



There's *Chemistry*
Between Us

Annual Report 2011

April 1, 2010 – March 31, 2011

Toray Profile: Overview and Philosophy

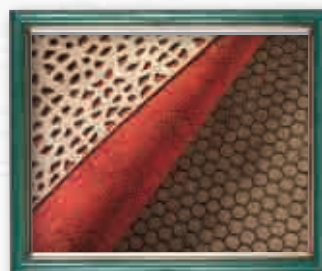
Toray Group, headquartered in Tokyo, Japan, is an integrated chemical group. We are involved in global manufacturing, marketing and sales in three business categories covering six segments: Foundation Businesses (Fibers & Textiles, Plastics & Chemicals), Strategically Expanding Businesses (IT-related Products, Carbon Fiber Composite Materials) and Intensively Developing and Expanding Businesses (Environment & Engineering, Life Science).

Our products are found in many everyday items, including apparel, interior products, home appliances and electronic products, as well as in materials and parts for automobiles and aircraft, IT products and water treatment facilities.

Today, we are active in 23 countries and regions. To successfully conduct our day-to-day operations, we rely on the strong chemistry that we have created with our stakeholders, including Toray Group employees, our customers and business partners, the people of the countries and regions in which we are active, our stockholders and people working for financial institutions.

“Contributing to society through the creation of new value with innovative ideas, technologies and products”—this is Toray Group’s corporate philosophy. We will continue to put this philosophy into practice by creating new value in the spirit of respect for all of our stakeholders.

FIBERS &
TEXTILES



PLASTICS &
CHEMICALS



Chemistry Based on

Respect for



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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.

IT-RELATED
PRODUCTS



CARBON FIBER
COMPOSITE MATERIALS



ENVIRONMENT &
ENGINEERING



LIFE
SCIENCE



All Stakeholders



Leading the Way in *Integrated Chemistry*

■ 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*



...on *Listening and Understanding*

Our core technologies are organic synthetic chemistry, polymer chemistry, biotechnology and nanotechnology. Through integrated application of these technologies, we continuously pursue technological innovation founded in chemistry in the field of advanced materials.

In 2010, we held about 40% of the global market for carbon fiber composite materials. For reverse osmosis membranes for water separation, our share was about 30%.

Our goals are ambitious. For example, we are determined to become a “global top company in advanced materials,” with a vision to become number one in the fields of battery materials and biomass materials.

This is a time of rapid change in global economic and social structures. In this context, we are confident that Toray Group can offer a variety of solutions to contemporary issues, including global environmental and resource-related problems, especially regarding water and food, and problems that could limit economic and social growth, such as shortages of the energy resources needed for economic progress.

We are also focusing on responding to demand in the world’s growth markets, especially China and other parts of Asia, by supplying products and services that meet local people’s needs. In these markets, as well as globally, we seek to grow together with the people whose lives we touch.

Aiming to Become a Global Top Company in Advanced Materials



Focusing on

Advanced Materials and Green Innovation.

■ GREEN INNOVATION BUSINESSES

We will globally expand our Green Innovation Businesses, in which we will use the “power of chemistry” to provide advanced materials and solutions to global issues such as environmental problems and resource and energy problems.



... and a *Shared Vision* for Society and the World

By actively contributing to prosperity in the global community, and environmental preservation and harmony, we aim to enhance the value of Toray Group for all stakeholders while also achieving sustainable growth.

Toray was founded in 1926, making this our 85th anniversary year. We began to expand globally in 1963 with the establishment of production operations in Thailand. Today, the Group employs over 38,000 people across 23 countries and regions.

Committed to research and technology development driven by “the power of chemistry,” Toray Group has helped to enhance the lifestyles of people around the world by constantly opening up new eras through advanced materials and by creating new demand.

Through Green Innovation and cutting-edge material development driven by progress in science and technology, we will continue to work toward sound growth based on mutual respect and the sharing of value with stakeholders worldwide, and with the Earth.





Long-term Sustainable Growth

■ OUR VISION FOR SUSTAINABLE GROWTH

In February 2011, Toray Group announced a Long-term Corporate Vision with targets to be achieved by around 2020, and a Medium-term Management Program that will lay the groundwork for that vision over the first three years. The expansion of Green Innovation Businesses and global business expansion are vital to our growth strategies under that vision.

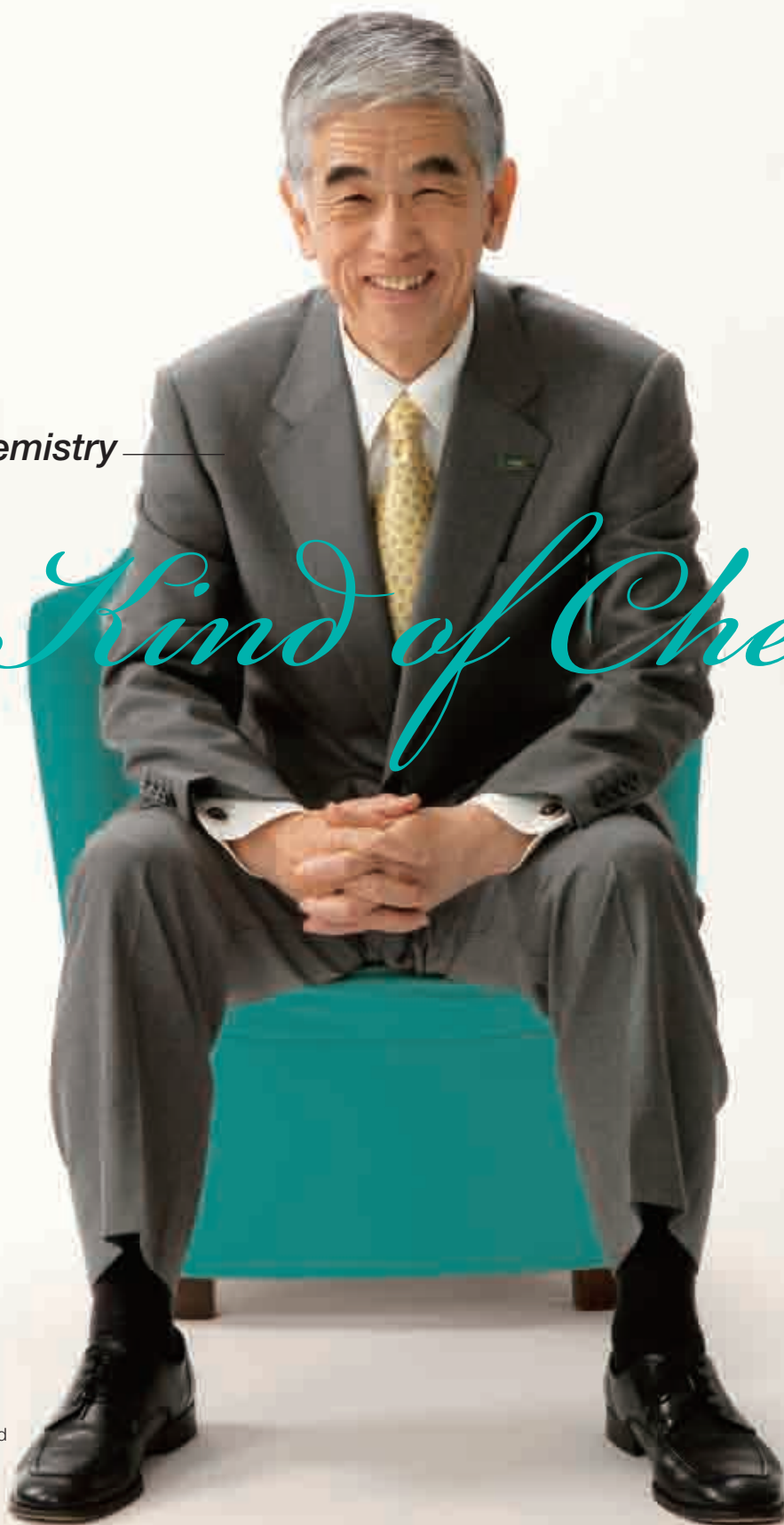
Sharing Value with
All Stakeholders

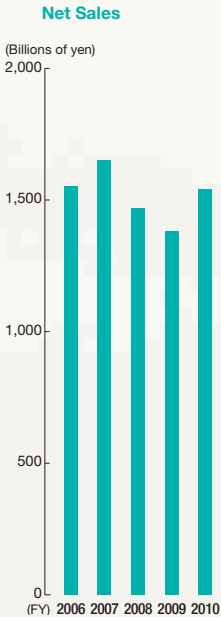
Let's Talk about Chemistry

Our Kind of Chem

Akihiro Nikkaku

President, CEO, COO and
Representative Member of the Board





I would like to begin this message by expressing our sincere appreciation for the ongoing support of our stockholders and investors. This report presents our consolidated financial results for fiscal 2010 (ended March 31, 2011) and describes the challenges faced by Toray Group and the initiatives we are taking to overcome them.

Lessons Learned from the Great East Japan Earthquake

On behalf of Toray Group, I would like to offer our deepest sympathies to everyone affected by the Great East Japan Earthquake that struck Japan on March 11, 2011, and our prayers for the speediest possible recovery in the disaster area. I would also like to express our sincere gratitude for the wide-ranging assistance provided by people worldwide in the wake of the disaster.

Fortunately, there were no injuries or fatalities among employees of Toray Group in Japan or their immediate families. Operations were temporarily suspended at some of our plants, but we were able to resume production safely after a short interval. Generally, the direct impact of the earthquake was minimal. However, some of our customers are still being forced to cut production due to earthquake-related shortages of Japanese-made parts and raw materials, and there is still uncertainty about the impact of power-saving measures and other factors.

We are currently reviewing our business continuity plan (BCP) to reflect lessons learned from our experiences at Toray Group worksites during the disaster. We have formulated emergency response measures that give first priority to protecting human life in the event of an unexpectedly severe earthquake or tsunami, and also started to implement evacuation drills. To ensure the continuity of reliable business operations, we are also strengthening our risk management systems, including reorganizing supply chains for raw materials procurement and other requirements.

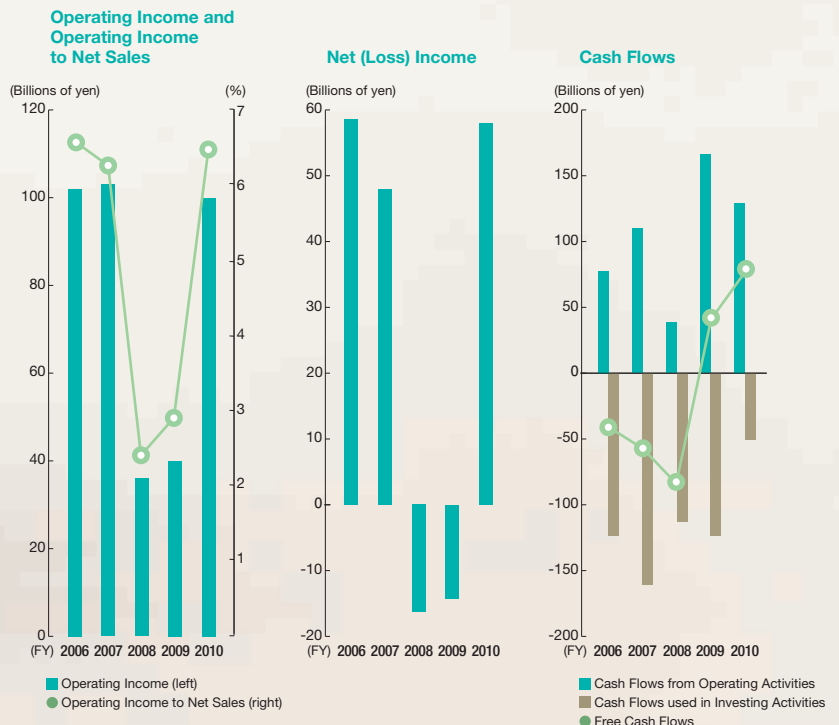


“Toray Group has completed its response to the global economic crisis that began in the second half of 2008. Our financial performance has recovered to pre-crisis levels, and we are more cost-competitive than ever.”

