TORAY
Innovation by Chemistry

ANNUAL REPORT 2010

April 1, 2009 — March 31, 2010

WHAT IS TORAY?

DISCOVER THE FASCINATION OF TORAY

CORPORATE PHILOSOPHY

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

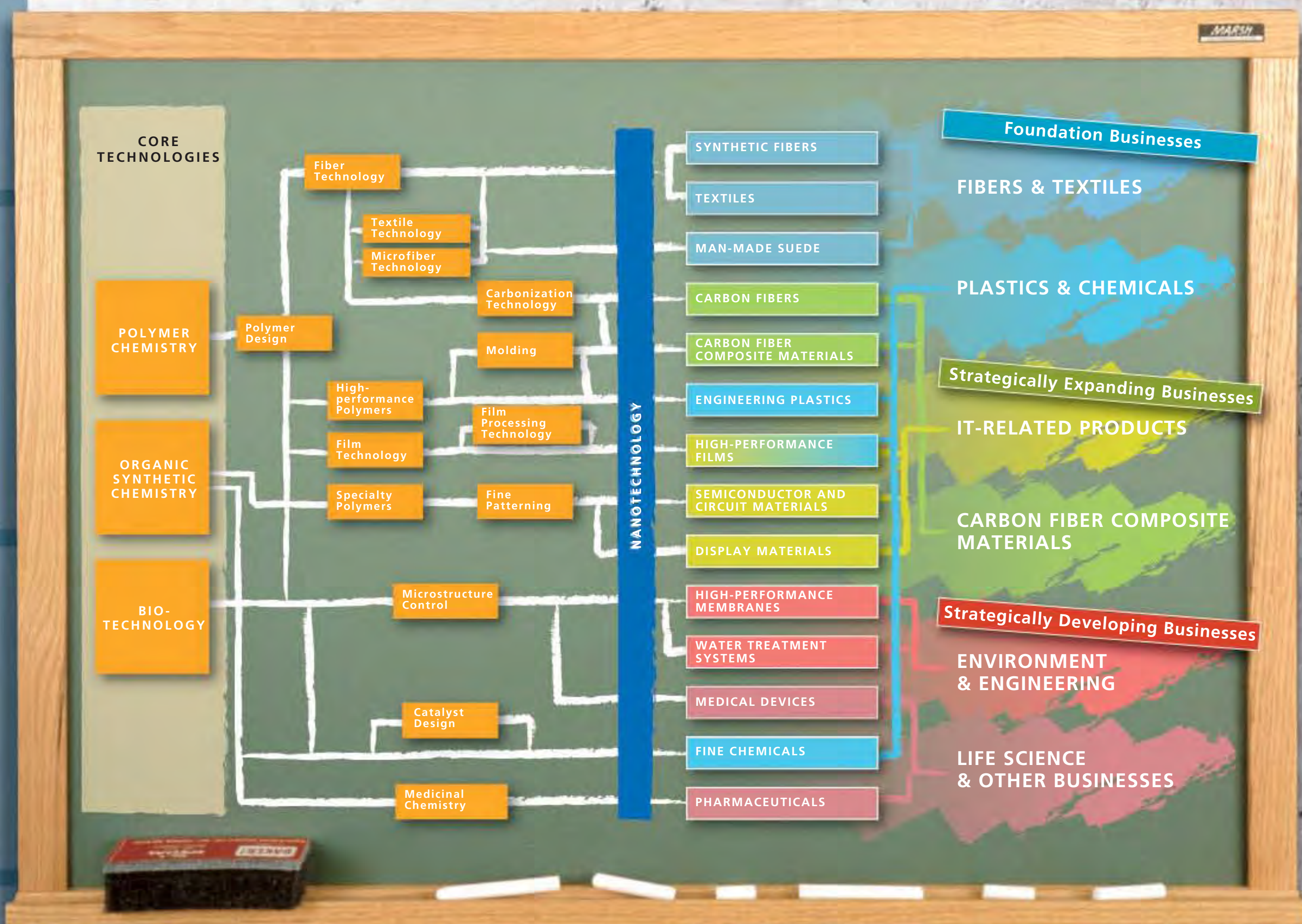
CORPORATE MISSIONS

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



Toray Group is mobilizing its strengths in four core technologies—polymer chemistry, organic synthetic chemistry, biotechnology and nanotechnology—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" (Life Science and water treatment).

The Group is aiming to become a "global top company of advanced materials," and 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 the global environment, depletion of fossil resources and energy, and securing of water resources and food stocks. We will promote growth strategies, taking into account these issues as well as the growth potential of Asia, a massive emerging market, 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."

FIVE EPOCH-MAKING EVENTS

SINCE 1926

1951: Launched Japan's first synthetic fiber business with the commercialization of nylon.

1959: Commenced production of PET film.
Worldwide production is currently being undertaken in six countries.

1968: Began research and development of reverse osmosis membranes.
Currently the world's leading supplier.

1971: Started mass production of polyacrylonitrile (PAN)-based carbon fiber.
Currently the world's No.1 supplier.

1985: Obtained approval to manufacture natural interferon-beta preparation, the first antitumor drug in Japan.

'TORAY'
Innovation by Chemistry

Fibers & Textiles

Consistent, ongoing growth since our establishment in 1926

Sales Ratio
38.6%

Environment & Engineering

Using the world-leading water membrane technologies to ensure stable supply of water resources

Sales Ratio
11.8%

Plastics & Chemicals

Targeting the No.1 market share in the rapidly growing Asian region

Sales Ratio
24.5%

Life Science & Other Businesses

Expanding our presence in three fields: pharmaceuticals, medical products and bio-tools

Sales Ratio
4.5%

Carbon Fiber Composite Materials

Global operations encompassing five locations in three countries: Japan, the United States and France

Sales Ratio
3.7%

IT-related Products

Delivering a broad range of products to IT-related markets

Sales Ratio
16.9%

WHAT IS TORAY?

DISCOVER THE FASCINATION OF TORAY

STRATEGY 01

PROJECT IT-II

Toray Group will undertake drastic measures to strengthen profitability under Project IT-II, its medium-term management program. At the same time, our growth strategy calls for solution proposal to problems related to the environment, natural resources and energy, as well as business expansion in Asia, which we regard as a major growth market. →See Page10

STRATEGY 02

NEW MANAGEMENT TEAM

In June 2010, Sadayuki Sakakibara, formerly President, CEO, COO and Representative Member of the Board, became Chairman of the Board, CEO and Representative Member of the Board. At the same time, Akihiro Nikkaku, formerly Executive Vice President and Representative Member of the Board, became President, COO and Representative Member of the Board.

Under the new management team, Toray Group will carry through Project IT-II in a strategic move to realize sustainable growth as a highly profitable business group and open up a new future to become a global top company of advanced materials. →See Page08

SPECIAL FEATURE

TORAY X TOMORROW

Adopting a global market perspective, we are expediting beneficial alliance strategies with partners in other industries, both in Japan and overseas. In this Special Feature section, we introduce our partnerships with three companies: UNIQLO, Boeing and China National BlueStar.

→See Page16

REVIEW OF OPERATIONS

RESULTS

Consolidated net sales for the fiscal year ended March 31, 2010 declined 7.6% year-on-year to ¥1,359.6 billion, reflecting the significant impact of sluggish sales in the first half. Operating income rose 11.4% to ¥40.1 billion from the previous fiscal year, as a recovery in the second half offset the decline in the first half. The Group posted a net loss of ¥14.2 billion, an improvement of ¥2.2 billion over the net loss posted in the previous year.

CONSOLIDATED **FINANCIAL HIGHLIGHTS**

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

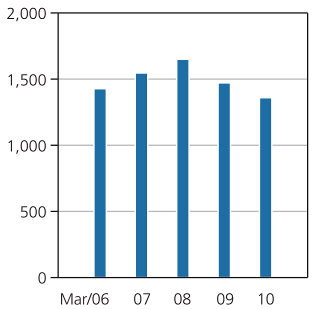
	Millions of yen					Thousands of U.S. dollars
	2006	2007	2008	2009	**2010**	**2010**
For the year:						
Net sales	¥1,427,488	¥1,546,461	¥1,649,670	¥1,471,561	**¥1,359,631**	**$14,619,688**
Operating income	93,403	102,423	103,429	36,006	**40,107**	**431,258**
Net (loss) income	47,409	58,577	48,069	(16,326)	**(14,158)**	**(152,237)**
Net cash provided by operating activities	116,022	77,539	110,367	38,447	**166,215**	**1,787,258**
Capital expenditures	104,127	126,444	146,787	92,349	**57,073**	**613,688**
At year-end:						
Total assets	¥1,537,422	¥1,674,447	¥1,698,226	¥1,523,603	**¥1,556,796**	**$16,739,742**
Net assets	537,026	649,670	642,159	512,610	**518,216**	**5,572,215**
Per share of common stock (in yen and U.S. dollars):						
Net (loss) income:						
Basic	¥ 33.72	¥ 41.84	¥ 34.34	¥ (11.66)	**¥ (10.12)**	**$ (0.11)**
Diluted	—	—	—	—	**—**	**—**
Cash dividends	8.00	10.00	10.00	7.50	**5.00**	**0.05**
Net assets	383.42	421.51	423.78	335.04	**336.65**	**3.62**
Ratios:						
Operating income to net sales	6.5%	6.6%	6.3%	2.4%	**2.9%**	
Equity ratio	34.9%	35.2%	34.9%	30.8%	**30.3%**	
ROE	9.6%	10.4%	8.1%	(3.1)%	**(3.0)%**	
Debt/equity ratio (times)	0.90	0.91	1.00	1.42	**1.34**	

Note: U.S. dollars amounts have been converted from yen at the exchange rate of ¥93 = US$1, the approximate exchange rate prevailing on March 31, 2010

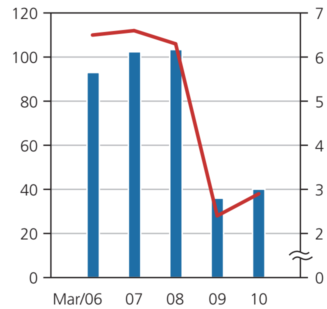
CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS
Descriptions of predicted business results, projections and business plans contained in this annual report are based on forecasts and assumptions regarding the future business environment made at the present time. This annual report is not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

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

Net Sales
(Billions of yen)

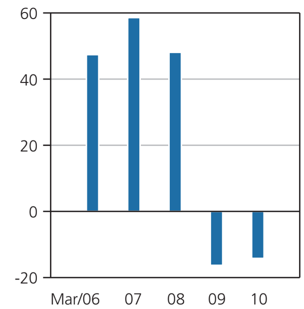


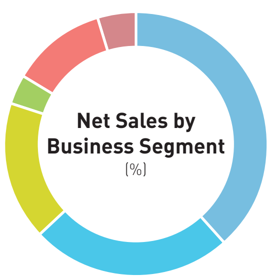
Operating Income and Operating Income to Net Sales
(Billions of yen) (%)



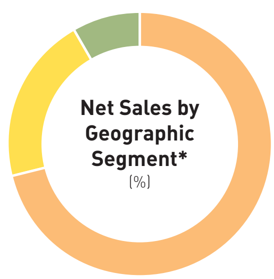
Operating Income (left)
Operating Income to Net Sales (right)

Net (loss) Income
(Billions of yen)



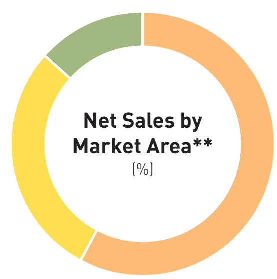


- Fibers & Textiles 38.6%
- Plastics & Chemicals 24.5%
- IT-related Products 16.9%
- Carbon Fiber Composite Materials 3.7%
- Environment & Engineering 11.8%
- Life Science & Other Businesses 4.5%



- Japan 71.2%
- Asia 20.6%
- North America, Europe and other areas 8.2%

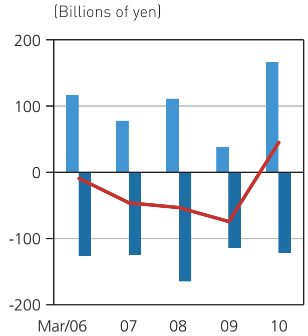
*Net sales of the Company and consolidated subsidiaries by geographic segment



- Japan 57.9%
- Asia 28.9%
- North America, Europe and other areas 13.2%

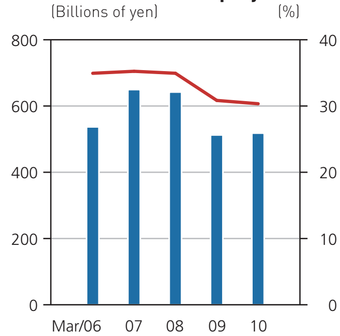
**includes export sales from Japan

Cash Flows
(Billions of yen)



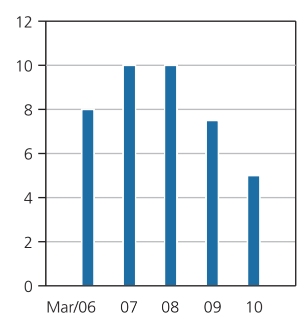
Cash Flows from Operating Activities
Cash Flows from Investing Activities
Free Cash Flows

Net Assets and Equity Ratio
(Billions of yen) (%)



Net Assets (left)
Equity Ratio (right)

Cash Dividend per Share
(Yen)



TO TORAY **STOCKHOLDERS AND INVESTORS**

On behalf of Toray Industries, Inc., we would like to thank Toray stockholders and investors for their continued support.

During the period under review, the world economy remained sluggish from the global recession triggered by the financial crisis that originated in the U.S. in the fall of 2008. However, it gradually recovered from the severe slump following the financial crisis, reflecting the effects of large-scale economic stimulus measures taken by various governments and the recovery of emerging economies. With China and other emerging economies acting as a driving force, the overall economy made slow but steady progress on a recovery track, as Japan returned to a positive real GDP growth rate in the April-June quarter, followed by the U.S. and European countries in the July-September quarter.

Under such a business environment, Toray Group launched a new medium-term management program "Project IT-II (Innovation TORAY II)" in April 2009, and worked on initiatives such as drastic reduction in total cost, maximization of earnings by ensuring sales through every possible effort, and improvement in cash flows through cutbacks in capital investment and reductions in working capital.

As a result of these efforts, Toray Group's business moved toward a recovery, with a bottoming out of consolidated net sales in the April-June quarter of the fiscal year under review and operating income in the January-March quarter of the previous fiscal year. In the second half, the business outperformed the levels registered a year earlier.

For the entire fiscal year, consolidated net sales for the fiscal year ended March 31, 2010, declined 7.6% year-on-year to ¥1,359.6 billion, reflecting the significant impact of sluggish sales in the first half. Operating income rose 11.4% to ¥40.1 billion from the previous fiscal year, as a recovery in the second half offset the decline in the first half. Ordinary income came to ¥9.0 billion, down 56.1% year-on-year, primarily due to equity in loss of unconsolidated subsidiaries and affiliated companies. The Group posted a net loss of ¥14.2 billion, an improvement of ¥2.2 billion over the net loss posted in the previous year, despite the accrual of income tax expenses for past fiscal years, as extraordinary losses fell.

Taking into account its earnings performance, Toray declared a year-end dividend of ¥2.5 per share, which brings total annual dividends to ¥5.0 per share after adding the interim dividend already paid.

The recent economic upswing is far from being self-sustained. Thus, the Group's most important issue is to further reinforce its financial and business positions to secure profits amid this unstable business environment. In fiscal 2010, Toray Group will continue to make united efforts in promoting the measures under Project IT-II, namely, total cost reduction, maximization of earnings by ensuring sales through every possible effort, and optimization of the scale and systems of the businesses.

At the same time, Toray Group will pursue a growth strategy for the future taking into account the economic and social structural changes, from the perspectives of offering solutions to such constraining factors on economic growth as the environment, resources and energy, as well as taking in the growth potential of Asia, the massive emerging market.

In order to meet the demand for funds required for its growth strategy, Toray made an issuance of new shares in June 2010. We will use funds raised through the issue to accelerate medium- and long-term growth and enhance corporate value. We ask Toray stockholders and investors for their understanding and support.

Following the close of the Ordinary General Meeting of Stockholders on June 24, 2010, the Board of Directors held a meeting, at which Sadayuki Sakakibara, formerly President, CEO, COO and Representative Member of the Board, became Chairman of the Board, CEO and Representative Member of the Board. At the same time, Akihiro Nikkaku, formerly Executive Vice President and Representative Member of the Board, became President, COO and Representative Member of the Board.

Under the new management team, Toray Group will carry through the Project IT-II in a strategic move to realize sustainable growth as a highly profitable business group once it overcomes the economic crisis and open up a new future to become a global top company of advanced materials.

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

August 31, 2010

Sadayuki Sakakibara
Chairman of the Board, CEO
and Representative Member of the Board

Akihiro Nikkaku
President, COO
and Representative Member of the Board

Sadayuki Sakakibara
Chairman of the Board, CEO
and Representative Member of the Board

Akihiro Nikkaku
President, COO
and Representative Member of the Board

PROGRESS OF MEDIUM-TERM MANAGEMENT PROGRAM
"PROJECT IT-II (INNOVATION TORAY II)"

Toray is in the process of implementing a medium-term management program called "Project IT-II" as a means of overcoming the global economic crisis that began in the second half of 2008. The program sets out a number of drastic measures to enhance profitability, including total cost reduction and reforms of the business structure. Against the backdrop of ongoing socioeconomic structural changes, the program also entails the implementation of a growth strategy from the viewpoint of providing solutions to factors constraining economic growth (the preservation of the global environment, depletion of fossil resources and energy, securing of water resources and food stocks, and the aging of the population with a declining birthrate), and takes into account the growth potential of Asia, a massive emerging market.

LONG-TERM VISION: AP-INNOVATION TORAY 21

Under the corporate slogan "Innovation by Chemistry," Toray aims to become "a global top company of advanced materials." We also strive to create new value through innovation in all fields of corporate activities.

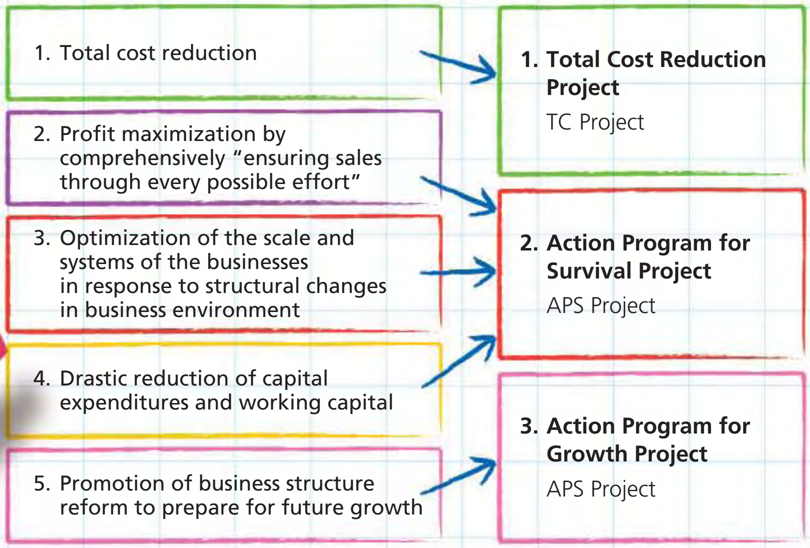
MID-TERM BUSINESS STRATEGIES "PROJECT INNOVATION TORAY 2010 (IT-2010)"

1. **Transforming to a highly profitable business group**
   - Enlarging Strategically Expanding Businesses (IT-related Products, Carbon Fiber Composite Materials)
   - Cultivating Strategically Developing Businesses (Environment & Engineering, Life Science)
   - Advancing business structure reforms
   - Expanding advanced materials
2. **Expanding advanced materials in four major growing business fields**
   - Information, telecommunications and electronics
   - Automobiles and aircraft
   - Life science
   - Environment, water-related and energy

In April 2009, Toray Group launched "Project IT-II" in order to address the economic crisis. 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 economic crisis. These strategies are: (1) Total cost reduction; (2) Profit maximization by comprehensively "ensuring sales through every possible effort"; (3) Optimization of the scale and systems of the businesses in response to structural changes in the business environment; (4) Drastic reduction of capital expenditures and working capital; and (5) Promotion of the business structure reforms to prepare for future growth.

Three Group-wide projects are being implemented in line with these five basic principles. They are the "Total Cost Reduction Project" (TC Project), "Action Program for Survival" Project (APS Project), and "Action Program for Growth" Project (APG Project). Toray is also cutting back on capital expenditures, and improving cash flows by reducing working capital.

Basic Principles of "IT-II" and Group-wide Projects



1. TOTAL COST REDUCTION (TC) PROJECT

ACHIEVED COST-REDUCTION TARGET FOR FIXED COSTS ONE YEAR AHEAD OF SCHEDULE

In order to address the rapid downturn in the business environment, Toray is undertaking Group-wide measures to comprehensively reduce costs in all fields. Specific targets to be reached by FY Mar/11 are to reduce fixed costs by more than ¥60.0 billion and variable costs by more than ¥40.0 billion, for a total cost reduction of ¥100.0 billion compared with FY Mar/09 on a budget basis.

In FY Mar/10, we succeeded in achieving the target reduction of ¥60.0 billion in fixed costs one year ahead of schedule. During the same period, we achieved a ¥22.0 billion reduction in variable costs—excluding market factors related to raw materials, fuel prices and exchange rate fluctuations—exceeding our target. In FY Mar/11, we are conducting a campaign to reduce variable costs by more than 5%. To this end, the Group is working as one to reduce purchasing and logistics costs, as well as reviewing the operations at the workplace level. Through these efforts, the TC Project aims to achieve the ultimate target of ¥100 billion in cost reductions.

THOROUGH COST REDUCTION (KEY ISSUES OF TC PROJECT)

- 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.).

Progress of the TC Project

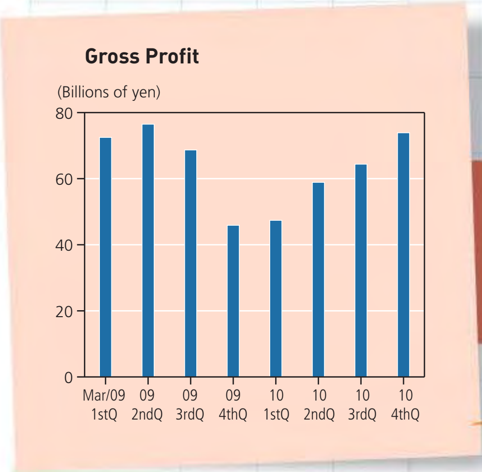
Internal management basis compared with FY Mar/09 Budget

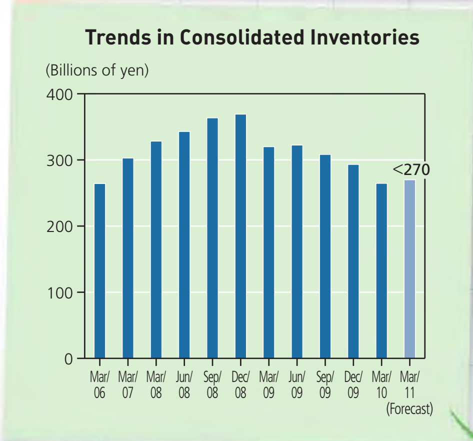
(Billions of yen)

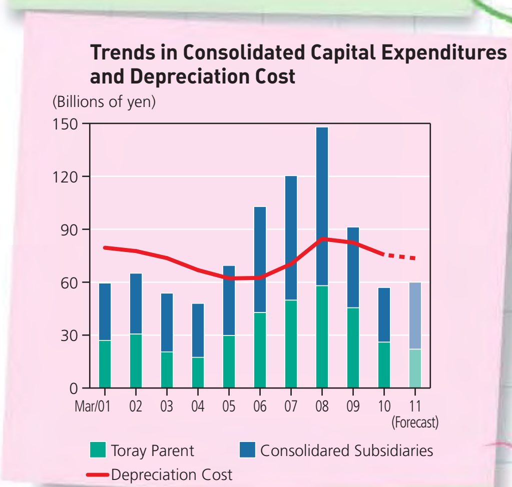
	Actual Mar/10	Target Mar/11
Reduction of Fixed Costs	60	60
Reduction of Variable Costs*	22	40
Total	82	100

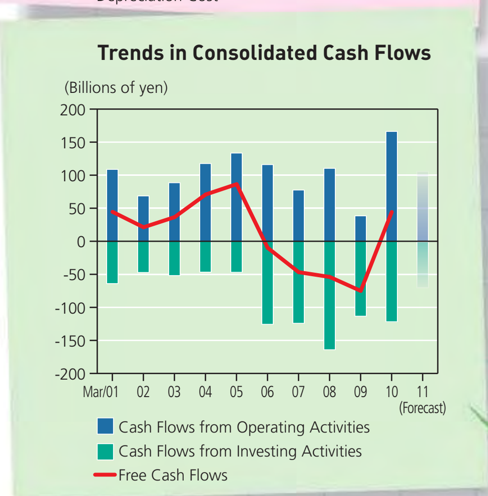
*Reduction of variable costs (gross)

The total amount of the reduction in variable costs, which includes cost reductions in raw materials (excluding the impact of market-price fluctuations for raw materials and fuel, and exchange rate fluctuations), and self-improvement efforts for the improvement of efficiency in production and logistics, etc.









