Board (Presently in charge of Marketing and Sales; in charge of Corporate Marketing Planning Dept. and branches; General Manager, Fibers & Textiles Division)



Akihiro Nikkaku

June 2001 General Manager, Engineering Division; General Manager, Second Engineering Dept.  
 June 2002 Vice President (Member of the Board)  
 June 2004 Senior Vice President (Member of the Board)  
 June 2006 Senior Vice President (Member of the Board and Member of the Executive Committee)  
 June 2007 Executive Vice President and Representative Member of the Board (Presently in charge of Water Treatment & Environment Division; General Manager, Corporate Strategic Planning Division)



Shinichi Koizumi

April 2003 General Manager on Special Assignment, First Corporate Planning Dept.; General Manager on Special Assignment, Second Corporate Planning Dept.  
 June 2004 Vice President (Member of the Board)  
 June 2006 Senior Vice President (Member of the Board)  
 June 2007 Senior Vice President (Member of the Board and Member of the Executive Committee)  
 June 2008 Executive Vice President and Representative Member of the Board (Presently in charge of International Operations; in charge of International Division; General Manager, Torayca & Advanced Composites Division)

## Senior Vice President and Representative Member of the Board (Member of the Executive Committee)

Osamu Nakatani

## Senior Vice Presidents

(Members of the Board & Members of the Executive Committee)

Junichi Fujikawa

Kazuhiro Maruyama

Norihiko Saitou

Toshiyuki Asakura

## Senior Vice Presidents (Members of the Board)

Hideyasu Okawara

Akira Uchida

Kazushi Hashimoto

Koichi Abe

Nobuo Suzui

Takao Sano

Kiyoshi Fukuchi

## Vice Presidents (Members of the Board)

Moriyuki Onishi

Yasunobu Nishimoto

Shinichi Okuda

Yukichi Deguchi

Shogo Masuda

Kenji Ueno

Ryo Murayama

Kojiro Maeda

Akira Umeda

Kazuo Morimoto

## Corporate Auditors

Kazuo Sonoya

Hiroshi Otani

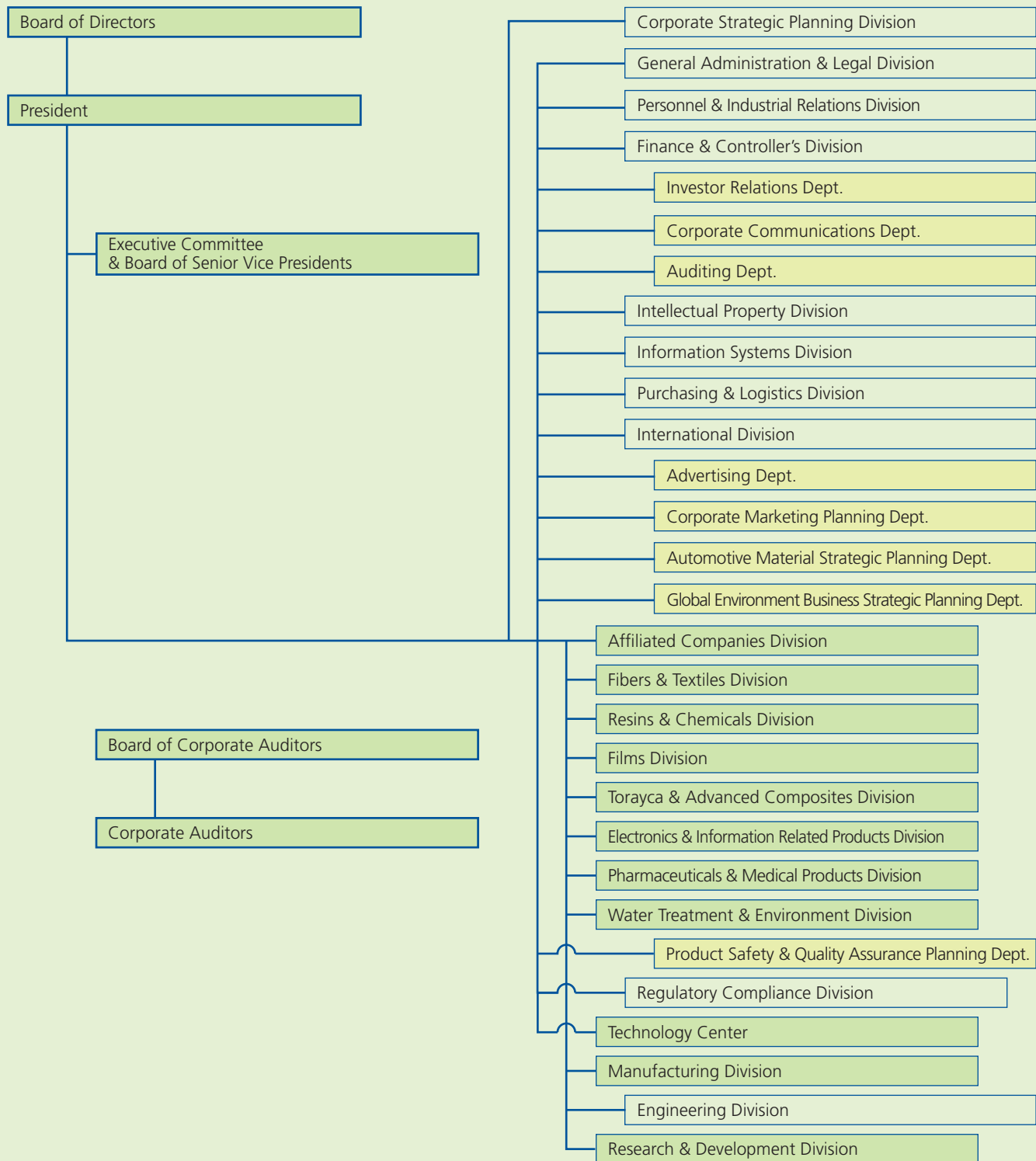
Mitsuaki Yahagi\*

Makoto Matsuo\*

\*Outside Corporate Auditors in accordance with Article 2, paragraph 16 of the Corporation Law of Japan.

# ORGANIZATION CHART

(As of June 24, 2009)



# TORAY GROUP WORLDWIDE NETWORK

(As of August 31, 2009)

## EUROPE

### United Kingdom

#### Consolidated Subsidiaries

- Toray Textiles Europe Ltd. (TTEL)
- Toray International U.K. Ltd. (TIUK)

### France

#### Consolidated Subsidiaries

- Toray Plastics Europe S.A.S. (TPEu)
- Société des Fibres de Carbone S.A. (SOFICAR)
- Toray Films Europe S.A.S. (TFE)

### Switzerland

#### Subsidiary Accounted for by Equity Method

- Toray Membrane Europe AG (TMEu)

### Italy

#### Consolidated Subsidiary

- Alcantara S.p.A.

#### Subsidiary Accounted for by Equity Method

- Toray International Italy S.r.l. (TIIT)

### Czech

#### Consolidated Subsidiary

- Toray Textiles Central Europe s.r.o. (TTCE)

### Germany

#### Consolidated Subsidiary

- Toray International Europe GmbH (TIEU)

## ASIA

### China

#### Consolidated Subsidiaries

- Toray Industries (China) Co., Ltd. (TCH)
- Toray Fibers (Nantong) Co., Ltd. (TFNL)
- Toray Sakai Weaving & Dyeing (Nantong) Co., Ltd. (TSD)
- Toray Jifa (Qingdao) Textile Co., Ltd. (TJQ)
- Toray Plastics (Shenzhen) Ltd. (TPSZ)
- Toray Plastics (Hong Kong) Ltd. (TPHK)
- Toray Sanko Precision (Zhongshan) Ltd. (RKZ)
- Toray Sanko Precision (Hong Kong) Ltd. (RKH)
- Toray Industries (H.K.) Ltd. (THK)
- Toray Trading (Shanghai) Co., Ltd. (TSL)
- Toray Film Products (Zhougshan) Ltd.
- Toray Film Products (Hong King) Ltd.

Others

#### Subsidiaries Accounted for by Equity Method

- Toray Industries (South China) Co., Ltd. (TSCH)

Others

#### Affiliate Accounted for by Equity Method

- Yihua Toray Polyester Film Co., Ltd. (YTP)

### Korea

#### Consolidated Subsidiaries

- ■ Toray Saehan Inc. (TSI)
- ■ STEMCO, Ltd. (STEMCO)

#### Affiliates Accounted for by Equity Method

- ■ STECO, Ltd. (STECO)

Others

### Chinese Taipei

#### Subsidiary Accounted for by Equity Method

- Toray International Taipei Inc. (TIIP)

### Malaysia

#### Consolidated Subsidiaries

- Penfabric Sdn. Berhad (PAB)
  - ■ Penfibre Sdn. Berhad (PFR)
  - ■ Toray Plastics (Malaysia) Sdn. Berhad (TPM)
- Others

#### Subsidiary Accounted for by Equity Method

- Toray Industries (Malaysia) Sdn. Berhad (TML)

#### Affiliate Accounted for by Equity Method

- Toray BASF PBT Resin Sdn. Berhad (TBPR)

### Singapore

#### Consolidated Subsidiary

- Toray International Singapore Pte. Ltd. (TISP)

### JAPAN

#### Consolidated Subsidiaries

- Ogaki Fuso Spinning Co., Ltd.
- Toray Textiles Inc.
- Inami Textiles Inc.
- Toray Coatex Co., Ltd.
- Towa Orimono Co., Ltd.
- Toray Monofilament Co., Ltd.
- Toyo Tire Cord Co., Ltd.
- ■ Ichimura Sangyo Co., Ltd.
- Marusa Co., Ltd.
- Toray Diplomode, Inc.
- ■ Toray Fine Chemicals Co., Ltd.
- ■ Toyo Plastic Seiko Co., Ltd.
- Toray PEF Products Inc.
- Toray Advanced Film Co., Ltd.
- Soda Aromatic Co., Ltd.
- Toray Engineering Co., Ltd.
- Toray Precision Co., Ltd.
- Toray Systems Center, Inc.
- Toray Construction Co., Ltd.
- Suido Kiko Kaisha, Ltd.
- Toray ACE Co., Ltd.
- Toray Medical Co., Ltd.
- Toray Research Center Inc.
- Toray Enterprise Corp.
- Toyo Jitsugyo Co., Ltd.
- Toyo Logistics Co., Ltd.
- Toray International, Inc.
- Chori Co., Ltd.

Others

#### Subsidiaries Accounted for by Equity Method

- Kanto General Service Inc.

Others

#### Affiliates Accounted for by Equity Method

- ■ Du Pont-Toray Co., Ltd.
- Toray Opelontex Co., Ltd.\*
- Dow Corning Toray Co., Ltd.
- Sanyo Chemical Industries, Ltd.
- Panasonic Plasma Display Co., Ltd.