Consolidated Financial Results— Rapid Recovery to Pre-Lehman Levels

Business conditions in fiscal 2010 were underpinned by high growth in emerging economies, especially in Asia, and by economic stimulus measures implemented in Europe, the United States and Japan. We also faced negative factors, however, including a global uptrend in raw material and fuel prices and continuing yen appreciation.

It was in this business environment that we successfully completed Project IT-II, a two-year medium-term management program designed to overcome the effects of the global economic crisis that began in the second half of 2008. Under this program, we worked to maximize earnings by comprehensively ensuring sales through every possible effort under appropriate price strategies and strengthening our cost competitiveness and, with the understanding of our customers, we also sought to counter sharp



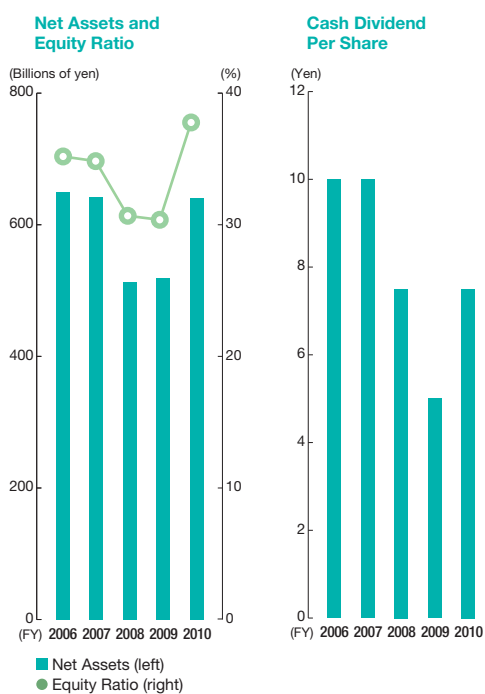
CONSOLIDATED FINANCIAL HIGHLIGHTS

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

Millions of yen
Thousands of U.S. dollars

	2007	2008	2009	2010	2011	2011
For the year:						
Net sales	¥1,546,461	¥1,649,670	¥1,471,561	¥1,359,631	¥1,539,693	\$18,550,518
Operating income	102,423	103,429	36,006	40,107	100,087	1,205,867
Net (loss) income	58,577	48,069	(16,326)	(14,158)	57,925	697,892
Cash flows from operating activities	77,539	110,367	38,447	166,215	129,214	1,556,795
Cash flows used in investing activities	(124,115)	(164,151)	(113,373)	(121,723)	(50,734)	(611,253)
Free cash flows	(46,576)	(53,784)	(74,926)	44,492	78,480	945,542
At year-end:						
Total assets	¥1,674,447	¥1,698,226	¥1,523,603	¥1,556,796	¥1,567,470	\$18,885,181
Net assets	649,670	642,159	512,610	518,216	640,970	7,722,530
Per share of common stock (in yen and U.S. dollars):						
Net (loss) income:						
Basic	¥ 41.84	¥ 34.34	¥ (11.66)	¥ (10.12)	¥ 36.41	\$ 0.44
Diluted	—	—	—	—	34.43	0.41
Cash dividends	10.00	10.00	7.50	5.00	7.50	0.09
Net assets	421.51	423.78	335.04	336.65	363.90	4.38
Ratios:						
Operating income to net sales	6.6%	6.3%	2.4%	2.9%	6.5%	
Equity ratio	35.2%	34.9%	30.8%	30.3%	37.8%	
ROE	10.4%	8.1%	(3.1)%	(3.0)%	10.9%	
Debt/equity ratio (times)	0.91	1.00	1.42	1.34	0.83	

Note: U.S. dollar amounts have been converted from yen at the exchange rate of ¥83 = US\$1, the approximate exchange rate prevailing on March 31, 2011.



increases in world prices for raw materials and fuel through higher selling prices for our products.

These efforts were reflected in a rapid recovery in our financial performance. Consolidated net sales increased by 13.2% year on year to ¥1,539.7 billion and consolidated operating income by 149.5% to ¥100.1 billion. Consolidated net income improved by ¥72.1 billion to ¥57.9 billion.

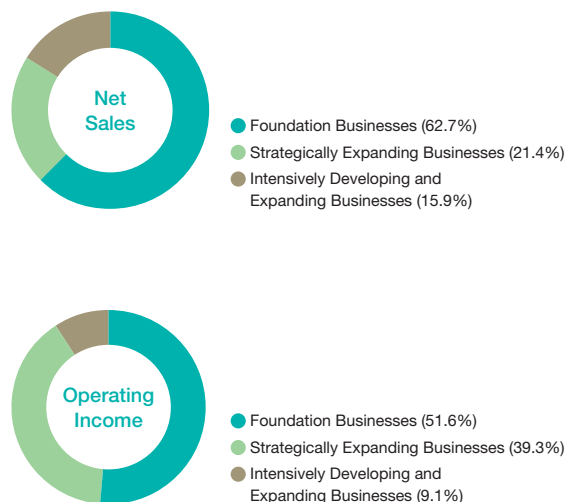
Net assets increased by ¥122.8 billion year on year and reached ¥641.0 billion as of March 31, 2011. The higher figure reflects increases in common stock and capital surplus resulting from the issuance of new shares in June 2010 and in retained earnings from net income. Stockholders' equity amounted to ¥592.9 billion at the end of the fiscal year, and the equity ratio rose 7.6 points to 37.8%. ROE was 10.9%.

The final dividend was increased by ¥2.50 to ¥5.00, bringing the total dividend, including the interim dividend, to ¥7.50 per share. This figure is based on a comprehensive assessment of our situation, including business results, our financial standing and our need for funds for capital investment and other purposes.

Long-term Corporate Vision for the Period to Around 2020

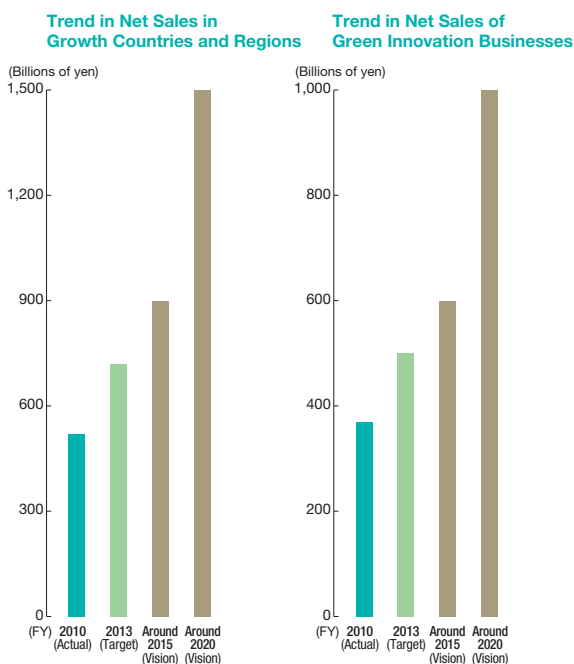
In February 2011, Toray Group announced AP-Growth TORAY 2020, a long-term corporate vision that anticipates social and economic changes over the next decade, and under which we will seek to realize consolidated net sales of ¥3 trillion, consolidated operating income of ¥300 billion, ROA of 10% and ROE of 13%.

Under this plan, our Foundation Businesses, Fibers & Textiles and Plastics & Chemicals, will steadily drive business expansion and profit growth. Two other segments, IT-related Products and Carbon Fiber Composite Materials, have been labeled Strategically Expanding Businesses and targeted for strategic and aggressive business expansion as drivers of revenue and profit growth over the medium- and long-term. In addition, we have positioned the Environment & Engineering and Life Science businesses as Intensively Developing and Expanding Businesses that will be the next drivers for revenue and profit growth. With these strategies, Toray Group aims to become a business group that continually increases revenues and profits.



“ We have adopted a long-term corporate vision under which we aim to double Toray Group’s consolidated net sales and triple its consolidated operating income over a period of about ten years. We will pursue proactive management under a dynamic growth strategy. ”

Under AP-Growth TORAY 2020, we will implement business structure reforms according to the following strategies:



▶ **Expand Business Revenue and Profit**

AP-Growth TORAY 2020 calls for steady expansion of revenues and profits through Foundation Businesses. In addition, we will bolster the earnings of Strategically Expanding Businesses through focused allocation of management resources, and nurture Intensively Developing and Expanding Businesses as the next profit base.

▶ **Expand Global Business**

We will pursue growth in global markets in every segment to achieve the greatest possible growth for Toray Group. We aim to increase the net sales ratio in growth countries and regions from 35% of net sales to 50%.

▶ **Expand Green Innovation Businesses**

We aim to expand net sales from Green Innovation Businesses to ¥1 trillion by developing products and technologies capable of providing solutions to global environmental issues and energy and resource issues.

In addition, we will actively implement environment management based on life-cycle management (LCM), whereby life-cycle assessment (LCA) is applied to all products, technologies and services. We will also take all practical steps to reconcile sustainable growth with the reduction of environmental burden.

AP-Growth TORAY 2020

Basic Policies



Corporate Philosophy

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

Realization

Targets and Approaches under New Medium-term Management Program

We formulated Project AP-G 2013, a medium-term management program running from April 2011 to March 2014, as the first stage toward realizing this long-term corporate vision.

Under this program, we will target business expansion in growth fields and regions while further reducing costs. We will implement group-wide projects focusing on three areas in which major benefits can be achieved through a cross-organizational approach, Green Innovation Business Expansion, Asia and Emerging Country Business Expansion, and Total Cost Reduction.

Through these initiatives, we will focus the total resources of Toray Group toward sustainable growth. Our targets for fiscal 2013, the final year of Project AP-G 2013, are consolidated net sales of ¥1.8 trillion and consolidated operating income of ¥150 billion.

Despite a continuing recovery trend in the world economy, there are uncertainties surrounding fiscal policy and employment in Europe and the United States, the prospect of an economic downturn once government measures to stimulate the economies of these countries end, and cost increases resulting from persistently high prices for raw materials and fuel. While the Great East Japan Earthquake will have a negative impact, we also expect positive effects to emerge, including recovery-related demand.

We are determined to achieve sustainable growth in this business environment by accelerating our group-wide initiatives in the three areas outlined above. Other priorities include improving cash flows through the maintenance and expansion of product spread, raising facility operating rates, reducing inventories, and boosting capital investment efficiency.

Dynamic Expansion in Growth Business Fields and Regions

In June 2010, Toray raised ¥101.9 billion by issuing new shares. Proceeds from this issue will be used to fund future growth strategies, including our entry into the new field of separator films for lithium-ion batteries. We anticipate substantial growth in this area. The funds will also be applied to major investment projects, including carbon fiber production facilities in Japan and the United States and new facilities for a water treatment membrane joint venture in China. The share issue has also strengthened our financial base and will allow us to respond flexibly to future investment funding requirements.

In addition to the aforementioned capital investment projects, we also plan to invest in the expansion of our optical film business. We will expand production capacity in Japan, the Republic of Korea and China, especially for polyester film and polyolefin films. For carbon fiber composite materials, we have decided to build a new carbon fiber mass-production facility in the Republic of Korea, and establish a joint venture with the German company Daimler AG to manufacture and sell automotive parts made from carbon fiber composite materials.

We have also decided to expand our production facilities in China for the production of polypropylene spunbond for use in disposable diapers and other items, as well as build a new plant in Indonesia.

Apart from our investment in these areas, we also established a new Environment & Energy Center (E&E Center) in January 2011. This new organization will function as an integrated technology development base for the environmental and energy fields. This strategic convergence

Image of Financial Indicators	(Billions of yen)		
	Fiscal 2010 (Actual)	Around 2015 (Vision)	Around 2020 (Vision)
Net sales	1,540	2,000	3,000
Foundation businesses	966 (63%)	1,100 (55%)	1,500 (50%)
Strategically expanding businesses and Intensively developing and expanding businesses	573 (37%)	900 (45%)	1,500 (50%)
Growth countries and regions	540 (35%)	900 (45%)	1,500 (50%)
Green innovation businesses	378 (25%)	600 (30%)	1,000 (33%)
Operating income	100	180	300
Operating income to net sales ratio	6.5%	9%	10%
ROA	6.4%	9%	10%
ROE	10.9%	12%	13%

ROA=Operating income/Total assets
ROE=Net income/Stockholders' equity

() Net sales ratio

“ Our corporate philosophy is to pursue growth while contributing to society through the creation of new value. We will continue our efforts to realize this philosophy, and to build good relationships with all stakeholders. ”

of environment- and energy-related R&D functions across the entire Toray Group will dramatically enhance our technology development capabilities and accelerate the creation and expansion of new businesses.

