

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.

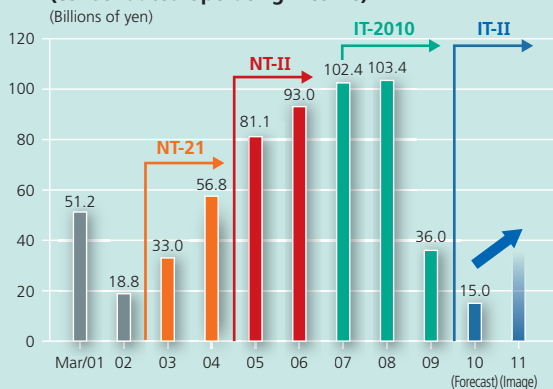
Three group-wide projects have been established under "IT-II": Total Cost Reduction Project (TC Project), "Action Program for Survival" Project (APS Project), and "Action Project for Growth" Project (APG Project). Through promoting the tasks set out in these projects, Toray will implement sweeping measures 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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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.)

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.

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.

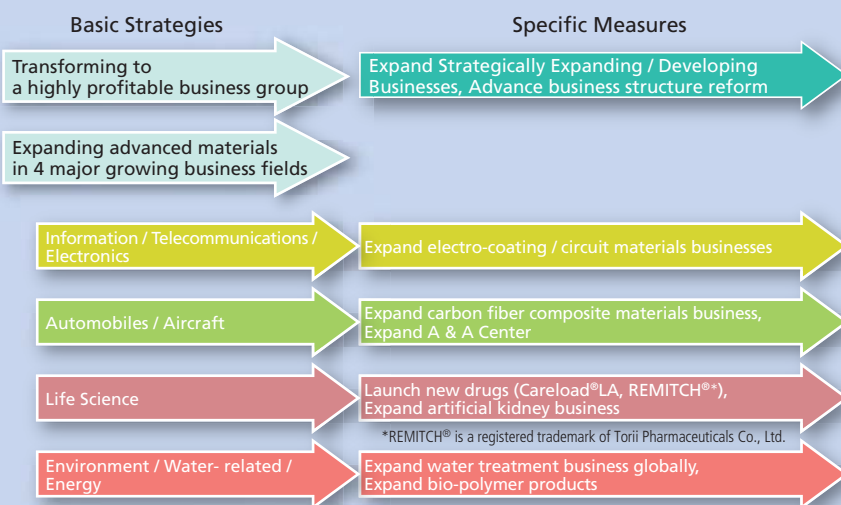
3. "Action Program for Growth" (APG) Project

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



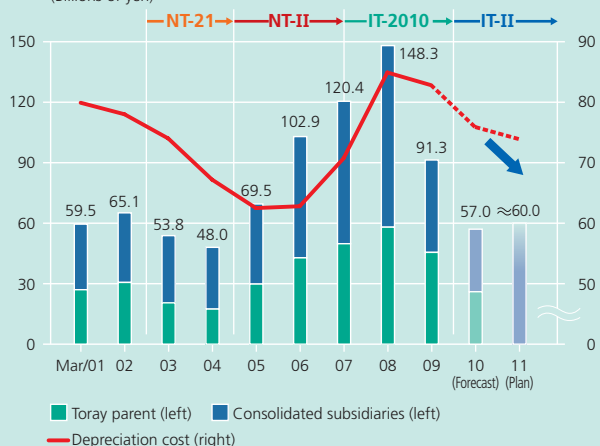
Basic strategies of the Action Program for Growth addressed in IT-II

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

- Preservation of global environment: (CO₂ 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

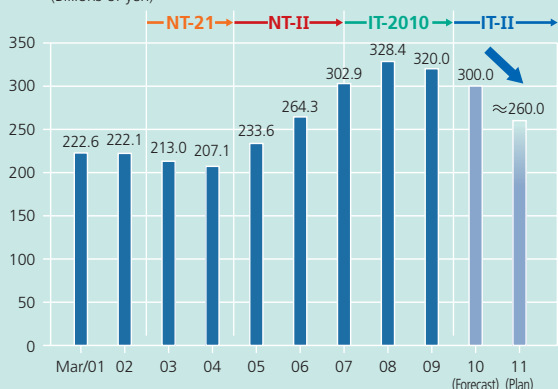
Trends in Consolidated Capital Expenditures and Depreciation Cost

(Billions of yen)



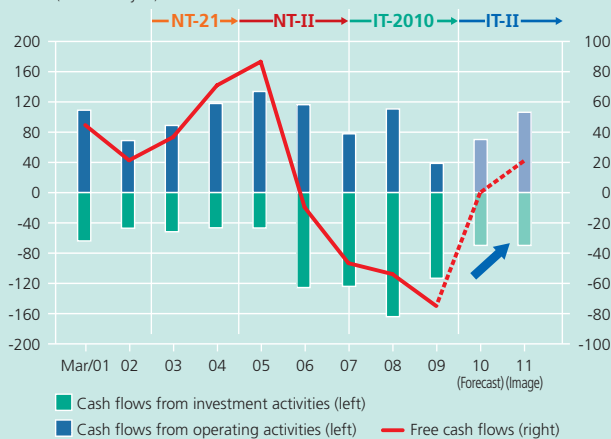
Trends in Consolidated Inventories

(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.