Others

\*Business name change set to take place on 1 October, 2009

### Indonesia

#### Consolidated Subsidiaries

- P.T. Acryl Textile Mills (ACTEM)
- P.T. Century Textile Industry Tbk (CENTEX)
- P.T. Easterntex (ETX)
- P.T. Indonesia Synthetic Textile Mills (ISTEM)
- P.T. Indonesia Toray Synthetics (ITS)

#### Subsidiaries Accounted for by Equity Method

- P.T. Toray Industries Indonesia (TIN)

Others

#### Affiliates Accounted for by Equity Method

- P.T. Petnesia Resindo (PNR)

Others

### Thailand

#### Consolidated Subsidiaries

- Luckytex (Thailand) Public Co., Ltd. (LTX)
- Thai Toray Textile Mills Public Co., Ltd. (TTTM)
- ■ Thai Toray Synthetics Co., Ltd. (TTS)

#### Subsidiary Accounted for by Equity Method

- Toray Industries (Thailand) Co., Ltd. (TTH)

#### Affiliate Accounted for by Equity Method

- Thai PET Resin Co., Ltd. (TPRC)

## NORTH AMERICA

### U.S.A.

#### Consolidated Subsidiaries

- Toray Fluorofibers (America), Inc. (TFA)
- Toray Ultrasuede (America), Inc. (TUA)
- Toray Plastics (America), Inc. (TPA)
- Toray Resin Co. (TREC)
- Toray Carbon Fibers America, Inc. (CFA)
- Toray Composites (America), Inc. (TCA)
- Toray Membrane USA, Inc. (TMUS)
- Toray International America Inc. (TIAM)

Others

#### ● Regional Supervisory Organization

#### ● Fibers & Textiles

#### ■ Plastics & Chemicals

#### ■ IT-related Products

#### ● Carbon Fiber Composite Materials

#### ● Environment & Engineering

#### ■ Life Science & Other Businesses

#### ■ Trading

Consolidated Subsidiaries	Japan	60
	Overseas	75
	Total	135
Subsidiaries Accounted for by Equity Method	Japan	27
	Overseas	24
	Total	51
Total Subsidiaries	Japan	87
	Overseas	99
	Total	186
Affiliates Accounted for by Equity Method	Japan	13
	Overseas	25
	Total	38
Companies Subject to Consolidation	Japan	100
	Overseas	124
	Total	224
As of March 31, 2009		

# INVESTOR INFORMATION

(As of March 31, 2009)

## Common Stock:

Issued: 1,401,481,403 shares  
Number of Stockholders: 202,254

## Annual General Meeting:

The annual general meeting of stockholders is normally held in June in Tokyo.

## Listings:

Common stock is listed on the Tokyo Stock Exchange, the Osaka Securities Exchange and three other domestic stock exchanges. Overseas listings are on exchanges in London and Luxembourg.

## Independent Auditors:

Ernst & Young ShinNihon LLC

## Transfer Agent:

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

## Common stock range

	2009		2008	
	High	Low	High	Low
First quarter	¥ 694	¥ 559	¥ 933	¥ 804
Second quarter	596	457	998	823
Third quarter	513	350	925	810
Fourth quarter	475	350	868	529

## Cash dividends per share

	2009	2008
Total for the year	¥ 7.50	¥ 10.00
Interim	5.00	5.00

## Principal stockholders

	Percent of total	Thousands of shares
Nippon Life Insurance Co.	4.64	65,019
Japan Trustee Services Bank, Ltd. (Trust 4G account)	4.46	62,509
The Master Trust Bank of Japan, Ltd. (Trust account)	4.43	62,147
Mitsui Life Insurance Co., Ltd.	3.42	47,948
Japan Trustee Services Bank, Ltd. (Trust account)	2.84	39,736
Sumitomo Mitsui Banking Corporation	2.14	30,022
The Dai-ichi Mutual Life Insurance Co.	1.89	26,484
Japan Trustee Services Bank, Ltd. (Trust 4 account)	1.42	19,863
Mitsui Fudosan Co., Ltd.	1.39	19,460
Mitsui Sumitomo Insurance Co., Ltd.	1.26	17,638

# CORPORATE DATA

## Toray Industries, Inc

### Head Office

Nihonbashi Mitsui Tower,  
1-1, Nihonbashi-Muromachi 2-chome,  
Chuo-ku, Tokyo 103-8666, Japan  
Telephone: 81 (3) 3245-5111  
Facsimile: 81 (3) 3245-5054  
URL: <http://www.toray.com>

### Established:

January 1926

### Paid-in Capital:

¥ 96,937,230,771

### Number of Employees:

37,924

Parent company: 7,348

Japanese subsidiaries: 10,385

Overseas subsidiaries: 20,191

For further information,  
please contact the Investor Relations Department

Telephone: 81(3)3245-5113

Facsimile: 81(3)3245-5459

e-mail: [ir@nts.toray.co.jp](mailto:ir@nts.toray.co.jp)

### 2nd Head Office Building

8-1, Mihama 1-chome,  
Urayasu, Chiba 279-8555, Japan  
Telephone: 81 (47) 350-6001  
Facsimile: 81 (47) 350-6075

### Osaka Head Office

Nakanoshima Mitsui Building,  
3-3, Nakanoshima 3-chome,  
Kita-ku, Osaka 530-8222, Japan  
Telephone: 81 (6) 6445-4101  
Facsimile: 81 (6) 7688-3774

### Overseas Offices and Branches

#### New York

Toray Industries (America) Inc. (TAM)  
461 Fifth Ave., 9th Fl., New York,  
NY 10017, U.S.A.  
Telephone: 1 (212) 697-8150  
Facsimile: 1 (212) 972-4279

#### London

Toray Industries, Inc., Europe Office (TEU)  
Verulam Gardens, 70 Gray's Inn Road,  
London, WC1X 8NH, U.K.  
Telephone: 44 (20) 7663-7760  
Facsimile: 44 (20) 7663-7770

#### Beijing

Toray Industries, Inc., Beijing Office  
Beijing Fortune Bldg., No. 917,  
5, Dong San Huan Bei-Lu,  
Chao Yang District, Beijing 100004, China  
Telephone: 86 (10) 6590-8961~3  
Facsimile: 86 (10) 6590-8964

#### Seoul

Toray Industries, Inc., Seoul Office  
10th Floor, LG Mapo Bldg., 275,  
Kongdug-dong, Mapo-gu, Seoul,  
121-721 Korea  
Telephone: 82 (2) 707-0381~2  
Facsimile: 82 (2) 707-0067

# FINANCIAL SECTION

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# SIX-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Toray Industries, Inc. and Consolidated Subsidiaries  
Years ended March 31

	Millions of yen					
	2009	2008	2007	2006	2005	2004
<b>Net sales*</b> <sup>1</sup>	<b>¥ 1,471,561</b>	¥ 1,649,670	¥ 1,546,461	¥ 1,427,488	¥ 1,298,606	¥ 1,088,501
Fibers and Textiles	<b>568,996</b>	637,343	607,752	580,549	513,354	424,755
Plastics and Chemicals	<b>377,644</b>	404,015	375,292	337,978	300,404	258,093
IT-related Products	<b>229,421</b>	283,734	263,808	234,994	219,142	174,538
Carbon Fiber Composite Materials	<b>70,390</b>	83,580	68,593	52,714	—	—
Environment and Engineering	<b>160,207</b>	173,213	161,310	154,135	148,661	120,123
Pharmaceuticals and Medical Products	—	—	—	—	44,356	47,875
New Products and Other Businesses	—	—	—	—	72,689	63,117
Life Science and Other Businesses	<b>64,903</b>	67,785	69,706	67,118	—	—
<b>Operating income</b>	<b>36,006</b>	103,429	102,423	93,043	81,052	56,792
<b>(Loss) income before income taxes and minority interests</b>	<b>(19,751)</b>	78,565	81,705	80,342	53,112	44,876
<b>Net (loss) income</b>	<b>(16,326)</b>	48,069	58,577	47,409	34,397	20,908
<b>Net cash provided by operating activities</b>	<b>38,447</b>	110,367	77,539	116,022	133,481	117,610
<b>Depreciation and amortization</b>	<b>83,764</b>	86,423	72,689	64,444	64,288	68,232
<b>Capital expenditures</b>	<b>92,349</b>	146,787	126,444	104,127	73,094	48,807
<b>Total assets</b>	<b>1,523,603</b>	1,698,226	1,674,447	1,537,422	1,402,264	1,295,314
<b>Property, plant and equipment, net</b>	<b>596,261</b>	680,993	643,370	586,215	531,965	543,315
<b>Interest-bearing liabilities</b>	<b>663,945</b>	591,182	536,936	484,411	466,825	494,527
<b>Net assets*<sup>2</sup></b>	<b>512,610</b>	642,159	649,670	537,026	452,519	414,247
	Yen					
<b>Per share of common stock:</b>						
Net (loss) income:						
Basic	<b>¥ (11.66)</b>	¥ 34.34	¥ 41.84	¥ 33.72	¥ 24.46	¥ 14.87
Diluted	—	—	—	—	—	—
Cash dividends	<b>7.50</b>	10.00	10.00	8.00	7.00	5.50
Net assets	<b>335.04</b>	423.78	421.51	383.42	323.04	295.64
<b>Ratios:</b>						
Operating income to net sales	<b>2.45%</b>	6.27%	6.62%	6.52%	6.24%	5.22%
Net (loss) income to net sales	<b>(1.11)</b>	2.91	3.79	3.32	2.65	1.92
Equity ratio	<b>30.8</b>	34.9	35.2	34.9	32.3	32.0
Return on equity	<b>(3.1)</b>	8.1	10.4	9.6	7.9	5.2
Debt/equity ratio (times)	<b>1.42</b>	1.00	0.91	0.90	1.03	1.19
	Yen					
<b>Common stock price range:</b>						
High	<b>¥ 694</b>	¥ 998	¥ 1,128	¥ 1,011	¥ 557	¥ 492
Low	<b>350</b>	529	806	454	441	258
<b>Number of employees</b>	<b>37,924</b>	38,565	36,553	34,670	33,707	32,901

\*1 The Company changed its business segments from the year ended March 31, 2006.

"Carbon Fiber Composite Materials" was separated from "New Products and Other Businesses" to a new segment. "Pharmaceuticals and Medical Products" segment was merged into "New Products and Other Businesses" and the entire segment was renamed as "Life Science and Other Businesses." Furthermore, "Housing and Engineering" segment was renamed as "Environment and Engineering."

\*2 By adoption of the accounting standard for presentation of net assets, "minority interests in consolidated subsidiaries" and "net deferred gains (losses) on hedges" are included in net assets from the year ended March 31, 2007. For calculation of "net assets per share," "minority interests in consolidated subsidiaries" are deducted from net assets.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## OVERVIEW

During the period under review, the world economy, which underwent only a relatively moderate slowdown in the first six months despite surges in oil and other resource prices and large fluctuations in currency exchange rates, slumped to a worldwide recession in the second half. Reflecting the worsening financial crisis that originated in the U.S., overall demand shrank rapidly and drastically. While the U.S. and European economies worsened with each passing month and China and other emerging economies slowed down significantly, Japanese economy also registered a steep decline, with both domestic and foreign demand weakening sharply.

Under such business environment, Toray Group continued its efforts to reform business structure and enhance profitability of the Group under the mid-term business strategies "Project Innovation TORAY 2010" ("IT-2010") launched in October 2006. At the same time, to cope with the increases in raw materials and fuel prices in the first half, the Group took actions to reduce costs, transfer cost increases on to selling prices and shift to high value added products. It also strived to reduce capital investments, cut down expenses and adjust inventory levels in response to the economic slowdown.

Despite these efforts, unable to offset the huge tumble in demand in the second half of the year, Toray Group recorded decreases in both revenues and earnings.

## OPERATING RESULTS

### Net Sales

Consolidated net sales in FY Mar/09 amounted to ¥1,471.6 billion, down ¥178.1 billion, or 10.8%, from the previous fiscal year. Sales declined in all business segments.

### Sales by Business Segment

#### Fibers and Textiles

Total sales in this segment declined ¥68.3 billion, or 10.7%, to ¥569.0 billion.

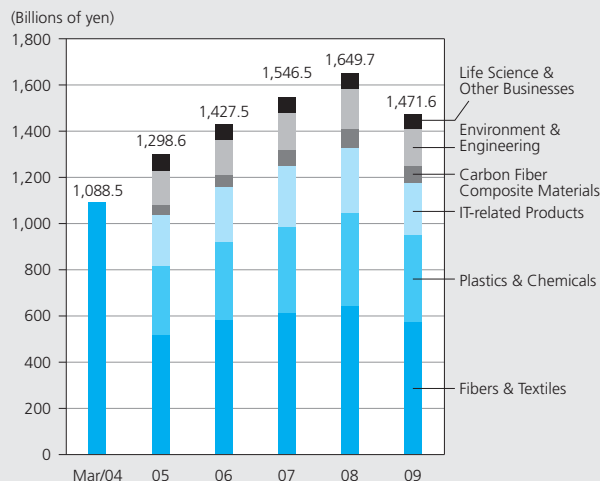
In Japan, reflecting weak demand for clothing, the movement of goods for apparel applications remained sluggish on the whole except for some sewn products. Demand for products for industrial applications, which remained relatively strong in the first half of the fiscal year, declined significantly in the second half and the sales volume decreased especially in the automotive sector.