Using the Power of Chemistry to Provide Solutions to Global Issues

As one of the world's leading manufacturers of advanced materials, Toray Group aims to leverage its core competencies in the fields of organic synthetic chemistry, polymer chemistry, biotechnology and nanotechnology to establish itself as a provider of solutions to increasingly important problems relating to the global environment, energy and resources.

This year we celebrated the 85th anniversary of Toray Group. From the outset, Toray's management policies were built on the belief that a company exists to serve society. We are determined to put this policy into practice by contributing to society through the creation of new value, and by pursuing innovation in all areas of our business activities, while also building good relations with all stakeholders, including our stockholders and investors. We look forward to the continuing support of our stockholders and investors.

July 2011



Akihiro Nikkaku

President, CEO, COO and
Representative Member of the Board

Chemistry that Brings

*Good Things to
Generation*

■ LONG-TERM CORPORATE VISION

Over the next decade, we aim to build Toray into a corporate group that continually increases revenues and profits. We are also determined to maintain the high value of Toray Group for all stakeholders by continuing to contribute positively to the advancement of society and the preservation of and harmony with the environment. The expansion of our global business activities and Green Innovation Businesses hold the key to Toray's future role as a top global company for advanced materials. We aim to increase our consolidated net sales to ¥3 trillion and our consolidated operating income to ¥300 billion by around 2020.

■ MEDIUM-TERM MANAGEMENT PROGRAM

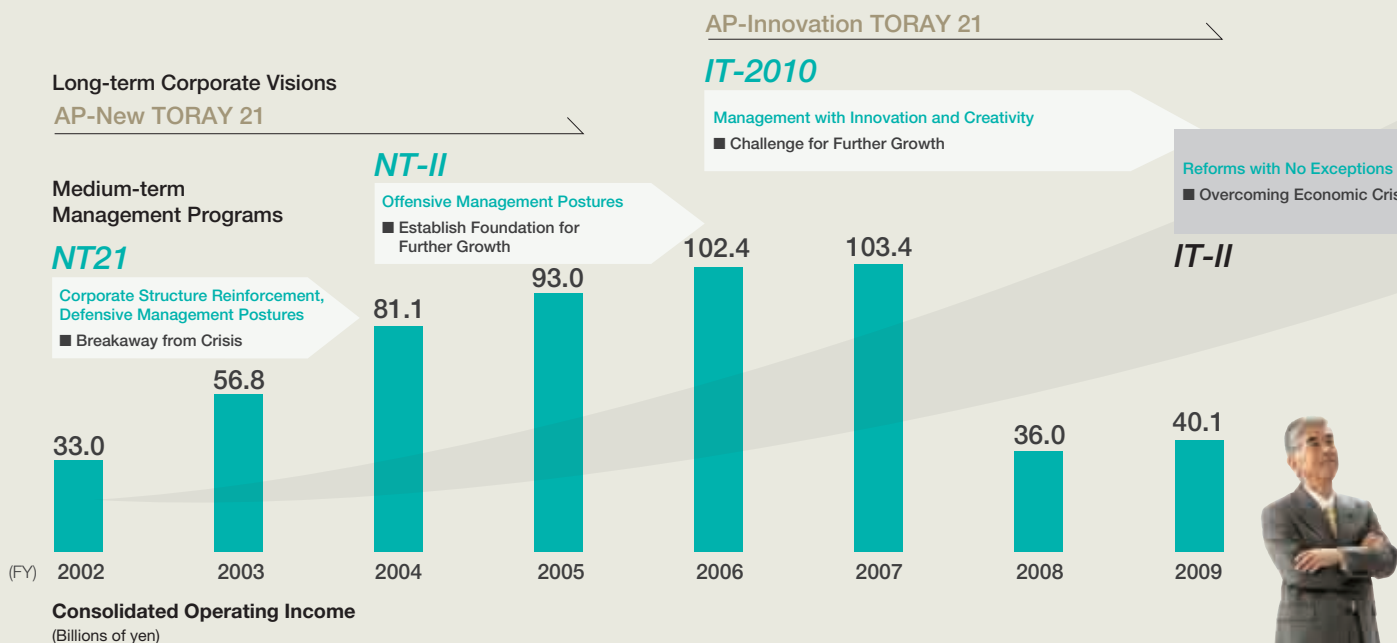
The Medium-term Management Program Project AP-G 2013 will cover the initial three years of the Long-term Corporate Vision. Our priority under this program will be to expand our business activities in high-growth business fields and regions. We will secure a medium-term income base while further strengthening our competitiveness through cost reductions and other strategies. The targets for the program are consolidated net sales of ¥1,800 billion and consolidated operating income of ¥150 billion in fiscal 2013.

after Generation

Reform and Proactive Management Leading to a New Growth Track

AP-G 2013 is an innovative and proactive management program covering the period from April 2011 to March 2014. Our goal under this program is to use the robust cost competitiveness achieved under the two-year Project IT-II, which was implemented in response to the global economic crisis that began in the second half of 2008, as a foundation for a new growth path.

Toray Group has also adopted a long-term corporate vision with targets to be achieved in or around 2020. AP-G 2013 will be an important first step toward the realization of that vision.

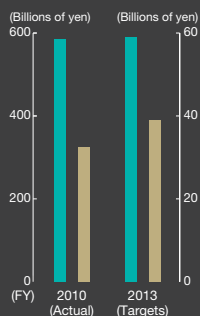


Segment Policies to Support Growth

We have adopted the following basic policies and numerical targets for each business segment:

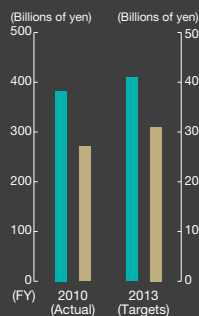
Fibers & Textiles

We will maintain and strengthen the stable earnings structure of this Foundation Business and promote business expansion in growth business fields and regions.



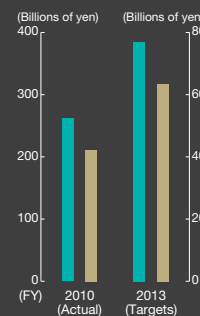
Plastics & Chemicals

We aim to leverage the Group's global operations to achieve improvements in earnings and expand business in growth business fields and regions.



IT-related Products

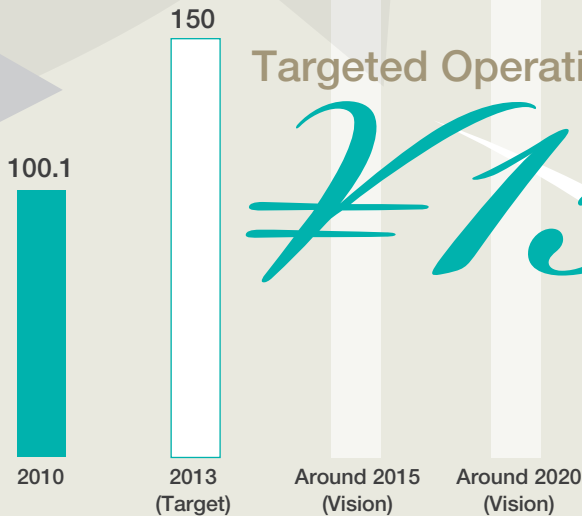
We will bolster production capacity and develop and launch new products to meet increasing demand. We will also continue strengthening cost competitiveness in response to expected declines in market prices.



AP-Growth TORAY 2020

AP-G 2013

Reform and Proactive Management
 ■ A New Growth Track



Targeted Operating Income

¥150 Billion

Targets for Performance Indicators	Fiscal 2010 (Actual)	Fiscal 2013 (Targets)
Net sales	1,540	1,800
Foundation businesses	966 (63%)	1,000 (56%)
Strategically expanding businesses and Intensively developing & expanding businesses	573 (37%)	800 (44%)
Growth countries and regions	540 (35%)	720 (40%)
Green innovation businesses	378 (25%)	500 (28%)
Operating income	100	150
Operating income to net sales ratio	6.5%	8.3%
ROA	6.4%	8%
ROE	10.9%	11%

Notes: Percentages shown in () are net sales ratios.
 Estimated exchange rate: ¥80 = US\$1
 Estimated oil price: US\$95 = B/DUBAI FOB
 ROA = Operating Income/Total Assets
 ROE = Net Income/Stockholders' Equity

Key Principle and Basic Strategies of AP-G 2013

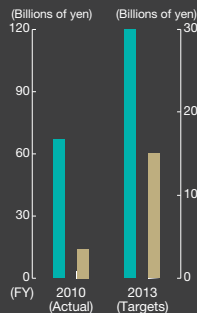
Under AP-G 2013, we will combine a continuing reform process with a shift to more aggressive management policies. The aim of the program is to strengthen our income base still further through strategies that include the expansion of our activities in high-growth business fields and regions, and the reduction of costs. By implementing these eight basic strategies, we aim to achieve consolidated net sales of ¥1.8 trillion and consolidated operating income of ¥150 billion in fiscal 2013.

Basic Strategies

- Business expansion in growth business fields
- Business expansion in growth countries and regions
- Capital investment strategy
- M&A and business alliance strategies
- R&D investment strategy
- Developing and securing human resources
- Bolstering competitiveness
- Ongoing promotion of business structure reform

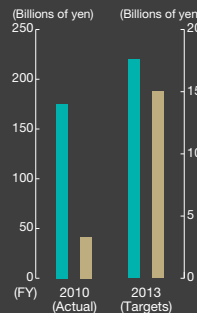
Carbon Fiber Composite Materials

In order to maintain and strengthen our position as the world's leading manufacturer in carbon fibers, we will reinforce our strategic approach to important applications and customers, further expand market share and aim to realize price recovery to establish a highly profitable business structure.



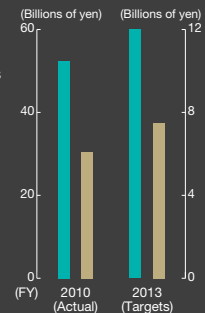
Environment & Engineering

We will expand business and provide solutions to environmental fields, mainly in separation membranes and filtration technologies, and also promote business expansion in environmental and energy fields utilizing Toray's original engineering technologies.



Life Science

Demand growth continues to drive market expansion in emerging markets, we will aim for significant business expansion in the long term (by 2020) by developing businesses with Toray's unique characteristics.



Note: The actual results do not include other businesses.

Expansion Strategy for Green Innovation Businesses

Toray Group has identified four growth business fields: The environment, water-related and energy; information, telecommunications and electronics; automobiles and aircraft, and life science. We plan to expand our activities in these areas by developing advanced materials and strengthening our group-wide initiatives.

Targeted Net Sales

¥500

Billion

Business Expansion in Growth Business Fields

Environment, Water-related and Energy

- Aggressively expand carbon fiber composite materials to be the mainstay of Green Innovation Businesses
- Expand materials for use in batteries and next-generation power sources
- Global expansion of the water treatment business
- Expand applications for non-petrochemical-based fibers, resins and films

Information, Telecommunications and Electronics

- Expand business in the electronic device market, including cell phones, flat-panel TVs and smartphones
- Accelerate development and sales expansion of innovative products through vertically integrated tie-ups with customers
- Improve competitiveness by integrating businesses from resin and film materials to parts

Automobiles and Aircraft

- Expand new applications of carbon fiber composite materials and high-performance resins that can provide energy efficiencies through weight reduction and reduce greenhouse gas emissions
- Develop products to leverage expanding markets for next-generation power trains and automotive electronics
- Aggressively expand investment in carbon fiber composite materials

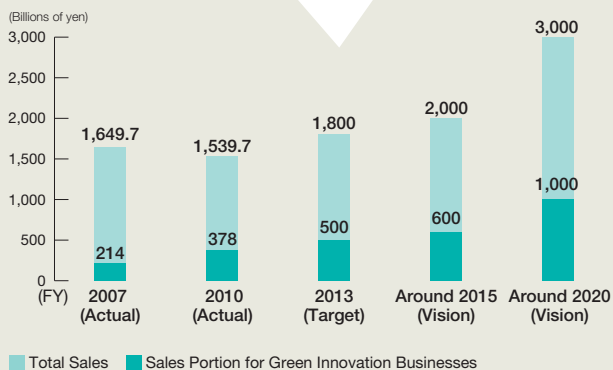
Life Science

- Extend the drug discovery business model
- Develop and market high-value-added medical materials
- Create innovative bio-tools by combining biotechnology and nanotechnology

The expansion of Green Innovation Businesses is especially significant to the development of activities based on the solution of environmental problems. Our policy calls for comprehensive and determined efforts to achieve growth in this area.