2. "ACTION PROGRAM FOR SURVIVAL" (APS) PROJECT

The APS Project tackles two chief challenges: (1) Maximizing earnings even in contracting markets by comprehensively "ensuring sales through every possible effort"; and (2) Fundamentally enhancing profitability by optimizing the scale and systems of our businesses based on medium-term forecasts.

In other words, rather than surviving by merely downsizing businesses, Toray will achieve a fundamental improvement in its profitability through expansion of market share in major growing fields, and restructuring of systems by flexibly and efficiently leveraging the Group's key strengths, namely, its global operations.

FIRM RECOVERY IN GROSS PROFIT

Maximizing earnings by "ensuring sales through every possible effort" has contributed to a firm recovery in gross profit, which bottomed out in the fourth quarter of FY Mar/09. This recovery is the result of improved profitability brought about by an increase in sales volumes, appropriate price setting, and a reduction in variable costs.

Furthermore, inventories declined to ¥264.6 billion by the end of March 2010, thanks to reduced production and an increase in sales volumes as a result of the priority placed on "ensuring sales through every possible effort." This shows that we got close to our target of ¥260.0 billion—an inventory level commensurate with sales—one year ahead of schedule. In FY Mar/11, we will continue strict inventory management with the aim of attaining the target level of ¥260.0 billion by the fiscal year-end.

REDUCE CAPITAL EXPENDITURES TO WITHIN THE SCOPE OF DEPRECIATION

With respect to the scale and systems of our businesses based on medium-term forecasts, we have made steady progress in optimizing our production scale and operational bases. For example, we streamlined facilities in the LCD color filter business, and we decided to expand production facilities for optical polyester films in Republic of Korea and relocate facilities to China.

During the period of "IT-II," we will reduce capital expenditures to below the Group's depreciation costs. Capital expenditures amounted to ¥54.2 billion in FY Mar/10, compared with the project target of ¥57.0 billion, and are expected to total ¥60.0 billion in FY Mar/11.

TURNAROUND TO POSITIVE FREE CASH FLOWS

We have exceeded our expectations with respect to reducing capital expenditures and working capital, as well as the maximizing earnings through cost reduction measures and "ensuring sales through every possible effort," as set out in the TC Project and APS Project under "IT-II." Through these efforts, in FY Mar/10 we recorded positive free cash flows of ¥44.5 billion. We expect to post positive free cash flows again in FY Mar/11.

3. "ACTION PROGRAM FOR GROWTH" (APG) PROJECT

The APG Project focuses on two strategies to ensure a return to sustainable growth as a highly profitable business group once we have weathered the economic crisis.

One strategy is to deploy Toray Group's products and technologies to provide solutions to a number of global factors that are emerging as constraints to economic growth amid changes in the socioeconomic structure. These issues are the preservation of the global environment, depletion of fossil resources and energy, securing of water resources and food stocks, and the aging of the population with a declining birthrate. The other is to seize opportunities in surging Asian markets, particularly China, where there is huge potential for market growth.

SOLUTIONS TO FACTORS CONSTRAINING ECONOMIC GROWTH

Strengthen Alliances with End-users of Carbon Fiber Composite Materials

As the world's largest manufacturer of carbon fiber, Toray has identified expansion of its Carbon Fiber Composite Materials Business in the automotive field as one of its top priorities. In June 2008, Toray established the Automotive Center (AMC), a comprehensive development base for automotive applications, and in April 2009 opened the Advanced Composite Center (ACC), a center for developing technology and applications for carbon fiber reinforced plastics. These centers are the core entities of the A&A (Automotive and Aircraft) Center, which serves as a comprehensive technological development base for the automobile and aircraft industries, and are engaged in the development of optimal materials and processes for automotive applications.

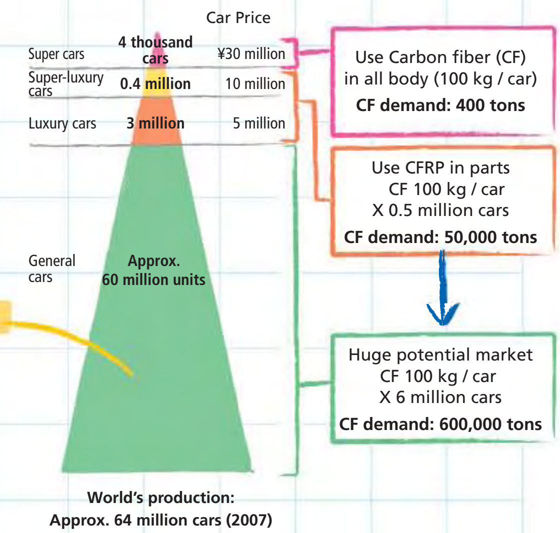
Recently, Toray signed an agreement with Daimler AG for the joint development of automobile parts made from carbon fiber reinforced plastics. Today, reducing the weight of vehicles to improve fuel efficiency is an important issue within the automobile industry. The adoption of lightweight yet robust carbon fiber composite materials is expected to become mainstream as a means of realizing significantly lighter vehicles.

In the aircraft field, Toray signed a long-term agreement with the European Aeronautic Defence and Space Company (EADS), the parent company of Airbus S.A.S., the largest aircraft manufacturer in Europe, to supply carbon fiber prepreg* to Airbus S.A.S. As a result of the agreement, Toray is the first Japanese manufacturer to begin supplying carbon fiber prepreg to Airbus as well as Boeing.

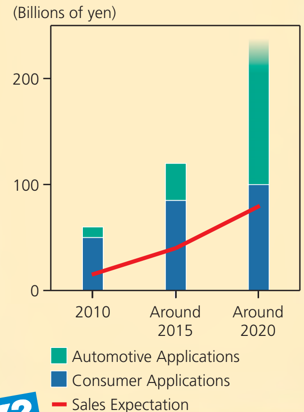
By strengthening cooperation with end-users, Toray is contributing to a reduction in CO_2 emissions by realizing lighter vehicles and aircraft with the aim of achieving improved fuel economy.

*Prepreg: Sheet-form carbon fiber impregnated with resin.

Breakdown of World's Automobile Production and Estimation of CF Demand



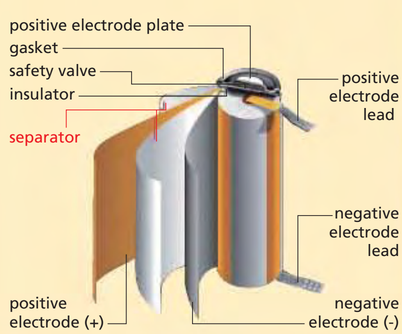
Market Outlook and Sales Expectation for BSF
(Estimation by Toray)



TORAY?

BATTERY SEPARATOR FILM (BSF)

BSF: Battery separator film is an insulating layer that isolates a battery's positive and negative fields. Lithium-ion batteries are used in cellular phones and notebook computers. Their application in next-generation hybrid vehicles and electric vehicles is expected to underpin rapid growth in demand for the film.



Launch of Battery Separator Film Business

In a new initiative undertaken as part of the APG Project, Toray has entered the field of battery separator film (BSF), one of the main materials used in lithium-ion batteries. In January 2010, through a new contribution of capital (about ¥60.0 billion by Toray), we established Toray Tonen Specialty Separator Godo Kaisha as a 50:50 joint venture company with Tonen General Sekiyu K.K.

A member of the Exxon Mobil Japan Group, Tonen General Sekiyu is one of the world's largest producers of separator film for lithium-ion batteries. It has 20 years' experience in providing separator films used in consumer applications such as secondary batteries for cellular phones and notebook computers. Combining Tonen General Sekiyu's impressive track record with Toray's plastic film precision processing and polymer science technologies will accelerate the development of next-generation BSF technology. The joint venture also aims to secure a share of the BSF market for consumer applications as well as expand its business in automotive applications—a field with rapid growth potential—through synergies created by leveraging Toray's network of global operations.

In the new BSF business, Toray expects annual sales of ¥40.0 billion by around 2015 and ¥80.0 billion by around 2020, achieved by obtaining a market share of at least 30% and an internal return-on-investment rate of at least 10%.

FOCUSING ON GROWTH POTENTIAL OF ASIA

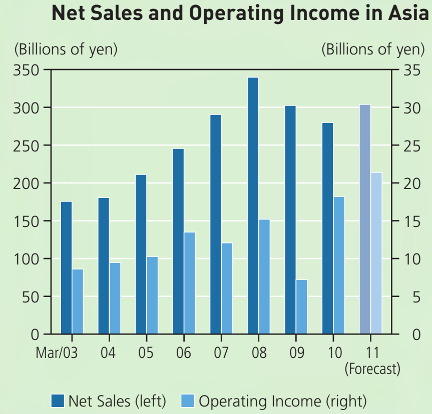
TORAY?

Seeking to take advantage of the growth potential of Asia, where markets are expanding, Toray has proactively developed business in China through the establishment of joint venture companies. The Group is also strengthening its global operations through the expansion of production facilities for advanced materials in China and Republic of Korea.

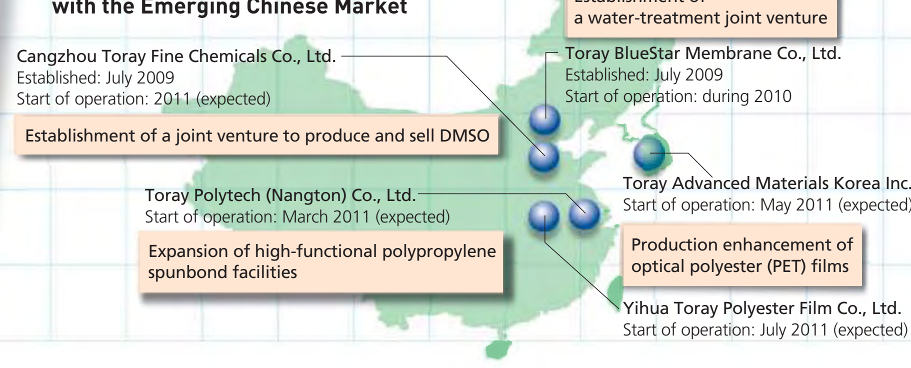
In the year under review, Toray established a company for the manufacture and marketing of water treatment reverse osmosis membrane products with one of China's largest state-owned enterprises. Toray also formed a company to produce and sell dimethylsulfoxide (DMSO), a solvent used with organic and inorganic compounds. In addition, the Group decided to expand its facility that produces high-functional polypropylene spunbond (filament yarn non-woven fabric) for use in disposable diapers and other products, and boost production of optical polyester films.

Toray plans to continue pursuing a variety of new business initiatives as it seeks opportunities in Asia, primarily in the rapidly expanding Chinese market.

Net Sales and Operating Income in Asia



Strengthening the Engagement with the Emerging Chinese Market



INCREASE FUNDING FOR STRATEGIC INVESTMENTS

Toray Group recognizes that even in today's rapidly changing business environment, it is necessary to make timely strategic investments while maintaining and enhancing financial soundness through stable long-term funding. In line with this policy, in June 2010 Toray raised about ¥100 billion from the issuance of 230 million new shares. These funds will be used for expansion in business fields and emerging markets earmarked for significant future growth—in line with the growth strategies of "IT-II." These include Toray's participation in a business for BSF used in lithium-ion batteries, the launch of a water treatment business in China, expansion of production capacity for high-functional polypropylene spunbond, and the expansion of optical film production facilities in Republic of Korea.

FY MAR/11: THE FINAL YEAR OF "IT-II"

In FY Mar/10, Toray posted a year-on-year increase in consolidated operating income. This growth represents a recovery in earnings, which bottomed out in the fourth quarter of FY Mar/09. Toray also recorded positive free cash flows, achieving the target set under "IT-II" one year ahead of schedule.

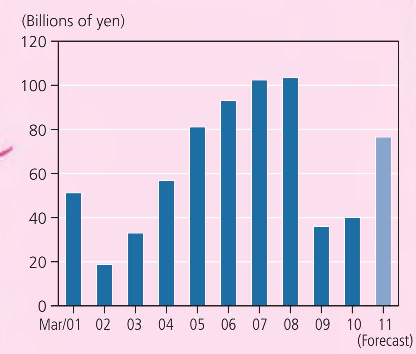
Despite the recent upturn, however, the economy has yet to enter a self-sustaining recovery. For this reason, Toray is taking every measure possible to secure earnings while continuing to implement "IT-II." Furthermore, we are steadily executing growth strategies with the aim of achieving renewed growth after overcoming the current economic crisis.

For FY Mar/11, the final year of "IT-II," Toray is forecasting consolidated net sales of ¥1,530 billion (up 12.5% year-on-year), operating income of ¥76.0 billion (up 89.5%), ordinary income of ¥68.0 billion (up 655.1%), and net income of ¥37.0 billion (up ¥51.2 billion)*, assuming an exchange rate of ¥90 to the U.S. dollar.

For the year under review, Toray paid total annual dividends of ¥5.00 per share, including an interim dividend of ¥2.50. This payment reflects the Group's dividend policy, which takes into account Toray's business performance, financial position, and retained earnings required for future investments. For FY Mar/11, Toray plans to pay annual dividends of ¥5.00 per share.

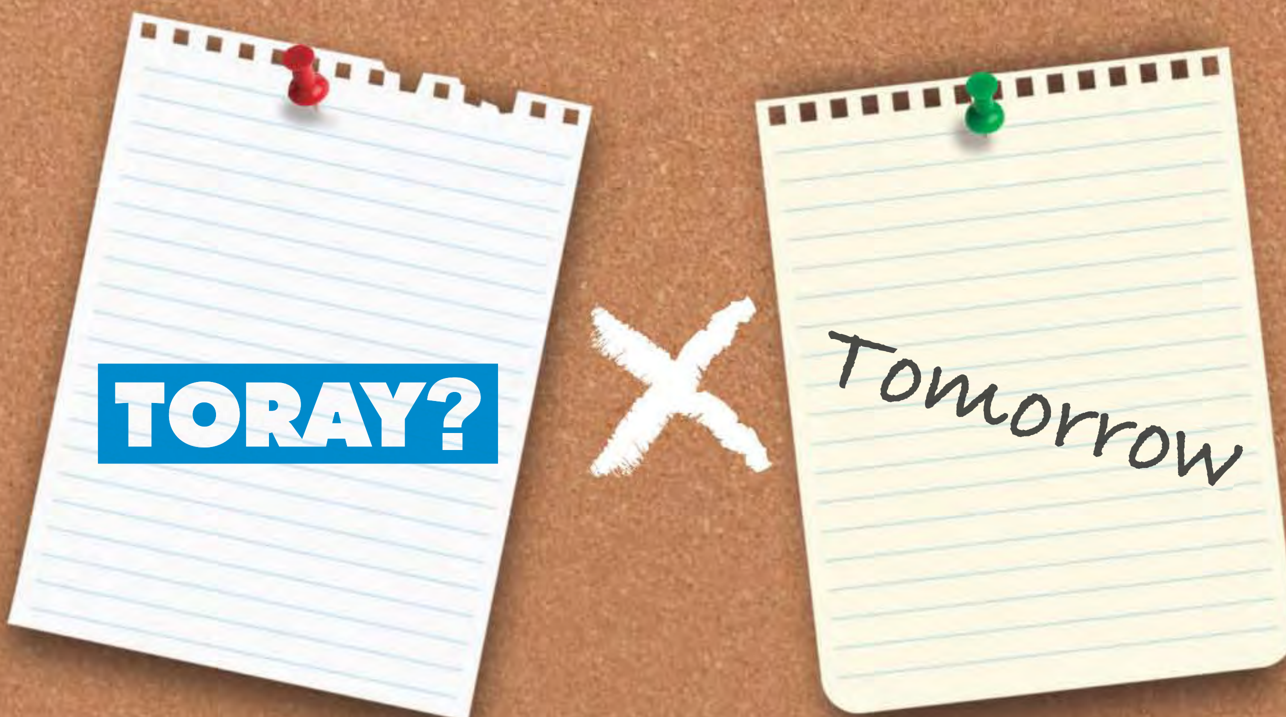
*FY Mar/11 forecasts announced on Aug. 6, 2010.

Consolidated Operating Income



SPECIAL FEATURE TORAY X TOMORROW

GROWTH STRATEGIES UNDERPINNED BY EXPANDED INITIATIVES WITH CUSTOMERS AND BUSINESS PARTNERS

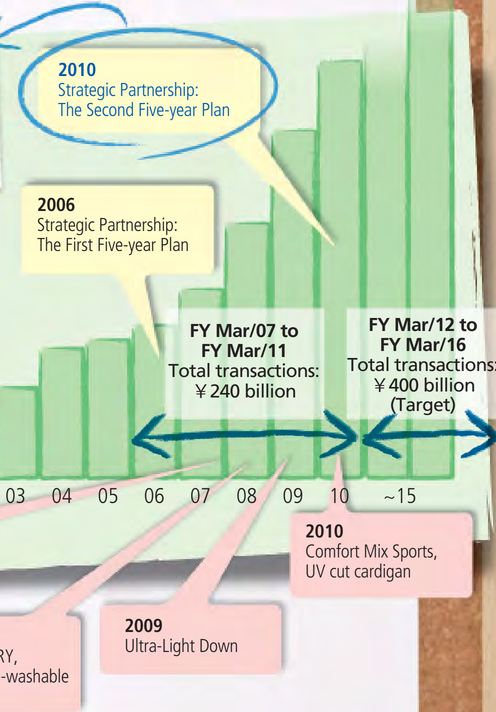


Toray Group is a manufacturer of basic materials. However, it does not merely conduct "transactions" with customers. We also recognize the importance of "initiatives" that entail providing solutions by building robust relationships with customers and business partners. The Group is aiming to become a "global top company of advanced materials" by expanding various "initiatives," including the establishment of joint-venture companies and the formation of partnerships with customers.

CLOSE TEN-YEAR PARTNERSHIP ADVANCES TO THE NEXT STAGE

Toray and UNIQLO have continued building a close cooperative relationship since they began doing business together in 1999 in the field of thermal outerwear. In 2006, we concluded the first phase of our Strategic Partnership agreement. Toray, as a developer and manufacturer of materials, and UNIQLO, with its SPA (Specialty store retailer of Private-label Apparel) business model, have transcended the traditional borders between their respective businesses to establish a seamlessly integrated system of product development that is unified at all the stages—from materials selection through to the final sale. Through this approach, we have succeeded in providing apparel and other products that enrich the lives of consumers, including the global hit product "HEATTECH." In the five-year period to 2010, the total value of materials and products supplied by Toray to UNIQLO was ¥240 billion, far exceeding initial targets.

In July 2010, Toray and UNIQLO signed their "Second Five-Year Plan Under Strategic Partnership." Setting our sights on further global growth, we will strive to achieve a target of ¥400 billion in transactions under the partnership over the term of the plan.



PRODUCE GLOBALLY, SELL GLOBALLY

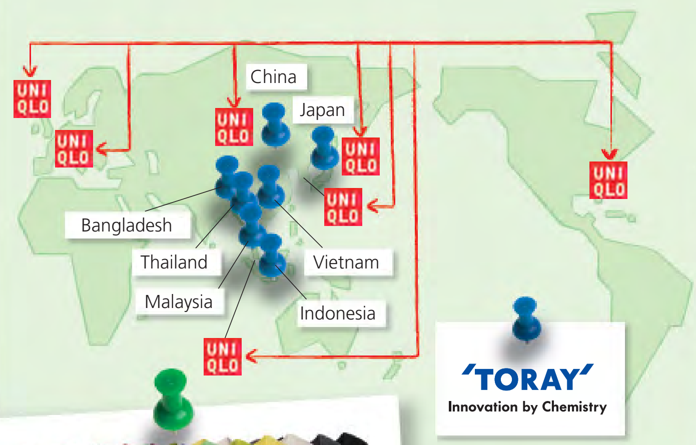
TORAY × UNIQLO

STABLE WORLDWIDE PRODUCTION BASE FOR GLOBAL GROWTH

UNIQLO's goal is to "provide products with unprecedented new value to customers worldwide." To help UNIQLO achieve its goal, Toray Group will focus on bolstering its global research, development and production systems, making full use of its global operations, which is its strength. Specifically, we will expand our production system in China and simultaneously strengthen R&D capabilities to promote local development of new materials and products. In addition, we have established a base in Bangladesh for the integrated production of UNIQLO products covering knitting, dyeing and sewing.

Under the Second Five-Year Plan Under Strategic Partnership, we will expand the scale of global joint projects and create new, international growth models operated by Japanese companies to "produce globally and sell globally."

Toray's Global Integrated Production System



HEATTECH

TORAY'S CARBON FIBER BEHIND BOEING 787

Following its first test flight in December 2009, the next-generation medium-sized passenger plane, the 787 Dreamliner made by the Boeing Company has been undergoing trials in preparation for delivery of the first plane*. In addition to allowing major reductions in flight costs owing to improved fuel efficiency, the 787 Dreamliner boasts superior comfort, including more passenger space and larger windows. The plane's ability to fly directly between most major cities also enhances passenger convenience.

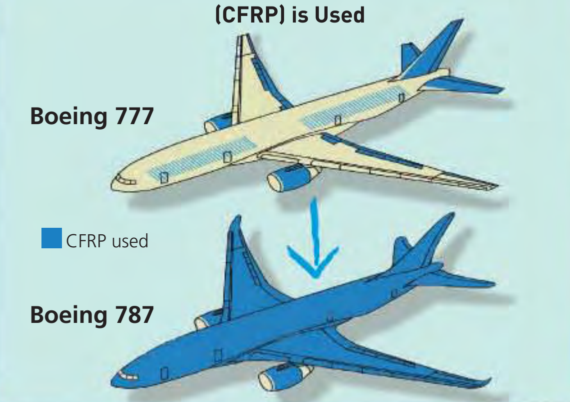
Toray's *Torayca** carbon fiber, which is used in key structural materials in the 787, is behind the plane's superior economy, efficiency and comfort.

* As of July 2010, Boeing's orders for the 787 Dreamliner totaled 863 planes.

CARBON FIBER, *Torayca**

One-quarter as heavy as steel but ten times stronger. Heat resistant and corrosion resistant. Combining these properties, Toray's *Torayca** holds the largest world share (34%) of the carbon fiber market.

Sites in Aircraft where Carbon Fiber Reinforced Plastic (CFRP) is Used



REALIZING DREAMS WITH CREATION OF ALL-COMPOSITE AIRPLANE

TORAY? X BOEING

STRONG TRUST BUILT ON YEARS OF STABLE SUPPLY AND SUPERIOR QUALITY

Boeing first adopted *Torayca** as a secondary structural material in the mid-1970s. In 1992, it began using *Torayca** prepreg—sheets of carbon fiber impregnated with a high-rigid resin—exclusively for important, primary structural materials, such as the tail of the 777. The adoption of Toray's carbon fiber composite materials for nearly all structural materials in the 787, including the wings and fuselage, comes as a result of Toray's stable supply of superior quality materials over many years. Our excellent relationship with Boeing was reaffirmed in 2006, when we signed a comprehensive long-term agreement for the supply of carbon fiber composite materials for the 787 up to 2021.