Overseas, though some businesses such as man-made suede business in Europe and nylon fiber and textile operations for air bag applications in Thailand kept steady sales through summer, almost all businesses were affected by the economic slowdown in the second half.

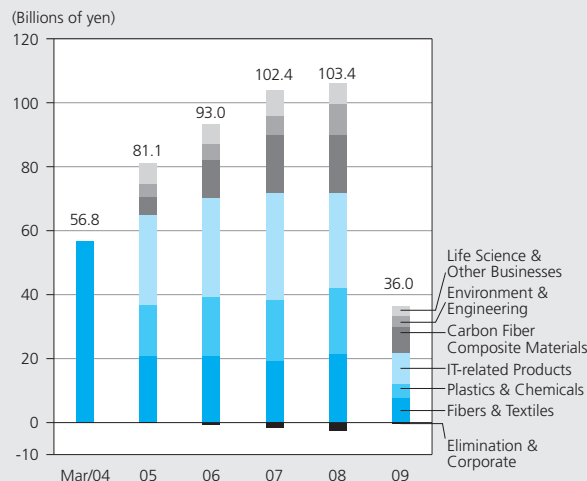
#### Plastics and Chemicals

Total segment sales decreased ¥26.4 billion, or 6.5%, to ¥377.6 billion.

Net Sales by Business Segment



Operating Income by Business Segment



\* Net sales and operating income by the reclassified business segment are only available for fiscal year ended March 31, 2005 onward.

In the plastic resins business, after posting robust sales in the automotive and electrical and electronics applications in the first half, sales volume of products declined across the board in the second half. In the films business, though sales volume for solar cell applications rose, shipment of products for other applications slowed down in the second half.

#### IT-related Products

Total segment sales declined ¥54.3 billion, or 19.1%, to ¥229.4 billion.

Sales of coating materials for semiconductors, materials used in liquid crystal displays and PDP materials were relatively strong through the first half. In the second half, however, sales volume dipped for most products, except liquid crystal-related manufacturing equipment, due to the impact of production adjustments in such industries as flat panel displays, semiconductors and electronic components.

#### Carbon Fiber Composite Materials

Total sales in this segment amounted to ¥70.4 billion, a decrease of ¥13.2 billion, or 15.8%.

In the Carbon Fiber Composite Materials segment, the Group is actively pursuing development of new applications with focus on automobile, environment and energy applications. Demand for the carbon fiber composite materials is expected to continue growing over the medium- to long-term, including in aircraft and industrial applications. In the short term, however, the market eased off mainly in general purpose products as manufacturers in the industry expanded production capacity, and the global economic downturn resulted in low shipping volume for sports and industrial applications. Sales in aircraft applications also decreased. Furthermore, partially due to the impact of exchange fluctuations, overall sales in the segment declined.

#### Environment and Engineering

Total segment sales declined ¥13.0 billion, or 7.5% from the previous fiscal year, to ¥160.2 billion.

Sales volume of water treatment membranes such as reverse osmosis membrane expanded in overseas markets including China and the Middle East. On the contrary, performance at a domestic water treatment engineering subsidiary remained sluggish. In addition, revenues of the engineering business and the condominium business in domestic subsidiaries decreased.

#### Life Science and Other Businesses

Total segment sales declined ¥2.9 billion, or 4.3%, to ¥64.9 billion.

In the pharmaceuticals and medical products business, sales volume of artificial kidneys registered an increase despite the severe business conditions. However, overall sales in the business declined compared with the previous year, reflecting the significant impact of falling pharmaceutical prices due to revision of National Health Insurance (NHI) drug prices and medical service reimbursement prices as well as intensified competition. In January 2009, an oral antipruritus drug for hemodialysis patients REMITCH® developed jointly by the Company, Japan Tobacco Inc. and Torii Pharmaceutical Co., Ltd. received approval. Torii Pharmaceutical launched the product in March.

On the whole, total sales of Life Science and Other Businesses fell, partially due to declining sales of a domestic trading subsidiary and falling orders at an analysis service subsidiary.

#### Sales by Geographic Segment

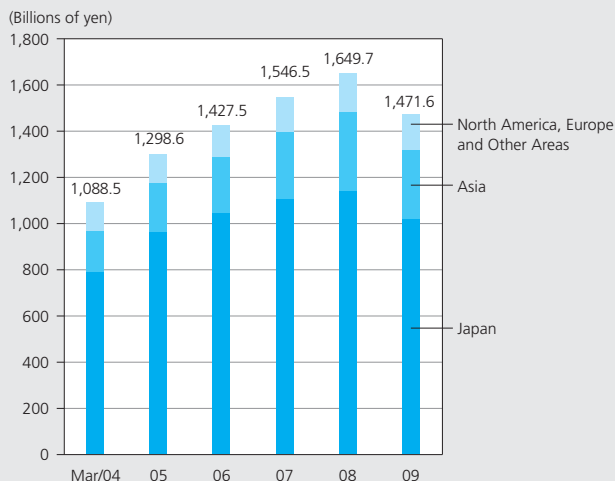
##### Japan

Sales of the Company and its domestic consolidated subsidiaries declined ¥123.6 billion, or 10.8%, to ¥1,016.0 billion, due mainly to a decrease in sales volumes in the fibers and textiles business and the IT-related products business as a result of weakening demand amidst the global recession. The share of this segment in consolidated net sales edged down from 69.1% to 69.0%.

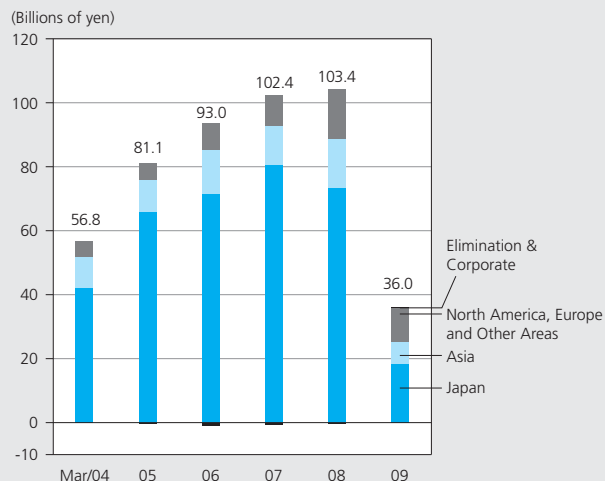
##### Asia

Sales of consolidated subsidiaries in China, Indonesia, Thailand, Malaysia, South Korea and other Asian countries, excluding Japan, declined ¥37.2 billion, or 11.0%, to ¥302.5 billion. This decrease

Net Sales by Geographic Segment



Operating Income by Geographic Segment



was the result of lower sales in the fibers and textiles business and the IT-related products business accompanying the economic downturn. Sales in this segment accounted for 20.6% of consolidated net sales, the same ratio as the previous fiscal year.

### **North America, Europe and Other Areas**

Sales of consolidated subsidiaries in the United States, United Kingdom, France, Italy, the Czech Republic and other countries in North America, Europe and other areas fell ¥17.3 billion, or 10.1%, to ¥153.0 billion. This was largely due to decreased sales in the plastics and chemicals business and the carbon fiber composite materials business. The share of this segment in consolidated net sales edged up from 10.3% to 10.4%.

### **Overseas Sales**

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of overseas consolidated subsidiaries, declined ¥71.6 billion, or 9.6%, to ¥677.8 billion. As a result of the serious economic downturn on a global scale, sales in Asia declined due to the fall in sales in the fibers and textiles business and the IT-related products business, and sales in North America, Europe and other areas declined due to lower sales in the plastics and chemicals business and carbon fiber composite materials business. Overseas sales accounted for 46.1% of consolidated net sales, up 0.7 percentage points from the previous fiscal year. Of this, sales in Asia amounted to ¥430.4 billion, or 29.3% of consolidated net sales, while sales in North America, Europe and other areas totaled ¥247.4 billion, or 16.8%.

### **Costs and Expenses**

The ratio of total costs and expenses to net sales for the year was 97.6%, up 3.8 percentage points from the previous fiscal year. Consolidated net sales declined 10.8%, and the cost of sales decreased 8.1%. As a result, the cost of sales ratio rose 2.4 percentage points, to 82.1%.

Selling, general and administrative expenses decreased ¥4.8 billion, or 2.1%, to ¥227.5 billion. The ratio of selling, general and administrative expenses to net sales up 1.4 percentage points, to 15.5%.

### **Operating Income and Net Loss**

Operating income fell ¥67.4 billion, or 65.2%, from the previous fiscal year, to ¥36.0 billion. Operating income to net sales slipped 3.8 percentage points, to 2.4%.

Operating income in all business segments declined. Operating income in the Fibers and Textiles segment fell ¥13.7 billion, or 64.1%, to ¥7.7 billion. The factors contributing to the decline included a slowdown in the apparel sector, except for some sewn products, as well as a decline in sales volume as a result of falling demand for industrial applications in the second half of the year despite healthy demand in the first half. Earnings were also affected by a decrease in production stemming from inventory optimization efforts.

In the Plastics and Chemicals segment, operating income declined ¥16.6 billion, or 80.3%, to ¥4.1 billion, due to a decline in sales volume of products across the board in the second half of the year despite solid demand in the first half for automotive and electrical and electronics applications. Segment earnings were impacted by production reduction for inventory level adjustment.

Operating income in the IT-related Products segment fell ¥19.9

billion, or 67.0%, to ¥9.8 billion. Sales for flat panel related materials and semiconductor materials remained relatively solid until the first half of the year. Sales volume declined in the second half of the year, however, as makers of flat panel displays, semiconductor devices and electronic components adjusted production volume. Another factor was decreased production with the aim of adjusting inventory levels.

In the Carbon Fiber Composite Materials segment, operating income decreased ¥9.7 billion, or 53.6%, to ¥8.4 billion. Sales volume declined in aircraft applications. In addition, sales volume for sports and industrial applications decreased amidst global recession. Segment earnings were also affected by reduction of production to optimize inventory level.

Operating income in the Environment and Engineering segment was down ¥6.5 billion, or 66.1%, to ¥3.3 billion. The factors contributing to the decline included an increase in expenses stemming from a business expansion in the water treatment membrane business despite a rise in sales volume in overseas market in such business and sluggish performances of our domestic water treatment engineering subsidiary.

In the Life Science and Other Businesses segment, operating income fell ¥3.1 billion, or 49.4%, to ¥3.2 billion, due to falling pharmaceutical prices by NHI drug price revision and reimbursement price reduction as well as intensified market competition in the pharmaceuticals and medical products business.

By geographic segment, operating income declined in all regions. Operating income in Japan dropped ¥55.3 billion, or 75.3%, to ¥18.2 billion, due to falling sales volumes, as well as a production decline to adjust inventory level.

Operating income in Asia fell ¥8.0 billion, or 52.6%, to ¥7.2 billion, due to declining sales volumes, as well as the impact of soaring fuel and raw materials prices on the Malaysian plastics resins subsidiary until the first half of the year.

Operating income in North America, Europe and other areas was down ¥5.4 billion, or 34.1%, to ¥10.4 billion, due to a fall in sales volume, as well as higher depreciation costs incurred by carbon fiber subsidiaries.

In net other income (expenses), the Group reported ¥55.8 billion in expenses, up ¥30.9 billion from the previous fiscal year. Interest and dividend income declined ¥0.4 billion to ¥3.9 billion, while interest expense grew ¥0.4 billion to ¥11.8 billion. As a result, net financial expenses increased ¥0.8 billion to ¥7.9 billion. Equity in earnings of unconsolidated subsidiaries and affiliated companies decreased ¥1.9 billion over the previous fiscal year, to ¥3.8 billion. Gain on sales and loss on write-down of investment securities, net was a loss of ¥12.1 billion, down ¥13.9 billion from the previous fiscal year and loss on impairment of fixed assets rose ¥4.8 billion to ¥12.3 billion. Loss on sales and disposal of property, plant and equipment, net increased ¥1.2 billion to ¥6.4 billion.