Our expansion plan for Green Innovation Businesses aims to increase net sales in this area from ¥378.0 billion, or 25% of total net sales, in fiscal 2010, to ¥500 billion, or 28% of total net sales, in fiscal 2013.

Green Innovation Business Expansion Plan



Growth in Net Sales Ratio for Green Innovation Businesses

(FY) 2007 (Actual)	2010 (Actual)	2013 (Target)	Around 2015 (Vision)	Around 2020 (Vision)
13%	25%	28%	30%	33%

Priority Fields for Green Innovation Businesses

We have selected four priority fields for Green Innovation Businesses: carbon fiber composite materials, water treatment membranes, battery materials and biomass materials. We aim to become the world market leader in each of these areas.

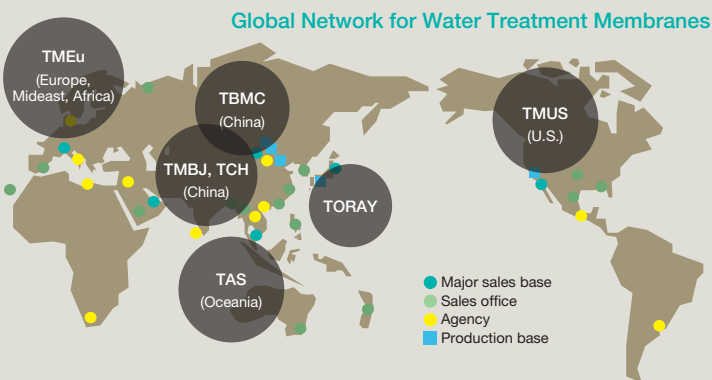
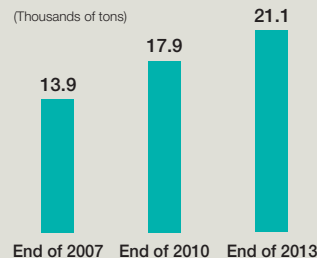
Aiming to Become
No.1
in Our Four Target Areas

Carbon Fiber Composite Materials

Growing concern about the environment is leading to the increased use of carbon fiber composite materials for environmental and energy-related purposes. These materials are used in the automobile and aircraft industries to reduce weight and save energy, and in windmill blades and CNG tanks in the clean energy field.

Toray Group has adopted a number of strategies to expand its carbon fiber composite materials business and strengthen its position of leadership in terms of world market share. We have resumed work on the expansion of our manufacturing facilities for high-performance carbon fiber. In addition, we have established a manufacturing and sales joint venture for automobile parts with the German company Daimler AG, and also launched a major carbon fiber business in the Republic of Korea.

Toray Group's Carbon Fiber Production Capacity



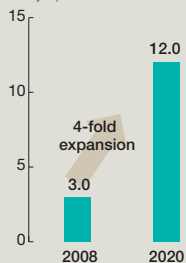
Water Treatment Membranes

Water resources have become a priority issue because of global water shortages and concern about environmental problems. This situation is reflected in sustained growth in the market for separation membranes and other water treatment membranes in seawater desalination and water treatment systems.

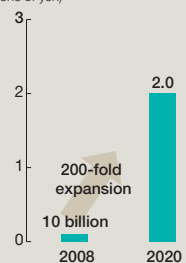
We aim to consolidate our position as the world's number one membrane manufacturer through a broad global expansion strategy, including the expansion and reinforcement of our global marketing organization, the development of global production operations, capacity expansion and the creation of new technologies and products.

Market Size Forecasts for Battery Materials

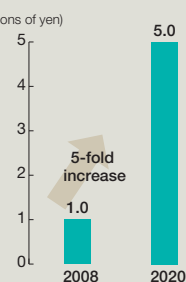
Solar Cell Materials (Trillions of yen)



Fuel Cell Materials (Trillions of yen)



Lithium-ion Materials (Trillions of yen)



Battery Materials

We anticipate substantial growth in demand for materials for various types of batteries, including solar cell batteries, fuel cells and lithium ion batteries.

Toray Group is determined to become the world's number one integrated manufacturer of battery materials by capitalizing on its comprehensive expertise in related areas, including high-performance films, engineering plastics, carbon fibers and other advanced materials.

Biomass Materials

Another strategic priority area for Toray Group is biomass-derived materials. We aim to leverage our advanced knowledge of biotechnology and nanotechnology into a position as the world's number one manufacturer of biomass materials through the development and commercialization of new fiber, film and resin products based on polylactic acid (PLA), polytrimethyleneterephthalate (3GT), cellulose fibers and new biomass polymers.

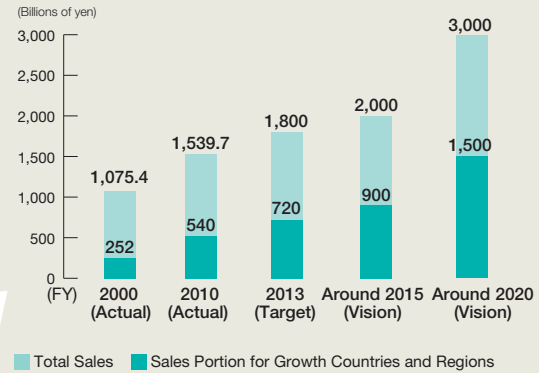
Business Expansion in Growth Countries and Regions

Together with the expansion of our Green Innovation Businesses, the expansion of our activities in the emerging economies of Asia is also a major priority for the entire Toray Group. The emerging economies of Asia and other parts of the world are all expected to achieve rapid growth. We are determined to link this growth potential to the growth of Toray Group by dynamically expanding our business activities in these economies. In fiscal 2010, growth economies contributed ¥540 billion in net sales, which is equivalent to 35% of total net sales. Our target is to increase this to ¥720 billion, or 40% of total net sales, in fiscal 2013.

Growth in Net Sales Ratio for Growth Countries and Regions

(FY) 2000 (Actual)	2010 (Actual)	2013 (Target)	Around 2015 (Vision)	Around 2020 (Vision)
23%	35%	40%	45%	50%

Target for Net Sales in Growth Countries and Regions



Targeted Net Sales
¥720
 Billion

Toray Group's Business Infrastructure in Asia

Our business involvement in Asia began with the establishment of a textile business in Thailand in the 1960s. In the 1970s we also developed textile operations in Indonesia and Malaysia, and in the 1990s we established manufacturing and business sites for fibers and textiles, film, resins and other products in the Republic of Korea and China.

As a result of our long history in Asia, we have not only built up a substantial business infrastructure, but also the experience and business relationships that will serve as our foundation for further expansion in Asian markets.

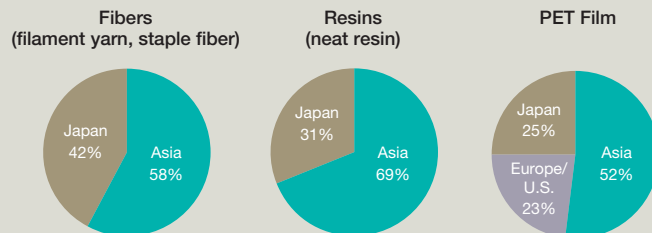


Priority Policies for Asia and Emerging Countries

Our efforts to expand our business activities in Asia and emerging countries will be guided by the following priority policies:

- Develop and provide products and materials that meet the needs in Asia and emerging countries. Strengthen marketing and sales capabilities to ensure that products penetrate local markets.
- Strengthen infrastructure of existing production bases and also establish new facilities in areas where facilities do not currently exist. Bolster local technical support functions to customers.
- Achieve rapid expansion of businesses by leveraging existing production and sales bases as well as group-wide management resources to the greatest extent possible, and through alliances with local leading companies as necessary.
- Aggressively expand business mainly with advanced materials to respond to the rapid increase in demand resulting from the growing numbers of both upper- and middle income groups.

Production Capacity for Key Products by Region



Tangible and intangible management assets in Asia

Promote further business expansion in Asia utilizing all existing operational bases

Capital Investment of ¥350 Billion

During the three years covered by the program, Toray Group will aggressively invest a total amount of ¥350 billion.

In June 2010, we raised ¥101.9 billion through a new stock issue to provide the funds needed for our growth strategy. We now have the financial resources necessary to respond flexibly to our investment funding requirements.

We plan to allocate two-thirds of the ¥350 billion capital investment budget to growth and expansion areas, and one-third to the maintenance and improvement of business infrastructure. Of the funds allocated to growth areas, 60% will be invested in Green Innovation Businesses. We plan to allocate 50% of the total capital investment to Asia and the remaining 50% to Japan, North America and Europe.



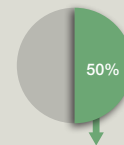
Main Green Innovation R&D Themes

Key R&D themes will be linked to areas in which global demand is expected to expand in the future. These include highly efficient energy use, new energy, bio-based polymers and water treatment. In 2011, we established the Environment & Energy (E&E) Center as an integrated technology development base for the environment and energy field. This will further strengthen our overall group-level R&D potential in this area. We also created the Environment and Energy Development Center as a new core organization in Japan.

The E&E Center will function as Toray Group's technology collaboration base for the environmental and energy field. By strategically integrating our R&D resources in this area, it will dramatically enhance our technology development potential and accelerate the creation and expansion of new business activities.

Main R&D Themes for Green Innovation

¥160 billion in R&D investment planned for the three-year period starting fiscal 2011



50% of R&D expenses will be allocated to R&D related to Green Innovation

Focus Areas

- Strengthen R&D in Green Innovation-related themes
Major themes:
 - (1) High efficiency in energy use CFRP for lightening of vehicles and aircraft, etc.
 - (2) New energy
Materials, parts for three major battery types (solar cells, fuel cells, lithium-ion batteries), etc.
 - (3) Bio-based polymers
Conversion to bio-based polymers such as polylactic acid, PET, etc.
 - (4) Water treatment
High-performance RO, UF / MF membranes, etc.
- Promote open innovation
- Intensify global R&D
- Strengthen basic and fundamental research

Raising Our Total Cost Competitiveness

As a corporate group that continually increases revenues and profits, it is essential that we become highly cost competitive. Going forward, we will continue to strengthen the cost competitive structure that we established through Project IT-II.

For variable costs, we will strive for annual reductions of at least 3% to attain a 10% reduction, equaling ¥70 billion, over three years. Regarding fixed costs, we aim to raise the cost competitiveness of the entire Group by continuously strengthening our corporate structure through means including efficiency improvements.

Chemistry

with Truly Wide-Ranging Applications

“Green Innovation and a focus on growth countries and regions are at the heart of Toray Group’s Medium-term Management Program AP-G 2013. Leveraging the distinct themes of our three business categories and their corresponding six segments, and by bringing them together, we are able to deliver integrated solutions—creating Chemistry the Toray way.