In July 2009, Toray's Ishikawa Plant began production of *Torayca** prepreg, becoming the third prepreg plant along with the Ehime Plant and U.S. subsidiary Toray Composites America, Inc.

Toray's Track Record in Supplying Carbon Fiber Reinforced Plastics (CFRP) for Aircraft Applications

Launch Year	1982	1995	2011
Model	Boeing 767	Boeing 777	Boeing 787
Applied Structural Level	Secondary	Primary, Secondary	Primary, Secondary
Expected CFRP Consumption	1.5 tons	Approx. 10 tons	Approx. 35 tons
Toray's Supplying Products	CF, CF Fabric	CF, Prepreg	CF, Prepreg

TORAY'S VERSATILE LINEUP OF WATER TREATMENT MEMBRANES

Toray has earned a solid reputation around the world for its membrane treatment method technologies, which uses the Company's water treatment membranes to produce drinking water through seawater desalination while keeping down energy consumption and production costs.

Toray boasts a lineup of all four types of water treatment membranes: reverse osmosis (RO), nanofiltration (NF), ultrafiltration (UF) and microfiltration (MF). Selected according to the substance being removed, these membranes produce water from a variety of water sources.

RO membranes require advanced technology, as they are used to separate the finest of substances. Toray's RO membranes are known for both their world-leading technology and high market share. We have developed RO membranes that efficiently remove boron found in seawater, as well as those that are less prone to fouling when used for wastewater reclamation or reuse.

Separation Targets and Membrane Types

Size	0.001µm	0.01µm	0.1µm	1µm	10µm
Separation Materials	Ion, Low Molecule Weight Organics; Trihalomethane; Agricultural & Organic Material; Monovalent Ions; Multivalent Ions	High Molecular Weight Polymer	Colloid; Clay; Bacteria	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	Sewage Treatment — MBR

TARGETING 30% SHARE OF CHINA'S WATER TREATMENT MEMBRANE MARKET

TORAY × CHINA NATIONAL BLUESTAR

WATER TREATMENT JOINT VENTURE ESTABLISHED WITH CHINA BLUESTAR TO MEET CHINA'S GROWING DEMAND FOR WATER

China's rapid industrialization has seen a sharp increase in the amount of water used in that nation. In urban areas, demand for water is skyrocketing as the population grow, while in northern China drought conditions have led to a worsening water shortage. Against this backdrop, Toray has established a water treatment joint venture, called Toray BlueStar Membrane Co., Ltd. (TBMC), in Beijing with China National BlueStar (Group) Co., Ltd. The new company, which has capital of US$35 million (with a 50.1% share held by Toray Group), manufactures, sells, imports and exports water treatment membranes.

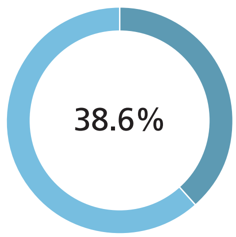
China BlueStar, which owns China's largest water treatment engineering firm, is actively developing its wastewater recycling and seawater desalination businesses. As our consolidated subsidiary, TBMC is introducing Toray Group's state-of-the-art technologies. It will utilize China BlueStar's sales network across China to supply water treatment membranes with world-class quality and cost competitiveness to water treatment plants in that country.

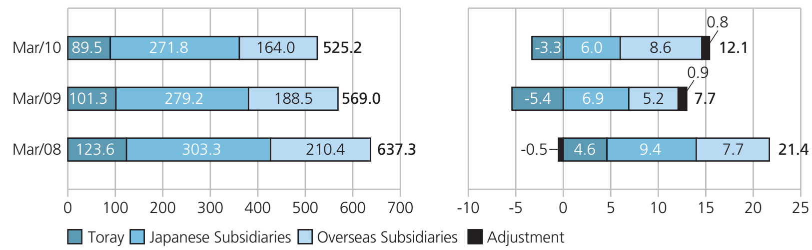
The water treatment membrane market in China is expected to expand to ¥50.0 billion over the next five years, and Toray Group aims to acquire a 30% share of this growing market.

TORAY'S BUSINESS **AT A GLANCE**

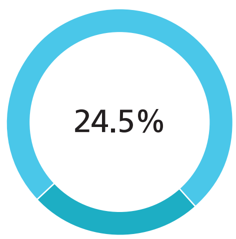
Business Segments	Sales Ratio	Net Sales (Billions of yen)	Operating Income (Billions of yen)

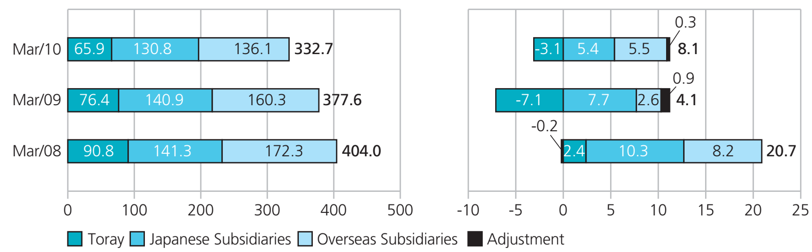
FIBERS & TEXTILES



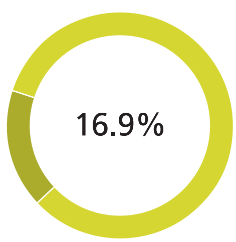


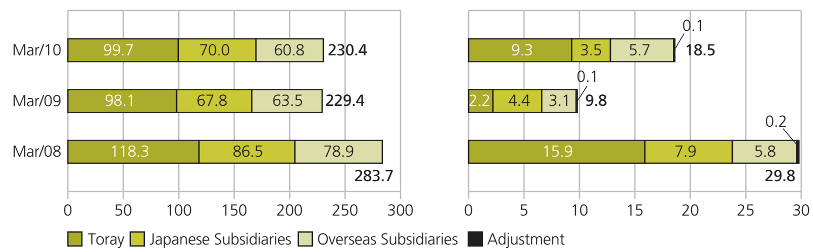
PLASTICS & CHEMICALS



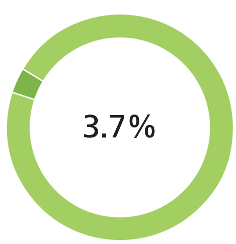


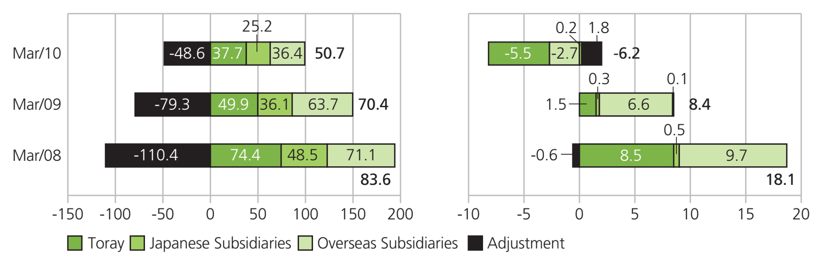
IT-RELATED PRODUCTS



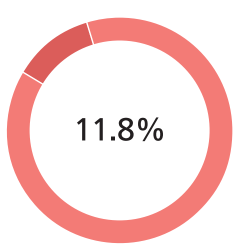


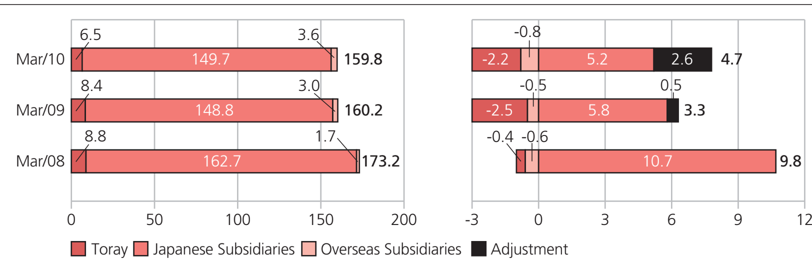
CARBON FIBER COMPOSITE MATERIALS*



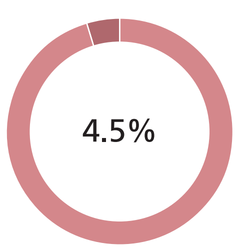


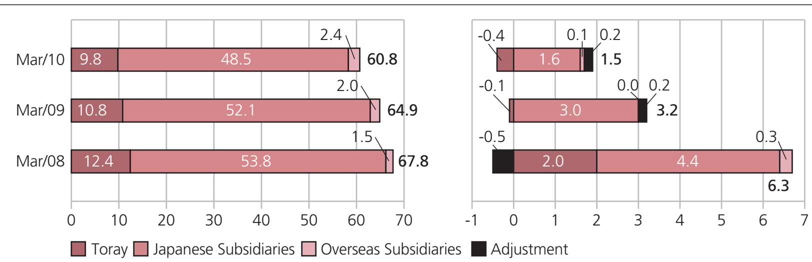
ENVIRONMENT & ENGINEERING





LIFE SCIENCE & OTHER BUSINESSES





* As the segment highly conducts global operation with Japanese, European and the U.S. facilities, internal sales figures are shown in the adjustment line to reflect the true state of the business.

Main Products	Application Examples
Filament yarns, staple fibers, and woven and knitted fabrics of nylon, polyester and acrylic fibers, etc.; non-woven fabrics, man-made suede and 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
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; 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)
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, LCD color filter manufacturing equipment) • 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) • Semiconductors (semiconductor coating materials)
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) • Industrial equipment materials (carbon fiber, carbon fiber composite materials)
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)
Pharmaceuticals and medical products; analysis, physical evaluation and research services	• Pharmaceuticals (natural interferon-beta preparation, prostacyclin, antipruritus drug) • Medical treatment devices (hemodialyzers, artificial dialyzer and equipment) • Physical analytical services

FIBERS & TEXTILES

ROA: **3.0**%

Operating income to net sales: **2.3**%

Capital expenditures: (property, plant and equipment) **9.7** billions yen

(Billions of yen)

FY	Mar/2009	**Mar/2010**	Changes	Mar/2011 Forecast
Net sales	569.0	**525.2**	-7.7%	560.0
Operating income	7.7	**12.1**	+57.9%	26.5

FY Mar/11 forecasts announced on Aug. 6, 2010.
Segment components have been changed based on a management approach from FY Mar/11.

SUMMARY OF BUSINESS RESULTS FOR THE FISCAL YEAR ENDED MARCH 2010

In the fiscal year ended March 2010 (FY Mar/10), sales in this segment declined 7.7% year-on-year, to ¥525.2 billion, and operating income climbed 57.9%, to ¥12.1 billion.

At Toray, the parent company, sales for apparel applications remained generally sluggish due to a weak retail market, although its garment business steadily expanded. Demand for industrial applications, mainly automotive applications, recovered and led to an upturn in sales.

Toray's Japanese subsidiaries, particularly manufacturing companies, were affected by the impact of the economic downturn in Japan and overseas, although some trading subsidiaries recorded solid sales of garments.

As for overseas subsidiaries, growth in sales volume was recorded in the polyester filament yarn business in Republic of Korea, the non-woven fabric business in China, and the fibers and textiles businesses for airbag applications in Thailand and the Czech Republic.

OUTLOOK

Overall demand for products in this segment is showing a modest recovery, although uncertainties remain due to sluggish economies in Europe and the U.S., as well as rising raw materials and fuel prices. In Japan, demand for products for apparel applications is expected to remain sluggish, although there are signs that the slump in the retail market has bottomed out. Sales for industrial applications, primarily automobiles, are expected to turn upward. Overseas, in addition to steady sales for industrial applications, sales for apparel applications are recovering.

Under these circumstances, we will implement a number of measures to ensure the profitability of this segment as our "foundation business." We intend to pass on the raw materials and fuel price rises, expand our garment business, and boost sales in growth markets. We will also promote medium-term reinforcement of global operations by taking advantage of Economic Partnership Agreements and Free Trade Agreements.

For the fiscal year ending March 2011, we forecast segment sales of ¥560.0 billion and operating income of ¥26.5 billion.

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

TOPIC

Increasing Production Capacity for Polypropylene Spunbond in China

Toray Group is expanding the production capacity of Toray Polytech (Nantong) Co., Ltd. (TPN), which handles its highly functional polypropylene spunbond (filament yarn non-woven fabric) business in China. The expansion will increase annual production by 20,000 tons. Toray Group is investing approximately ¥5.0 billion in the new facilities, which are scheduled to start operation in March 2011 and will raise TPN's total annual production capacity to 38,000 tons. When added to the 50,000 tons produced by the Korean subsidiary Toray Advanced Materials Korea Inc. (TAK), Toray Group's total annual production will come to 88,000 tons, making it the largest polypropylene spunbond manufacturer in Asia.

Demand for highly functional polypropylene spunbond is growing rapidly in China. It is used in a variety of applications, including diapers and other sanitary products, surgical gowns and other medical items, and materials used in other industrial and agricultural applications. TPN, which began manufacturing in February 2008, continues to operate at full production and generates healthy revenues. Toray Group is expanding TPN's production facilities in order to meet the growing demand for highly functional polypropylene spunbond in China.

PLASTICS & CHEMICALS

ROA: **2.1**%

Operating income to net sales: **2.4**%

Capital expenditures: (property, plant and equipment) **18.4** billions yen

(Billions of yen)

FY	Mar/2009	**Mar/2010**	Changes	Mar/2011 Forecast
Net sales	377.6	**332.7**	-11.9%	380.0
Operating income	4.1	**8.1**	+97.9%	19.0

FY Mar/11 forecasts announced on Aug. 6, 2010.
Segment components have been changed based on a management approach from FY Mar/11.

SUMMARY OF BUSINESS RESULTS FOR THE YEAR ENDED MARCH 2010

In the fiscal year ended March 2010 (FY Mar/10), net sales in this segment declined 11.9% year-on-year, to ¥332.7 billion. Operating income rose 97.9%, to ¥8.1 billion.

At Toray (the parent company), sales prices fell following declines in raw materials and fuel prices. Demand, which had decreased due to the global economic recession, staged a recovery centered on automotive applications. In addition, we recorded growth in sales volume for both films used in capacitors for Japanese hybrid cars and polyphenylene sulfide (PPS) resins.

Our Japanese films subsidiaries and fine chemicals-related subsidiaries reported declines in sales on the back of falling demand caused by the global recession.

At Toray's overseas subsidiaries, sales prices declined in response to the fall in raw materials prices. Our plastic resins subsidiary in Malaysia posted increased sales of acrylonitrile butadiene styrene (ABS) resins and other products, mainly to China and ASEAN countries.

OUTLOOK

With raw materials and fuel prices expected to increase, demand for environmentally-friendly products is projected to grow. We also expect to see an increase in exports of materials to the rapidly growing Chinese market.

Under these circumstances, we will pass on sharp rises in raw materials and fuel prices to our product prices, while aggressively expanding sales in China and other Asian markets. We will also increase sales of films used in solar cells and films for hybrid car and electric vehicle capacitors.

For the fiscal year ending March 2011, we forecast segment sales of ¥380.0 billion and operating income of ¥19.0 billion.

TOPIC

Joint Venture Established to Produce and Sell DMSO in China

Toray Group and Sinopec Assets Management Corporation have established Cangzhou Toray Fine Chemicals Co., Ltd., a joint venture to produce and sell Dimethyl Sulfoxide (DMSO) in China. Sinopec Assets Management Corporation is a wholly owned subsidiary of the Sinopec Group, the largest oil refining and petrochemical product manufacturer in Asia. Toray Fine Chemicals Co., Ltd. (TFC) has a 60% stake in this joint venture, which is scheduled to start producing and selling 10,000 tons of DMSO annually in 2011. The total investment in this joint venture is ¥2.0 billion.

DMSO is a solvent with high dissolution properties and permeability that is used in extensive applications, such as electronic component cleaners, plant cleaning agents, mold release solvents for automotive parts, and reaction solvents for pharmaceuticals and agrochemicals. In 2008, worldwide demand for DMSO was estimated at around 60,000 tons.

Demand in China for pharmaceutical and agrochemical applications is expected to grow, as well as for electronic applications accompanying business expansion by Japanese and Taiwanese electronic component manufacturers.

With annual production of 17,000 tons, TFC is the world's biggest and the only DMSO manufacturer in Japan. The new joint venture will enable TFC to become the world leader in this field, and establish an unshakable position.

*Ecodear** is a plant-based polylactic acid film. *Ecodear** has the same level of heat and impact resistance as petrochemical-based plastic films and also boasts flexibility and high transparency.

IT-RELATED PRODUCTS

ROA: **5.7**%

Operating income to net sales: **8.0**%

Capital expenditures: (property, plant and equipment) **11.4** billions yen

(Billions of yen)

FY	Mar/2009	**Mar/2010**	Changes	Mar/2011 Forecast
Net sales	229.4	**230.4**	+0.4%	275.0
Operating income	9.8	**18.5**	+88.5%	37.0

FY Mar/11 forecasts announced on Aug. 6, 2010.
Segment components have been changed based on a management approach from FY Mar/11.

SUMMARY OF BUSINESS RESULTS FOR THE FISCAL YEAR ENDED MARCH 2010

In the fiscal year ended March 2010 (FY Mar/10), the IT-related Products segment posted a 0.4% year-on-year increase in sales, to ¥230.4 billion. Operating income jumped 88.5%, to ¥18.5 billion.

Toray (the parent company) reported substantial increases in sales of films and processed film products used in flat panel displays (FPD) and electronic components applications. It also posted high sales volumes of semiconductor-related materials and plasma display panel materials.

Our Japanese film processing subsidiary generated healthy sales of processed film products for FPD applications. Meanwhile, our domestic IT-related machinery subsidiary recorded a decrease in sales.

Overseas, although we reported a fall in shipments of data storage materials, our Korean subsidiaries posted increased sales of materials for FPD applications.

(Billions of yen)

Sub-Segment	Mar/2009	**Mar/2010**	Changes
Display Materials	75.2	**85.4**	+14%
Electronic Components, Semiconductor, Electric Circuit Materials	73.1	**81.0**	+11%
Data Storage Materials	40.0	**31.3**	-22%
Equipments, Others	41.0	**32.7**	-20%

OUTLOOK

Demand for materials used in flat panel displays is expected to continue expanding, fueled by growing demand for LED televisions and economic stimulus measures in Japan and China. In the cellular phone sector, demand for smartphones is expected to increase. The expansion of markets for these kinds of finished products should see a steady increase in shipments of electronic components, semiconductors and related products.

Under these circumstances, we will expand sales of films and processed film products used in FPD and electronic component applications. At the same time, we will work to improve cost competitiveness by optimizing our global production structure for films. We will also strive to increase the market share of our semiconductor coating materials while boosting sales of circuit materials.

As a result, for the year ending March 2011 we forecast segment sales of ¥275.0 billion, and operating income of ¥37.0 billion.

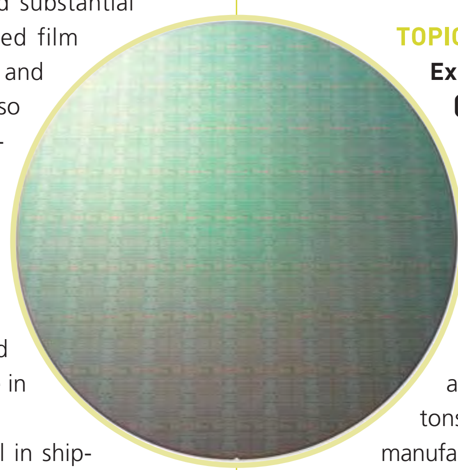
TOPIC

Expanding Production of Optical Polyester (PET) Films in Asia

Toray will expand its production structure on a global basis for optical polyester (PET) films used in LCD and other flat panel displays.

Korean subsidiary Toray Advanced Materials Korea Inc. is expanding its PET film facilities with the aim of doubling its annual production capacity by adding 18,000 tons. The operations of a 6,600-ton PET film manufacturing facility in Japan will be relocated to Chinese joint venture Yihua Toray Polyester Film Co., Ltd., in which Toray has a 50% share. This will mark the start of Toray's optical film production in China. Toray is investing approximately ¥10.0 billion in the two projects. Production is scheduled to start in May 2011 in Republic of Korea, and in July 2011 in China.

There are some reasons behind the expected growth in demand for optical PET films in the Asian region. Some offshore manufacturers of FPD-related products have recently shifted production to China, while Chinese manufacturers are also emerging. In Republic of Korea, leading FPD manufacturers are increasing domestic production, and there is also the government-sponsored "Buy Korea" campaign. Toray Group is establishing an optimal production structure covering Japan, Republic of Korea and China in order to boost supply to local markets.



*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.

CARBON FIBER COMPOSITE MATERIALS

ROA: **-2.9**%

Operating income to net sales: **-12.1**%

Capital expenditures: (property, plant and equipment) **14.4** billions yen

(Billions of yen)

FY	Mar/2009	**Mar/2010**	Changes	Mar/2011 Forecast
Net sales	70.4	**50.7**	-28.0%	68.0
Operating income	8.4	**(6.2)**	—	0

FY Mar/11 forecasts announced on Aug. 6, 2010.

Segment components have been changed based on a management approach from FY Mar/11.

SUMMARY OF BUSINESS RESULTS FOR THE FISCAL YEAR ENDED MARCH 2010

In the fiscal year ended March 2010 (FY Mar/10), Toray Group recorded segment sales of ¥50.7 billion, down 28.0% year-on-year. Significant drops in sales and production, including the adjustment of inventory levels due to the economic recession, brought a ¥14.6 billion negative impact on earnings, resulting in a segment operating loss of ¥6.2 billion.

In addition to declining demand caused by the economic recession, shipments of products for aircraft, sports and industrial applications remained more sluggish than expected, caused by prolonged inventory adjustments throughout the entire supply chain.

However, demand began to recover from the the fourth quarter, mainly for sports applications in Asia. Also, by fiscal year-end, there were signs of a market upturn even for products used in aircraft and industrial applications.

(Billions of yen)

Sub-Segment	Mar/2009	**Mar/2010**	Changes
Aircraft	31.3	**22.4**	-29%
Sports	11.7	**9.7**	-17%
Industrial	27.4	**18.6**	-32%

OUTLOOK

We project an increase in demand of around 20% for the year ending March 2011. This projection is based on a recovery in demand, which had bottomed out in 2009 after declining significantly due to the global economic crisis.

Under these circumstances, we will expand sales of products for aircraft, sports and industrial applications, while cultivating markets in China with growth potential. At the same time, we will reflect the surging costs of raw materials and fuel in our prices. With the completion of inventory adjustments, we also expect the rate of production to recover, driven by real demand.

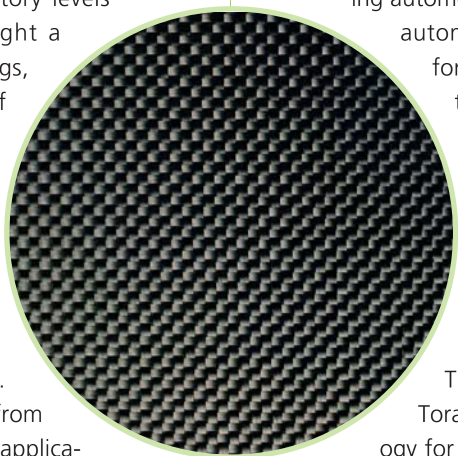
Based on the above, for the year ending March 2011, we forecast segment sales of ¥68.0 billion and expect operating income to break even.

TOPIC

Agreements Signed with Daimler AG and EADS (Airbus)

Toray has signed a Joint Development Agreement with leading automobile manufacturer Daimler AG to develop automobile parts made of carbon fiber reinforced plastics (CFRP). By bringing together the technologies of both companies, including innovative CFRP molding process technology developed by Toray, we will jointly develop a molding method with a significantly shorter molding cycle, aiming for the adoption of newly developed parts in Daimler's Mercedes Benz models within three years. Through this joint development program, Toray is establishing mass production technology for CFRP parts, and promoting the expansion of applications of carbon fiber composite materials in the automotive field.

Toray has also signed a long-term basic supply agreement with the European Aeronautic and Defence and Space Company (EADS) to supply carbon fiber prepreg to Airbus S.A.S. over the next 15 years, through to 2025. Until now, Toray has been supplying carbon fiber indirectly to EADS Group companies through prepreg manufacturers. The agreement establishes a framework for Toray to supply a wide range of products directly, including high-performance carbon fiber prepreg, to the EADS Group. Toray holds a more than 60% share of the market for carbon fiber for aircraft applications. This long-term basic supply agreement is expected to strengthen Toray's position as the market leader for aircraft applications.