As a result, the Group reported a loss before income taxes and minority interests of ¥19.8 billion, down ¥98.3 billion from the previous fiscal year. After deducting income taxes and minority interests in earnings of consolidated subsidiaries, the Group posted a net loss of ¥16.3 billion, down ¥64.4 billion from the previous fiscal year.

Net loss per share was ¥11.66, down ¥46.00 from the previous fiscal year. The Company declared a year-end cash dividend of ¥2.50 per share, taking into account its earnings performance in FY Mar/09 and the outlook for FY Mar/10. Added to the interim cash dividend, this brought total annual dividends to ¥7.50 per share.

## FINANCIAL POSITION

### Assets

At March 31, 2009, total assets stood at ¥1,523.6 billion, down ¥174.6 billion, or 10.3%, from the end of the previous fiscal year. This was mainly the result of declines in trade receivables (sum of notes receivable and accounts receivable), property, plant and equipment and investment securities. Overseas assets accounted for 30.7% of total assets, down 2.1 percentage points.

### Current Assets

Current assets declined ¥77.3 billion, or 10.5%, to ¥655.9 billion. Trade receivables decreased ¥70.5 billion, or 24.3%, to ¥220.1 billion. Inventories declined ¥8.5 billion, or 2.6%, to ¥320.0 billion.

### Property, Plant and Equipment

Property, plant and equipment, net of depreciation, declined ¥84.7 billion, or 12.4%, to ¥596.3 billion. Capital expenditures fell ¥54.4 billion, or 37.1%, to ¥92.3 billion, based on our policy of investing selectively in prospective growth areas while streamlining and modernizing production facilities to enhance production efficiency.

In the Fibers and Textiles segment, capital expenditures totaled ¥13.8 billion. In the Plastics and Chemicals segment, capital expenditures amounted to ¥23.6 billion, which included additional production facilities at the Company concerning functional fine particles, as well as a new polypropylene films facility for Toray Films Europe S.A.S. Capital expenditures in the IT-related Products segment totaled ¥15.9 billion and included expansion of polyester film production facilities at the Company. In the Carbon Fiber Composite Materials segment, capital expenditures totaled ¥37.8 billion, which included additional carbon fiber production facilities at Toray Carbon Fibers America, Inc. and elsewhere. In the Environment and Engineering segment, capital expenditures amounted to ¥1.4 billion, while capital expenditures in the Life Science and Other Businesses segment totaled ¥3.1 billion.

### Liabilities

Total liabilities were down ¥45.1 billion, or 4.3%, to ¥1,011.0 billion, due mainly to a decrease in trade payables while

interest-bearing liabilities increased.

Total interest-bearing liabilities—consisting of short-term bank loans, current portion of long-term debt, commercial paper, long-term debt and lease obligations—increased ¥72.8 billion, or 12.3%, to ¥663.9 billion.

### Net Assets

Net assets came to ¥512.6 billion, and net assets less minority interests in consolidated subsidiaries stood at ¥468.9 billion. As a result, net assets per share declined ¥88.74 to ¥335.04. The equity ratio fell 4.2 percentage points to 30.8%, and the debt/equity ratio rose 0.42 point to 1.42%.

## CASH FLOWS

In FY Mar/09, net cash used in investing activities exceeded net cash provided by operating activities by ¥74.9 billion. This was mainly due to capital expenditures exceeding depreciation and amortization, as well as the loss before income taxes and minority interest and an increase in inventories. Net cash provided by financing activities, caused mainly by an increase in interest-bearing liabilities, was ¥89.1 billion. As a result, cash and cash equivalents at the fiscal year-end stood at ¥62.2 billion, up ¥5.7 billion, or 10.0%, from the end of the previous fiscal year.

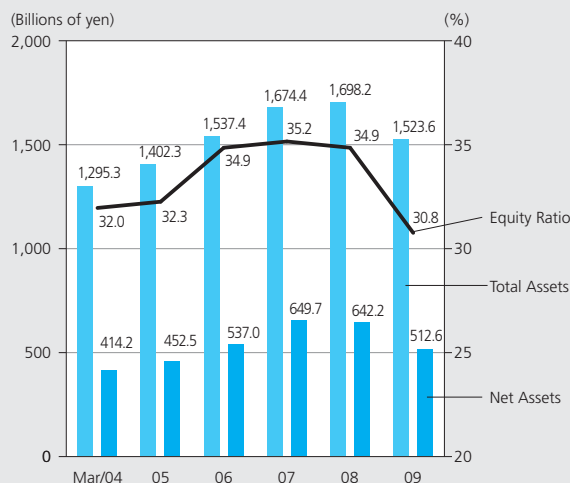
### Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥38.4 billion, down ¥71.9 billion from the previous fiscal year. This was due to the loss before income taxes and minority interests of ¥19.8 billion, a decrease in trade payable of 56.8 billion and an increase in inventories of ¥16.2 billion, which contrasted with depreciation and amortization of ¥83.8 billion and a decrease in trade receivables of ¥47.1 billion.

### Cash Flows from Investing Activities

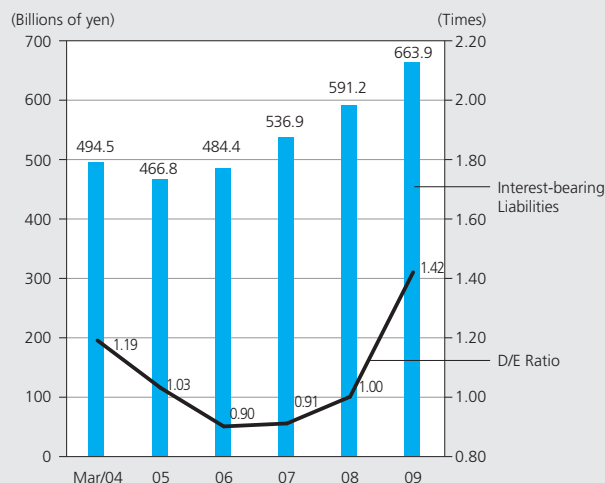
Net cash used in investing activities totaled ¥113.4 billion, down ¥50.8 billion. This stemmed mainly from capital expenditures of ¥101.4 billion and purchases of investment securities of ¥13.9 billion.

**Total Assets and Net Assets**



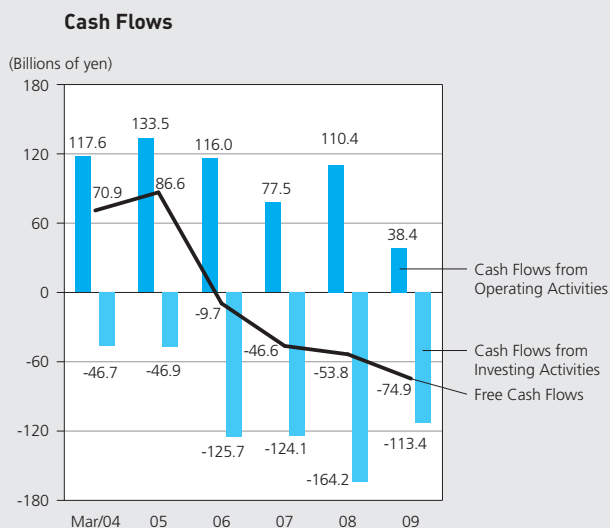
By adoption of the accounting standard for presentation of net assets, "minority interests in consolidated subsidiaries" and "net deferred gains (losses) on hedges" are included in net assets from the year ended March 31, 2007.

**Interest-bearing Liabilities and D/E Ratio**



## Cash Flows from Financing Activities

Net cash provided by financing activities was ¥89.1 billion, up ¥49.8 billion. This resulted mainly from net increase in short-term debt of ¥30.0 billion and proceeds from long-term debt of ¥112.8 billion, which contrasted with repayment of long-term debt of ¥37.8 billion and cash dividends paid of ¥14.7 billion.



## BUSINESS RISKS

Operational and other risks faced by Toray Group that could have a major influence on the decisions of investors are described below. Toray Group works constantly to avoid such potential risks, minimize the impact, and build a system to enable swift responses and accurate information disclosure on the occurrence of unforeseen situations.

Please note that the risks described below are those identified by Toray Group when this annual report was produced, and do not represent all the operational and other risks that could affect Toray Group.

### (1) Domestic and overseas demand and market trends

Toray Group's major products include items for which demand could suddenly decline due to worldwide supply-demand conditions, as well as items subject to significant price fluctuations. Price fluctuations, stemming from the reduction of National Health Insurance (NHI) drug prices and reimbursement prices, also affect the pharmaceuticals and medical products businesses. A decline in demand for, or falling prices of, such items, or the appearance of a credit risk affecting the Group's business partners, could have a negative impact on Toray Group's results of operations and financial conditions.

### (2) Rising prices of fuel and raw materials

The prices of petrochemical raw materials and fuel used by Toray Group are subject to significant fluctuations. If Toray Group is unable to fully pass the increases in such prices on to its product prices, or cannot raise its product prices due to lack of progress in shifting to high-value-added products, its results of operations and financial conditions could be negatively affected.

### (3) Foreign currency, interest rate and securities market fluctuations

Foreign currency exchange rate fluctuations affect Toray Group's

consolidated financial statements when the financial statements of the overseas operations presented in local currencies are translated into yen. Toray Group takes measures, such as entering forward exchange contracts, to alleviate risks associated with transactions denominated in foreign currencies. However, unforeseen exchange rate fluctuations could have an impact on Toray Group's results of operations and financial conditions.

Moreover, changes in interest rates and other aspects of financial markets, as well as changes in the value of securities held by the Group, have an impact on Toray Group's results of operations and financial conditions.

### (4) Overseas operations

Toray Group is developing a broad geographical presence, with operations in various countries of Asia, Europe and the Americas.

Some of the major potential risks associated with various regions are summarized below. If such risks were to become reality, Toray Group's results of operations and financial conditions could be negatively affected.

- Unforeseen introduction, changes or abolition of laws and regulations such as changes in taxation system
- Unforeseen economic or political events
- Social upheaval, including acts of terror or war

### (5) Product liability

Toray Group strives to supply the world's best-in-class products quality. However, it cannot always guarantee against a major unforeseen quality problem. If quality-related serious situations were to occur, Toray Group's results of operations and financial conditions could be negatively affected.

### (6) Lawsuits

In the course of conducting its wide range of business activities, Toray Group faces the risk of being targeted by legal action pertaining to various matters such as intellectual property, product liability, environment and labor issues. If Toray Group were subject to a major lawsuit, its results of operations and financial conditions could be negatively affected.

### (7) Laws and regulations

Various laws and regulations apply in the countries and regions where Toray Group conducts its business. In addition to investment approval protocols and import/export controls, these laws and regulations include regulations related to environment, commercial trading, labor, intellectual property, taxation and foreign exchange. Although Toray Group endeavors to comply with all such laws and regulations, Toray Group's results of operations and financial conditions could be negatively affected in case that such laws and regulations change or its actions are judged as violation of such laws and regulations.

### (8) Natural disasters and accidents

Toray Group places top priority on safety, accident prevention and environmental preservation. To minimize losses caused by suspension of production, Toray Group conducts regular accident prevention inspections, and maintenance of its manufacturing facilities, and safety activities. However, the advent of a major natural disaster or unprecedented accident could cause damage to Toray Group's manufacturing facilities, or could cause inadequate supply of raw materials, which could have a negative impact on its results of operations and financial conditions.