We will continue to provide advanced products and services that meet the needs of customers and markets globally, and maintain good chemistry with our stakeholders in each country and region. ”



FOUNDATION BUSINESSES

- FIBERS & TEXTILES
- PLASTICS & CHEMICALS

STRATEGICALLY EXPANDING BUSINESSES

- IT-RELATED PRODUCTS
- CARBON FIBER COMPOSITE MATERIALS

**INTENSIVELY DEVELOPING
AND EXPANDING BUSINESSES**

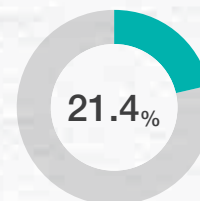
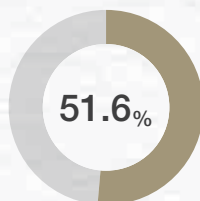
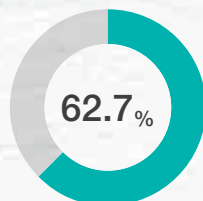
- ENVIRONMENT & ENGINEERING
- LIFE SCIENCE

Our Kind of Chemistry



Foundation Businesses

Strategically Expanding Businesses



● Net Sales Ratio
● Operating Income Ratio

Segments

FIBERS & TEXTILES

PLASTICS & CHEMICALS

IT-RELATED PRODUCTS



Main Products

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

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)

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

Application Examples

- 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

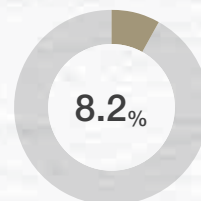
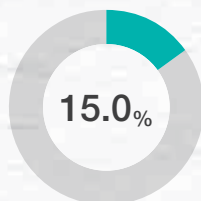
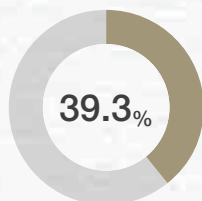
- Automobiles (radiator tanks: nylon resin, intake manifold: nylon resin, connectors: PBT resin, capacitor for hybrid cars: polypropylene film)
- Home appliances (housing for washing machines, vacuum cleaners, air conditioners: ABS resin)
- Power tools (circular tools housing: nylon resin)
- Helmets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

- 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)

Note: Excludes other businesses equivalent to 0.9% of net sales and 0.9% of operating income.

Intensively Developing and Expanding Businesses

Business Categories



CARBON FIBER COMPOSITE MATERIALS

ENVIRONMENT & ENGINEERING

LIFE SCIENCE

Segments



Main Products

Carbon fibers, carbon fiber composite materials and their molded products

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

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

Application Examples

- 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)

- 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)

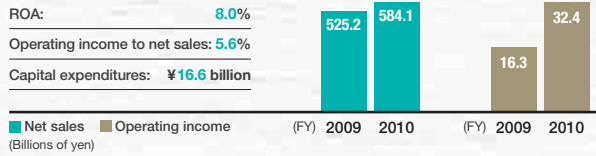
- Pharmaceuticals (natural interferon-beta preparation, prostacyclin, antipruritus drug)
- Medical treatment devices (hemodialyzers, artificial dialyzer and equipment)
- Physical analytical services

At a Glance **Toray's Business**

FIBERS & TEXTILES

Fiscal	2009	2010	Changes	2011 Forecast
Net sales	525.2	584.1	+11.2%	620
Operating income	16.3	32.4	+98.8%	43

Fiscal 2011 forecasts announced on Aug. 4, 2010. Segment components have been changed based on a management approach from Fiscal 2010.



Summary of Consolidated Financial Results for Fiscal 2010 (Ended March 31, 2011)

Net sales for the Fibers & Textiles segment increased by 11.2% year on year to ¥584.1 billion, and operating income jumped 98.8% to ¥32.4 billion.

Toray, the parent company, recorded sales growth of industrial applications, including materials for airbags and other automotive applications, as well as general industrial materials. The sales volume expanded in apparel applications.

Among domestic subsidiaries, some of the Group's trading subsidiaries recorded excellent results from their garment business with specialty store retailers of private label apparel (SPAs). Manufacturing subsidiaries also performed strongly.

Results for overseas subsidiaries reflect bullish trends in the garment business in China, a market that also showed solid growth trends for our textile business and polyester fiber business. We also recorded strong performance in our high-performance polypropylene (PP) spunbond business for disposable diapers in the Republic of Korea and China, as well as in our fibers and textiles business for air bag applications in Thailand, the Czech Republic, the Republic of Korea and ASEAN.

Outlook for Fiscal 2011

In Japan, several factors continue to cause uncertainty, including the persistent strength of the yen and wildly fluctuating raw material and fuel prices. In addition, automotive applications have been affected by the Great East Japan Earthquake, and we also foresee restrained demand for garment applications.

Globally, weak demand caused by the unstable financial situation and high raw material and fuel prices is likely to continue. However, demand for fibers and textiles continues to expand in emerging economies. Overall, it is at present very difficult to predict the business environment for the latter half of the year.

In this business environment, we will implement measures to maintain and strengthen a stable income structure in Foundation

● High-performance Polypropylene Spunbond

“ This product is used in various fields, including disposable diapers, and sanitary materials, as well as surgical gowns, covers and other medical products. It is also used in industrial and agricultural applications. ”



Businesses and to expand our business globally. We intend to expand our business in growth regions, especially China, and in growth business fields, such as automobiles and environment-related businesses. We also aim to strengthen and expand our garment business, which is structured around a planning and proposal model based on the development of materials.

We predict net sales of ¥620 billion and operating income of ¥43 billion in fiscal 2011.

Topic

Strengthening the High-performance PP Spunbond Business in China and Indonesia

Toray Group has decided to expand its production capacity for PP spunbond in China, and to establish a new company with new production facilities in Indonesia. The market for PP spunbond is expected to benefit from rapidly growing demand for disposable infant diapers in China and ASEAN, where lifestyles are changing as a result of high economic growth and rising national income levels.

We sell PP spunbond to a diverse range of users in Asian markets, including Japan, the Republic of Korea, China and ASEAN. Toray Advanced Materials Korea Inc. has an annual production capacity of approximately 43,000 tons, while the Chinese company Toray Polytech (Nantong) Co., Ltd. (TPN) has capacity for around 38,000 tons per year. Additional production facilities with an annual capacity of approximately 20,000 tons are scheduled to commence production in July 2012 at TPN, and new facilities with a capacity of around 20,000 tons will come on line in Indonesia in June 2013. These additions will bring the Group's total capacity to about 121,000 tons, allowing us to expand our sales to meet rapidly expanding demand in emerging markets, including China and ASEAN.

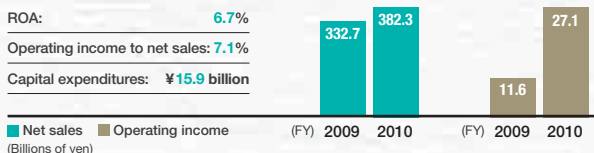


FOUNDATION BUSINESS

PLASTICS & CHEMICALS

Fiscal	2009	2010	Changes	2011 Forecast
Net sales	332.7	382.3	+14.9%	440
Operating income	11.6	27.1	+134.2%	31

Fiscal 2011 forecasts announced on Aug. 4, 2010.
Segment components have been changed based on a management approach from Fiscal 2010.



Summary of Consolidated Financial Results for Fiscal 2010 (Ended March 31, 2011)

Net sales for the Plastics & Chemicals segment amounted to ¥382.3 billion, a year on year increase of 14.9%. Operating income increased by 134.2% to ¥27.1 billion.

Toray, the parent company, expanded sales of plastic resins for automobile, electric and electronic applications in emerging markets. We also recorded a pleasing trend in sales of film across the entire industrial material area, including products for use in solar cells.

In Japan, both manufacturing subsidiaries, including a film processing subsidiary, and trading subsidiaries achieved generally good results. Among our overseas subsidiaries, those involved in the films business recorded excellent results thanks to buoyant demand. A plastic resins subsidiary in Malaysia also expanded its sales, especially to home appliance manufacturers in the emerging markets of Asia and elsewhere.

Outlook for Fiscal 2011

Raw material and fuel prices are expected to fluctuate wildly in fiscal 2011. While sales of products for automotive applications will be partially affected by the Great East Japan Earthquake, demand for environmentally friendly products is expected to expand, and we also anticipate substantial demand growth in Asia, especially China.

In this business environment, we will work proactively to increase sales of plastic resins in Asian markets in general and in China in particular. Another goal will be to expand sales of high-value added



films for industrial and packaging applications through our subsidiaries in the EU, the United States and Asia. We are predicting net sales of ¥440 billion and operating income of ¥31 billion in fiscal 2011.

Topic

Restructuring the Plastic Resins Business in China

Toray Group has restructured its plastic resins production and sales organizations in the Chinese market. Toray Plastics (China) Co., Ltd. (TPCH) was established to coordinate our plastic resins business in China. We also established Toray Plastics (Suzhou) Co., Ltd., a subsidiary of TPCH, to manufacture and sell resin compounds in northern and eastern China. These new companies commenced operations in August 2010.

We have positioned TPCH as the hub of Toray Group's plastic resins business in China. Our goal is to further expand our plastic resins business in the rapidly growing Chinese market. From a sales perspective, we aim to expand existing trading areas while opening up new sales channels. At the same time, we will accelerate the expansion of our production operations and increase the percentage of high-performance resin compounds, such as nylon, polybutylene terephthalate (PBT) and polyphenylene sulfide (PPS) in our product mix. We will also enhance our technological development capabilities and expand our range of new grades to meet user needs in the Chinese market. Through these initiatives, we will fulfill our role as an integrated plastic resins manufacturer through the timely supply of wide-ranging solutions to our customers.



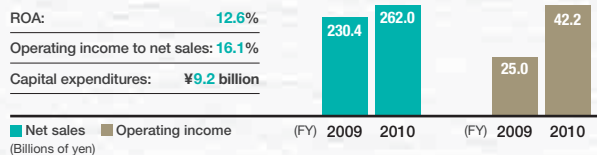
● Eco Toyolac®

“Toray is working in partnership with its customers to develop a wide variety of environmentally friendly products. For example, we have created a closed-loop material recycling system to reuse glass fiber-reinforced AS resins (ASG) recovered from fans in end-of-life indoor home air conditioner units for the manufacture of new fans.”

IT-RELATED PRODUCTS

Fiscal	2009	2010	Changes	2011 Forecast
Net sales	230.4	262.0	+13.7%	270
Operating income	25.0	42.2	+68.9%	41

Fiscal 2011 forecasts announced on Aug. 4, 2010.
Segment components have been changed based on a management approach from Fiscal 2010.



Summary of Consolidated Financial Results for Fiscal 2010 (Ended March 31, 2011)

Net sales for the IT-related Products segment increased by 13.7% year on year to ¥262.0 billion, and operating income by 68.9% to ¥42.2 billion.

Toray, the parent company, worked to expand sales of films and processed film products, including products for use in flat panel displays (FPDs) and electronic components. We also increased sales of color filters for liquid crystal displays (LCDs), semiconductor-related materials and plasma display materials.

Among our subsidiaries in Japan, a film processing subsidiary increased its sales of FPD-related processed film products, and a fine chemicals subsidiary also achieved pleasing results.

Overseas, subsidiaries in the areas of film and processed film products in the Republic of Korea recorded excellent results, but an electric circuit material subsidiary was affected by production adjustments by FPD manufacturers.

Sub-segment	Fiscal 2009	Fiscal 2010	Changes
Display materials	85.4	105.6	+24%
Electronic components, semiconductors, electric circuit materials	81.0	92.7	+15%
Data storage materials	31.3	32.8	+5%
Equipment, others	32.7	30.9	-6%

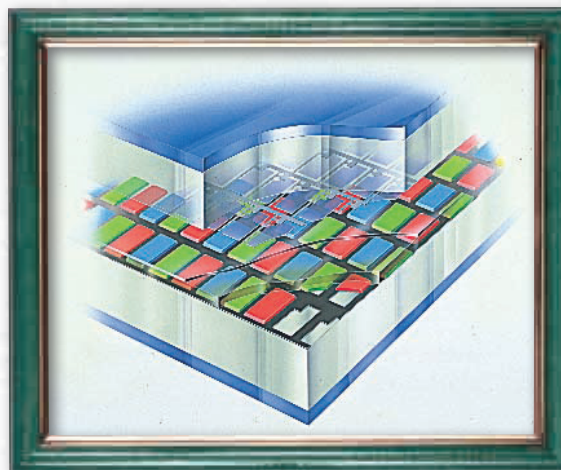
(Billions of yen)

Outlook for Fiscal 2011

Demand for mobile phones, especially smartphones, remains strong, and we anticipate healthy trends in shipments of related products. In the large-sized FPD market, production adjustments continue to take place among panel manufacturers due to sluggish demand for consumer products, including TVs, but we expect a gradual recovery to begin in the second half of fiscal 2011.