*Torayca** cloth, a carbon fiber woven fabric, which has characteristics such as high workability and easy impregnability for resin, is used for Boeing 787.

ENVIRONMENT & ENGINEERING

ROA: **2.7**%

Operating income to net sales: **3.0**%

Capital expenditures: (property, plant and equipment) **1.8** billions yen

(Billions of yen)

FY	Mar/2009	**Mar/2010**	Changes	Mar/2011 Forecast
Net sales	160.2	**159.8**	-0.3%	180.0
Operating income	3.3	**4.7**	+43.0%	4.0

FY Mar/11 forecasts announced on Aug. 6, 2010.
Segment components have been changed based on a management approach from FY Mar/11.

SUMMARY OF BUSINESS RESULTS FOR THE FISCAL YEAR ENDED MARCH 2010

In the fiscal year ended March 2010 (FY Mar/10), the Environment & Engineering segment recorded a 0.3% decline in sales, to ¥159.8 billion. Operating income rose 43.0%, to ¥4.7 billion.

In the water treatment business, shipments of reverse osmosis (RO) membranes were robust, although revenues from exports declined due to the yen's appreciation. Toray's water treatment engineering subsidiary posted an improved performance.

Among Japanese subsidiaries, the completion of a large-scale building project contributed to a rise in sales in the condominium business, although the engineering business reported weaker year-on-year results.

OUTLOOK

The water treatment market is growing as a result of global demand for infrastructure in response to water pollution problems and worsening water shortages. In this market environment, we will seek to expand sales by increasing orders for water treatment projects around the world while pursuing cost reductions.

In the engineering business, although a strong recovery in corporate capital investments appears unlikely, overseas capital investments, mainly in China, are picking up. Under these circumstances, we will strive to expand sales in the environment and energy fields.

For the year ending March 2011, we forecast segment sales of ¥180.0 billion and operating income of ¥4.0 billion.

TOPIC

Toray Wins Order to Supply RO Membranes for the World's Largest RO Seawater Desalination Plant in Algeria

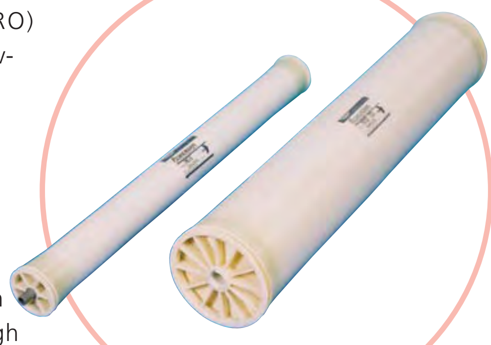
In 2010, Toray delivered RO membrane elements for adoption in the world's largest membrane-based desalination plant in Magtaa, Algeria.

The Algerian government has been working actively on seawater desalination as a solution to the worsening problems of water shortages and poor water quality faced by that country and others situated in the Middle East and North Africa. The Magtaa Plant is the third plant in Algeria to receive RO membrane elements supplied by Toray.

When converted into per-capita water consumption, the Magtaa Plant will supply enough water to meet the daily needs of approximately two million people. The three plants in Algeria supplied with Toray's membranes will produce enough water for 3.0 million people, which is equivalent to the daily water needs of a little under 10% of the Algerian population.

The RO membrane elements supplied to the Magtaa Seawater Desalination Plant have two distinguishing features. One is the highest level of boron removal capability in the world. Toray has employed proprietary technology to achieve the removal of boron, which is toxic to humans, while controlling pore diameter at the sub-nanometer (one ten-billionth of a meter) level. The other feature is the ability to generate a high level of water throughput while saving energy.

The RO membrane market continues to expand at an annual rate of over 10% amid worsening worldwide water shortages. Meanwhile, the market for seawater desalination applications is growing at an annual rate of 30% as plants become bigger. Toray will continue working to increase RO membrane orders not only in the Middle East and North Africa, but also in Mediterranean countries, China and Oceania.



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

LIFE SCIENCE & OTHER BUSINESSES

ROA: **1.5**%

Operating income to net sales: **2.4**%

Capital expenditures: (property, plant and equipment) **2.6** billions yen

(Billions of yen)

FY	Mar/2009	**Mar/2010**	Changes	Mar/2011 Forecast
Net sales	64.9	**60.8**	-6.3%	52.0* 15.0**
Operating income	3.2	**1.5**	-53.5%	5.5* 1.0**

FY Mar/11 forecasts announced on Aug. 6, 2010.

Segment components have been changed based on a management approach from FY Mar/11.

*Life Science (pharmaceuticals & medical products) **Others

SUMMARY OF BUSINESS RESULTS FOR THE FISCAL YEAR ENDED MARCH 2010

In the fiscal year ended March 2010 (FY Mar/10), sales in the Life Science & Other Businesses segment decreased 6.3%, to ¥60.8 billion. Operating income declined 53.5%, to ¥1.5 billion.

In the pharmaceuticals and medical products business, sales volume of artificial kidneys increased, and that of *Feron** also expanded, owing to approval for its use as a treatment for chronic hepatitis C in combination with ribavirin received in October 2009. However, a sluggish contact lens market and a decline in income from licenses had a negative impact on the business as a whole.

Sales in the Other Businesses sector decreased. This was due to a drop in the transaction volume generated by Japanese trading subsidiaries and a decline in the value of orders received by our research service and physical analytical subsidiary.

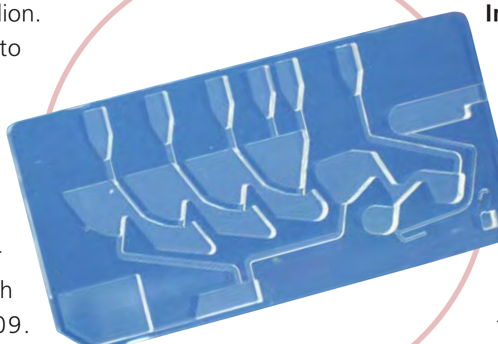
OUTLOOK

We forecast strong growth in the pharmaceuticals and medical products business. However, we expect the market environment in the fiscal year ending March 2011 will remain challenging due to competition between our products and generic drugs, as well as the scheduled revision of drug prices and reimbursement prices.

Under these circumstances, in the pharmaceuticals business, we will strive to increase sales of *Feron** and REMITCH®*, a pruritus improvement drug for hemodialysis patients which was launched in the Japanese market in March 2009. In the medical products business, we will promote the expansion in sales of our dialyzer.

In light of the above measures, we project sales of ¥52.0 billion and operating income of ¥5.5 billion for the Life Science segment for the fiscal year ending March 2011. For the Others segment, we project sales of ¥15.0 billion, and operating income of ¥1.0 billion.

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



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

TOPIC

Additional Indication for the Natural-type Interferon-Beta Preparation, *Feron**

In October 2009, Toray received approval to add a new indication in Japan to its natural-type interferon-beta preparation, *Feron**. Developed jointly with Daiichi Sankyo Company, Limited, the approval permits the drug's use for the "improvement of viraemia in chronic hepatitis C on concomitant administration with ribavirin.*" *Feron** is the first interferon-beta preparation indicated for concomitant administration with ribavirin.

It is estimated that there are approximately 1.5 to 2.0 million patients infected with the hepatitis C virus in Japan today. Furthermore, approximately 80% of patients with hepatocellular carcinoma are infected with the hepatitis C virus. Interferon preparations are commonly used as a radical method of treatment for chronic hepatitis C. Japan's Ministry of Health, Labour and Welfare issues guidelines for its use, which recommend a combination therapy of pegylated interferon-alpha preparations and ribavirin or interferon-beta preparations and ribavirin in intractable cases.

The approval for combination therapy using *Feron** and ribavirin gives a new treatment option to patients suffering from chronic hepatitis C.

* For (1) patients with high blood HCV-RNA levels; and (2) patients for whom a monotherapy with an interferon preparation has failed to show efficacy, or patients who exhibit a recurrence of hepatitis C after improvement obtained by a monotherapy with an interferon preparation.

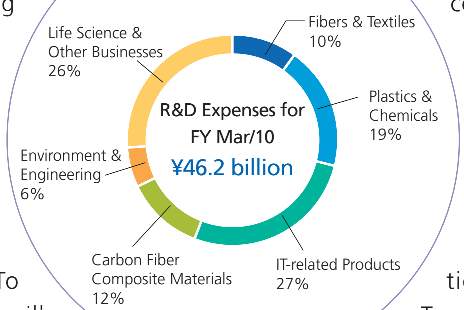
RESEARCH & DEVELOPMENT

BASIC STRATEGY

Since its establishment, Toray Group has amassed considerable expertise in four core technologies: polymer chemistry, organic synthetic chemistry, biotechnology and nanotechnology. Deploying these technologies, we sought to reinforce our stable income base and boost earnings in our foundation businesses of Fibers & Textiles and Plastics & Chemicals. At the same time, we have relentlessly embraced the role of supplying advanced materials in four growing business fields: (1) Information, Telecommunications and Electronics; (2) Automobiles and Aircraft; (3) Life Science; and (4) Environment, water-related and energy. Amid ongoing changes to our socioeconomic structure, a number of factors are coming to light that have a restraining effect on economic growth. These include problems related to the preservation of the global environment, depletion of fossil resources and energy, and Japan's aging population with a declining birthrate. To address such factors, Toray Group will adopt new perspectives to harness its comprehensive strengths and deliver valuable solutions, and thus promote renewed growth.

In response to global environmental problems, the Group is conducting R&D activities with a focus on developing a sustainable, cyclical society based on the Life Cycle Management (LCM) concept. The LCM concept involves ongoing initiatives aimed at raising the socioeconomic value while minimizing their environmental impact. This requires an accurate understanding of carbon dioxide emissions and cost factors across the entire life cycles of products and services in all industrial and corporate activities, transcending nations and regions. In line with this effort, in March 2010 we developed a new environmental analysis tool called "T-E2A" (meaning "Toray Eco-Efficiency Analysis"). We have started deploying T-E2A across all our business units, and have launched an initiative to introduce it to society and promote its widespread adoption.

R&D Expenses by Business Segment

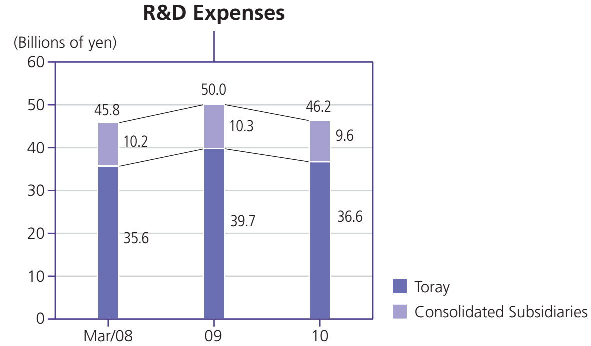


R&D EXPENSES

In FY Mar/10, we invested proactively in the development of advanced materials in the four major growing business fields. As a result, consolidated R&D expenses decreased 7.6% from the previous year, to ¥46.2 billion. Non-consolidated R&D expenses totaled ¥36.6 billion.

In FY Mar/11, we plan to increase R&D expenses by 3.9%, to ¥48.0 billion. Guided by our strong conviction that research and development activities provide the key to creating the Toray of tomorrow, we will spend a slightly higher amount than 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



INTELLECTUAL PROPERTY STRATEGIES

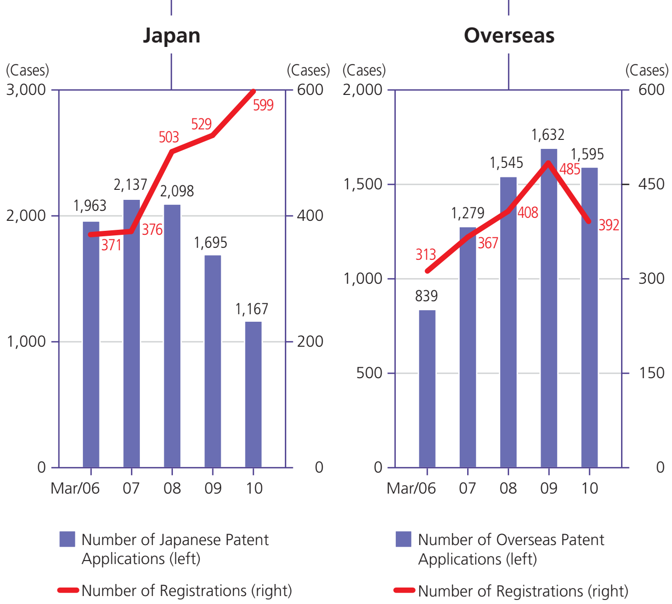
BASIC STRATEGY

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/10, Toray Group filed applications for 1,167 patents in Japan and 1,595 overseas. The number of patents registered to us is 599 in Japan and 392 overseas.

Toray Group Patent Applications and Registrations



TORAY?

R&D TOPICS

TORAY AWARDED THE PRIME MINISTER'S PRIZE

On July 29, 2009, the National Commendation for Invention awards ceremony was held at the Okura Hotel in Tokyo, with His Imperial Highness Prince Hitachi and Her Imperial Highness Princess Hitachi as guests of honor. Toray received the Prime Minister's Prize for the invention of the "Method for thermal welding of fiber reinforced thermosetting plastics and an integrated molded object" by Mr. Masato Honma, Mr. Haruo Obara, and Mr. Souichi Ishibashi. The prize is the second-highest award presented by the Japan Institute of Invention. Having received the Prime Minister's Prize in 1979 for its invention of the suede-like microfiber textile *Escaine**, this is the second time that Toray has received the award. In addition, Toray President (now Chairman) Mr. Sadayuki Sakakibara received the Distinguished Service Prize for Employment of an Invention. Mr. Sakakibara and the three inventors attended the ceremony, where they were presented with certificates of commendation.

The prize recognized Toray for its development and patenting of technology for instantly integrating thermosetting compounds, such as carbon fiber reinforced plastic (CFRP) using thermal welding, similar to that achieved by metal welding. Toray foresees an acceleration in a wide range of industrial applications for CFRP, including automotive applications, as a result of this technology.

Chairman Sakakibara and the three recipients of the Prime Minister's Prize at the awards ceremony

TORAY?

5 INNOVATIVE TORAY PRODUCTS

1 Polyacrylonitrile (PAN)-based Carbon Fiber

Toray began R&D on carbon fiber around 1960. In the ensuing 50 years, the Company has maximally pursued the development of molecular control technology to the nanometer order for carbon fiber. As a material that is light, rigid and strong, its properties make it ideal for structural materials that have a low environmental impact. Its potential for applications increases substantially when it is combined with highly compatible matrix resins to form a composite material. By developing processing technology for individual applications, Toray is generating demand for PAN-based carbon fiber for use in a variety of fields, including as structural materials used in aircraft and automotive applications. These cutting-edge materials are expected to replace aluminum and steel.

2 Natural-type Interferon-beta Preparation

Interferon is a biologically active agent found in the body. Toray developed mass production techniques for manufacture of interferon-beta preparation utilizing the latest biotechnologies. Toray began to research into *Feron**, a natural type of interferon-beta preparation, around 1970. In 1985, it was the first manufacturer in Japan to obtain approval for manufacture of an antitumor drug as interferon preparation. Today, *Feron** is also used for the treatment of chronic hepatitis C. Toray continues to conduct research into natural-type interferon-beta with the aim of adding more indications.

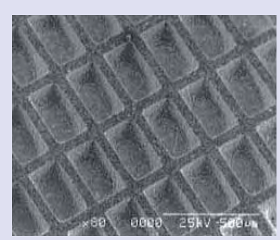
3 Reverse Osmosis Membrane

Reverse Osmosis (RO) membranes are high-performance separation membranes with a water separation function that are increasingly in demand for the desalination of seawater and for the recycling of wastewater, and are viewed as crucial for the securing of water resources. Toray began research into RO membranes in 1968. As a prime example of the successful application of nanotechnology, RO membranes are leading-edge products that make a useful contribution to the lives of people all around the world who face water shortages. Toray will continue developing its highly efficient RO membranes, while offering integrated membrane systems that use a combination of microfiltration membranes, ultrafiltration membranes and membrane bioreactors that are designed to suit the properties of the water undergoing treatment.

4 Man-made Suede

*Escaine** is a man-made suede like deer leather that made a sensational debut in 1970. This product of leading-edge textile technology research is used for a variety of applications, including automotive interiors. It is marketed in Europe and the United States under the "Alacantara" and "Ultrasuede" brands. *Escaine**, used for fashion garments as well as car upholstery, continues to be an extremely popular material also from the perspective of animal protection.

5 Photosensitive Paste for Plasma Display Panels



Toray supplies the photosensitive paste used in the rear panels of plasma display panels (PDPs) exclusively to Panasonic. It is not widely known that Toray's original technology for making these materials played an instrumental role in the spread of 3D television sets. The pastes were developed by applying technologies from the fields of organic chemistry and inorganic chemistry, and have become one of the mainstay product lines in Toray Group's IT-related field. Although the pastes play a "backroom role" that goes unnoticed, they are an indispensable component in Panasonic's large flat-screen televisions.

TORAY GROUP'S **CORPORATE SOCIAL RESPONSIBILITY**

Toray Group pursues a wide range of corporate social responsibility (CSR) initiatives guided by its corporate philosophy of "contributing to society through the creation of new value with innovative ideas, technologies and products."

In 2003, we established our CSR Committee to ensure the systematic implementation of distinctive CSR activities that reflect the Group's approach. We formulated our CSR Guidelines in the following year, and in 2007, we established the CSR Operations Department and appointed an executive as the director responsible for CSR.

In addition to activities aimed at reducing environmental burden, the CSR Guidelines include a comprehensive list of issues to be addressed on a Group-wide basis, as well as key issues concerning our social responsibility. The Group promotes CSR activities in accordance with these CSR Guidelines.

ENHANCING ENVIRONMENTAL MANAGEMENT THROUGH LIFE CYCLE MANAGEMENT

Toray pursues Life Cycle Management (LCM) with the aim of achieving business expansion while reducing environmental burden.

Toray has formulated its own "Contribution Factor of CO_2 Abatement" to measure the amount of CO_2 emission reductions achieved throughout a product's entire life cycle. Our target is to improve the current abatement level of 1.3 times to 20 times by 2020.

* Contribution factor of CO_2 abatement =
Effect of CO_2 emission reductions in entire life cycle
/ CO_2 emissions in feedstock, production and disposal

TORAY?

CSR GUIDELINES

1. Corporate Governance and Management Transparency
Promote CSR activities with integrity, strive for timely and appropriate information disclosure, and tighten internal controls. Also, continually revise management systems and foster awareness of the Company's role in contributing to the development of a sustainable society.

2. Corporate Ethics and Legal Compliance
Make the upholding of "Corporate Ethics and Compliance with Laws and Regulations" a top management priority for maintaining the trust of society. Also, ensure that all executives and employees act with fairness and a sense of responsibility while maintaining high ethical standards.

3. Emphasize Safety, Accident Prevention, and Environmental Preservation
Give Safety, Accident Prevention, and Environmental Preservation priority as a top management issue, and work to ensure the safety and health of society and employees while protecting the environment in all of our business processes, from procuring raw materials to manufacturing, supplying, and disposing of products.

4. Product Safety and Quality
Recognize the importance of product safety and quality assurance in supplying safe and highly reliable products, and strive to enhance management systems and disclose appropriate information.

5. Risk Management
Promote visualization of Group-wide risks including those pertaining to information security, develop a system capable of responding quickly to unexpected circumstances and disclosing accurate information, and work to inform all employees about this system.

6. Communication
Encourage dialogue and cooperation with stakeholders including employees, stockholders, investors, business partners, consumers, local communities, non-profit organizations, government and administrative agencies, mass media, analysts, and other parties.

7. Initiatives for Developing Environmentally-Friendly Products
Pursue research and development using new approaches in order to provide solutions from the perspective of product lifecycle management in the areas of the environment, natural resources and energy, and contribute to the improvement of the global environment.

8. Train Personnel and Promote Human Rights
Secure and train personnel and diversify employment while striving to protect employee jobs, respect human rights, and continuously improve workplace environments.

9. Promote Ethical Procurement
Promote CSR activities aimed at ensuring environmental conservation, legal compliance and human rights throughout the supply chain by working together with suppliers, processing vendors, and customers.

10. Social Contribution Activities
Voluntarily conduct promotional programs for science and technology, arts and culture, social welfare, sports, and other activities by allocating an appropriate amount of resources as a good corporate citizen.

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

CORPORATE **GOVERNANCE**

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)

CORPORATE GOVERNANCE SYSTEM AND BACKGROUND

The Company's Board of Directors consists of 28 members, all of whom are internal appointments.

As a manufacturer of basic materials, Toray Group carries out activities covering diverse domains on a global scale. We apply our core technologies in the areas of organic synthetic chemistry, polymer chemistry, biotechnology and nanotechnology to supply a wide range of industries. Therefore, we believe that decision-making at the Board of Directors meetings and business execution must be carried out by members of the Board who are well-versed in Toray's businesses so that they can fulfill their management responsibilities to shareholders. It is for this reason that we have adopted the current framework of the Board of Directors and the Board of Corporate Auditors.

Toray operates under a corporate auditor system. To ensure management transparency, as well as objectivity and neutrality in management oversight, the Company has a Board of Corporate Auditors that is fully independent of the Board of Directors. The Board of Corporate Auditors consists of four members, of whom two are outside corporate auditors who have no business dealings whatsoever with Toray Group. The outside corporate auditors provide independent viewpoints, thus reinforcing the auditing of business execution by the members of the Board.

DEVELOPMENT OF INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM

At the Board of Directors meeting held on May 10, 2006, Toray adopted a basic policy on an internal control system for ensuring the appropriate execution of operations pursuant to Corporation Law Article 362 and Ordinance for Implementation of the Corporation Law Article 100.

On March 31, 2008, the Board of Directors issued the amended policy outlined below following additions to its internal control system on the issues of security export control, prohibition of contact with antisocial forces, and financial reporting.

Toray shall establish and maintain an internal control system to enable all executives and employees to realize the Group's Management Philosophy of "Contributing to society through the creation of new value with innovative ideas, technologies and products" as expressed in our Corporate Philosophy, as well as Corporate Missions and Corporate Guiding Principles. The system encompasses the creation of an appropriate organizational framework, the formulation of regulations and rules, dissemination of information, and monitoring of the execution of duties. Toray will ensure the legal and efficient execution of operations by constantly reviewing and improving this system as appropriate.

1. System to ensure that the execution of duties by members of the Board and employees comply with laws and regulations and the Company's Articles of Incorporation

- Toray shall promote corporate ethics and legal compliance through the establishment of a company-wide Corporate Ethics Committee, a Company-wide Legal Compliance Committee to work under the Corporate Ethics Committee, and CSR/Legal Compliance Committees established at division, office and plant levels.
- Toray shall establish the Corporate Ethics and Legal Compliance Code of Conduct as specific provisions to be observed to promote observance of corporate ethics and legal compliance.
- Toray shall formulate Corporate Ethics and Legal Compliance Guidelines containing detailed explanations and notes on corporate ethics and legal compliance.
- Toray shall establish an Internal Reporting System for the reporting of the discovery of violation of laws, regulations, or the Company's Articles of Incorporation.
- Toray shall ensure that all members of the Board and employees are well-informed with the Corporate Ethics and Legal Compliance Handbook, which contains the Corporate Ethics and Legal Compliance Code of Conduct, Corporate Ethics and Legal Compliance Guidelines and Internal Reporting System.
- Toray shall establish Security Trade Control Program, one of the most important legal compliance issues, and establish an organization dedicated to security export control.
- Toray shall establish a provision that it should stay out of antisocial forces in the Corporate Ethics and Legal Compliance Code of Conduct, and act as one to stand firmly against them.
- Toray shall establish an Auditing Department to oversee internal audits, and perform audits in accordance with Internal Audit Rules.

