

# 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.