● Topical®

“ Topical® is the ideal display filter material for LCDs. In addition to precise color reproduction, it offers excellent durability and high resistance to heat. Topical is also friendly to the environment, since it contains no toxic heavy metals. ”



Our strategy in this market environment is to expand sales of films and processed film products for use in FPDs and electronic components. We also aim to enhance our cost competitiveness by optimizing our global production structure for film, expand our share of this market, and increase sales of semiconductor coating materials.

We predict net sales of ¥270 billion and operating income of ¥41 billion in fiscal 2011.

Topic

Decision to Increase Optical Film Production

We anticipate further expansion of the FPD-related market in the medium-term future. To maintain our capacity to supply optical film in this market, we have decided to increase our production capacity. By August 2012, the installation or modification of film production facilities at Toray's plants in Mishima and Gifu, at the Nakatsugawa Plant of Toray Advanced Film Co., Ltd. and at the Gumi Plant of Toray Advanced Materials Korea Inc. (TAK) will double our present supply capacity for products for use in reflectors and touch panels and also add 50% to our supply capacity for polarizers and protection film. In addition to base film, TAK will also expand its production capacity for processed film products by 30% by January 2012. We plan to invest approximately ¥22.0 billion in these capacity expansion projects.

In addition to the buoyant market for LCDs and other types of FPDs, which are the main uses for optical film, we also anticipate further demand growth resulting from the increasing use of film parts and materials in thin-layer, lightweight touch panels. Toray is currently optimizing its optical film production organization to meet surging demand in the FPD market.

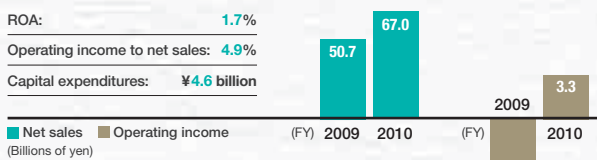


STRATEGICALLY EXPANDING BUSINESS

CARBON FIBER COMPOSITE MATERIALS

Fiscal	2009	2010	Changes	2011 Forecast
Net sales	50.7	67.0	+32.2%	80
Operating income	(5.3)	3.3	—	10

Fiscal 2011 forecasts announced on Aug. 4, 2010. Segment components have been changed based on a management approach from Fiscal 2010.



Summary of Consolidated Financial Results for Fiscal 2010 (Ended March 31, 2011)

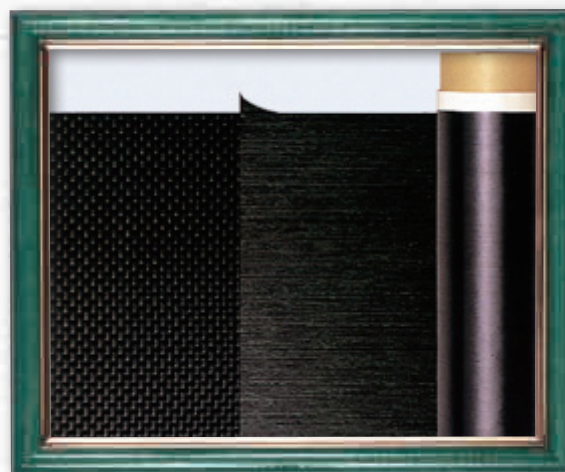
In fiscal 2010, net sales for the Carbon Fiber Composite Materials segment increased by 32.2% year on year to ¥67.0 billion. Operating income moved back into positive figures at ¥3.3 billion.

Demand continues to recover for aircraft, sporting goods and industrial applications. Through proactive marketing, Toray Group was able to expand its market share and achieve volume growth in both sales and production of Torayca® carbon fiber and Torayca® prepreg (carbon fiber sheets impregnated with epoxy resin). There was also growth in sales of carbon fiber composite products, especially PC chassis. In addition, the Group strove to raise sales prices to counter steep rises in raw material and fuel prices.

Sub-segment	Fiscal 2009	Fiscal 2010	Changes
Aircraft	22.4	27.7	+24%
Sporting goods	9.7	13.8	+43%
Industrial	18.6	25.5	+37%

Outlook for Fiscal 2011

Demand for carbon fiber shrank in 2009 under the impact of the global economic downturn. However, the market recovered rapidly in 2010, and 2011 has brought sustained growth in demand for aircraft applications, as well as a dramatic increase in demand for industrial applications, especially for environment and energy-related use. There has also been steady growth in the use of



carbon fiber for sporting goods applications, including bicycle parts. We expect demand to increase by more than 15% year on year.

Toray Group will take advantage of this business circumstance to expand its sales of products for aircraft, sporting goods, and industrial applications, and to develop markets in China and other emerging economies. We will also seek to overcome higher raw material and fuel prices through increased product prices.

We are predicting net sales of ¥80 billion and operating income of ¥10 billion in fiscal 2011.

Topic Full-scale Carbon Fiber Business to be Established in the Republic of Korea

Toray and Toray Advanced Materials Korea Inc. (TAK) have decided to build a carbon fiber production facility with an annual nominal capacity of 2,200 tons at TAK's No. 3 Gumi Plant (in Gumi City, Gyeongsangbuk Province) in the Republic of Korea. We, the global leader in quality competitiveness, will introduce the most advanced technology in the Group to the plant and invest approximately 63.0 billion won (about ¥5.0 billion yen) in the construction. Construction started in early 2011, and the plant is scheduled to be in operation in January 2013. TAK will produce high-strength, standard-modulus carbon fiber, a material that has become the de-facto standard in industrial and sporting goods applications.

Until now, the Republic of Korea has been almost totally reliant on imported carbon fiber for its domestic demand. We believe that the start of domestic production at the new plant will create a reliable supply chain. We will work with our customers in the Republic of Korea to accelerate the development of the market for carbon fiber composite materials in a wide range of sporting goods and industrial applications, while also continuing to respond effectively to the rapidly expanding demand for carbon fiber in Asia, especially the Republic of Korea and China.

● Torayca® (PAN-based carbon fiber)

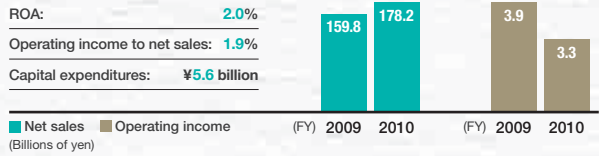
“Torayca® is extremely light, strong and tough and is used for purposes ranging from aerospace applications to sports and leisure goods and general industrial applications. There is considerable potential for demand growth.”



ENVIRONMENT & ENGINEERING

Fiscal	(Billions of yen)			
	2009	2010	Changes	2011 Forecast
Net sales	159.8	178.2	+11.5%	190
Operating income	3.9	3.3	-13.0%	8

Fiscal 2011 forecasts announced on Aug. 4, 2010.
Segment components have been changed based on a management approach from Fiscal 2010.



Summary of Consolidated Financial Results for Fiscal 2010 (Ended March 31, 2011)

In fiscal 2010, the Environment & Engineering segment delivered net sales of ¥178.2 billion, a year-on-year increase of 11.5%. Operating income was 13.0% below the previous year’s level at ¥3.3 billion.

In the water treatment business, there was an increase in sales of Toray’s reverse osmosis (RO) membranes for use in major overseas projects. There was also sustained growth in the sales of water treatment subsidiaries in the United States and China. Among subsidiaries in Japan, the trading subsidiary expanded its machinery exports, but the performance of the engineering business remained slow.

Outlook for Fiscal 2011

In some regions, the water treatment business has been affected by political instability. However, the basic trend is toward market expansion. In this business environment, Toray will pursue comprehensive cost-cutting initiatives while also working to win contracts on a global basis. One of our goals is to gain a foothold in the Chinese market through our Beijing-based joint venture, Toray BlueStar Membrane Co., Ltd. (TBMC), which commenced production and sales of RO membranes and elements in early 2011.

Our goal for the engineering business is to take advantage of anticipated growth in capital investment in environmental and energy-related areas, in order to win more orders for equipment relating to lithium-ion batteries and solar cells.

Net sales of ¥190 billion and operating income of ¥8 billion are predicted for this segment in fiscal 2011.



Topic

Series of Orders for Toray RO Membranes for Seawater Desalination Plants in China

Toray has delivered a series of RO membranes for seawater desalination plants in Qingdao City, Shandong Province, and at Caofeidian in Tangshan City, Hebei Province. These two plants, which together will produce 150,000 m3 of water per day, are scheduled to become operational in 2011. With a daily capacity of 100,000 m3, the plant in Qingdao will be one of the biggest in China and the country’s first major facility for drinking water.

China’s rapid economic growth has been accompanied by a rapid increase in water consumption, resulting from both industrialization and the growth of urban populations. There has also been a drought in northern China. As a result, China now faces water shortages. This situation is reflected in growing demand for RO membranes for use in seawater desalination and wastewater reuse, and the Chinese market for RO membranes is expanding by over 20% annually.

In July 2009, Toray and China National BlueStar (Group) Co., Ltd. established a joint venture, called Toray BlueStar Membrane Co., Ltd. (TBMC), in Beijing to manufacture RO membranes and elements. The establishment of TBMC as the first foreign-owned company in this field has created a reliable supply structure for these products in China. By combining its advanced water treatment technology with the powerful sales network of the China National BlueStar Group, Toray aims to accelerate the expansion of its water treatment membrane business in China.

● Romembra® (Reverse Osmosis Membrane Elements)

“ These reverse osmosis membrane elements were developed using Toray’s advanced polymer technology. Toray offers an extensive line-up of products for purposes ranging from the desalination of seawater and brackish water to the production of ultrapure water, wastewater treatment and recycling, the recovery of valuable materials, and the concentration of food products. ”

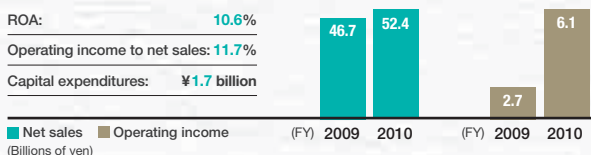


INTENSIVELY DEVELOPING AND EXPANDING BUSINESS

LIFE SCIENCE

Fiscal				(Billions of yen)
	2009	2010	Changes	2011 Forecast
Net sales	46.7	52.4	+12.4%	55
Operating income	2.7	6.1	+124.3%	6

Fiscal 2011 forecasts announced on Aug. 4, 2010.
Segment components have been changed based on a management approach from Fiscal 2010.



Summary of Consolidated Financial Results for Fiscal 2010 (Ended March 31, 2011)

Net sales in the Life Science segment increased by 12.4% year on year to ¥52.4 billion, and operating income jumped 124.3% to ¥6.1 billion.

In the area of pharmaceuticals, Toray expanded sales of its natural-type interferon beta preparation, Feron™, which is used in conjunction with ribavirin to treat chronic hepatitis C, after receiving approval in October 2009 to add a new indication in Japan. We also recorded strong shipments of REMITCH*, an oral antipruritus drug for hemodialysis patients.

In the area of medical products, there were pleasing trends in shipments of Toraymyxin®, a hemoperfusion absorption column for the removal of endotoxins, and dialysis equipment.

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

Outlook for Fiscal 2011

We expect the market for pharmaceuticals and medical products generally to remain on an expansionary trend. However, we are also aware of continuing challenges, including escalating competition resulting from the increasing use of generic drugs.

Our strategy for pharmaceuticals in this business environment will focus on expanding sales of REMITCH, which we began selling in March 2009. In the area of medical products, we will work to increase sales of dialyzers. Our results for the Life Science segment for fiscal 2011 will be affected by increased development expenditure, and we are predicting net sales of ¥55 billion and operating income of ¥6 billion.



Topic

Full-scale Launch of a New Polysulfone Hollow-fiber Membrane Dialyzer, TORAYLIGHT™ NV

In April 2011, Toray Medical Co., Ltd. commenced full-scale marketing of TORAYLIGHT™ NV, a polysulfone hollow-fiber membrane dialyzer. Developed by Toray, this nanotechnology-based product is significantly more effective than earlier Toray products in limiting platelet adhesion, which affects antithrombotic performance.