2. System to ensure the efficient execution of duties by members of the Board

- Toray shall establish the Authority of Top Management as a system that reserves decision-making rights to the Board of Directors, President, General Managers, and other members of top management.
- Toray shall establish the Executive Committee and Board of Senior Vice Presidents as deliberative organs that facilitate resolutions by

the Board of Directors and approvals by the President in order to ensure operational efficiency. The Executive Committee shall be responsible for the general direction of policy, while the Board of Senior Vice Presidents shall be in charge of issues related to implementation.

- Toray shall establish company-wide committees to oversee key management themes, which play a supplementary role in management execution.
- The Board of Directors shall establish the duties of each member of the Board, and each member of the Board shall manage and supervise the head of the organization for which he or she is responsible.
- Toray shall establish Operational Division of Duties Regulations to specify the duties of each organization.

3. System for preserving and managing information pertaining to the execution of duties by the members of the Board

- Toray shall establish provisions for the preservation and management of important documents and information, including minutes and financial reports related to management decision-making. Such documents and information shall be stored in accordance with said provisions and maintained for reference as necessary.
- Toray shall establish Confidential Information Management Regulations for the protection of confidential information and appropriate management systems and methods, and take measures to prevent improper access to such information by those outside the Group.
- Toray shall establish Personal Information Management Regulations stipulating personal information protection policies, a system for information management, and roles of employees for the protection of personal information.

4. Rules and other systems pertaining to controls over risks of loss

- Toray shall establish Crisis Management Regulations, identify potential risks in business activities, reduce the level of risk under normal business conditions, and prevent future crises, as well as develop and maintain a system for immediate implementation in the event of a major crisis.
- Toray shall organize the Risk Management Committee under the company-wide CSR Committee, follow up on risk management conditions at normal times, and plan and establish company-wide measures.
- Toray shall identify risks that may disrupt operations, ascertain their impact on business activities, establish a Business Continuity Plan (BCP) to maintain operations, and establish a Business Continuity Management (BCM) system.
- Toray shall establish Company-wide Emergency Headquarters and On-site Emergency Headquarters, which shall coordinate efforts with one another in the event of a company-wide crisis.
- Toray shall establish and promote the operation of an internal control system for financial reporting that ensures the reliability of financial reporting.

5. System of reporting to corporate auditors and other systems for ensuring effective implementation of audits by corporate auditors

- Members of the Board and employees shall report on matters related to the execution of their duties in response to requests made by corporate auditors.
- Corporate auditors shall attend important meetings in addition to Board of Directors meetings so that they may ascertain important decision-making processes and the execution of duties.
- Corporate auditors shall hold regular meetings with all members of the Board, as well as divisional and departmental General Managers, and conduct regular audits of Toray offices and plants as well as Japanese and overseas subsidiaries and affiliates in accordance with auditing policy and plans formulated by the Board of Corporate Auditors.
- Auditing Department shall cooperate if so requested by corporate auditors when carrying out audits.

6. Items pertaining to employees assisting with corporate auditors' duties and items pertaining to the independence of said employees

- Toray shall establish a body with full-time staff members to provide assistance, in the event that corporate auditors request employee assistance with auditing.
- The corporate auditors may discuss personnel matters related to the above-mentioned staff and request changes as necessary in order to ensure the independence of said exclusive staff from members of the Board.

7. System for ensuring appropriate business operations by Toray Group

- While valuing the autonomy of management within Toray Group companies, all companies shall share the basic stances expressed in our Corporate Philosophy, Corporate Missions, Corporate Guiding Principles and Corporate Ethics and Legal Compliance Code of Conduct.
- The entire Group shall pursue risk management and efficiencies through the reporting of important matters to the headquarters and the formulation of rules concerning consultation with the headquarters.
- Toray's Affiliated Companies Division shall promote corporate ethics and legal compliance within Toray Group for Japanese subsidiaries and affiliates. Toray's International Division shall also do so for overseas subsidiaries and affiliates.
- The legality, propriety and efficiency of the discharging of duties within Toray Group companies shall be monitored by regular audits and internal auditing conducted by corporate auditors and the Auditing Department.

AUDITING BY CORPORATE AUDITORS AND INTERNAL AUDITS

The Company's corporate auditors, including outside corporate auditors, possess expertise in financial matters and accounting. Their role is to monitor the business execution of the members of the Board by attending Board of Directors meetings and other important company meetings. The corporate auditors perform audits of Toray offices and plants worldwide, including subsidiaries and affiliates, and meet with all the members of the Board, as well as with general managers of divisions and departments.

The corporate auditors have a cooperative relationship with the Company's internal control organizations. For example, they attend meetings of the Corporate Ethics Committee, which ensures legal compliance and the observance of corporate ethics, two key components of corporate social responsibility. They also attend meetings of the Company-wide Legal Compliance Committee.

One of the internal control bodies is the Auditing Department, which reports directly to the President and has nine staff members who perform internal audits of the Company and its subsidiaries and affiliates. The Auditing Department submits reports on auditing results not only to the President but also to the corporate auditors, ensuring an ongoing exchange of information.

INDEPENDENT AUDITS

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, including outside corporate auditors, and the Auditing Department outline audit plans to the independent auditor, receive the outcome of audits from the independent auditor, and regularly engage in discussions with the independent auditor.

REMUNERATION

1. Details of Remuneration

Position	Total payments (¥ million)	Total remuneration (¥ Million)			Number of recipients
		Basic remuneration	Bonuses	Provision of the allowance for retirement benefits (FY Mar/10)	
Members of the Board	1,223	738	—	485	34
Corporate Auditors (excluding Outside Corporate Auditors)	72	48	—	24	3
Outside Corporate Auditors	17	13	—	4	3

Notes 1. Recipients include six members of the Board, one corporate auditor, and one outside corporate auditor who retired during FY Mar/10.
2. Remuneration does not include a total of ¥114 million paid as salaries to 14 employee-directors.

2. Total Remuneration of Directors and Auditors

This does not apply because no directors/auditors received total combined remuneration of ¥100 million or more.

* From the financial year ended March 2010, the Financial Services Agency requires that listed companies disclose the names and salaries of executives whose total remuneration amounts to ¥100 million or more.

3. Policy on Determination of Remuneration for Directors and Auditors

Toray Group recognizes that directors and auditors bear the important responsibilities of meeting the expectations of stockholders by ensuring the transparency and fairness of management and raising corporate value in the short, medium and long terms. Consequently, it regards their remuneration as an incentive for fulfilling their responsibilities. The remuneration of Toray's members of the Board and corporate auditors consists of monthly salaries, bonuses and retirement benefits.

The total limit for monthly salaries is decided by resolution at the Ordinary General Meeting of Stockholders. The monthly salaries of members of the Board within this limit are determined by the President in accordance with certain criteria set by the Company and are passed by resolution at a meeting of the Board of Directors. The monthly salaries of corporate auditors are determined through discussions held among the corporate auditors in accordance with certain criteria.

The payment or non-payment of bonuses and their total amount is determined as necessary by resolution at the Ordinary General Meeting of Stockholders. The President determines the amount of these performance-based bonuses for each member of the Board in accordance with certain criteria. The bonuses are then approved by resolution at a Board of Directors meeting. The bonuses of corporate auditors are determined through discussions held among the corporate auditors in accordance with certain criteria.

Retirement benefits comply with certain criteria set by the Company and adopted by resolution at the Ordinary General Meeting of Stockholders. Retirement benefits for members of the Board are determined by Board resolution, and retirement benefits for corporate auditors are determined through discussions held among the corporate auditors.

RISK MANAGEMENT

BASIC POLICY

For Toray Group, risk management is the root of business management. Toray has identified potential risks in its activities to reduce risk in everyday situations and prevent future crises. At the same time, we have formulated Crisis Management Regulations, which enable us to prevent escalation in the event of a major crisis. We are currently putting in place a Group-wide emergency response system to enable the resumption of activities as early as possible in the event of such a crisis.

PROMOTION OF GROUP-WIDE RISK MANAGEMENT

Toray Group devises countermeasures for dealing with risks identified from a Company-wide perspective as having the potential to affect its business activities. In FY Mar/10, these countermeasures were extended to include domestic and overseas affiliates, which each began working on specific initiatives. We implemented specific risk mitigation measures for risks identified as requiring priority action. The Risk Management Committee regularly follows up these risk mitigation activities to ensure the highly effective operation and management of the PDCA cycle.

In the year under review, we established a working group to formulate and implement countermeasures for the following priority risks: (1) new influenza strains, (2) information leaks and (3) supply chain-related risks.

CRISIS MANAGEMENT SYSTEM

Crisis Management Regulations set out basic principles to ensure a comprehensive Company-wide response in the event of a major crisis within the Toray Group.

Should a major crisis that may threaten Toray's management occur, the Emergency Quick 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, and notification will be conducted according to the Emergency Reporting Route. 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.

In the year under review, a Company-wide Emergency Headquarters was established in accordance with the Crisis Management Regulations to deal with the new influenza strain (A/H1N1) pandemic that began in April 2009. Thanks to the role of the Company-wide Emergency Headquarters, Toray dealt promptly and appropriately with this potential risk.

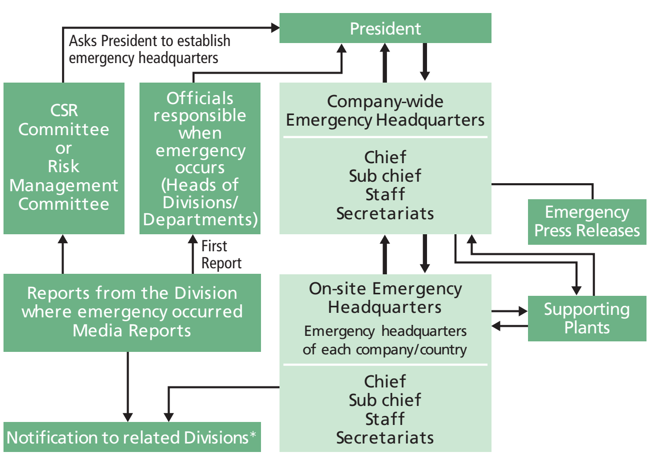
PROMOTION OF BUSINESS CONTINUITY PLAN

Toray Group has previously established measures under a Major Earthquake Business Continuity Plan in line with the serious risks posed by the occurrence of a major earthquake. In FY Mar/10, Toray implemented measures based on the Business Continuity Plan in preparation for an emergency, such as a major earthquake. From the standpoint of head office functions, we held drills for confirming the safety of personnel using cellular phones and the Internet at our head offices and branch offices. We also established and implemented reporting guidelines and measures for confirming earthquake damage, including its effect on the supply chain. Thanks to these measures, Toray was able to confirm damage promptly and initiate its response when the Suruga Bay earthquake occurred on August 11, 2009.

With respect to information systems, Toray Group continued implementing measures to ensure the restoration of operations as soon as possible at the Information Systems Center of the Shiga Plant in the event of an earthquake of intensity 6 upper on the Japanese earthquake scale.

In regard to Toray Group's procurement sources, suppliers and contract manufacturers, the Purchasing and Logistics Division and each business division worked together on risks related to business continuity and the disruption of supplies of raw materials during the year under review. They identified the suppliers of all materials and goods, ranked them in order of importance, and took steps to ensure that the Group's purchases are procured from more than one supplier.

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 24, 2010)

Chairman of the Board, Chief Executive Officer and Representative Member of the Board

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
June 2010	Chairman of the Board and Representative Member of the Board

(Presently Chief Executive Officer)

President, Chief Operating Officer and Representative Member of the Board

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
June 2010	President and Representative Member of the Board

(Presently 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 Plastics & Chemicals Divisions; in charge of 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)

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)

Junichi Fujikawa

June 2001	General Manager, Second Corporate Planning Dept.
June 2002	Vice President (Member of the Board)
June 2004	Senior Vice President (Member of the Board)
June 2007	Senior Vice President (Member of the Board and Member of the Executive Committee)
June 2010	Executive Vice President and Representative Member of the Board

(Presently in charge of Electronic & Information Materials Division; General Manager, IT Business SBU)

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)

Norihiko Saitou
Kazuhiro Maruyama
Toshiyuki Asakura
Nobuo Suzui

Senior Vice Presidents (Members of the Board)

Kazushi Hashimoto
Kiyoshi Fukuchi
Akira Uchida
Koichi Abe
Takao Sano
Moriyuki Onishi
Shinichi Okuda
Ryo Murayama

Vice Presidents (Members of the Board)

Shogo Masuda
Akira Umeda
Yasunobu Nishimoto
Yukichi Deguchi
Kenji Ueno
Kojiro Maeda
Kazuo Morimoto
Hisae Sasaki
Osamu Inoue

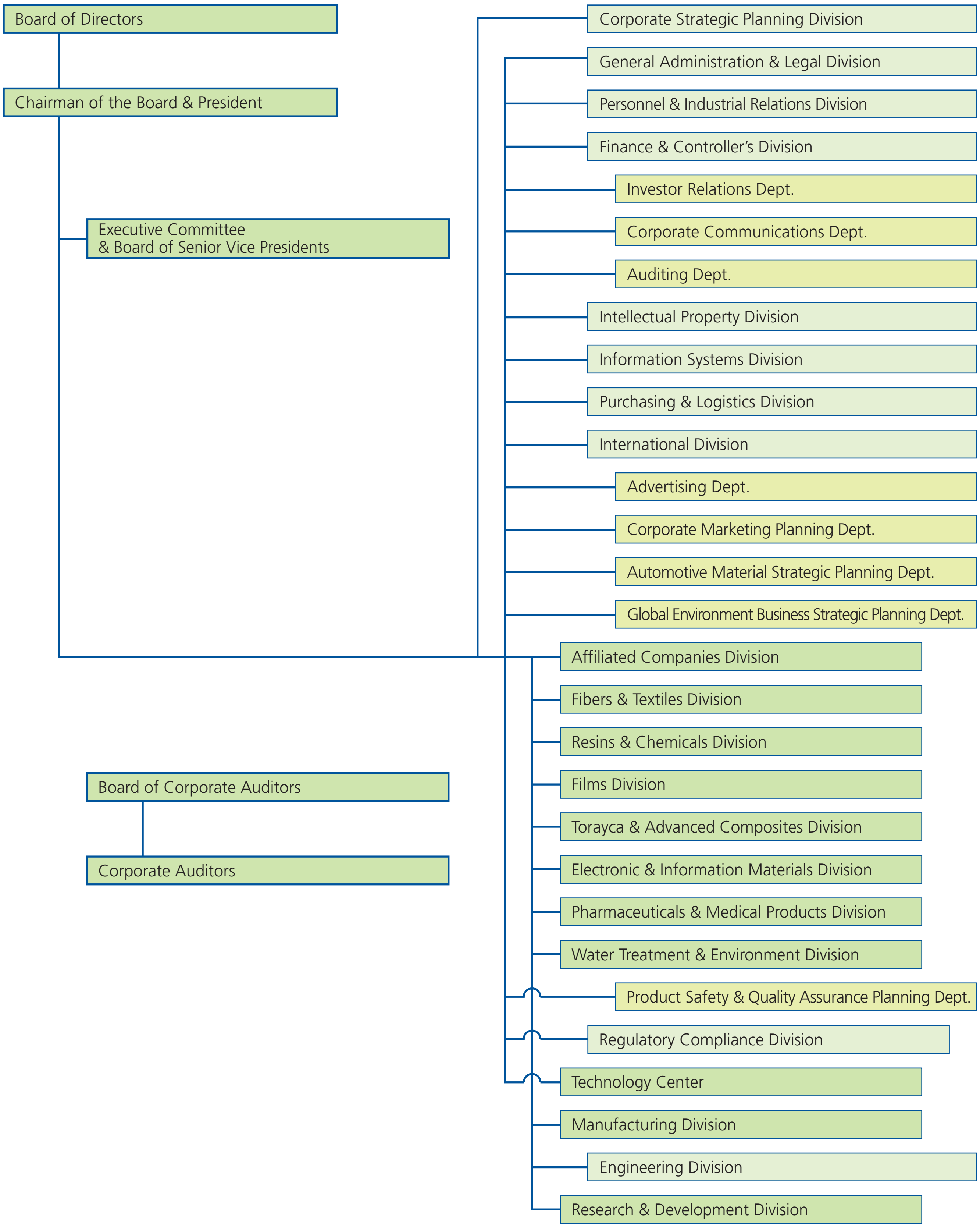
Corporate Auditors

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 July 1, 2010)



TORAY GROUP **WORLDWIDE NETWORK**

(As of August 31, 2010)

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 (China) Co., Ltd. (TPCH)
- 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.
- Toray BlueStar Membrane Co., Ltd. (TBMC)

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)

Republic of Korea

Consolidated Subsidiaries
- Toray Advanced Materials Korea Inc.*
- 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. (TITP)

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.
- Toray KP Films Inc.
- 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.
- Toray Tonen Specialty Separator Godo Kaisha
- Dow Corning Toray Co., Ltd.
- Sanyo Chemical Industries, Ltd.
- Panasonic Plasma Display Co., Ltd.

Others

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 International America Inc. (TIAM)
- 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)

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	61
	Overseas	78
	Total	139
Subsidiaries Accounted for by Equity Method	Japan	27
	Overseas	25
	Total	52
Total Subsidiaries	Japan	88
	Overseas	103
	Total	191
Affiliates Accounted for by Equity Method	Japan	14
	Overseas	24
	Total	38
Companies Subject to Consolidation	Japan	102
	Overseas	127
	Total	229

As of March 31, 2010

* Changed name from Toray Saehan Inc. (TSI) as of May 1, 2010

FINANCIAL SECTION

SIX-YEAR SUMMARY OF **SELECTED FINANCIAL DATA**

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

	Millions of yen					
	2010	2009	2008	2007	2006	2005
Net sales*1	**¥ 1,359,631**	¥ 1,471,561	¥ 1,649,670	¥ 1,546,461	¥ 1,427,488	¥ 1,298,606
Fibers and Textiles	**525,204**	568,996	637,343	607,752	580,549	513,354
Plastics and Chemicals	**332,735**	377,644	404,015	375,292	337,978	300,404
IT-related Products	**230,433**	229,421	283,734	263,808	234,994	219,142
Carbon Fiber Composite Materials	**50,676**	70,390	83,580	68,593	52,714	—
Environment and Engineering	**159,787**	160,207	173,213	161,310	154,135	148,661
Pharmaceuticals and Medical Products	**—**	—	—	—	—	44,356
New Products and Other Businesses	**—**	—	—	—	—	72,689
Life Science and Other Businesses	**60,796**	64,903	67,785	69,706	67,118	—
Operating income	**40,107**	36,006	103,429	102,423	93,043	81,052
(Loss) income before income taxes and minority interests	**(2,415)**	(19,751)	78,565	81,705	80,342	53,112
Net (loss) income	**(14,158)**	(16,326)	48,069	58,577	47,409	34,397
Net cash provided by operating activities	**166,215**	38,447	110,367	77,539	116,022	133,481
Depreciation and amortization	**74,904**	83,764	86,423	72,689	64,444	64,288
Capital expenditures	**57,073**	92,349	146,787	126,444	104,127	73,094
Total assets	**1,556,796**	1,523,603	1,698,226	1,674,447	1,537,422	1,402,264
Property, plant and equipment, net	**580,344**	596,261	680,993	643,370	586,215	531,965
Interest-bearing liabilities	**632,160**	663,945	591,182	536,936	484,411	466,825
Net assets*2	**518,216**	512,610	642,159	649,670	537,026	452,519
	Yen					
Per share of common stock:						
Net (loss) income:						
Basic	**¥ (10.12)**	¥ (11.66)	¥ 34.34	¥ 41.84	¥ 33.72	¥ 24.46
Diluted	**—**	—	—	—	—	—
Cash dividends	**5.00**	7.50	10.00	10.00	8.00	7.00
Net assets	**336.65**	335.04	423.78	421.51	383.42	323.04
Ratios:						
Operating income to net sales	**2.95%**	2.45%	6.27%	6.62%	6.52%	6.24%
Net (loss) income to net sales	**(1.04)**	(1.11)	2.91	3.79	3.32	2.65
Equity ratio	**30.3**	30.8	34.9	35.2	34.9	32.3
Return on equity	**(3.0)**	(3.1)	8.1	10.4	9.6	7.9
Debt/equity ratio (times)	**1.34**	1.42	1.00	0.91	0.90	1.03
	Yen					
Common stock price range:						
High	**¥ 591**	¥ 694	¥ 998	¥ 1,128	¥ 1,011	¥ 557
Low	**390**	350	529	806	454	441
Number of employees	**37,936**	37,924	38,565	36,553	34,670	33,707

*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 the 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.

OVERVIEW

During the fiscal year ended March 31, 2010 (FY Mar/10), the world economy remained sluggish from the global recession, triggered by the financial crisis that originated in the U.S. in fall 2008. However, it gradually recovered from the severe slump following the financial crisis, reflecting the effects of large-scale economic stimulus measures taken by various governments. With China and other emerging economies acting as a driving force, the overall economy made slow but steady progress on the track of recovery, as Japan returned to a positive real GDP growth rate in the April-June quarter, followed by the U.S. and European countries in the July-September quarter.

Under such a business environment, Toray Group in April 2009 launched a new medium-term management program "Project IT-II (Innovation TORAY II)," and worked on initiatives aimed at a drastic reduction in total cost, maximization of earnings by ensuring sales through every possible effort, and improvement in cash flows through a cutback in capital investment and reduction in working capital.

As a result of these efforts, Toray Group posted a year-on-year decline in net sales, reflecting the significant impact of sluggish sales in the first half. Operating income rose from the previous fiscal year, as a recovery in the second half offset the decline in the first half. The Group posted a net loss, improved from the previous fiscal year, despite recording equity in losses of unconsolidated subsidiaries and affiliated companies and the accrual of income taxes for prior periods. Income taxes for prior periods were recorded in this period in anticipation that Toray Industries, Inc. (the "Company") would receive a notice of correction based on transfer pricing taxation from the Tokyo Regional Taxation Bureau. The Company believes that it has been paying taxes in a proper manner in accordance with the taxation system of each country, and disagrees with the bureau's judgment of correction based on transfer pricing taxation. The Company intends to lodge an objection and request bilateral consultations from the standpoint of preventing double taxation as soon as it officially receives the notice.

OPERATING RESULTS

Net Sales

Consolidated net sales in FY Mar/10 amounted to ¥1,359.6 billion, down ¥111.9 billion, or 7.6%, from the previous fiscal year. Sales increased in the IT-related Products segment, but declined in other business segments.

Sales by Business Segment

Fibers and Textiles

Total sales in this segment declined ¥43.8 billion, or 7.7%, to ¥525.2 billion.

In Japan, reflecting weak retail sales, the movement of goods for apparel applications remained sluggish on the whole except for the sewn product business, which steadily expanded operations. Demand for products for industrial applications led by automotive applications continued on the recovery track, and their shipments improved with each passing month. Overseas, in addition to the polyester filament business in Republic of Korea and the non-woven fabric business in China, the yarn and textile operations for air bag applications in Thailand and Czech Republic expanded sales volume.

Plastic and Chemicals

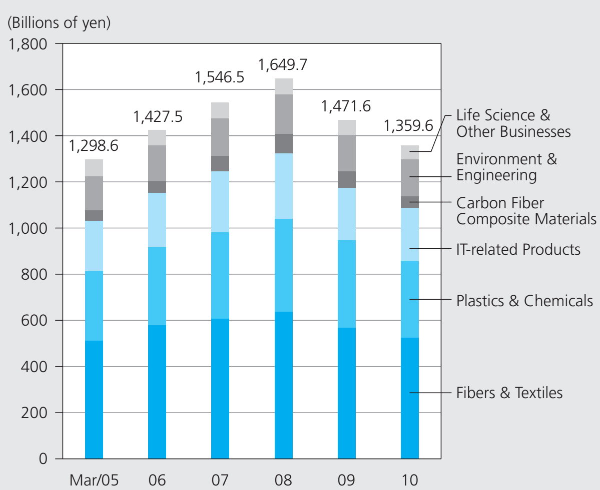
Total segment sales decreased ¥44.9 billion, or 11.9%, to ¥332.7 billion.

Demand for the products in the Plastics and Chemicals segment was also back on course for recovery led by automotive applications, which had been severely hurt by the global recession. Sales volume at the film business for capacitors used in hybrid automobiles and the polyphenylene sulfide (PPS) resin business in Japan, and the resin business in Malaysia expanded.