# CONSOLIDATED BALANCE SHEETS

Toray Industries, Inc. and Consolidated Subsidiaries  
March 31, 2009 and 2008

Assets	Millions of yen		Thousands of U.S. dollars (Note 2)
	2009	2008	2009
<b>Current assets:</b>			
Cash	¥ 50,498	¥ 42,721	\$ 515,286
Time deposits (Note 4)	11,792	13,032	120,327
Trade receivables:			
Notes receivable	29,095	39,124	296,888
Accounts receivable	191,034	251,521	1,949,327
Inventories (Note 3)	319,962	328,447	3,264,918
Deferred tax assets (Note 8)	19,530	22,067	199,286
Prepaid expenses and other current assets (Note 5)	36,341	39,111	370,825
Allowance for doubtful accounts	(2,368)	(2,834)	(24,163)
Total current assets	655,884	733,189	6,692,694
<b>Property, plant and equipment (Notes 4 and 11):</b>			
Land	69,863	81,400	712,888
Buildings	452,032	461,663	4,612,571
Machinery and equipment	1,449,286	1,501,165	14,788,633
Construction in progress	62,312	92,302	635,837
	2,033,493	2,136,530	20,749,929
Accumulated depreciation	(1,437,232)	(1,455,537)	(14,665,633)
Property, plant and equipment, net	596,261	680,993	6,084,296
<b>Intangible assets</b>	10,519	14,893	107,337
<b>Investments and other assets:</b>			
Investments in unconsolidated subsidiaries and affiliated companies	76,269	81,790	778,255
Investment securities (Notes 4 and 5)	89,305	127,799	911,276
Long-term loans receivable	1,186	1,261	12,102
Deferred tax assets (Note 8)	48,329	21,423	493,153
Other (Note 7)	48,745	40,028	497,397
Allowance for doubtful accounts	(2,895)	(3,150)	(29,541)
Total investments and other assets	260,939	269,151	2,662,642
<b>Total assets</b>	¥ 1,523,603	¥ 1,698,226	\$ 15,546,969

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars (Note 2)
	2009	2008	2009
<b>Current liabilities:</b>			
Short-term bank loans (Note 4)	¥ 128,194	¥ 128,008	\$ 1,308,102
Current portion of long-term debt (Note 4)	53,303	38,873	543,908
Commercial paper	20,000	10,000	204,082
Trade payables:			
Notes payable	40,951	51,732	417,867
Accounts payable	109,208	170,503	1,114,367
Income taxes payable (Note 8)	6,539	10,214	66,724
Accrued liabilities	41,480	54,513	423,265
Other current liabilities (Notes 4 and 8)	61,082	81,101	623,287
Total current liabilities	460,757	544,944	4,701,602
<b>Long-term debt</b> (Note 4)	456,120	414,301	4,654,286
<b>Deferred tax liabilities</b> (Note 8)	2,661	11,665	27,153
<b>Accrued employees' retirement benefits</b> (Note 7)	66,882	67,635	682,469
<b>Customers' guarantee deposits and other liabilities</b> (Note 4)	24,573	17,522	250,745
Total liabilities	1,010,993	1,056,067	10,316,255
<b>Commitments and contingent liabilities</b> (Note 10)			
<b>Net assets</b> (Note 9):			
Stockholders' equity:			
Common stock:			
Authorized — 4,000,000,000 shares			
Issued — 1,401,481,403 shares	96,937	96,937	989,153
Capital surplus	85,802	85,821	875,531
Retained earnings	353,222	387,070	3,604,306
Treasury stock, at cost	(1,123)	(1,073)	(11,459)
Total stockholders' equity	534,838	568,755	5,457,531
Valuation, translation adjustments and other:			
Net unrealized gains on securities	9,649	32,058	98,459
Net deferred gains (losses) on hedges	(423)	357	(4,316)
Foreign currency translation adjustments	(75,203)	(8,011)	(767,378)
Total valuation, translation adjustments and other	(65,977)	24,404	(673,235)
Minority interests in consolidated subsidiaries	43,749	49,000	446,418
Total net assets	512,610	642,159	5,230,714
Total liabilities and net assets	¥ 1,523,603	¥ 1,698,226	\$ 15,546,969

# CONSOLIDATED STATEMENTS OF OPERATIONS

Toray Industries, Inc. and Consolidated Subsidiaries  
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2009	2008	2009
<b>Net sales</b>	<b>¥ 1,471,561</b>	¥ 1,649,670	<b>\$ 15,015,929</b>
<b>Costs and expenses:</b>			
Cost of sales (Notes 3, 7, 11 and 12)	<b>1,208,056</b>	1,313,932	<b>12,327,102</b>
Selling, general and administrative expenses (Notes 7, 11 and 12)	<b>227,499</b>	232,309	<b>2,321,419</b>
	<b>1,435,555</b>	1,546,241	<b>14,648,521</b>
Operating income	<b>36,006</b>	103,429	<b>367,408</b>
<b>Other income (expenses):</b>			
Interest expense	<b>(11,829)</b>	(11,479)	<b>(120,704)</b>
Interest and dividend income	<b>3,893</b>	4,335	<b>39,724</b>
Equity in earnings of unconsolidated subsidiaries and affiliated companies	<b>3,827</b>	5,771	<b>39,051</b>
Loss on sales and disposal of property, plant and equipment, net	<b>(6,422)</b>	(5,197)	<b>(65,531)</b>
Loss on impairment of fixed assets (Note 13)	<b>(12,262)</b>	(7,509)	<b>(125,122)</b>
Gain on sales and loss on write-down of investment securities, net	<b>(12,091)</b>	1,850	<b>(123,378)</b>
Loss on liquidation and devaluation of subsidiaries and affiliated companies	<b>(5,715)</b>	(28)	<b>(58,316)</b>
Restructuring costs	<b>(977)</b>	(1,026)	<b>(9,969)</b>
Gain on adjustment of employees' retirement benefits of the U.K. subsidiary (Note 7)	—	786	—
Litigation settlement	—	(2,631)	—
Other, net	<b>(14,181)</b>	(9,736)	<b>(144,704)</b>
	<b>(55,757)</b>	(24,864)	<b>(568,949)</b>
(Loss) income before income taxes and minority interests	<b>(19,751)</b>	78,565	<b>(201,541)</b>
<b>Income taxes (Note 8):</b>			
Current	<b>13,433</b>	17,426	<b>137,071</b>
Deferred	<b>(18,947)</b>	8,892	<b>(193,336)</b>
	<b>(5,514)</b>	26,318	<b>(56,265)</b>
(Loss) income before minority interests	<b>(14,237)</b>	52,247	<b>(145,276)</b>
<b>Minority interests in earnings of consolidated subsidiaries</b>	<b>(2,089)</b>	(4,178)	<b>(21,316)</b>
Net (loss) income	<b>¥ (16,326)</b>	¥ 48,069	<b>\$ (166,592)</b>

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Toray Industries, Inc. and Consolidated Subsidiaries  
Years ended March 31, 2009 and 2008

	Millions of yen										
	Stockholders' equity					Valuation, translation adjustments and other					
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total stockholders' equity	Net unrealized gains on securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Total valuation, translation adjustments and other	Minority interests in consolidated subsidiaries	Total net assets
<b>Balance as of March 31, 2007</b>	¥ 96,937	¥ 85,814	¥ 352,994	¥ (998)	¥ 534,747	¥ 56,937	¥ 799	¥ (2,463)	¥ 55,273	¥ 59,650	¥ 649,670
Changes in:											
Dividends			(14,006)		(14,006)						(14,006)
Net income			48,069		48,069						48,069
Acquisition of treasury stock				(88)	(88)						(88)
Disposition of treasury stock		7		13	20						20
Other			13		13						13
Items other than stockholders' equity, net						(24,879)	(442)	(5,548)	(30,869)	(10,650)	(41,519)
<b>Total changes</b>	—	7	34,076	(75)	34,008	(24,879)	(442)	(5,548)	(30,869)	(10,650)	(7,511)
<b>Balance as of March 31, 2008</b>	96,937	85,821	387,070	(1,073)	568,755	32,058	357	(8,011)	24,404	49,000	642,159
Changes in:											
Effect of changes in accounting policies applied to foreign subsidiaries			(3,512)		(3,512)						(3,512)
Dividends			(14,005)		(14,005)						(14,005)
Net loss			(16,326)		(16,326)						(16,326)
Acquisition of treasury stock				(475)	(475)						(475)
Disposition of treasury stock		(19)		425	406						406
Other			(5)		(5)						(5)
Items other than stockholders' equity, net						(22,409)	(780)	(67,192)	(90,381)	(5,251)	(95,632)
<b>Total changes</b>	—	(19)	(33,848)	(50)	(33,917)	(22,409)	(780)	(67,192)	(90,381)	(5,251)	(129,549)
<b>Balance as of March 31, 2009</b>	<b>¥ 96,937</b>	<b>¥ 85,802</b>	<b>¥ 353,222</b>	<b>¥ (1,123)</b>	<b>¥ 534,838</b>	<b>¥ 9,649</b>	<b>¥ (423)</b>	<b>¥ (75,203)</b>	<b>¥ (65,977)</b>	<b>¥ 43,749</b>	<b>¥ 512,610</b>

	Thousands of U.S. dollars (Note 2)										
	Stockholders' equity					Valuation, translation adjustments and other					
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total stockholders' equity	Net unrealized gains on securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Total valuation, translation adjustments and other	Minority interests in consolidated subsidiaries	Total net assets
<b>Balance as of March 31, 2008</b>	\$ 989,153	\$ 875,724	\$ 3,949,694	\$ (10,949)	\$ 5,803,622	\$ 327,122	\$ 3,643	\$ (81,745)	\$ 249,020	\$ 500,000	\$ 6,552,642
Changes in:											
Effect of changes in accounting policies applied to foreign subsidiaries			(35,837)		(35,837)						(35,837)
Dividends			(142,908)		(142,908)						(142,908)
Net loss			(166,592)		(166,592)						(166,592)
Acquisition of treasury stock				(4,847)	(4,847)						(4,847)
Disposition of treasury stock		(193)		4,337	4,144						4,144
Other			(51)		(51)						(51)
Items other than stockholders' equity, net						(228,663)	(7,959)	(685,633)	(922,255)	(53,582)	(975,837)
<b>Total changes</b>	—	(193)	(345,388)	(510)	(346,091)	(228,663)	(7,959)	(685,633)	(922,255)	(53,582)	(1,321,928)
<b>Balance as of March 31, 2009</b>	<b>\$ 989,153</b>	<b>\$ 875,531</b>	<b>\$ 3,604,306</b>	<b>\$ (11,459)</b>	<b>\$ 5,457,531</b>	<b>\$ 98,459</b>	<b>\$ (4,316)</b>	<b>\$ (767,378)</b>	<b>\$ (673,235)</b>	<b>\$ 446,418</b>	<b>\$ 5,230,714</b>

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Toray Industries, Inc. and Consolidated Subsidiaries  
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2009	2008	2009
<b>Cash flows from operating activities:</b>			
(Loss) income before income taxes and minority interests	¥ (19,751)	¥ 78,565	\$ (201,541)
Adjustments to reconcile (loss) income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	83,764	86,423	854,735
Loss on impairment of fixed assets	12,262	7,509	125,122
Interest and dividend income	(3,893)	(4,335)	(39,724)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(3,827)	(5,771)	(39,051)
Interest expense	11,829	11,479	120,704
Loss on sales and disposal of property, plant and equipment, net	6,422	5,197	65,531
Gain and loss on sales and loss on write-down of investment securities, net	12,336	(2,550)	125,878
Increase (decrease) in accrued employees' retirement benefits	183	(4,313)	1,867
Decrease (increase) in trade receivables	47,102	(4,752)	480,633
Increase in inventories	(16,212)	(28,898)	(165,429)
(Decrease) increase in trade payables	(56,843)	14,200	(580,031)
Other, net	(11,372)	(9,902)	(116,041)
Subtotal	62,000	142,852	632,653
Interest and dividends received	7,872	10,881	80,327
Interest paid	(11,963)	(10,651)	(122,071)
Litigation settlement paid	(2,631)	—	(26,847)
Income taxes paid	(16,831)	(32,715)	(171,746)
Net cash provided by operating activities	38,447	110,367	392,316
<b>Cash flows from investing activities:</b>			
Capital expenditures	(101,353)	(144,932)	(1,034,214)
Purchases of investment securities	(13,938)	(20,433)	(142,224)
Proceeds from sales of property, plant and equipment	1,555	2,475	15,867
Proceeds from sales of investment securities	3,108	6,087	31,714
Additional acquisition of shares of consolidated subsidiaries	(139)	(5,242)	(1,418)
Other, net	(2,606)	(2,106)	(26,592)
Net cash used in investing activities	(113,373)	(164,151)	(1,156,867)
<b>Cash flows from financing activities:</b>			
Net increase in short-term debt	29,990	15,891	306,020
Proceeds from long-term debt	112,794	100,435	1,150,959
Repayment of long-term debt	(37,848)	(54,196)	(386,204)
Cash dividends paid	(14,711)	(15,186)	(150,112)
Acquisition and cancellation of treasury stock by the consolidated subsidiary	—	(8,362)	—
Other, net	(1,109)	713	(11,316)
Net cash provided by financing activities	89,116	39,295	909,347
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(8,613)</b>	<b>(1,106)</b>	<b>(87,888)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>5,577</b>	<b>(15,595)</b>	<b>56,908</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>56,507</b>	<b>72,102</b>	<b>576,602</b>
<b>Beginning balance of cash and cash equivalents at subsidiaries not previously included in consolidation</b>	<b>74</b>	<b>—</b>	<b>755</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥ 62,158</b>	<b>¥ 56,507</b>	<b>\$ 634,265</b>

See accompanying notes to consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Toray Industries, Inc. and Consolidated Subsidiaries  
Years ended March 31, 2009 and 2008

## 1. SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Toray Industries, Inc. (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Previously, overseas subsidiaries had prepared their financial statements in accordance with accounting principles and practices prevailing in their respective countries of domicile.