Dialysis systems remove waste through products and excess water from the blood, which is passed through hollow-fiber membranes while circulating outside of the body. From a biocompatibility perspective, one of the challenges with earlier artificial dialysis systems was the need to prevent biological defense reactions from causing platelet and protein adhesion when the blood is in contact with the hollow-fiber membranes.

With TORAYLIGHT™ NV, platelet adhesion has been reduced to less than one-hundredth of the level that occurred with earlier Toray products. The result is excellent antithrombotic performance. By dramatically reducing platelet adhesion, TORAYLIGHT™ NV maintains high dialysis performance throughout the procedure. It is also compatible with Toray's proprietary gamma ray cross-linked polymer sterilization technology, which minimizes elution.

Following the full-scale launch of TORAYLIGHT™ NV, we aim to expand our dialysis business through the continuing development of biocompatibility technology, including the use of polysulfone membranes to further improve the dynamics of external blood circulation.



● 3D-Gene® DNA Chip

“ Toray has surpassed the conventional flat glass substrate by developing a high-sensitivity DNA chip on a bumpy plastic substrate. This design uses 100th the amount of tissue previously required for accurate results, reducing the burden on patients by making it possible to obtain tissue without surgery, during gastroscopic or other examination procedures. ”

Chemistry

that Opens Up New Possibilities

“Green Innovation is Toray Group’s response to today’s increasingly serious global problems regarding the environment and resource and energy issues. Our strength in these areas rests on our strong commitment to pioneering R&D.

Over a three-year period starting in fiscal 2011 (ending March 31, 2012), Toray Group will dramatically strengthen its R&D activities by concentrating 50% of its R&D expenses into fields relating to Green Innovation. The specific target areas are improvements in highly efficient energy use, new energy, bio-based polymers and water treatment.”

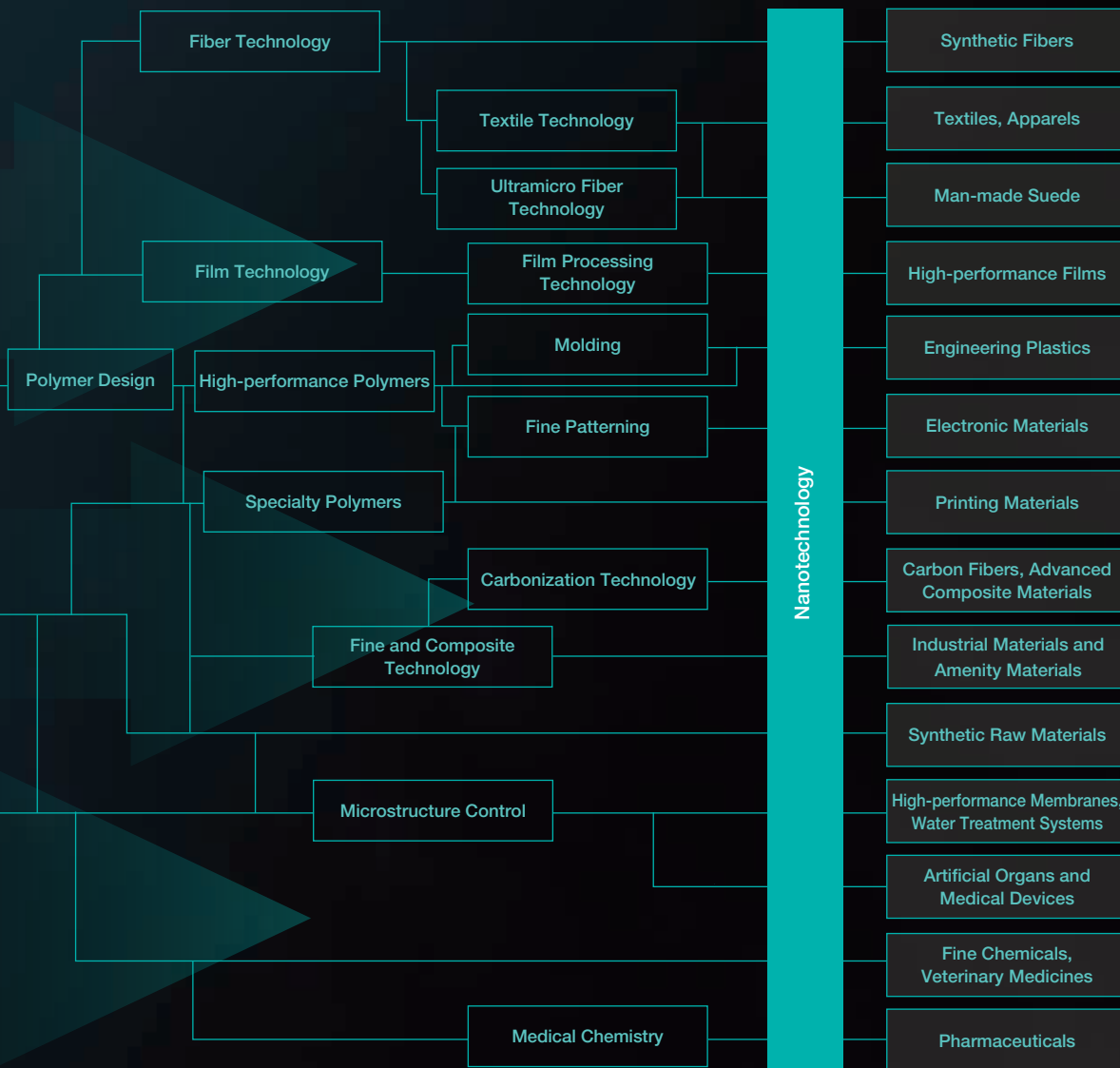
Core
Technologies

Polymer Chemistry

Organic Synthetic
Chemistry

Biochemistry





■ R&D GROWTH TECHNICAL FIELDS

Toray Group's R&D activities grow from our accumulated expertise in organic synthetic chemistry, polymer chemistry, biotechnology and nanotechnology. We will continue to create and supply advanced materials in four major growth business fields: The environment, water-related and energy; information, telecommunications and electronics; automobiles and aircraft, and life science.

Main Green Innovation R&D Themes

Outlined below are the target fields for Toray Group's R&D activities. In fiscal 2010, R&D expenses amounted to ¥46.6 billion.

* Figure in parentheses indicates percentages of total R&D expenses in fiscal 2010.



Strengthening our Environmental and Energy-related Technologies

Through our R&D activities, we are helping to build a sustainable, recycling-based society by using life cycle management (LCM) to find solutions for environmental problems. One example of this approach is the development of a new environmental analysis tool, the Toray Eco-Efficiency (T-E2A) software, which is also being used in our R&D.

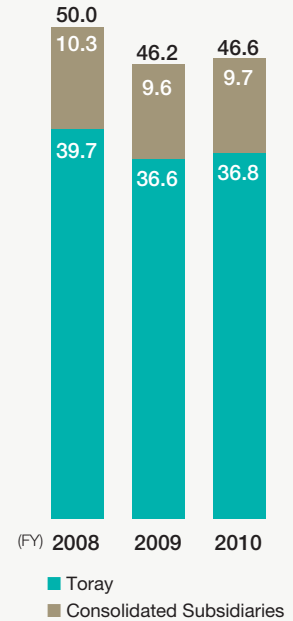
We have established the Environment & Energy (E&E) Center as an integrated technology development base for the environmental and energy fields, and the facility will be used as a center for group-wide collaboration on related technologies. This strategic convergence of environment- and energy-related R&D functions across the entire Toray Group will bring together our total group resources, dramatically enhancing our technology development capabilities.

Intellectual Property Strategy

The organic linkage of the intellectual property strategy with our business and R&D strategies is absolutely vital. Our main focus is to implement an intellectual property strategy based on this three-way strategic integration and linked to our management policy.

In fiscal 2010, Toray Group filed 1,319 patent applications in Japan and 2,047 in other countries. A total of 667 patents were registered in Japan and 521 in other countries.

R&D Expenses
(Billions of yen)



Development of Innovative CFRP Molding Method

Toray has developed the world's first molding system capable of molding carbon fiber composite materials into the complex shapes required for automotive chassis and other parts while achieving 90% of optimal strength.

Carbon fiber has reinforced structures created by randomly arranging individual carbon fibers, each a few millimeters in length and impregnating them with special thermoplastic resins. With the new system, these materials can be rapidly molded to create complex shapes, such as ribs, bumps and drawings, which are not practical to make with conventional prepreg or metal press techniques. In addition to automobile applications, this technology has potential use in a wide range of industries. Since a car body made entirely from carbon fiber is about 60% lighter than a steel body, energy use and other environmental loads could be reduced substantially.

Toray is also developing another new material: cut fiber composite. It is hoped that this product will be ready for use by 2013.

Science

Resolving environmental problems and creating a sustainable, recycling-based society requires long-term effort. Toray Group is working with the Science Camp program to foster the scientists of the future by passing on Toray's science and technology expertise, and our passion for chemistry, to future generations.



The Science Camp program, which is sponsored by the Japan Science and Technology Agency, was established to give high school students throughout Japan opportunities to experience science and technology. Participants observe advanced research activities at universities and government and corporate research institutes. They also receive direct instruction from scientists and engineers engaged in leading-edge R&D projects. Toray became the first business corporation to join the program in 2003 and has

accepted high school students every year since then.

Dr. Masahiro Henmi, General Manager of the Global Environment Research Laboratories, attributes the diminishing popularity of science to the loss of opportunities to experience science directly. "Science and chemistry no longer seem relevant to day-to-day life. So we want high school students to become more interested by experiencing science and technology first-hand, and those who already are interested to develop that interest further and possibly continue studying at university."

The fiscal 2010 program was held at the Global Environment Research Laboratories and the Toray



Camp



Research Center, which are used for R&D projects relating to the use of polymeric separation membranes to solve water shortages and water contamination in many parts of the world. Participants learned about the principles of separation membranes and carried out experiments in which they actually produced microfiltration (MF) membranes.

Under instructor guidance, the students made fabric MF membranes with large numbers of tiny holes measuring 0.01–1 micron by turning a polymer solution into a thin film, and then removing it using a solvent. They then selected their best MF membranes and tested their filtration speed and effectiveness in trapping contaminants.

Three first-year and three second-year high school students participated in the program. One said that he took part as he wanted to experience leading-edge technology outside of the narrow confines of a school, while another wanted to exchange views with other high school students with similar interests. This initiative gave the students excellent opportunities to make new friends beyond the confines of their own schools. Toray will continue to support the Science Camp program as a way of helping students to share aspirations and foster their love of science through friendly competition, in the hope that they will eventually become the scientists of the future.



Student photos on left courtesy of the Japan Science and Technology Agency.