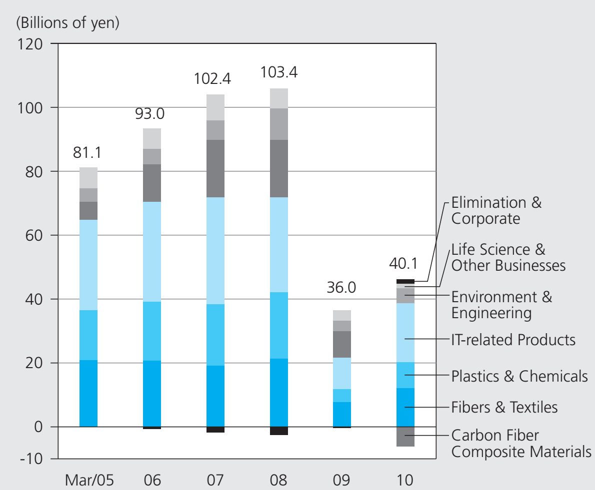
IT-related Products

Total segment sales edged up 0.4%, or ¥1.0 billion, to ¥230.4 billion.

Net Sales by Business Segment



Operating Income by Business Segment



* Net sales and operating income for the fiscal year ended March 31, 2005 have been reclassified into the revised business segments.

Demand for the products in the IT-related Products segment continued to recover, partly thanks to the measures to stimulate consumer spending in countries such as China and Japan. Sales of films and processed film products for flat panel displays and electronic components expanded, sales volume of semiconductor-related materials and plasma display-related materials grew, and the circuit material business in Republic of Korea increased sales.

Carbon Fiber Composite Materials

Total sales in this segment amounted to ¥50.7 billion, a decrease of ¥19.7 billion, or 28.0%.

In the Carbon Fiber Composite Materials segment, shipments of products for aerospace, sports, as well as general industrial applications remained sluggish due to prolonged inventory adjustment throughout the supply chain. In the fourth quarter of the fiscal year, however, the demand began to recover in sports applications, and signs of a market turnaround became apparent in the aerospace applications toward the end of the fiscal year.

Environment and Engineering

Total segment sales amounted to ¥159.8 billion, mostly unchanged from the previous fiscal year.

In the Environment and Engineering segment, shipment of reverse osmosis membranes was robust, and the condominium business of a Japanese subsidiary expanded net sales as the construction of a large-scale building was completed. On the other hand, the engineering business at a subsidiary in Japan and some other businesses remained sluggish.

Life Science and Other Businesses

Total segment sales declined ¥4.1 billion, or 6.3%, to ¥60.8 billion.

In the pharmaceuticals and medical products business, sales volume of artificial kidneys registered an increase, and that of *Feron** also expanded as it was approved for use in combination with ribavirin in October 2009. Overall sales of the business, however, fell slightly compared with the previous year, due to the sluggish contact lens market and lower license income.

On the whole, total sales of Life Science and Other Businesses decreased, partly reflecting declining transactions at a domestic trading subsidiary and falling orders at a research service subsidiary.

Sales by Geographic Segment

Japan

Sales of the Company and its domestic consolidated subsidiaries declined ¥47.8 billion, or 4.7%, to ¥968.2 billion. This was mainly due to weakened performances of the plastics and chemicals business, fibers and textiles business, and other businesses in the first half of the period. The share of this segment in consolidated net sales rose from 69.0% to 71.2%.

Asia

Sales of consolidated subsidiaries in China, Indonesia, Thailand, Malaysia, Republic of Korea, and other Asian countries, excluding Japan, declined ¥22.7 billion, or 7.5%, to ¥279.9 billion. This was due mainly to decreases in the sales of the fibers and textiles business and the plastics and chemicals business. The share of this segment in consolidated net sales was 20.6%, unchanged from the previous 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 ¥41.5 billion, or 27.1%, to ¥111.5 billion. This was mainly due to prolonged inventory adjustment throughout the supply chain in the carbon fiber composite materials business, which caused shipments to decline. The share of this segment in consolidated net sales decreased from 10.4% to 8.2%.

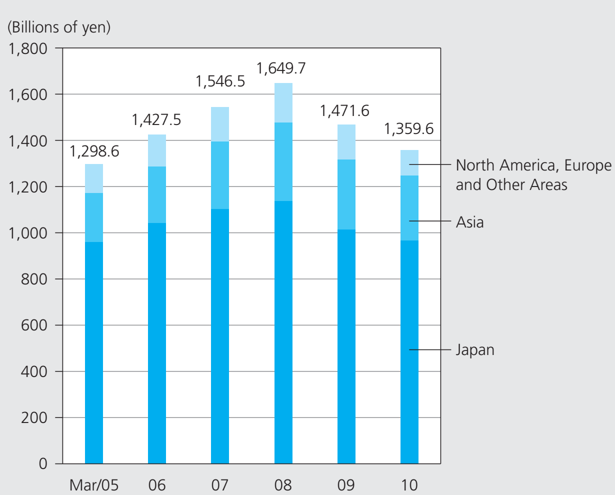
Overseas Sales

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 ¥105.7 billion, or 15.6%, to ¥572.2 billion. Sales in Asia declined due to decreased sales in the fibers and textiles business and the plastics and chemicals business. Sales in North America, Europe, and other areas were down due to prolonged inventory adjustment throughout the supply chain in the carbon fiber composite materials business, which caused shipments to decline. Overseas sales accounted for 42.1% of consolidated net sales, down 4.0 percentage points from the previous fiscal year. Of this, sales in Asia amounted to ¥392.5 billion, or 28.9% of consolidated net sales, while sales in North America, Europe, and other areas totaled ¥179.6 billion, or 13.2%.

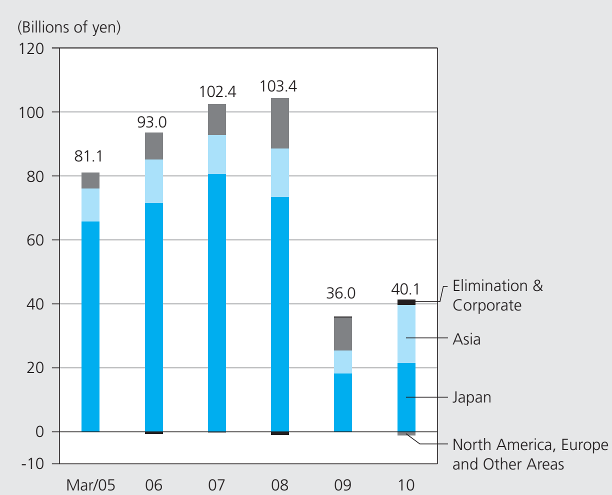
Costs and Expenses

The ratio of total costs and expenses to net sales for the year was 97.1%, down 0.5 percentage point from the previous fiscal year.

Net Sales by Geographic Segment



Operating Income by Geographic Segment



Consolidated net sales declined 7.6%, and the cost of sales decreased 7.7%. As a result, the cost of sales ratio edged down 0.1 percentage point, to 82.0%.

Selling, general and administrative expenses decreased ¥23.0 billion, or 10.1%, to ¥204.5 billion. The ratio of selling, general and administrative expenses to net sales edged down 0.4 percentage point, to 15.0%.

R&D expenses declined ¥3.8 billion, or 7.5%, to ¥46.2 billion.

Operating Income and Net Loss

Operating income rose ¥4.1 billion, or 11.4%, from the previous fiscal year, to ¥40.1 billion. Operating income to net sales climbed 0.5 percentage point, to 2.9%.

Operating income increased in the Fibers and Textiles segment, the Plastics and Chemicals segment, the IT-related Products segment, and the Environment and Engineering segment, and declined in the Carbon Fiber Composite Materials segment and the Life Science and Other Businesses segment.

Operating income in the Fibers and Textiles segment jumped ¥4.4 billion, or 57.9%, to ¥12.1 billion. Main factors included a recovery in demand and steady expansion in the sewn product business, as well as volume growth in polyester filament business in Republic of Korea and the non-woven fabric business in China.

In the Plastics and Chemicals segment, operating income surged ¥4.0 billion, or 97.9%, to ¥8.1 billion, owing to an increase in sales volumes at the film business for capacitors used in hybrid automobiles, the PPS resin business in Japan and the resin business in Malaysia.

Operating income in the IT-related Products segment grew ¥8.7 billion, or 88.5%, to ¥18.5 billion, owing to sales expansion of film and processed film products for use in flat panel displays and electronic components, as well as growth in sales for the circuit materials business in Republic of Korea.

The Carbon Fiber Composite Materials segment reported an operating loss of ¥6.2 billion, down ¥14.6 billion from the previous fiscal year. This was due to significant production cutbacks aimed at adjusting inventory levels.

Operating income in the Environment and Engineering segment increased ¥1.4 billion, or 43.0%, to ¥4.7 billion. This was due to an improvement in the profitability of our water treatment engineering subsidiary and other factors, while the engineering business at a subsidiary in Japan and some other businesses remained sluggish.

In the Life Science and Other Businesses segment, operating income fell ¥1.7 billion, or 53.5%, to ¥1.5 billion. In the pharmaceuticals and medical products business, the sales volume of artificial kidneys increased, as did the sales volume of *Feron**. However, the market for contact lenses languished, and income from licensing declined. This was compounded by a decline in transactions at a domestic trading subsidiary, as well as falling orders received by a research service subsidiary.

By geographic segment, operating income increased in Japan and Asia, but declined in North America, Europe, and other areas. Operating income in Japan climbed ¥3.4 billion, or 18.5%, to ¥21.6 billion. Main factors included a recovery in demand for products used in flat panel displays and electronic components, which boosted earnings of the IT-related products business, as well as drastic reductions of overall costs.

Operating income in Asia surged ¥10.9 billion, or 150.9%, to ¥18.1 billion. Earnings in the region were bolstered by expansion of the plastic resin business in Malaysia and the circuit materials business in Republic of Korea.

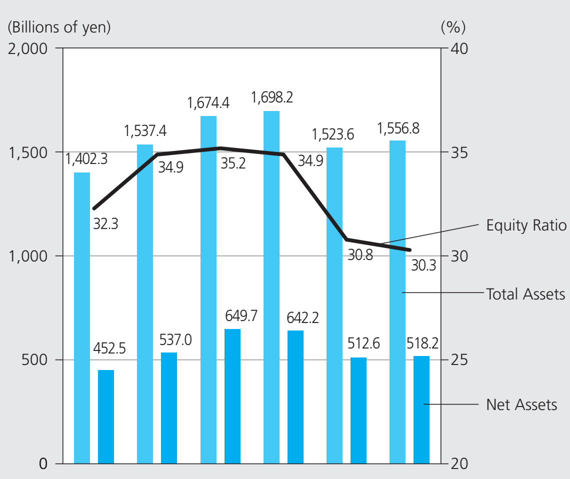
In North America, Europe, and other areas, Toray reported an operating loss of ¥1.1 billion, down ¥11.5 billion from the previous fiscal year. This was due to the significant production cutbacks in the carbon fiber composite materials business aimed at adjusting inventory levels.

In net other income (expenses), the Group reported ¥42.5 billion in expenses, down ¥13.2 billion from the previous fiscal year. Interest and dividend income declined ¥1.5 billion to ¥2.4 billion, while interest expenses fell ¥2.9 billion to ¥8.9 billion. As a result, net financial expenses totaled ¥6.5 billion, improved ¥1.4 billion. Equity in losses of unconsolidated subsidiaries and affiliated companies amounted to ¥14.5 billion, down ¥18.3 billion from the previous fiscal year. Gain on sales and loss on write-down of investment securities, net, was a loss of ¥2.2 billion, a ¥9.9 billion improvement from the previous fiscal year. Loss on impairment of fixed assets declined ¥9.2 billion to ¥3.1 billion. Loss on sales and disposal of property, plant and equipment, net, decreased ¥3.2 billion to ¥3.3 billion.

As a result, the Group reported a loss before income taxes and minority interests of ¥2.4 billion, improved ¥17.3 billion from the previous fiscal year. After deducting income tax and minority interests in earnings of consolidated subsidiaries, the Group posted a net loss of ¥14.2 billion. This was a ¥2.2 billion improvement from the previous fiscal year, even though the Group incurred income taxes for the prior period.

Net loss per share was ¥10.12, improved ¥1.54 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/10 and the outlook for FY Mar/11. Added to the interim cash dividend, this brought total annual dividends to ¥5.00 per share.

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.

FINANCIAL POSITION

Assets

At March 31, 2010, total assets stood at ¥1,556.8 billion, up ¥33.2 billion, or 2.2%, from the end of the previous fiscal year. Decreases in inventories and property, plant and equipment, net of depreciation were more than offset by increases in trade receivables (the sum of notes receivable and accounts receivable) and investments in unconsolidated subsidiaries and affiliated companies, which stemmed primarily from an equity investment in Toray Tonen Specialty Separator Godo Kaisha. Overseas assets accounted for 30.8% of total assets, up 0.1 percentage point.

Current Assets

Current assets declined ¥15.4 billion, or 2.3%, to ¥640.5 billion. Trade receivables increased ¥38.8 billion, or 17.6%, to ¥258.9 billion. Inventories declined ¥55.4 billion, or 17.3%, to ¥264.6 billion.

Property, Plant and Equipment

Property, plant and equipment, net of depreciation, declined ¥15.9 billion, or 2.7%, to ¥580.3 billion. Capital expenditures fell ¥35.3 billion, or 38.2%, to ¥57.1 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 ¥9.7 billion, which included additional polypropylene spunbond production facilities at Toray Polytech (Nantong) Co., Ltd. In the Plastics and Chemicals segment, capital expenditures amounted to ¥18.4 billion, which included additional production facilities at the Company related to functional fine particles, as well as a new polypropylene film production facility for Toray Films Europe S.A.S. Capital expenditures in the IT-related Products segment totaled ¥11.4 billion, which included additional polyester film production facilities at the Company and Toray Saehan Inc. In the Carbon Fiber Composite Materials segment, capital expenditures amounted to ¥14.4 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 ¥1.8 billion, which included a new reverse osmosis membrane production facility at Toray BlueStar Membrane Co., Ltd. Capital expenditures in the Life Science and Other Businesses segment totaled ¥2.6 billion.

Liabilities

Total liabilities increased ¥27.6 billion, or 2.7%, to ¥1,038.6 billion. This was due mainly to an increase in deposits received, which contrasted with a decline in corporate bonds.

Total interest-bearing liabilities—consisting of short-term bank loans, current portion of long-term debt, commercial paper, long-term debt, and lease obligations—declined ¥31.8 billion, or 4.8%, to ¥632.2 billion.

Net Assets

Net assets came to ¥518.2 billion, and net assets less minority interests in consolidated subsidiaries stood at ¥471.1 billion. As a result, net assets per share rose ¥1.61 to ¥336.65. The equity ratio edged down 0.5 percentage point, to 30.3% and the debt/equity ratio improved by 0.08 point to 1.34.

CASH FLOWS

In FY Mar/10, net cash provided by operating activities exceeded net cash used in investing activities by ¥44.5 billion. This was mainly due to capital expenditures that fell below depreciation and amortization, as well as a decrease in inventories. Net cash used in financing activities was ¥43.4 billion, due mainly to repayment of long-term debt. As a result, cash and cash equivalents at fiscal year-end stood at ¥64.3 billion, up ¥2.2 billion, or 3.5%, from the end of the previous fiscal year.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥166.2 billion, up ¥127.8 billion from the previous fiscal year. This was mainly due to depreciation and amortization of ¥74.9 billion and a decrease in inventories of ¥59.1 billion, which contrasted with an increase in trade receivables of ¥35.6 billion.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥121.7 billion, up ¥8.4 billion from the previous fiscal year. Main factors included capital expenditures of ¥60.3 billion and payments for investments in capital of unconsolidated subsidiaries and affiliated companies of ¥60.1 billion.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥43.4 billion, up ¥132.5 billion from the previous fiscal year. This was mainly due to repayment of long-term debt of ¥55.2 billion, which contrasted with proceeds from long-term debt of ¥17.3 billion.

BUSINESS RISKS

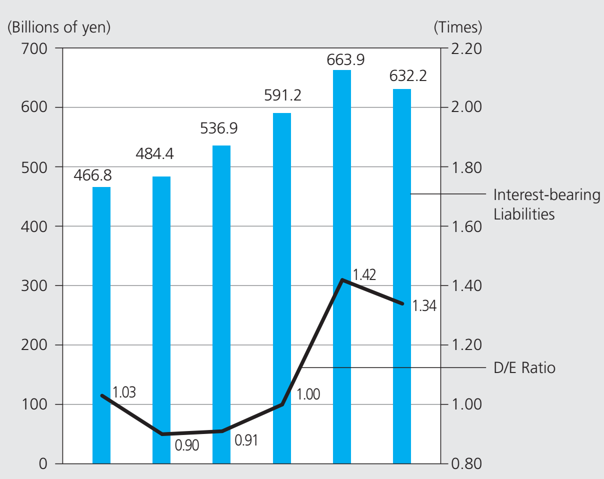
Operational and other risks faced by Toray Group that could have a major influence on the decisions of investors are described below. Toray Group works constantly to avoid such potential risks, minimize the impact, and build a system to enable swift responses and accurate information disclosure on the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

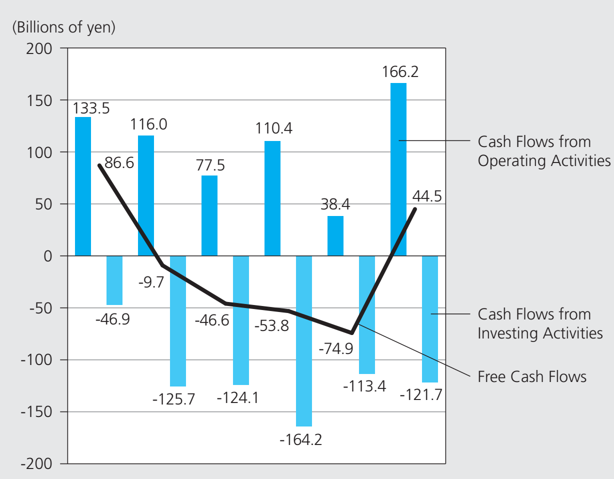
(1) Domestic and overseas demand and market trends

As a supplier of basic materials to a broad range of industries, Toray Group is exposed to various factors that could cause a sharp drop in

Interest-bearing Liabilities and D/E Ratio



Cash Flows



demand for its products. These include changes in both worldwide and regional supply-demand conditions, increased use of substitute materials, and changes to the purchasing policies of business partners. In addition to severe competition with other companies, the Group's various businesses also face the risk of new players entering the market. Price fluctuations, stemming from the reduction of National Health Insurance (NHI) drug prices and reimbursement prices, also affect the pharmaceuticals and medical products business. Although Toray Group takes steps to maintain its competitive advantage, 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) Capital expenditures, joint ventures, alliances and acquisitions

Toray Group makes capital expenditures in a wide range of business fields. Its other activities include formation of various joint ventures or strategic alliances with third parties, as well as business acquisitions. As a recent example, Toray made a new contribution of capital in Tonen Specialty Separator Godo Kaisha, a subsidiary of TonenGeneral Sekiyu K.K. on January 29, 2010, thereby making it a joint venture. The joint venture company has begun producing battery separator film, which is used in lithium-ion batteries.

When Toray Group becomes involved in capital expenditures, joint ventures, alliances and acquisitions, it considers the potential for profitability and return on investment. However, there is not necessarily any guarantee that the outcome will be consistent with expectations. If unforeseen market changes or significant discrepancies between actual results and initial business plans occur due to sudden changes in the operating environment, there could be a loss on impairment of fixed assets or equity in losses of unconsolidated subsidiaries and affiliated companies. As a result, Toray Group's results of operations and financial conditions could be negatively affected.

(4) 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 and pension assets held by the Group, may have an impact on Toray Group's results of operations and financial conditions.

(5) Changes in assumptions on which forecasts are based that might affect employees' retirement benefit obligations and deferred tax assets

Toray's consolidated financial statements contain employees' retirement benefit obligations based on future pension payments calculated in accordance with certain criteria, as well as deferred tax assets worked out according to likely tax refunds based on taxable income estimates for the future fiscal years. However, if changes in the criteria used to calculate pension payments were to occur, or if fluctuations arose in the estimates of future taxable income, Toray Group's results of operations and financial conditions could be affected.

(6) 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

(7) Product liability

Toray Group strives to supply the world's best-in-class product 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.

(8) 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.

(9) Laws and regulations, taxes, competition policies and internal controls

Various laws and regulations apply in the countries and regions where Toray Group conducts its business. These laws and regulations include regulations related to the environment, commercial trading, labor, intellectual property, taxation and foreign exchange, investment approval protocols and import/export controls, and policies on competition based on antitrust laws. Through the establishment and maintenance of internal control systems, Toray Group endeavors to comply with all such laws and regulations. However, changes to such laws and regulations, including the introduction of new environmental regulations and taxes, as well as changes to the corporate income tax rate could affect Toray Group's results of operations and financial conditions. Also, if Toray Group is judged as having violated such laws and regulations, is subject to government sanctions initiated by a fair trade commission, receives a notice of correction from tax authorities, has an employee who engages in illicit behavior, or is unable to uphold internal controls pertaining to financial statements, its results of operations and financial conditions could be negatively affected.