Effective from the year ended March 31, 2009, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force No. 18, May 17, 2006). For the preparation of consolidated financial statements, the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should be unified, in principle. Under the new accounting standard, financial statements prepared by overseas subsidiaries in accordance with International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process. In addition, some items should be adjusted in the consolidation process so that net income is accurately accounted for, unless they are not material. The impact of this change is immaterial.

Certain items presented in the original consolidated financial statements in Japanese have been reclassified for the convenience of readers outside Japan.

### b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and substantially all of its subsidiaries.

Assets and liabilities of the consolidated subsidiaries are revalued to fair market value when the majority interest in the subsidiaries is purchased.

Investments in unconsolidated subsidiaries and affiliated companies are accounted for by the equity method.

All intercompany accounts and transactions have been eliminated in consolidation. The difference between the acquisition cost and the underlying net assets of the subsidiaries is recognized as goodwill or negative goodwill, and amortized principally over five years on a straight-line method.

### c) Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2009 and 2008 include cash, short-term time deposits which may be withdrawn on demand without diminution of principal and highly liquid investments with original maturities of three months or less.

Cash and cash equivalents consisted of:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Cash	¥ 50,498	¥ 42,721	\$ 515,286
Time deposits	11,792	13,032	120,327
Less — Time deposits with maturities of over 3 months	(350)	(79)	(3,572)
Short-term investment securities and others with maturities of 3 months or less	218	833	2,224
Cash and cash equivalents	¥ 62,158	¥ 56,507	\$ 634,265

### d) Financial Instruments

#### Derivatives:

All derivatives are stated at fair value, with changes in fair value included in net income or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments" (see Hedge Accounting below).

#### Securities:

Held-to-maturity debt securities that the Company and its consolidated subsidiaries have the intent to hold to maturity, are stated at cost after accounting for premium or discount on acquisition, which are amortized over the period to maturity.

Other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in net assets at a net-of-tax amount.

Other securities for which market quotations are unavailable are stated at cost, except as stated in the paragraph below.

In cases where the fair value of held-to-maturity debt securities or other securities has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to fair value and the resulting losses are included in net income or loss for the period.

#### Hedge Accounting:

Gains or losses arising from changes in fair value of derivatives designated as "hedging instruments" are deferred as a separate item of net assets at a net-of-tax amount and included in net income or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Company and its consolidated subsidiaries are principally interest rate swaps and forward foreign exchange contracts. The related hedged items are trade accounts receivable and payable, long-term bank loans and debt securities issued by the Company and its consolidated subsidiaries.

The Company and its consolidated subsidiaries have a policy to utilize the above hedging instruments in order to reduce their exposure to the risk of interest rate and foreign currency fluctuations. Thus, their purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Company and its consolidated subsidiaries evaluate the effectiveness of hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

#### e) Allowance for Doubtful Accounts

In the Company and its domestic consolidated subsidiaries, an allowance for doubtful accounts, including receivables and loans, is determined from the amounts considered unlikely to be recovered, estimated from past actual bad debt ratio records for general receivables and from studying the probability of recovery in individual cases where there is concern over claims.

#### f) Inventories

Previously, finished goods and work in process were principally stated at average cost; and raw materials and supplies were principally stated at the lower of average cost or current replacement cost. Effective from the year ended March 31, 2009, in accordance with the adoption of the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006), inventories are stated at the lower of acquisition cost, principally determined by the moving average method, or net selling value to reflect any decreased profitability of inventories. As a result, operating income decreased by ¥6,849 million (\$69,888 thousand), and loss before income taxes and minority interests increased by ¥4,929 million (\$50,296 thousand).

#### g) Property, Plant and Equipment

Property, plant and equipment are stated at cost.

Depreciation for property, plant and equipment (except leased assets) of the Company and its domestic consolidated subsidiaries is principally computed by the declining balance method, and depreciation for those of its overseas consolidated subsidiaries is principally computed by the straight-line method at rates based on estimated useful lives that are as follows:

Buildings	3–60 years
Machinery and equipment	3–15 years

Principally, a depreciation method of leased assets is identical to the method applicable to its own fixed assets. In the Company and its domestic consolidated subsidiaries, finance lease transactions which do not transfer ownership of the leased assets whose lease inceptions are on or before March 31, 2008 are accounted for by a method similar to the method applicable to ordinary operating lease transactions.

Previously, in the Company and its domestic consolidated subsidiaries, finance lease transactions which do not transfer ownership of the leased assets were accounted for by a method similar to the method applicable to ordinary operating lease transactions. Effective from the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 the First Committee of the Business Accounting Council on June 17, 1993; amended on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ

Guidance No. 16 of the Accounting System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994, amended on March 30, 2007). Such transactions are now accounted for as ordinary sales and purchase transactions. Finance lease transactions which do not transfer ownership of the leased assets whose lease inceptions are on or before March 31, 2008 are continuously accounted for by a method similar to the method applicable to ordinary operating lease transactions. The impact of this change is immaterial.

#### h) Income Taxes

Income taxes of the Company and its domestic consolidated subsidiaries consist of corporate income taxes, local inhabitants taxes and enterprise taxes. Deferred income taxes are determined using the asset and liability approach, where deferred tax assets and liabilities are recognized for temporary differences between the tax basis of assets and liabilities and their reported amount in the financial statements. The Company also provides for the anticipated tax effect of future remittances of retained earnings from overseas subsidiaries and affiliated companies. For the year ended March 31, 2009, in accordance with the change of Japanese tax regulation for dividend income from overseas subsidiaries in 2009, the Company reversed part of deferred tax liabilities, which was accounted in the previous period. As a result, net loss decreased by ¥5,372 million (\$54,816 thousand).

#### i) Retirement Benefits

The Company and its domestic consolidated subsidiaries have an unfunded lump-sum benefit plan, a funded contributory pension plan and a defined contribution pension plan covering all eligible employees.

Under the terms of the unfunded lump-sum benefit plan, eligible employees are entitled under most circumstances, upon mandatory retirement or earlier voluntary severance, to indemnities based on compensation at the time of severance and years of service.

The funded contributory pension plan and the defined contribution pension plan provide, in general, pension payments for life commencing from age 60.

Accrued employees' retirement benefits represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets except that, as permitted under the standard, unrecognized actuarial differences and unrecognized prior service cost are amortized on a straight-line basis over a period of 15 years.

Allowance for retirement benefits for members of the Board and corporate auditors ("executives") of the Company and certain of its domestic consolidated subsidiaries is provided based on the companies' pertinent rules and is calculated as the estimated amount which would be payable if all executives were to retire at the balance sheet date. Any amounts payable to executives upon retirement are subject to approval at the annual stockholders' meeting. The amount is included in "customers' guarantee deposits and other liabilities" on the consolidated balance sheets.

#### j) Appropriation of Retained Earnings

Cash dividends are recorded in the fiscal year when the proposed appropriation of retained earnings is approved by the Board of Directors and/or stockholders.

#### k) Foreign Currency Transactions

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at

the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net income or loss for the period.

### I) Translation of Foreign Currency Financial Statements

Translation of foreign currency financial statements of overseas subsidiaries into Japanese yen for consolidation purposes is made by using the current exchange rates prevailing at their balance sheet dates, with

the exception that the translation of stockholders' equity is made by using historical rates. Revenue and expense accounts are principally translated at the average exchange rates during the year. Differences in yen amounts arising from the use of different rates are presented as "foreign currency translation adjustments" in net assets except for the portion belonging to minority stockholders, which is included in "minority interests in consolidated subsidiaries" in net assets.

## 2. U.S. DOLLAR AMOUNTS

The Company and its domestic consolidated subsidiaries maintain their accounting records in yen. 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 ¥98 to \$1.00, the approximate exchange rate

prevailing on March 31, 2009. The inclusion of such U.S. dollar amounts is solely for the convenience of readers outside Japan and is not intended to imply that yen amounts and assets and liabilities that originated in yen have been or could be readily converted, realized or settled in U.S. dollars at this or at any other rate.

## 3. INVENTORIES

At March 31, 2009 and 2008, inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Merchandise and finished goods	¥ 175,572	¥ 174,801	\$ 1,791,551
Work in process	86,524	86,455	882,898
Raw materials and supplies	57,866	67,191	590,469
	¥ 319,962	¥ 328,447	\$ 3,264,918

Loss recognized and charged to cost of sales as a result of valuation at March 31, 2009 was ¥9,401 million (\$95,929 thousand).

## 4. SHORT-TERM BANK LOANS, LONG-TERM DEBT AND LEASE OBLIGATIONS

Short-term bank loans at March 31, 2009 and 2008 represented bank overdrafts and short-term notes. The Company is not required to pay commitment fees on unused balances of the bank overdraft agreements.

Long-term debt and lease obligations at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Loans principally from banks and insurance companies with interest rates primarily from 0.5400% to 6.9660%, maturing serially through 2020:			
Secured	¥ —	¥ 3,221	\$ —
Unsecured	319,423	249,953	3,259,417
Lease obligations maturing serially through 2025:			
Secured	2,247	—	22,928
Unsecured	4,081	—	41,643
Yen notes with an interest rate of 2.03% due 2008	—	10,000	—
Yen notes with an interest rate of 2.40% due 2009	20,000	20,000	204,082
Yen notes with an interest rate of 2.00% due 2013	10,000	10,000	102,041
Yen notes with an interest rate of 1.95% due 2009	10,000	10,000	102,041
Yen notes with an interest rate of 1.94% due 2010	10,000	10,000	102,041
Yen notes with an interest rate of 1.93% due 2009	10,000	10,000	102,041
Yen notes with an interest rate of 1.61% due 2013	10,000	10,000	102,041
Yen notes with an interest rate of 1.48% due 2011	20,000	20,000	204,082
Zero coupon convertible bonds due 2012	50,000	50,000	510,204
Zero coupon convertible bonds due 2014	50,000	50,000	510,204
	515,751	453,174	5,262,765
Less amounts due within one year	54,483	38,873	555,949
	¥ 461,268	¥ 414,301	\$ 4,706,816

At March 31, 2009, assets pledged as collateral for short-term bank loans and lease obligations were as follows:

	Millions of yen	Thousands of U.S. dollars
Time deposits	¥ 8	\$ 82
Property, plant and equipment, net	8,035	81,990
Investment securities at carrying value	40	408
	¥ 8,083	\$ 82,480

The annual maturities of long-term debt and lease obligations subsequent to March 31, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31:		
2010	¥ 54,483	\$ 555,949
2011	43,076	439,551
2012	93,015	949,133
2013	69,917	713,439
2014	91,620	934,898
2015 and thereafter	163,640	1,669,795
	¥ 515,751	\$ 5,262,765

## 5. SECURITIES

At March 31, 2009 and 2008, the acquisition cost and aggregate fair value of the securities classified as held-to-maturity debt securities and other securities for which market quotations were available were as follows:

	Millions of yen							
	2009				2008			
	Acquisition cost	Unrealized gains	Unrealized losses	Fair value	Acquisition cost	Unrealized gains	Unrealized losses	Fair value
Held-to-maturity debt securities	¥ 74	¥ —	¥ —	¥ 74	¥ 96	¥ —	¥ —	¥ 96
Other securities	66,217	27,870	11,377	82,710	67,416	59,641	6,215	120,842

	Thousands of U.S. dollars			
	2009			
	Acquisition cost	Unrealized gains	Unrealized losses	Fair value
Held-to-maturity debt securities	\$ 755	\$ —	\$ —	\$ 755
Other securities	675,684	284,388	116,092	843,980

At March 31, 2009 and 2008, the carrying amount of the securities classified as held-to-maturity debt securities and other securities for which market quotations were unavailable were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Held-to-maturity debt securities	¥ 134	¥ 151	\$ 1,367
Other securities	6,647	7,567	67,827

The redemption schedule for the securities classified as held-to-maturity debt securities and other securities with maturity dates at March 31, 2009 and 2008 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2009		2008		2009	
	Held-to-maturity debt securities	Other securities	Held-to-maturity debt securities	Other securities	Held-to-maturity debt securities	Other securities
Due within one year	¥ 44	¥ 218	¥ 26	¥ 843	\$ 449	\$ 2,224
Due after one year through five years	161	—	210	—	1,643	—
Due after five years through ten years	3	—	11	—	30	—
Due after ten years	—	710	—	689	—	7,245

## 6. DERIVATIVES

The Company and its consolidated subsidiaries had the following derivatives contracts outstanding at March 31, 2009 and 2008:

	Millions of yen					
	2009			2008		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:						
Buying U.S. dollar	¥ 2,816	¥ 2,697	¥ (119)	¥ 11,070	¥ 10,124	¥ (946)
Buying euro	38	40	2	38	38	0
Selling U.S. dollar	5,462	5,663	(201)	5,894	5,722	172
Selling euro	—	—	—	221	231	(10)
Selling Japanese yen	1,929	2,047	(118)	11	10	1
Foreign currency swaps:						
Receiving Japanese yen, paying U.S. dollar	7,423	834	834	3,140	(311)	(311)
Interest rate swaps:						
Fixed-rate receipt, floating rate payment	1,280	16	16	—	—	—

	Thousands of U.S. dollars		
	2009		
	Contract amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:			
Buying U.S. dollar	\$ 28,734	\$ 27,520	\$ (1,214)
Buying euro	388	408	20
Selling U.S. dollar	55,735	57,786	(2,051)
Selling euro	—	—	—
Selling Japanese yen	19,684	20,888	(1,204)
Foreign currency swaps:			
Receiving Japanese yen, paying U.S. dollar	75,745	8,510	8,510
Interest rate swaps:			
Fixed-rate receipt, floating rate payment	13,061	163	163

The derivatives contracts to which hedge accounting is applied are excluded from the above tables.

## 7. RETIREMENT BENEFIT PLAN

Accrued employees' retirement benefits as of March 31, 2009 and 2008 were analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Projected benefit obligations	¥ (225,892)	¥ (237,053)	\$ (2,305,020)
Plan assets	128,657	181,439	1,312,826
	(97,235)	(55,614)	(992,194)
Unrecognized actuarial differences	84,994	40,852	867,286
Unrecognized prior service cost	(30,501)	(33,359)	(311,235)
	(42,742)	(48,121)	(436,143)
Prepaid pension cost (included in other assets)	24,140	19,514	246,326
Accrued employees' retirement benefits	¥ (66,882)	¥ (67,635)	\$ (682,469)

The components of net periodic benefit cost related to the employees' retirement benefits for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service cost	¥ 6,055	¥ 6,974	\$ 61,786
Interest cost	4,905	5,104	50,051
Expected return on plan assets	(5,275)	(6,748)	(53,827)
Amortization of actuarial differences	4,198	(85)	42,837
Amortization of prior service cost	(2,853)	(2,864)	(29,112)
Net periodic benefit cost	7,030	2,381	71,735
Gain on adjustment of employees' retirement benefits of the U.K. subsidiary	—	(786)	—
Contribution to defined contribution pension plan and other	4,025	4,056	41,071
	¥11,055	¥ 5,651	\$112,806

In addition to the above, special severance payments of ¥2,178 million (\$22,224 thousand) and ¥2,714 million were charged to net loss or income for the years ended March 31, 2009 and 2008, respectively.

Assumptions used in calculation of the above information were as follows:

	2009	2008
Method of attributing the projected benefits to periods of services	straight-line basis	straight-line basis
Discount rate	primarily 2.0%	primarily 2.0%
Expected rate of return on plan assets	primarily 3.0%	primarily 3.0%
Amortization period of prior service cost	primarily 15 years	primarily 15 years
Amortization period of actuarial differences	primarily 15 years	primarily 15 years

## 8. INCOME TAXES

The statutory tax rate in Japan used for calculating deferred tax assets and liabilities for the years ended March 31, 2009 and 2008 was 40.7%.

At March 31, 2009 and 2008, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets:			
Accrued bonuses	¥ 5,813	¥ 7,214	\$ 59,316
Accrued employees' retirement benefits	29,768	28,946	303,755
Tax loss carryforwards	38,112	13,871	388,898
Unrealized intercompany profits	13,140	14,112	134,082
Investments in subsidiaries and affiliated companies	23,547	20,854	240,276
Other	46,308	34,082	472,530
	156,688	119,079	1,598,857
Valuation allowance	(44,744)	(25,936)	(456,571)
Total deferred tax assets	111,944	93,143	1,142,286
Deferred tax liabilities:			
Reserve for advanced depreciation	13,325	12,583	135,969
Depreciation	6,553	4,450	66,867
Undistributed earnings of overseas subsidiaries and affiliated companies	4,048	11,424	41,306
Unrealized gains on securities	11,268	24,104	114,980
Other	11,561	8,757	117,970
Total deferred tax liabilities	46,755	61,318	477,092
Net deferred tax assets	¥ 65,189	¥ 31,825	\$ 665,194

At March 31, 2009 and 2008, deferred tax assets and liabilities were classified as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets - current	¥ 19,530	¥ 22,067	\$ 199,286
Deferred tax assets - non-current	48,329	21,423	493,153
Deferred tax liabilities - current (included in other current liabilities)	9	—	92
Deferred tax liabilities - non-current	2,661	11,665	27,153

The reconciliation of the statutory tax rate and the effective income tax rate for the year ended March 31, 2008 was as follows:

	2008
Statutory tax rate	40.7%
Increase (decrease) in taxes resulting from:	
Permanent differences	1.4
Recognition of certain deferred tax assets by reversal of valuation allowance	(4.4)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(3.0)
Other	(1.2)
Effective income tax rate	33.5%

The corresponding reconciliation for the year ended March 31, 2009 is not presented due to the recording of a loss before income taxes and minority interests.

## 9. NET ASSETS

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the earned reserve) be transferred to the capital reserve and the earned reserve, respectively, until the sum of the capital reserve and the earned reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the

stockholders, or by the Board of Directors if certain conditions are met.

At the June 2009 annual stockholders' meeting, stockholders approved the payment of cash dividends of ¥2.50 per share, aggregating ¥3,501 million (\$35,724 thousand) which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2009.

## 10. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2009, commitment line of credit to unconsolidated subsidiaries and affiliated companies was as follows:

	Millions of yen	Thousands of U.S. dollars
Total commitment line of credit	¥ 1,830	\$ 18,673
Loans receivable outstanding	1,398	14,265
Balance	¥ 432	\$ 4,408

This commitment does not necessarily imply that the unused amount may be fully utilized.

At March 31, 2009 and 2008, contingent liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
As guarantors of loans to:			
Unconsolidated subsidiaries and affiliated companies	¥ 3,745	¥ 4,933	\$ 38,214
Other	6,133	8,641	62,582
	¥ 9,878	¥ 13,574	\$ 100,796
Notes discounted	¥ —	¥ 50	\$ —
Export bills discounted	¥ 634	¥ 2,124	\$ 6,469
Contingent liabilities associated with securitization of receivables	¥ 11,740	¥ 12,800	\$ 119,796

## 11. LEASES

### Finance Leases

The Group holds certain buildings, machinery and equipment and intangible assets by leases. Total lease payments under these leases were ¥2,782 million (\$28,388 thousand) and ¥3,495 million for the years ended March 31, 2009 and 2008, respectively.

Finance lease transactions which do not transfer ownership of the leased assets whose lease inceptions are on or before March 31, 2008 are accounted for by a method similar to the method

applicable to ordinary operating lease transactions. Pro forma information relating to acquisition costs, accumulated depreciation/amortization and accumulated loss on impairment and net book value for property held under finance lease transactions which do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis at March 31, 2009 and 2008 was as follows:

	Millions of yen			
	Acquisition costs	Accumulated depreciation/amortization	Accumulated loss on impairment	Net book value
<b>March 31, 2009:</b>				
Buildings	¥ 76	¥ 31	¥ —	¥ 45
Machinery and equipment	10,783	6,461	123	4,199
Intangible assets	1,224	597	—	627
	¥ 12,083	¥ 7,089	¥ 123	¥ 4,871

	Millions of yen			
	Acquisition costs	Accumulated depreciation/amortization	Accumulated loss on impairment	Net book value
<b>March 31, 2008:</b>				
Buildings	¥ 4,756	¥ 887	¥ —	¥ 3,869
Machinery and equipment	14,151	7,312	138	6,701
Intangible assets	1,541	716	—	825
	¥ 20,448	¥ 8,915	¥ 138	¥ 11,395

	Thousands of U.S. dollars			
	Acquisition costs	Accumulated depreciation/amortization	Accumulated loss on impairment	Net book value
<b>March 31, 2009:</b>				
Buildings	\$ 775	\$ 316	\$ —	\$ 459
Machinery and equipment	110,031	65,929	1,255	42,847
Intangible assets	12,490	6,092	—	6,398
	\$ 123,296	\$ 72,337	\$ 1,255	\$ 49,704

Future minimum lease payments under finance leases subsequent to March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Due within one year	¥ 1,892	¥ 3,368	\$ 19,306
Due after one year	3,018	8,105	30,796
Total	¥ 4,910	¥ 11,473	\$ 50,102
Allowance for loss on impairment of leased property	¥ 39	¥ 78	\$ 398

The acquisition costs and future minimum lease payments under finance leases include the imputed interest expense portion.

## Operating Leases

Future minimum lease payments under noncancellable operating leases subsequent to March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Due within one year	¥ 400	¥ 1,364	\$ 4,082
Due after one year	1,296	3,489	13,224
Total	¥ 1,696	¥ 4,853	\$ 17,306

## 12. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2009 and 2008 were ¥49,953 million (\$509,724 thousand) and ¥45,827 million, respectively.

## 13. LOSS ON IMPAIRMENT OF FIXED ASSETS

The Company and its consolidated subsidiaries grouped assets used for business based on the classification under the management accounting. For idle assets, each asset is considered to constitute a group.

For the year ended March 31, 2009, the carrying amount of the certain assets used for business was devalued to the recoverable amount, mainly due to their declining profitability. As a result, the Company and its consolidated subsidiaries recognized loss on impairment of fixed assets in the amount of ¥12,262 million (\$125,122 thousand).

The major assets of which the Company and its consolidated subsidiaries recognized loss on impairment were as follows:

Location	Use	Type of assets	Millions of yen	Thousands of U.S. dollars
			Loss on impairment	
Shizuoka, Japan	Idle assets	Construction in progress	¥ 2,125	\$ 21,684
Shiga, Japan	Idle assets	Machinery and equipment	¥ 1,179	\$ 12,031
Tokyo, Japan	Idle assets	Land	¥ 1,170	\$ 11,939
Fukushima, Japan	Film processing facilities	Machinery and equipment	¥ 3,313	\$ 33,806
Jiangsu, China	Polyester polymerization facilities, polyester filament production facilities and nylon filament production facilities	Machinery and equipment	¥ 2,129	\$ 21,724

The recoverable amount of the above assets was measured at their value in use or the net selling value. The value in use was calculated by discounting future cash flows at discount rates of 5% to 6%, and the net selling value was calculated mainly based on the real estate appraisal value.