(10) Natural disasters and accidents

Toray Group places top priority on safety, accident prevention, and environmental preservation. To minimize losses caused by the suspension of production, Toray Group conducts regular accident prevention inspections, 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, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 2)
Assets	**2010**	2009	**2010**
Current assets:			
Cash (Note 5)	**¥ 48,140**	¥ 50,498	**$ 517,634**
Time deposits (Notes 4 and 5)	**16,244**	11,792	**174,667**
Trade receivables (Notes 5 and 7):			
Notes receivable	**35,374**	29,095	**380,366**
Accounts receivable	**223,560**	191,034	**2,403,871**
Inventories (Note 3)	**264,562**	319,962	**2,844,753**
Deferred tax assets (Note 9)	**16,954**	19,530	**182,301**
Prepaid expenses and other current assets (Notes 5 and 6)	**38,166**	36,341	**410,387**
Allowance for doubtful accounts	**(2,529)**	(2,368)	**(27,194)**
Total current assets	**640,471**	655,884	**6,886,785**
Property, plant and equipment (Notes 4 and 12)**:**			
Land	**70,371**	69,863	**756,677**
Buildings	**454,581**	452,032	**4,887,968**
Machinery and equipment	**1,454,234**	1,449,286	**15,636,925**
Construction in progress	**55,045**	62,312	**591,882**
	2,034,231	2,033,493	**21,873,452**
Accumulated depreciation	**(1,453,887)**	(1,437,232)	**(15,633,194)**
Property, plant and equipment, net	**580,344**	596,261	**6,240,258**
Intangible assets	**10,361**	10,519	**111,409**
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliated companies (Note 5)	**120,538**	76,269	**1,296,108**
Investment securities (Notes 4, 5 and 6)	**109,775**	89,305	**1,180,376**
Long-term loans receivable	**1,657**	1,186	**17,817**
Deferred tax assets (Note 9)	**48,230**	48,329	**518,602**
Other (Note 8)	**48,223**	48,745	**518,527**
Allowance for doubtful accounts	**(2,803)**	(2,895)	**(30,140)**
Total investments and other assets	**325,620**	260,939	**3,501,290**
Total assets	**¥ 1,556,796**	¥ 1,523,603	**$ 16,739,742**

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 2) 2010
Current liabilities:			
Short-term bank loans (Notes 4, 5 and 7)	**¥ 134,013**	¥ 128,194	**$ 1,441,000**
Current portion of long-term debt (Notes 4, 5 and 7)	**42,238**	53,303	**454,172**
Commercial paper	**22,000**	20,000	**236,559**
Trade payables (Notes 5 and 7):			
Notes payable	**27,663**	40,951	**297,452**
Accounts payable	**135,334**	109,208	**1,455,204**
Income taxes payable (Note 9)	**12,632**	6,539	**135,828**
Accrued liabilities	**41,592**	41,480	**447,226**
Other current liabilities (Notes 4 and 9)	**98,494**	61,082	**1,059,075**
Total current liabilities	**513,966**	460,757	**5,526,516**
Long-term debt (Notes 4, 5 and 7)	**430,922**	456,120	**4,633,570**
Deferred tax liabilities (Note 9)	**2,693**	2,661	**28,957**
Accrued employees' retirement benefits (Note 8)	**67,064**	66,882	**721,118**
Customers' guarantee deposits and other liabilities (Note 4)	**23,935**	24,573	**257,366**
Total liabilities	**1,038,580**	1,010,993	**11,167,527**
Commitments and contingent liabilities (Note 11)			
Net assets (Note 10)**:**			
Stockholders' equity:			
Common stock:			
Authorized—4,000,000,000 shares			
Issued—1,401,481,403 shares	**96,937**	96,937	**1,042,333**
Capital surplus	**85,803**	85,802	**922,613**
Retained earnings	**332,107**	353,222	**3,571,043**
Treasury stock, at cost	**(1,141)**	(1,123)	**(12,269)**
Total stockholders' equity	**513,706**	534,838	**5,523,720**
Valuation, translation adjustments and other:			
Net unrealized gains on securities	**24,139**	9,649	**259,559**
Net deferred losses on hedges	**(159)**	(423)	**(1,710)**
Foreign currency translation adjustments	**(66,576)**	(75,203)	**(715,871)**
Total valuation, translation adjustments and other	**(42,596)**	(65,977)	**(458,022)**
Minority interests in consolidated subsidiaries	**47,106**	43,749	**506,517**
Total net assets	**518,216**	512,610	**5,572,215**
Total liabilities and net assets	**¥ 1,556,796**	¥ 1,523,603	**$ 16,739,742**

CONSOLIDATED **STATEMENTS OF OPERATIONS**

Toray Industries, Inc. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	**2010**
Net sales	**¥ 1,359,631**	¥ 1,471,561	**$ 14,619,688**
Costs and expenses:			
Cost of sales (Notes 8, 12 and 13)	**1,114,991**	1,208,056	**11,989,151**
Selling, general and administrative expenses (Notes 8, 12 and 13)	**204,533**	227,499	**2,199,279**
	1,319,524	1,435,555	**14,188,430**
Operating income	**40,107**	36,006	**431,258**
Other income (expenses):			
Interest expense	**(8,948)**	(11,829)	**(96,215)**
Interest and dividend income	**2,406**	3,893	**25,871**
Equity in (losses) earnings of unconsolidated subsidiaries and affiliated companies	**(14,469)**	3,827	**(155,581)**
Loss on sales and disposal of property, plant and equipment, net	**(3,266)**	(6,422)	**(35,118)**
Loss on impairment of fixed assets (Note 14)	**(3,099)**	(12,262)	**(33,323)**
Gain on sales and loss on write-down of investment securities, net	**(2,153)**	(12,091)	**(23,151)**
Loss on liquidation and devaluation of subsidiaries and affiliated companies	**(339)**	(5,715)	**(3,645)**
Restructuring costs	**(1,398)**	(977)	**(15,032)**
Other, net	**(11,256)**	(14,181)	**(121,032)**
	(42,522)	(55,757)	**(457,226)**
Loss before income taxes and minority interests	**(2,415)**	(19,751)	**(25,968)**
Income taxes (Note 9)**:**			
Current	**10,176**	13,433	**109,419**
Prior	**5,200**	—	**55,914**
Deferred	**(6,197)**	(18,947)	**(66,634)**
	9,179	(5,514)	**98,699**
Loss before minority interests	**(11,594)**	(14,237)	**(124,667)**
Minority interests in earnings of consolidated subsidiaries	**(2,564)**	(2,089)	**(27,570)**
Net loss	**¥ (14,158)**	¥ (16,326)	**$ (152,237)**

See accompanying notes to consolidated financial statements.

Profile
Strategy
Review of Operations
Management
Financial Section

CONSOLIDATED **STATEMENTS OF CHANGES IN NET ASSETS**

Toray Industries, Inc. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	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
Balance as of March 31, 2008	¥ 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)
Total changes	—	(19)	(33,848)	(50)	(33,917)	(22,409)	(780)	(67,192)	(90,381)	(5,251)	(129,549)
Balance as of March 31, 2009	¥ 96,937	¥ 85,802	¥ 353,222	¥ (1,123)	¥ 534,838	¥ 9,649	¥ (423)	¥ (75,203)	¥ (65,977)	¥ 43,749	¥ 512,610
Changes in:											
Dividends			**(7,001)**		**(7,001)**						**(7,001)**
Net loss			**(14,158)**		**(14,158)**						**(14,158)**
Acquisition of treasury stock				**(22)**	**(22)**						**(22)**
Disposition of treasury stock		**1**		**4**	**5**						**5**
Other			**44**		**44**						**44**
Items other than stockholders' equity, net						**14,490**	**264**	**8,627**	**23,381**	**3,357**	**26,738**
Total changes	**—**	**1**	**(21,115)**	**(18)**	**(21,132)**	**14,490**	**264**	**8,627**	**23,381**	**3,357**	**5,606**
Balance as of March 31, 2010	**¥ 96,937**	**¥ 85,803**	**¥ 332,107**	**¥ (1,141)**	**¥ 513,706**	**¥ 24,139**	**¥ (159)**	**¥ (66,576)**	**¥ (42,596)**	**¥ 47,106**	**¥ 518,216**

	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
Balance as of March 31, 2009	$1,042,333	$ 922,602	$ 3,798,086	$ (12,075)	$ 5,750,946	$ 103,753	$ (4,548)	$ (808,634)	$ (709,429)	$ 470,418	$ 5,511,935
Changes in:											
Dividends			**(75,280)**		**(75,280)**						**(75,280)**
Net loss			**(152,237)**		**(152,237)**						**(152,237)**
Acquisition of treasury stock				**(237)**	**(237)**						**(237)**
Disposition of treasury stock		**11**		**43**	**54**						**54**
Other			**474**		**474**						**474**
Items other than stockholders' equity, net						**155,806**	**2,838**	**92,763**	**251,407**	**36,099**	**287,506**
Total changes	**—**	**11**	**(227,043)**	**(194)**	**(227,226)**	**155,806**	**2,838**	**92,763**	**251,407**	**36,099**	**60,280**
Balance as of March 31, 2010	**$1,042,333**	**$ 922,613**	**$ 3,571,043**	**$ (12,269)**	**$ 5,523,720**	**$ 259,559**	**$ (1,710)**	**$ (715,871)**	**$ (458,022)**	**$ 506,517**	**$ 5,572,215**

See accompanying notes to consolidated financial statements.

CONSOLIDATED **STATEMENTS OF CASH FLOWS**

Toray Industries, Inc. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	**2010**
Cash flows from operating activities:			
Loss before income taxes and minority interests	**¥ (2,415)**	¥ (19,751)	**$ (25,968)**
Adjustments to reconcile loss before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**74,904**	83,764	**805,419**
Loss on impairment of fixed assets	**3,099**	12,262	**33,323**
Interest and dividend income	**(2,406)**	(3,893)	**(25,871)**
Equity in losses (earnings) of unconsolidated subsidiaries and affiliated companies	**14,469**	(3,827)	**155,581**
Interest expense	**8,948**	11,829	**96,215**
Loss on sales and disposal of property, plant and equipment, net	**3,266**	6,422	**35,118**
Gain and loss on sales and loss on write-down of investment securities, net	**2,164**	12,336	**23,269**
(Decrease) increase in accrued employees' retirement benefits	**(52)**	183	**(559)**
(Increase) decrease in trade receivables	**(35,636)**	47,102	**(383,183)**
Decrease (increase) in inventories	**59,087**	(16,212)	**635,344**
Increase (decrease) in trade payables	**12,318**	(56,843)	**132,452**
Other, net	**42,012**	(11,372)	**451,742**
Subtotal	**179,758**	62,000	**1,932,882**
Interest and dividends received	**4,493**	7,872	**48,312**
Interest paid	**(9,738)**	(11,963)	**(104,710)**
Litigation settlement paid	**—**	(2,631)	**—**
Income taxes paid	**(8,298)**	(16,831)	**(89,226)**
Net cash provided by operating activities	**166,215**	38,447	**1,787,258**
Cash flows from investing activities:			
Capital expenditures	**(60,331)**	(101,353)	**(648,720)**
Purchases of investment securities	**(1,174)**	(13,938)	**(12,624)**
Proceeds from sales of property, plant and equipment	**2,864**	1,555	**30,796**
Proceeds from sales of investment securities	**993**	3,108	**10,677**
Payments for investments in capital of unconsolidated subsidiaries and affiliated companies	**(60,094)**	(1,158)	**(646,172)**
Additional acquisition of shares of consolidated subsidiaries	**(28)**	(139)	**(301)**
Other, net	**(3,953)**	(1,448)	**(42,505)**
Net cash used in investing activities	**(121,723)**	(113,373)	**(1,308,849)**
Cash flows from financing activities:			
Net increase in short-term debt	**5,084**	29,990	**54,667**
Proceeds from long-term debt	**17,329**	112,794	**186,333**
Repayment of long-term debt	**(55,153)**	(37,848)	**(593,043)**
Cash dividends paid	**(8,443)**	(14,711)	**(90,785)**
Other, net	**(2,178)**	(1,109)	**(23,419)**
Net cash (used in) provided by financing activities	**(43,361)**	89,116	**(466,247)**
Effect of exchange rate changes on cash and cash equivalents	**998**	(8,613)	**10,730**
Net increase in cash and cash equivalents	**2,129**	5,577	**22,892**
Cash and cash equivalents at beginning of year	**62,158**	56,507	**668,366**
Beginning balance of cash and cash equivalents at subsidiaries not previously included in consolidation	**40**	74	**430**
Cash and cash equivalents at end of year	**¥ 64,327**	¥ 62,158	**$ 691,688**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Toray Industries, Inc. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

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.

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. However, 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.

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, 2010 and 2009 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
	2010	2009	**2010**
Cash	**¥ 48,140**	¥ 50,498	**$ 517,634**
Time deposits	**16,244**	11,792	**174,667**
Less — Time deposits with maturities of over 3 months	**(57)**	(350)	**(613)**
Short-term investment securities and others with maturities of 3 months or less	**—**	218	**—**
Cash and cash equivalents	**¥ 64,327**	¥ 62,158	**$ 691,688**

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

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.

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.

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.

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.

l) 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 ¥93 to $1.00, the approximate exchange rate prevailing on March 31, 2010. 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, 2010 and 2009, inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Merchandise and finished goods	**¥ 141,012**	¥ 175,572	**$ 1,516,258**
Work in process	**67,645**	86,524	**727,366**
Raw materials and supplies	**55,905**	57,866	**601,129**
	¥ 264,562	¥ 319,962	**$ 2,844,753**

Losses recognized and charged to cost of sales as a result of valuation at March 31, 2010 and 2009 were ¥6,695 million ($71,989 thousand) and ¥9,401 million, respectively.

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

Short-term bank loans at March 31, 2010 and 2009 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, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Loans principally from banks and insurance companies with interest rates primarily from 0.3100% to 5.7000%, maturing serially through 2020:			
Unsecured	**¥ 323,160**	¥ 319,423	**$ 3,474,839**
Lease obligations maturing serially through 2022:			
Secured	**—**	2,247	**—**
Unsecured	**2,987**	4,081	**32,118**
Yen notes with an interest rate of 2.40% due 2009	**—**	20,000	**—**
Yen notes with an interest rate of 2.00% due 2013	**10,000**	10,000	**107,527**
Yen notes with an interest rate of 1.95% due 2009	**—**	10,000	**—**
Yen notes with an interest rate of 1.94% due 2010	**10,000**	10,000	**107,527**
Yen notes with an interest rate of 1.93% due 2009	**—**	10,000	**—**
Yen notes with an interest rate of 1.61% due 2013	**10,000**	10,000	**107,527**
Yen notes with an interest rate of 1.48% due 2011	**20,000**	20,000	**215,054**
Zero coupon convertible bonds due 2012	**50,000**	50,000	**537,634**
Zero coupon convertible bonds due 2014	**50,000**	50,000	**537,634**
	476,147	515,751	**5,119,860**
Less amounts due within one year	**42,724**	54,483	**459,398**
	¥ 433,423	¥ 461,268	**$ 4,660,462**

At March 31, 2010, assets pledged as collateral for short-term bank loans were as follows:

	Millions of yen	Thousands of U.S. dollars
Time deposits	¥ 8	$ 86
Property, plant and equipment, net	6,261	67,323
Investment securities at carrying value	40	430
Others	182	1,957
	¥ 6,491	$ 69,796

The annual maturities of long-term debt and lease obligations subsequent to March 31, 2010 were as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31:		
2011	¥ 42,724	$ 459,398
2012	93,318	1,003,419
2013	71,036	763,828
2014	97,162	1,044,753
2015	62,127	668,032
2016 and thereafter	109,780	1,180,430
	¥ 476,147	$ 5,119,860

5. FINANCIAL INSTRUMENTS

Conditions of Financial Instruments

a) Policy in Relation to Financial Instruments

The policy of the Company and its consolidated subsidiaries is to manage funds only by short-term deposits, etc. and to raise funds by borrowing from banks and issuing corporate bonds. The Company and its consolidated subsidiaries use derivatives to hedge risks associated with foreign currency exchange rates and fluctuations of borrowing interest rates and do not enter into derivative transactions for speculative or trading purposes.

b) Contents and Risk of Financial Instruments and Risk Management System

Trade receivables are operating receivables and therefore are exposed to customer credit risk. Under their internal regulations, the Company and its consolidated subsidiaries carefully manage payment periods for receivables and outstanding balances of all customers and regularly monitor the credit standing of major clients. Operating receivables and payables denominated in foreign currencies that arise from the global business operations are also exposed to foreign currency exchange risk. The Company and its consolidated subsidiaries hedge this risk mainly through the use of forward exchange contracts against positions after netting receivables and payables denominated in the same foreign currencies. Likewise, the Company and its consolidated subsidiaries mainly use currency swaps to hedge the foreign currency exchange risk of bank loans denominated in foreign currencies.

Investment securities are exposed to the risk of market price fluctuations. Most of these securities are the shares of corporations with which the Company and its consolidated subsidiaries have business relationships.

The fair value and financial positions of the issuing entities (clients) are regularly monitored.

Trade payables are operating payables, most of which are due and payable within one year.

Short-term bank loans and commercial paper are financing instruments mainly for operating transactions, while long-term bank loans and bonds (due within ten years, in principle) are primarily for capital expenditures. Bank loans and bonds are exposed to the risk of interest-rate fluctuation. Bank loans at floating interest rates carry the risk of higher interest expenses when rates rise, while bank loans and bonds at fixed interest rates carry the risk of higher interest expenses when rates fall. The Company and its consolidated subsidiaries use derivative transactions (interest-rate swap transactions) to minimize the risk of interest-rate fluctuation, taking into consideration the balance between fixed interest rates and floating interest rates.

Hedging instruments, hedged items, the policy for utilizing such hedging instruments and the method for evaluating the effectiveness of hedging activities are described in Note 1 SIGNIFICANT ACCOUNTING POLICIES d) Financial Instruments, Hedge Accounting in the Notes to the Consolidated Financial Statements.

Derivative transactions are executed and managed in accordance with the internal regulations prescribing the authorization for transactions. To mitigate credit risk, the Company and its consolidated subsidiaries carry out derivative transactions only with highly rated financial institutions.

c) Supplemental Explanation on Fair Value of Financial Instruments

The fair value of financial instruments is based on market prices, or reasonable estimate of fair value for instruments for which market prices are not available. Estimates of fair value are subject to fluctuation because they employ various factors and assumptions. In addition, the contract amount of derivatives in Note 7 DERIVATIVES in the Notes to the Consolidated Financial Statements is not an indicator of market risk associated with derivative transactions.

Fair Value of Financial Instruments

Carrying value, fair value and unrealized gain (loss) as of March 31, 2010 are as follows.

In addition, financial instruments, for which it is extremely difficult to measure the fair value, are not included. (Please refer to Note 2 below).

	Millions of yen		
	Carrying value	Fair value	Unrealized gain (loss)
1) Cash and time deposits	¥ 64,384	¥ 64,384	¥ —
2) Trade receivables	258,934	258,934	—
3) Investment securities			
(a) Held-to-maturity debt securities	195	195	—
(b) Investment securities in subsidiaries and affiliated companies	13,641	10,696	(2,945)
(c) Other securities	106,313	106,313	—
Assets	¥ 443,467	¥ 440,522	¥ (2,945)
1) Trade payables	¥ 162,997	¥ 162,997	¥ —
2) Short-term bank loans	134,013	134,013	—
3) Commercial paper	22,000	22,000	—
4) Bonds (*1)	150,000	148,186	(1,814)
5) Long-term bank loans (*2)	323,160	325,354	2,194
Liabilities	¥ 792,170	¥ 792,550	¥ 380
Derivative transactions (*3)			
(a) Hedge accounting is not applied	¥ 1,044	¥ 1,044	¥ —
(b) Hedge accounting is applied	3,416	3,416	—
Derivative transactions	¥ 4,460	¥ 4,460	¥ —

	Thousands of U.S. dollars		
	Carrying value	Fair value	Unrealized gain (loss)
1) Cash and time deposits	$ 692,301	$ 692,301	$ —
2) Trade receivables	2,784,237	2,784,237	—
3) Investment securities			
(a) Held-to-maturity debt securities	2,097	2,097	—
(b) Investment securities in subsidiaries and affiliated companies	146,677	115,011	$ (31,666)
(c) Other securities	1,143,150	1,143,150	—
Assets	$ 4,768,462	$ 4,736,796	$ (31,666)
1) Trade payables	$ 1,752,656	$ 1,752,656	$ —
2) Short-term bank loans	1,441,000	1,441,000	—
3) Commercial paper	236,559	236,559	—
4) Bonds (*1)	1,612,903	1,593,398	(19,505)
5) Long-term bank loans (*2)	3,474,839	3,498,430	23,591
Liabilities	$ 8,517,957	$ 8,522,043	$ 4,086
Derivative transactions (*3)			
(a) Hedge accounting is not applied	$ 11,226	$ 11,226	$ —
(b) Hedge accounting is applied	36,731	36,731	—
Derivative transactions	$ 47,957	$ 47,957	$ —

*1: Bonds include bonds due within one year.

*2: Long-term bank loans include long-term bank loans due within one year.

*3: Receivables and payables arising from derivative transactions are indicated in net amounts. Total net payables, if any, are shown in parentheses.

Notes:

1. Estimation method for fair value of financial instruments and items related to securities and derivative transactions

Assets

1) Cash and time deposits and 2) Trade receivables

Carrying value is used for fair value since the items will be settled within the short term and the fair value is approximately equal to the carrying value.

3) Investment securities

Securities are valued at quoted market price. Bonds are valued at quoted market price or at the price provided by correspondent financial institutions. For information on securities classified by holding purpose, please refer to Note 6 SECURITIES of the Notes to the Consolidated Financial Statements.

Liabilities

1) Trade payables, 2) Short-term bank loans and 3) Commercial paper

Carrying value is used for fair value since the items will be settled within the short term and the fair value is approximately equal to the carrying value.

4) Bonds

The fair value of bonds issued by the Company is based on market price. However, in cases where the special accounting method for interest-rate swaps is applied, the fair value is approximately equal to the carrying value because the interest rates fluctuate and are adjusted periodically. Therefore, the fair value is based on the carrying value.

5) Long-term bank loans

The fair value of long-term bank loans is estimated by discounting the amounts based on estimated interest rates if similar new loans were entered into in the current period. The fair value of long-term bank loans for which the special accounting method for interest-rate swaps is applied is estimated by discounting the total principal amount (accounted for together with the interest-rate swaps) based on estimated interest rates if similar new loans were entered into in the current period. For long-term bank loans at floating interest rates, however, the fair value is approximately equal to the carrying value because the interest rates are adjusted periodically. Therefore, the fair value is based on the carrying value.

Derivative transactions

Please refer to Note 7 DERIVATIVES in the Notes to the Consolidated Financial Statements.

2. Financial instruments for which it is extremely difficult to determine the fair value

	Millions of yen	Thousands of U.S. dollars
Unlisted securities	¥ 42,411	$ 456,032

Unlisted securities have no quoted market price and the fair value is extremely difficult to determine. Therefore, they are not included in the preceding table.

3. Redemption schedule for receivables and investment securities with maturities at March 31, 2010

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposits	¥ 64,384	¥ —	¥ —	¥ —
Trade receivables	256,917	2,017	—	—
Investment securities				
Held-to-maturity debt securities	18	173	4	—
Other securities	1,420	40	—	655
	¥ 322,739	¥ 2,230	¥ 4	¥ 655

	Thousands of U.S. dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposits	$ 692,301	$ —	$ —	$ —
Trade receivables	2,762,548	21,689	—	—
Investment securities				
Held-to-maturity debt securities	194	1,860	43	—
Other securities	15,269	430	—	7,043
	$ 3,470,312	$ 23,979	$ 43	$ 7,043

4. The redemption schedule for long-term debt is disclosed in Note 4. SHORT-TERM BANK LOANS, LONG-TERM DEBT AND LEASE OBLIGATIONS of the Notes to the Consolidated Financial Statements.

(Additional Information)

Effective from the year ended March 31, 2010, the Company adopted the "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No.10, March 10, 2008) and the "Guidance on Disclosures about the Fair Value of Financial Instruments" (ASBJ Guidance No.19, March 10, 2008).

6. SECURITIES

At March 31, 2010 the carrying value and aggregate fair value of the securities classified as held-to-maturity debt securities and other securities were as follows:

	Millions of yen				Thousands of U.S. dollars			
	2010				**2010**			
	Carrying value	Unrealized gains	Unrealized losses	Fair value	Carrying value	Unrealized gains	Unrealized losses	Fair value
Held-to-maturity debt securities	**¥ 195**	**¥ —**	**¥ —**	**¥ 195**	**$ 2,097**	**$ —**	**$ —**	**$ 2,097**
Other securities	**67,305**	**45,543**	**6,535**	**106,313**	**723,710**	**489,710**	**70,269**	**1,143,151**

	Millions of yen			
	2009			
	Carrying value	Unrealized gains	Unrealized losses	Fair value
Held-to-maturity debt securities	¥ 74	¥ —	¥ —	¥ 74
Other securities	66,217	27,870	11,377	82,710

At March 31, 2009, 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
	2009
Held-to-maturity debt securities	¥ 134
Other securities	6,647

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

	Millions of yen	
	2009	
	Held-to-maturity debt securities	Other securities
Due within one year	¥ 44	¥ 218
Due after one year through five years	161	—
Due after five years through ten years	3	—
Due after ten years	—	710

7. DERIVATIVES

The Company and its consolidated subsidiaries had the following derivatives contracts outstanding at March 31, 2010 and 2009:

At March 31, 2010

Hedge accounting is not applied

	Millions of yen			Thousands of U.S. dollars		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:						
Buying U.S. dollar	¥15,163	¥ (170)	¥ (170)	$163,043	$ (1,828)	$ (1,828)
Buying euro	18	0	0	194	0	0
Buying Indonesian rupiah	380	4	4	4,086	43	43
Buying Japanese yen	575	(33)	(33)	6,183	(355)	(355)
Selling U.S. dollar	2,474	14	14	26,602	151	151
Selling euro	172	0	0	1,849	0	0
Selling Japanese yen	107	7	7	1,151	75	75
Foreign currency swaps:						
Receiving Japanese yen, paying U.S. dollar	9,220	1,222	1,222	99,140	13,140	13,140
	¥ —	¥ 1,044	¥1,044	$ —	$11,226	$11,226

Hedge accounting is applied

Hedge accounting method	Type of derivative and principal hedged items	Contract amount (Millions of yen)	Fair value (Millions of yen)	Estimation method for fair value
Deferral hedge method	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables			Forward foreign exchange quotes
	Buying U.S. dollar	¥ 17	¥ 2	
	Buying Japanese yen	584	11	
	Selling U.S. dollar	237	(4)	
	Selling euro	210	1	
	Selling Japanese yen	504	8	
	Foreign currency options:			
	Accounted for as part of trade receivables and trade payables			The price provided by correspondent financial institutions
	Buying Japanese yen	600	(22)	
	Foreign currency swaps:			The price provided by correspondent financial institutions
	Accounted for as part of long-term bank loans			
	Receiving Japanese yen, paying U.S. dollar	17,855	3,316	
	Receiving Japanese yen, paying Korean won	690	240	
	Interest rate swaps:			The price provided by correspondent financial institutions
	Accounted for as part of long-term bank loans			
	Floating-rate receipt, fixed-rate payment	7,626	(299)	
	Interest rate cap:			The price provided by correspondent financial institutions
	Accounted for as part of long-term bank loans	471	1	
Special accounting method for interest rate swaps	Interest rate swaps:			
	Accounted for as part of bonds and long-term bank loans		(*1)	—
	Floating-rate receipt, fixed-rate payment	81,230		
	Floating-rate receipt, floating-rate payment	31,700		
	Fixed-rate receipt, floating-rate payment	60,000		
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables (Forecasted transactions)			Forward foreign exchange quotes
	Buying U.S. dollar	9,829	362	
	Buying euro	615	1	
	Selling U.S. dollar	12,875	(227)	
	Selling euro	1,107	31	
	Selling British pound	13	(1)	
	Selling Canadian dollar	79	(4)	
	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables		(*2)	—
	Buying U.S. dollar	10,546		
	Buying euro	369		
	Selling U.S. dollar	21,787		
	Selling euro	3,890		
	Selling British pound	14		
	Selling Canadian dollar	28		
	Selling Singapore dollar	92		
		¥ —	¥ 3,416	

Hedge accounting method	Type of derivative and principal hedged items	Contract amount (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)	Estimation method for fair value
Deferral hedge method	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables			Forward foreign exchange quotes
	Buying U.S. dollar	$ 183	$ 22	
	Buying Japanese yen	6,280	118	
	Selling U.S. dollar	2,548	(43)	
	Selling euro	2,258	11	
	Selling Japanese yen	5,419	86	
	Foreign currency options:			
	Accounted for as part of trade receivables and trade payables			The price provided by correspondent financial institutions
	Buying Japanese yen	6,452	(237)	
	Foreign currency swaps:			The price provided by correspondent financial institutions
	Accounted for as part of long-term bank loans			
	Receiving Japanese yen, paying U.S. dollar	191,989	35,656	
	Receiving Japanese yen, paying Korean won	7,419	2,581	
	Interest rate swaps:			The price provided by correspondent financial institutions
	Accounted for as part of long-term bank loans			
	Floating-rate receipt, fixed-rate payment	82,000	(3,215)	
	Interest rate cap:			The price provided by correspondent financial institutions
	Accounted for as part of long-term bank loans	5,065	11	
Special accounting method for interest rate swaps	Interest rate swaps:			
	Accounted for as part of bonds and long-term bank loans		(*1)	—
	Floating-rate receipt, fixed-rate payment	873,441		
	Floating-rate receipt, floating-rate payment	340,860		
	Fixed-rate receipt, floating-rate payment	645,161		
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables (Forecasted transactions)			Forward foreign exchange quotes
	Buying U.S. dollar	105,688	3,892	
	Buying euro	6,613	11	
	Selling U.S. dollar	138,441	(2,441)	
	Selling euro	11,903	333	
	Selling British pound	140	(11)	
	Selling Canadian dollar	849	(43)	
	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables		(*2)	—
	Buying U.S. dollar	113,398		
	Buying euro	3,968		
	Selling U.S. dollar	234,269		
	Selling euro	41,828		
	Selling British pound	151		
	Selling Canadian dollar	301		
	Selling Singapore dollar	989		
		$ —	$ 36,731	

*1 The fair value of interest rate swaps to which a special accounting method is applied is included in the fair value of bonds and long-term bank loans in Note 5 FINANCIAL INSTRUMENTS of the Notes to the Consolidated Financial Statements because such interest rate swaps are accounted for together with the corresponding bonds and long-term bank loans.

*2 The fair value of forward foreign exchange contracts to which the allocation method is applied, except for forecasted transactions, is included in the fair value of trade receivables and trade payables in Note 5 FINANCIAL INSTRUMENTS of the Notes to the Consolidated Financial Statements since such forward foreign exchange contracts are accounted for together with the corresponding trade receivables and trade payables.

At March 31, 2009

	Millions of yen		
	Contract amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:			
Buying U.S. dollar	¥ 2,816	¥ 2,697	¥ (119)
Buying euro	38	40	2
Selling U.S. dollar	5,462	5,663	(201)
Selling Japanese yen	1,929	2,047	(118)
Foreign currency swaps:			
Receiving Japanese yen, paying U.S. dollar	7,423	834	834
Interest rate swaps:			
Fixed-rate receipt, floating-rate payment	1,280	16	16

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

8. RETIREMENT BENEFIT PLAN

Accrued employees' retirement benefits as of March 31, 2010 and 2009 were analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Projected benefit obligations	**¥ (217,081)**	¥ (225,892)	**$ (2,334,204)**
Plan assets	**137,786**	128,657	**1,481,570**
	(79,295)	(97,235)	**(852,634)**
Unrecognized actuarial differences	**65,552**	84,994	**704,860**
Unrecognized prior service cost	**(28,019)**	(30,501)	**(301,280)**
	(41,762)	(42,742)	**(449,054)**
Prepaid pension cost (included in other assets)	**25,302**	24,140	**272,064**
Accrued employees' retirement benefits	**¥ (67,064)**	¥ (66,882)	**$ (721,118)**

The components of net periodic benefit cost related to the employees' retirement benefits for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Service cost	**¥ 6,423**	¥ 6,055	**$ 69,065**
Interest cost	**4,735**	4,905	**50,914**
Expected return on plan assets	**(3,772)**	(5,275)	**(40,559)**
Amortization of actuarial differences	**7,327**	4,198	**78,785**
Amortization of prior service cost	**(2,910)**	(2,853)	**(31,291)**
Net periodic benefit cost	**11,803**	7,030	**126,914**
Contribution to defined contribution pension plan and other	**4,298**	4,025	**46,215**
	¥16,101	¥11,055	**$173,129**

In addition to the above, special severance payments of ¥2,731 million ($29,366 thousand) and ¥2,178 million were charged to net loss for the years ended March 31, 2010 and 2009, respectively.

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

	2010	2009
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

9. INCOME TAXES

The statutory tax rate in Japan used for calculating deferred tax assets and liabilities for the years ended March 31, 2010 and 2009 was 40.7%.

At March 31, 2010 and 2009, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Deferred tax assets:			
Accrued bonuses	**¥ 6,062**	¥ 5,813	**$ 65,183**
Accrued employees' retirement benefits	**29,881**	29,768	**321,301**
Tax loss carryforwards	**53,824**	38,112	**578,753**
Unrealized intercompany profits	**11,105**	13,140	**119,409**
Investments in subsidiaries and affiliated companies	**36,135**	23,547	**388,548**
Other	**41,511**	46,308	**446,354**
	178,518	156,688	**1,919,548**
Valuation allowance	**(58,861)**	(44,744)	**(632,914)**
Total deferred tax assets	**119,657**	111,944	**1,286,634**
Deferred tax liabilities:			
Reserve for advanced depreciation	**12,870**	13,325	**138,387**
Depreciation	**10,192**	6,553	**109,591**
Undistributed earnings of overseas subsidiaries and affiliated companies	**4,613**	4,048	**49,602**
Unrealized gains on securities	**17,226**	11,268	**185,226**
Other	**12,265**	11,561	**131,882**
Total deferred tax liabilities	**57,166**	46,755	**614,688**
Net deferred tax assets	**¥ 62,491**	¥ 65,189	**$ 671,646**

At March 31, 2010 and 2009, deferred tax assets and liabilities were classified as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Deferred tax assets - current	**¥ 16,954**	¥ 19,530	**$ 182,301**
Deferred tax assets - non-current	**48,230**	48,329	**518,602**
Deferred tax liabilities - current (included in other current liabilities)	**—**	9	**—**
Deferred tax liabilities - non-current	**2,693**	2,661	**28,957**

A reconciliation of the statutory tax rate and effective tax rates for the years ended March 31, 2010 and 2009 is not presented due to the recording of a loss before income taxes and minority interests.
Income taxes for prior periods were recorded in anticipation that the Company would receive a notice of correction based on transfer pricing taxation from the Tokyo Regional Taxation Bureau with regard to transactions between the Company and its overseas subsidiaries.

10. 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 2010 annual stockholders' meeting, stockholders approved the payment of cash dividends of ¥2.50 per share, aggregating ¥3,501 million ($37,645 thousand) which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2010.

11. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2010, 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	¥ 1,760	$ 18,925
Loans receivable outstanding	1,290	13,871
Balance	¥ 470	$ 5,054

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

At March 31, 2010 and 2009, contingent liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
As guarantors of loans to:			
Unconsolidated subsidiaries and affiliated companies	**¥ 2,338**	¥ 3,745	**$ 25,140**
Other	**9,173**	6,133	**98,634**
	¥ 11,511	¥ 9,878	**$ 123,774**
Export bills discounted	**¥ 1,539**	¥ 634	**$ 16,548**
Contingent liabilities associated with securitization of receivables	**¥ 14,700**	¥ 11,740	**$ 158,065**

12. LEASES

Finance Leases

The Group holds certain buildings, machinery and equipment and intangible assets by leases. Total lease payments under these leases were ¥1,870 million ($20,108 thousand) and ¥2,782 million for the years ended March 31, 2010 and 2009, 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, 2010 and 2009 was as follows:

	Millions of yen			
March 31, 2010:	Acquisition costs	Accumulated depreciation/ amortization	Accumulated loss on impairment	Net book value
Buildings	**¥ 76**	**¥ 46**	**¥ —**	**¥ 30**
Machinery and equipment	**8,056**	**5,442**	**62**	**2,552**
Intangible assets	**1,106**	**688**	**—**	**418**
	¥ 9,238	**¥ 6,176**	**¥ 62**	**¥ 3,000**

	Millions of yen			
March 31, 2009:	Acquisition costs	Accumulated depreciation/ amortization	Accumulated loss on impairment	Net book value
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

March 31, 2010:	Acquisition costs	Accumulated depreciation/ amortization	Accumulated loss on impairment	Net book value
	Thousands of U.S. dollars			
Buildings	**$ 817**	**$ 494**	**$ —**	**$ 323**
Machinery and equipment	**86,624**	**58,516**	**667**	**27,441**
Intangible assets	**11,892**	**7,398**	**—**	**4,494**
	$ 99,333	**$ 66,408**	**$ 667**	**$ 32,258**

Future minimum lease payments under finance leases subsequent to March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Due within one year	**¥ 1,382**	¥ 1,892	**$ 14,860**
Due after one year	**1,633**	3,018	**17,559**
Total	**¥ 3,015**	¥ 4,910	**$ 32,419**
Allowance for loss on impairment of leased property	**¥ 15**	¥ 39	**$ 161**

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, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Due within one year	**¥ 259**	¥ 400	**$ 2,785**
Due after one year	**1,028**	1,296	**11,054**
Total	**¥ 1,287**	¥ 1,696	**$ 13,839**

13. 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, 2010 and 2009 were ¥46,188 million ($496,645 thousand) and ¥49,953 million, respectively.

14. 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, 2010, the carrying value 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 ¥3,099 million ($33,323 thousand).

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

Location	Use	Type of assets	Loss on impairment: Millions of yen	Loss on impairment: Thousands of U.S. dollars
Jiangsu, China	Polyester polymerization facilities, polyester filament production facilities, and nylon filament production facilities	Machinery and equipment	¥ 1,227	$ 13,194
		Other	19	204

The recoverable amount of the above assets was measured at their value in use. The value in use was calculated by discounting future cash flows at a discount rate of 6%.

15. 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, 2010:	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	**¥ 525,204**	**¥ 332,735**	**¥ 230,433**	**¥ 50,676**	**¥ 159,787**	**¥ 60,796**	**¥ 1,359,631**	**¥ —**	**¥ 1,359,631**
Intersegment sales	**636**	**18,890**	**7,058**	**714**	**33,497**	**16,180**	**76,975**	**(76,975)**	**—**
Total sales	**¥ 525,840**	**¥ 351,625**	**¥ 237,491**	**¥ 51,390**	**¥ 193,284**	**¥ 76,976**	**¥ 1,436,606**	**¥ (76,975)**	**¥ 1,359,631**
Operating income (loss)	**¥ 12,099**	**¥ 8,058**	**¥ 18,514**	**¥ (6,157)**	**¥ 4,722**	**¥ 1,480**	**¥ 38,716**	**¥ 1,391**	**¥ 40,107**
Total assets	**¥ 399,971**	**¥ 395,338**	**¥ 354,943**	**¥ 198,387**	**¥ 165,390**	**¥ 101,711**	**¥ 1,615,740**	**¥ (58,944)**	**¥ 1,556,796**
Depreciation and amortization	**20,800**	**19,672**	**17,025**	**12,337**	**3,119**	**3,980**	**76,933**	**(2,029)**	**74,904**
Loss on impairment of fixed assets	**1,667**	**299**	**800**	**—**	**333**	**—**	**3,099**	**—**	**3,099**
Capital expenditures	**9,696**	**18,398**	**11,351**	**14,444**	**1,775**	**2,605**	**58,269**	**(1,196)**	**57,073**
Year ended March 31, 2009:									
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

	Thousands of U.S. dollars								
Year ended March 31, 2010:	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	**$ 5,647,355**	**$ 3,577,796**	**$ 2,477,774**	**$ 544,903**	**$ 1,718,140**	**$ 653,720**	**$ 14,619,688**	**$ —**	**$ 14,619,688**
Intersegment sales	**6,839**	**203,118**	**75,892**	**7,677**	**360,183**	**173,979**	**827,688**	**(827,688)**	**—**
Total sales	**$ 5,654,194**	**$ 3,780,914**	**$ 2,553,666**	**$ 552,580**	**$ 2,078,323**	**$ 827,699**	**$ 15,447,376**	**$ (827,688)**	**$ 14,619,688**
Operating income (loss)	**$ 130,097**	**$ 86,645**	**$ 199,075**	**$ (66,204)**	**$ 50,774**	**$ 15,914**	**$ 416,301**	**$ 14,957**	**$ 431,258**
Total assets	**$ 4,300,763**	**$ 4,250,946**	**$ 3,816,591**	**$ 2,133,194**	**$ 1,778,387**	**$ 1,093,667**	**$ 17,373,548**	**$ (633,806)**	**$ 16,739,742**
Depreciation and amortization	**223,656**	**211,527**	**183,064**	**132,656**	**33,538**	**42,796**	**827,237**	**(21,818)**	**805,419**
Loss on impairment of fixed assets	**17,925**	**3,215**	**8,602**	**—**	**3,581**	**—**	**33,323**	**—**	**33,323**
Capital expenditures	**104,258**	**197,828**	**122,053**	**155,312**	**19,086**	**28,011**	**626,548**	**(12,860)**	**613,688**

Results by Geographic Segment

	Millions of yen					
Year ended March 31, 2010:	Japan	Asia	North America, Europe and other areas	Total	Elimination and corporate	Consolidated total
Sales to outside customers	**¥ 968,227**	**¥ 279,892**	**¥ 111,512**	**¥ 1,359,631**	**¥ —**	**¥ 1,359,631**
Intersegment sales	**89,305**	**66,302**	**4,686**	**160,293**	**(160,293)**	**—**
Total sales	**¥ 1,057,532**	**¥ 346,194**	**¥ 116,198**	**¥ 1,519,924**	**¥ (160,293)**	**¥ 1,359,631**
Operating income (loss)	**¥ 21,551**	**¥ 18,089**	**¥ (1,137)**	**¥ 38,503**	**¥ 1,604**	**¥ 40,107**
Total assets	**¥ 1,103,424**	**¥ 284,815**	**¥ 205,456**	**¥ 1,593,695**	**¥ (36,899)**	**¥ 1,556,796**
Year ended March 31, 2009:						
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

	Thousands of U.S. dollars					
Year ended March 31, 2010:	Japan	Asia	North America, Europe and other areas	Total	Elimination and corporate	Consolidated total
Sales to outside customers	**$10,411,043**	**$ 3,009,591**	**$ 1,199,054**	**$ 14,619,688**	**$ —**	**$ 14,619,688**
Intersegment sales	**960,269**	**712,925**	**50,387**	**1,723,581**	**(1,723,581)**	**—**
Total sales	**$11,371,312**	**$ 3,722,516**	**$ 1,249,441**	**$ 16,343,269**	**$ (1,723,581)**	**$ 14,619,688**
Operating income (loss)	**$ 231,731**	**$ 194,505**	**$ (12,225)**	**$ 414,011**	**$ 17,247**	**$ 431,258**
Total assets	**$11,864,774**	**$ 3,062,527**	**$ 2,209,204**	**$ 17,136,505**	**$ (396,763)**	**$ 16,739,742**

Major countries in the categories Asia and North America, Europe and other areas were as follows:
Asia: China, Indonesia, Thailand, Malaysia, Republic of Korea
North America, Europe and other areas: U.S.A., U.K., France, Italy, Czech Republic

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, 2010 and 2009 were as follows:

	Millions of yen		
Year ended March 31, 2010:	Asia	North America, Europe and other areas	Total
Overseas sales	**¥ 392,540**	**¥ 179,635**	**¥ 572,175**
Percentage of overseas sales against consolidated net sales	**28.9%**	**13.2%**	**42.1%**
Year ended March 31, 2009:			
Overseas sales	¥ 430,438	¥ 247,394	¥ 677,832
Percentage of overseas sales against consolidated net sales	29.3%	16.8%	46.1%

	Thousands of U.S. dollars		
Year ended March 31, 2010:	Asia	North America, Europe and other areas	Total
Overseas sales	**$ 4,220,860**	**$ 1,931,559**	**$ 6,152,419**

Major countries in the categories Asia and North America, Europe and other areas were as follows:
Asia: China, Indonesia, Thailand, Malaysia, Republic of Korea
North America, Europe and other areas: U.S.A., U.K., France, Italy

16. AMOUNTS PER SHARE

Basic net loss per share is computed based on the net loss 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
	2010	2009	**2010**
Net loss:			
Basic	**¥ (10.12)**	¥ (11.66)	**$ (0.11)**
Diluted	**—**	—	**—**
Cash dividends applicable to the year	**5.00**	7.50	**0.05**
Net assets	**336.65**	335.04	**3.62**

Diluted net income per share is not presented, since net loss was recorded for the years ended March 31, 2010 and 2009.

17. RELATED PARTY TRANSACTIONS

Year ended March 31, 2010

Related Party Transactions

Name	Toray Tonen Specialty Separator Godo Kaisha
Category	Affiliated company
Location	Tochigi, Japan
Common stock	¥301 million ($3,237 thousand)
Description of the business	Production and sales of battery separator film
Ownership percentage of voting rights	Direct 50%
Relationship	Deposit of surplus funds received
The Company's transaction with the related company	
Deposit of surplus funds received	¥29,119 million ($313,108 thousand)
Balance at year end	
Other current liabilities	¥28,458 million ($306,000 thousand)

Consumption taxes are not included in the above amounts. The interest rate for the deposit of surplus funds received from Toray Tonen Specialty Separator Godo Kaisha is determined based on consideration of the market interest rates.

Significant Affiliated Company

Panasonic Plasma Display Co., Ltd. was the significant affiliated company for the year ended March 31, 2010 and its summarized financial information is as follows:

	Millions of yen	Thousands of U.S. dollars
Total current assets	¥ 23,706	$ 254,903
Total non-current assets	140,735	1,513,280
Total current liabilities	97,482	1,048,194
Total non-current liabilities	183,918	1,977,613
Total net assets	(116,959)	(1,257,624)
Net sales	234,670	2,523,333
Loss before income taxes	(185,456)	(1,994,151)
Net loss	¥ (192,483)	$ (2,069,710)

18. SUBSEQUENT EVENTS

Year ended March 31, 2010

Pursuant to resolutions adopted by the Board of Directors on May 24, 2010, the Company completed an issuance of new shares and a secondary offering of shares. The outline of the issuance of new shares and the secondary offering of shares is as follows:

1. Issuance of New Shares by way of Offering (Public Offering)

(1) Class and Number of Shares to be Offered	200,000,000 shares of common stock of the Company
(2) Issue Price	¥462 per share
(3) Total Amount of the Issue Price	¥92,400 million
(4) Amount to be Paid	¥442.92 per share
(5) Total Amount to be Paid	¥88,584 million
(6) Increase in Stated Capital and Capital Surplus	Increase of ¥44,292 million in stated capital Increase of ¥44,292 million in capital surplus
(7) Method of Offering	Public Offering
(8) Payment Date	June 8, 2010
(9) Use of Proceeds	The proceeds are scheduled to be used for the repayment of the Company's liabilities in respect of investments in Toray Tonen Specialty Separator Godo Kaisha, and the rest of the proceeds are scheduled to be used for capital expenditures.

2. Secondary Offering of Shares (Secondary Offering by way of Over-Allotment)

(1) Number of Shares to be Sold	30,000,000 shares of common stock of the Company
(2) Seller	Nomura Securities Co., Ltd.
(3) Selling Price	¥462 per share
(4) Total Amount of the Selling Price	¥13,860 million
(5) Method of Secondary Offering	Nomura Securities Co., Ltd. made a secondary offering of 30,000,000 shares of the Company, which were borrowed from certain shareholder(s) of the Company.
(6) Delivery Date	June 9, 2010

3. Issuance of New Shares by way of Third-Party Allotment

(1) Class and Number of Shares to be Offered	30,000,000 shares of common stock of the Company
(2) Amount to be Paid	¥442.92 per share
(3) Total Amount to be Paid	¥13,288 million
(4) Increase in Stated Capital and Capital Surplus	Increase of ¥6,644 million in stated capital Increase of ¥6,644 million in capital surplus
(5) Allottee	Nomura Securities Co., Ltd.
(6) Payment Date	June 23, 2010
(7) Use of Proceeds	The proceeds are scheduled to be used for the repayment of the Company's liabilities in respect of investments in Toray Tonen Specialty Separator Godo Kaisha, and the rest of the proceeds are scheduled to be used for capital expenditures.

ERNST & YOUNG

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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, 2010 and 2009, 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, 2010 and 2009, 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.

Supplemental Information

1. As described in Note 18, the Company issued new shares by way of offering (public offering), for which the payment was completed on June 8, 2010, pursuant to resolutions adopted by the Board of Directors on May 24, 2010.
2. As described in Note 18, the Company issued new shares by way of third-party allotment, for which the payment was completed on June 23, 2010, pursuant to resolutions adopted by the Board of Directors on May 24, 2010.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 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, 2010

INVESTOR **INFORMATION**

(As of March 31, 2010)

Common Stock:

Issued:	1,400,212,105 shares (excluding treasury stock)
Number of Stockholders:	191,079

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

	2010		2009	
Common stock range	High	Low	High	Low
First quarter	¥ 510	¥ 390	¥ 694	¥ 559
Second quarter	591	435	596	457
Third quarter	545	444	513	350
Fourth quarter	553	470	475	350

Cash dividends per share	2010	2009
Total for the year	¥ 5.00	¥ 7.50
Interim	2.50	5.00

Principal stockholders	Percentage of shares held	Thousands of shares
The Master Trust Bank of Japan, Ltd. (Trust account)	4.99	69,896
Nippon Life Insurance Co.	4.64	65,019
Mitsui Life Insurance Co., Ltd.	3.42	47,948
Japan Trustee Services Bank, Ltd. (Trust account)	3.22	45,046
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 4G account)	1.40	19,574
Mitsui Fudosan Co., Ltd.	1.39	19,460
Mitsui Sumitomo Insurance Co., Ltd.	1.26	17,638
The Chuo Mitsui Trust and Banking Co., Ltd.	1.08	15,179

* Percentage of shares held is calculated excluding 1,269,298 shares of treasury stock.
* The Dai-ichi Mutual Life Insurance Company was reorganized from a mutual life insurance company to a joint stock corporation (The Dai-ichi Life Insurance Company, Limited) as of April 1, 2010.

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Established:
January 1926

Paid-in Capital:
¥ 96,937,230,771

Number of Employees:
37,936
Parent company: 6,915
Japanese subsidiaries: 10,339
Overseas subsidiaries: 20,682

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