## 14. SEGMENT INFORMATION

### Results by Business Segment

The Company and its consolidated subsidiaries operate principally in six business segments: Fibers and Textiles, Plastics and Chemicals, IT-related (information technology-related) Products, Carbon Fiber Composite Materials, Environment and Engineering and Life Science and Other Businesses.

Operations in the Fibers and Textiles segment involve the production and sale of nylon, polyester, acrylic fiber and textile products and synthetic suede. Operations in the Plastics and Chemicals segment involve the production and sale of nylon and ABS resins, polyester and polypropylene films, raw materials for synthetic fibers and fine chemicals (except films and plastic products included in the IT-related Products segment stated below). Operations in the IT-related Products segment involve the production and sale of

films and plastic products for information and telecommunication-related products, electronic circuits and semiconductor-related materials, color filters for LCDs and related materials, materials for plasma display panels and graphic materials and IT-related equipment. Operations in the Carbon Fiber Composite Materials segment involve the production and sale of carbon fibers and advanced composite materials. Operations in the Environment and Engineering segment involve construction and plant engineering services and the manufacturing of industrial equipment and machinery and environmental equipment. Operations in the Life Science and Other Businesses segment involve the production and sale of interferon- $\beta$ , beraprost sodium drugs and artificial kidneys as well as the provision of services such as analysis and research.

Millions of yen

Year ended March 31, 2009:	Fibers and Textiles	Plastics and Chemicals	IT- related Products	Carbon Fiber Composite Materials	Environment and Engineering	Life Science and Other Businesses	Total	Elimination and corporate	Consolidated total
Sales to outside customers	¥ 568,996	¥ 377,644	¥ 229,421	¥ 70,390	¥ 160,207	¥ 64,903	¥ 1,471,561	¥ —	¥ 1,471,561
Intersegment sales	649	25,816	8,249	703	54,786	18,180	108,383	(108,383)	—
Total sales	¥ 569,645	¥ 403,460	¥ 237,670	¥ 71,093	¥ 214,993	¥ 83,083	¥ 1,579,944	¥ (108,383)	¥ 1,471,561
Operating income	¥ 7,664	¥ 4,072	¥ 9,822	¥ 8,398	¥ 3,303	¥ 3,185	¥ 36,444	¥ (438)	¥ 36,006
Total assets	¥ 418,622	¥ 373,904	¥ 295,691	¥ 227,328	¥ 184,456	¥ 101,508	¥ 1,601,509	¥ (77,906)	¥ 1,523,603
Depreciation and amortization	23,547	22,541	18,813	13,588	3,122	4,170	85,781	(2,017)	83,764
Loss on impairment of fixed assets	2,968	968	7,954	247	46	79	12,262	—	12,262
Capital expenditures	13,811	23,571	15,908	37,843	1,350	3,085	95,568	(3,219)	92,349

Year ended  
March 31, 2008:

Sales to outside customers	¥ 637,343	¥ 404,015	¥ 283,734	¥ 83,580	¥ 173,213	¥ 67,785	¥ 1,649,670	¥ —	¥ 1,649,670
Intersegment sales	587	32,830	8,575	942	77,089	19,432	139,455	(139,455)	—
Total sales	¥ 637,930	¥ 436,845	¥ 292,309	¥ 84,522	¥ 250,302	¥ 87,217	¥ 1,789,125	¥ (139,455)	¥ 1,649,670
Operating income	¥ 21,352	¥ 20,716	¥ 29,753	¥ 18,096	¥ 9,754	¥ 6,299	¥ 105,970	¥ (2,541)	¥ 103,429
Total assets	¥ 459,337	¥ 462,489	¥ 334,966	¥ 221,716	¥ 181,976	¥ 107,412	¥ 1,767,896	¥ (69,670)	¥ 1,698,226
Depreciation and amortization	26,797	21,549	20,370	12,286	2,702	4,306	88,010	(1,587)	86,423
Loss on impairment of fixed assets	1,897	664	4,804	86	29	29	7,509	—	7,509
Capital expenditures	21,913	33,376	35,342	50,341	6,943	3,097	151,012	(4,225)	146,787

Thousands of U.S. dollars

Year ended March 31, 2009:	Fibers and Textiles	Plastics and Chemicals	IT- related Products	Carbon Fiber Composite Materials	Environment and Engineering	Life Science and Other Businesses	Total	Elimination and corporate	Consolidated total
Sales to outside customers	\$ 5,806,082	\$ 3,853,510	\$ 2,341,031	\$ 718,265	\$ 1,634,765	\$ 662,276	\$ 15,015,929	\$ —	\$ 15,015,929
Intersegment sales	6,622	263,429	84,173	7,174	559,041	185,510	1,105,949	(1,105,949)	—
Total sales	\$ 5,812,704	\$ 4,116,939	\$ 2,425,204	\$ 725,439	\$ 2,193,806	\$ 847,786	\$ 16,121,878	\$ (1,105,949)	\$ 15,015,929
Operating income	\$ 78,204	\$ 41,551	\$ 100,225	\$ 85,694	\$ 33,704	\$ 32,500	\$ 371,878	\$ (4,470)	\$ 367,408
Total assets	\$ 4,271,653	\$ 3,815,347	\$ 3,017,255	\$ 2,319,674	\$ 1,882,204	\$ 1,035,796	\$ 16,341,929	\$ (794,960)	\$ 15,546,969
Depreciation and amortization	240,276	230,010	191,969	138,653	31,857	42,551	875,316	(20,581)	854,735
Loss on impairment of fixed assets	30,286	9,878	81,163	2,520	469	806	125,122	—	125,122
Capital expenditures	140,929	240,520	162,327	386,153	13,775	31,480	975,184	(32,847)	942,337

Effective from the year ended March 31, 2009, in accordance with the adoption of the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006), inventories are stated at the lower of acquisition cost, principally determined by the moving average method, or net selling value to reflect any decreased profitability of inventories. As a result, operating income decreased by ¥948 million (\$9,673 thousand) in the Fibers and Tex-

tiles segment, ¥814 million (\$8,306 thousand) in the Plastics and Chemicals segment, ¥1,618 million (\$16,510 thousand) in the IT-related Products segment, ¥914 million (\$9,327 thousand) in the Carbon Fiber Composite Materials segment, ¥1,431 million (\$14,602 thousand) in the Environment and Engineering segment, and ¥1,124 million (\$11,470 thousand) in the Life Science and Other Businesses segment, respectively.

## Results by Geographic Segment

Millions of yen

	Japan	Asia	North America, Europe and other areas	Total	Elimination and corporate	Consolidated total
<b>Year ended March 31, 2009:</b>						
Sales to outside customers	¥ 1,016,046	¥ 302,547	¥ 152,968	¥ 1,471,561	¥ —	¥ 1,471,561
Intersegment sales	103,000	66,501	12,079	181,580	(181,580)	—
Total sales	¥ 1,119,046	¥ 369,048	¥ 165,047	¥ 1,653,141	¥ (181,580)	¥ 1,471,561
Operating income	¥ 18,179	¥ 7,211	¥ 10,381	¥ 35,771	¥ 235	¥ 36,006
Total assets	¥ 1,077,924	¥ 269,185	¥ 207,682	¥ 1,554,791	¥ (31,188)	¥ 1,523,603

Year ended March 31, 2008:

Sales to outside customers	¥ 1,139,664	¥ 339,774	¥ 170,232	¥ 1,649,670	¥ —	¥ 1,649,670
Intersegment sales	151,033	66,550	14,339	231,922	(231,922)	—
Total sales	¥ 1,290,697	¥ 406,324	¥ 184,571	¥ 1,881,592	¥ (231,922)	¥ 1,649,670
Operating income	¥ 73,479	¥ 15,228	¥ 15,746	¥ 104,453	¥ (1,024)	¥ 103,429
Total assets	¥ 1,172,173	¥ 344,521	¥ 226,527	¥ 1,743,221	¥ (44,995)	¥ 1,698,226

Thousands of U.S. dollars

	Japan	Asia	North America, Europe and other areas	Total	Elimination and corporate	Consolidated total
<b>Year ended March 31, 2009:</b>						
Sales to outside customers	\$10,367,817	\$ 3,087,214	\$ 1,560,898	\$ 15,015,929	\$ —	\$ 15,015,929
Intersegment sales	1,051,020	678,582	123,255	1,852,857	(1,852,857)	—
Total sales	\$11,418,837	\$ 3,765,796	\$ 1,684,153	\$ 16,868,786	\$ (1,852,857)	\$ 15,015,929
Operating income	\$ 185,500	\$ 73,582	\$ 105,928	\$ 365,010	\$ 2,398	\$ 367,408
Total assets	\$10,999,224	\$ 2,746,786	\$ 2,119,204	\$ 15,865,214	\$ (318,245)	\$ 15,546,969

Major countries in the categories Asia and North America, Europe and other areas were as follows:

Asia: China, Indonesia, Thailand, Malaysia, South Korea

North America, Europe and other areas: U.S.A., U.K., France, Italy, Czech Republic

Effective from the year ended March 31, 2009, in accordance with the adoption of the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006), inventories are stated at the lower of acquisition cost, principally determined by the moving average method, or net selling value to reflect any decreased profitability of inventories. As a result, operating income decreased by ¥6,849 million (\$69,888 thousand) in Japan.

### Overseas Sales

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the overseas consolidated subsidiaries for the years ended March 31, 2009 and 2008 were as follows:

Millions of yen

	Asia	North America, Europe and other areas	Total
<b>Year ended March 31, 2009:</b>			
Overseas sales	¥ 430,438	¥ 247,394	¥ 677,832
Percentage of overseas sales against consolidated net sales	29.3%	16.8%	46.1%

Year ended March 31, 2008:

Overseas sales	¥ 478,454	¥ 271,006	¥ 749,460
Percentage of overseas sales against consolidated net sales	29.0%	16.4%	45.4%

Thousands of U.S. dollars

	Asia	North America, Europe and other areas	Total
<b>Year ended March 31, 2009:</b>			
Overseas sales	\$ 4,392,224	\$ 2,524,429	\$ 6,916,653

Major countries in the categories Asia and North America, Europe and other areas were as follows:

Asia: China, Indonesia, Thailand, Malaysia, South Korea

North America, Europe and other areas: U.S.A., U.K., France, Italy

## 15. AMOUNTS PER SHARE

Basic net (loss) income per share is computed based on the net (loss) income attributable to stockholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share is computed based on the net income available for distribution to the stockholders and the weighted-average number of shares of common stock outstanding during the year after giving effect to the dilutive potential of shares of common stock to be issued upon the

exercise of warrants and stock subscription rights.

Amounts per share of net assets are computed based on the net assets available for distribution to the stockholders and the number of shares of common stock outstanding at the year end.

Cash dividends per share represent the cash dividends proposed by the Board of Directors applicable to the respective years together with any interim cash dividends paid.

	Yen		U.S. dollars
	2009	2008	2009
Net (loss) income:			
Basic	<b>¥ (11.66)</b>	¥ 34.34	<b>\$ (0.12)</b>
Diluted	—	—	—
Cash dividends applicable to the year	<b>7.50</b>	10.00	<b>0.08</b>
Net assets	<b>335.04</b>	423.78	<b>3.42</b>

Diluted net income per share is not presented, since net loss was recorded for the year ended March 31, 2009 and there were no potential common shares with dilutive effects for the year ended March 31, 2008.

## Report of Independent Auditors

The Board of Directors  
Toray Industries, Inc.

We have audited the accompanying consolidated balance sheets of Toray Industries, Inc. and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Toray Industries, Inc. and consolidated subsidiaries at March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 1 to the consolidated financial statements, in 2009 the Company adopted the Accounting Standard for Measurement of Inventories.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

*Ernst & Young ShinNihon LLC*

June 24, 2009

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