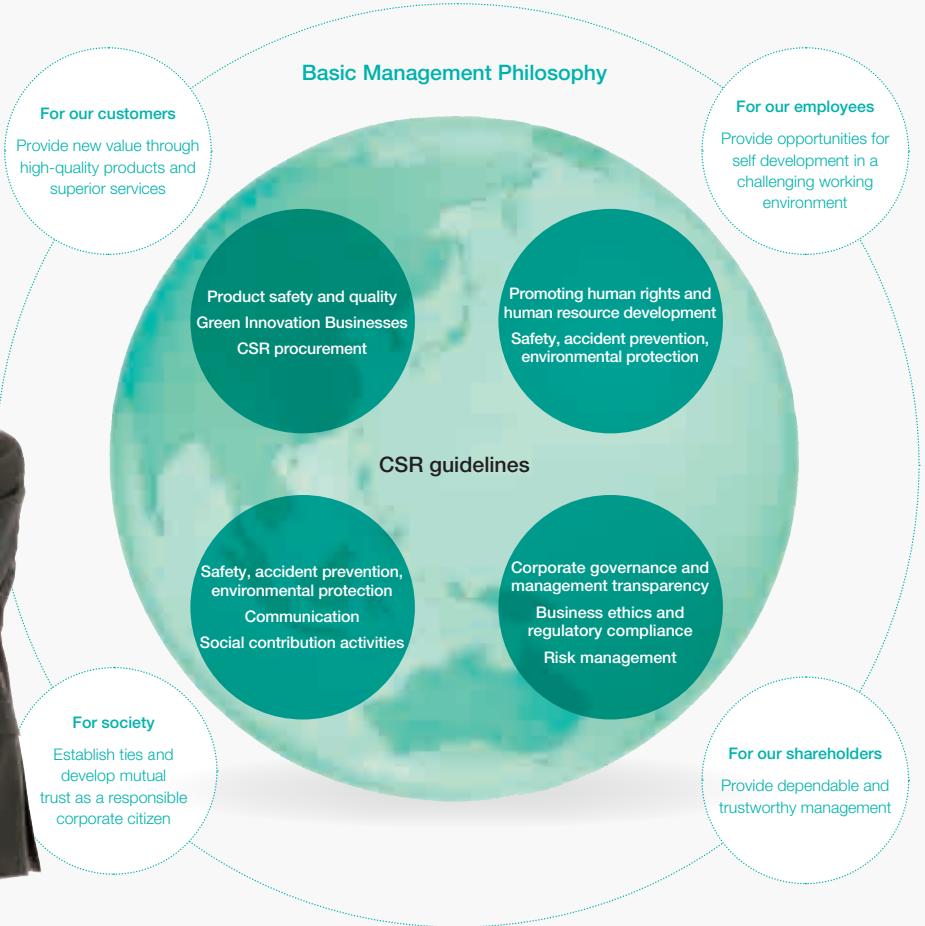
Chemistry that Connects

People and People, and People and

“Toray, which marked the 85th anniversary of its founding in April 2011, continues to follow a sustainable growth path. The corporate philosophy of Toray Group is expressed in the words “Contributing to society through the creation of new value with innovative ideas, technologies and products.” We believe that we have a responsibility to fulfill this commitment through innovation.”



the Earth



■ **LIFE CYCLE MANAGEMENT (LCM) INITIATIVES**

Toray Group's R&D activities grow from our accumulated expertise in organic synthetic chemistry, polymer chemistry, biotechnology and nanotechnology. We will continue to create and supply advanced materials in four major growth business fields: The environment, water-related and energy; information, telecommunications and electronics; automobiles and aircraft, and life science.

CSR Initiatives

In accordance with its founding vision, Toray Group has throughout its history sought to contribute to society through wide-ranging CSR initiatives.

CSR Guidelines Express Our Determination to Realize Our Corporate Philosophy

Toray's corporate philosophy is "Contributing to society through the creation of new value with innovative ideas, technologies and products." We are putting this into effect through an organizational approach to CSR based on our own CSR guidelines. These guidelines identify our environmental efforts as well as key priorities based on social perspectives, thereby providing a comprehensive framework of priorities for the entire Toray Group.

Medium-term Management Program and CSR Activities

We formulate CSR road maps to support continuous PDCA cycle implementation and ensure that overall plans for CSR initiatives are shared throughout Toray Group. In fiscal 2010, the final year of the third road map, we increased our emphasis on group-wide risk management, improved CSR education for Group companies in Japan, and reviewed activities based on the ISO 26000 standard.

The fourth road map, launched fiscal 2011, aims for more convergence between CSR and management strategies. We will expand the frameworks that were limited to CSR efforts in the past, so that we can better encompass each item of the CSR guidelines and set targets more aligned with the medium-term management program. We have also set key performance indicators (KPIs) for all targets so that we can monitor progress and evaluate results.

Green Innovation Businesses

Companies have a responsibility to help resolve social problems, including global warming, water shortages and desertification. Expanding Green Innovation Businesses is the top priority under the AP-G 2013 medium-term management program, and we have launched a project for this purpose, called the "Green Innovation Business Expansion Project."

Specifically, we have positioned the carbon fiber composite material business as a core business, and will work to dramatically increase the use of these materials in aircraft, automobiles, windmill blades and other applications. Business development will focus on technologies and businesses based on new materials capable of resolving environmental problems, including lithium-ion battery electrode materials, fuel cell electrolyte membranes, and solar cell encapsulants.

The expansion of Green Innovation Businesses will increase our contribution to the reduction of CO₂ emissions to 200 million tons by around 2020, and allow Toray Group to achieve sustainable income growth while contributing to social development and environmental preservation.



Green

CSR Procurement and Purchasing

Besides its Basic Purchasing Policies for the management of sources, including raw materials and manufacturing facilities, Toray also promotes CSR procurement at all value chain stages under our CSR Procurement Guidelines. Specifically, we conduct questionnaire surveys of 406 major suppliers and production and sales contractors, and provide feedback after analyzing the results. We also visit some suppliers directly to monitor their CSR efforts.

In fiscal 2010, we established a PDCA cycle to improve our partnership support in this area, including regularly monitoring our suppliers' progress on CSR initiatives. We also conducted CSR procurement surveys of major suppliers to 18 Group companies in Japan.

Equal Opportunities and Fair Assessment for Employees

Toray Group is promoting diversity as part of its efforts to create energetic workplaces where people from various backgrounds can achieve their full potential. Outlined below are examples of initiatives by Toray Industries.

We began to promote women to management positions in 1958 and introduced a childcare leave scheme in 1974, approximately 20 years before such systems were mandated by law. Measures such as these illustrate our commitment to the advancement of female workers and the creation of good working environments for them. These efforts have increased both the absolute number and percentage of female employees appointed to manager level, and by April 2011 women made up 6.77% of our management ranks.

We regard creating employment opportunities for people with disabilities as part of our social responsibilities. In addition to meeting the statutory ratio of 1.8%, we are also committed to creating good working environments for them, including through barrier-free access and efforts to raise awareness of their special needs among all employees. In particular, we strive to reflect the views and wishes of people with disabilities in relation to the improvement of working environments, as well as education and training for job assignments.

Innovation



Environmental Management Initiatives

As a materials manufacturer, Toray Group is guided by a long-term perspective in its efforts to harmonize its production activities with the environment, and in its commitment to environmental management based on the development and commercialization of environmentally friendly products.

LCM-based Environmental Management

We are committed to making the environment the core focus for all of the Group's business activities. Our goal is to provide solutions for global environmental issues confronting contemporary society, including climate change, resource depletion, waste reduction and recycling.

Our approach is based on the life cycle management (LCM) concept. We comprehensively assess environmental loads and economic performance using the T-E2A system, which allows us to analyze and monitor environmental load balances and costs. The information gained from this system is fed back into decisions on business and management strategies. In line with our expansion of environment-related businesses under the LCM approach, we have started to engage with society extensively in global markets with the aim of working with all of industry and society to reduce CO₂ emissions.

Building a Low-carbon Society by Adjusting Production, Logistics and Sales

Global Warming Mitigation

Group initiatives in relation to global warming include setting greenhouse gas (GHG) reduction targets under the Third Three-Year Environmental Plan. We are working systematically to cut GHG emissions by reducing energy consumption through process improvements and by converting from heavy fuel oil to city gas. By fiscal 2010, Toray had cut its emissions by 16% from the fiscal 1990 level, while Toray Group in Japan had achieved an 8% reduction.

Preventing Air and Water Contamination

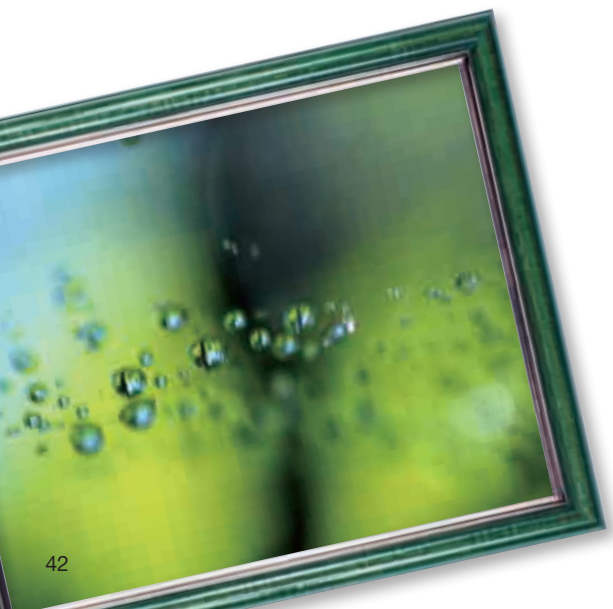
As part of its environmental preservation efforts at the production stage, Toray Group is continually working to prevent air and water contamination. We are reducing SO_x emissions by installing desulfurization systems and changing fuels at our facilities, including overseas plants, and also lowering COD levels by augmenting wastewater treatment facilities.

Waste Reduction

Toray Group is helping to create a sustainable, recycling-based society by striving for zero emissions. Under the Third Three-year Environmental Plan, we are working to achieve our targets for related indicators, including simple disposal ratios, landfill disposal ratios and recycling ratios.

Biodiversity Conservation Initiatives

Toray Group ranks biodiversity conservation alongside the reduction of greenhouse gas emissions as one of its important global environmental themes. On December 10, 2010 we adopted the Toray Group Biodiversity Basic Policy, which defines our basic policy and guiding principle in this area. This policy framework will guide our initiatives relating to the conservation and sustainable use of biodiversity.



Social Contributions

Toray Group's contributions to the enrichment of society include support for science, technology, arts, culture, sports and other activities, for community development, and for the education and nurture of the citizens of tomorrow.

Promotion of Science and Technology

The Toray Science Foundation was founded in 1960 and played a pioneering role in the funding and promotion of basic research in the fields of science and technology in the private sector, and awards scientists for distinguished achievements with the Toray Science and Technology Prize. With a list of past recipients that includes two Nobel laureates, the Foundation, which recently marked its 50th anniversary, continues to enjoy considerable respect.

Support for Culture and Sports

Sports Promotion

Activities include volleyball coaching sessions by the Toray Arrows, and judo and kendo coaching by employees in various parts of Japan.

Promotion of Science Education

Interest in science has tended to wane in recent years. Toray is helping to reverse this trend and contribute to the education of young people by sending its employees to hold special classes in elementary and junior high schools. These classes are designed to introduce children to the fun of scientific experimentation and teach them about technologies that could help to solve global environmental problems. In fiscal 2010, staff visited schools to present a scientific program on water filtration and the global environment, as well as an environmental program about the role played by Toray in the efforts of Japanese companies to prevent global warming.

Disaster Relief

Toray supported fund-raising efforts and provided donations to assist victims of various disasters including a volcanic eruption on the Indonesian island of Java in November 2010, and a tsunami in Western Sumatra. Assistance provided by Toray after the Great East Japan Earthquake of March 2011 includes donations of cash and relief goods, the recruitment and dispatch of volunteers, and the provision of compact desalination systems for use in the disaster area. We will continue to support relief efforts like these, in Japan and other parts of the world.

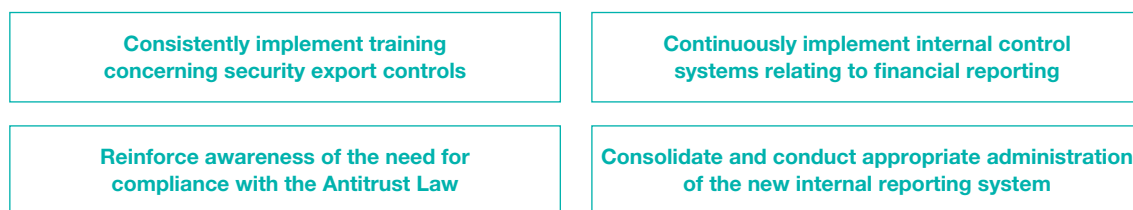


Corporate Ethics and Legal Compliance

Corporate ethics and legal compliance are extremely important management priorities for Toray Group. Our entire organization is continually working under clearly defined policies and the proactive leadership of senior management to earn the confidence of society by maintaining high ethical standards and ensuring compliance.

Promotion Organization and Initiatives in Fiscal 2010

Toray has established a Corporate Ethics Committee under the chairmanship of the President as a framework for cooperative initiatives by labor and management. This committee deliberates on all policies pertaining to corporate ethics. The Company-wide Legal Compliance Committee works under the auspices of the Corporate Ethics Committee to promote independent activities, and is specifically tasked with advancing initiatives relating to company-wide priorities. The committee's administration is based on close communication between committee members, who are mainly middle management level from each business line, and senior management. Our company-wide priorities in fiscal 2010 were to:



Toray and its Group companies in Japan and overseas have established CSR/Legal Compliance Committees to implement initiatives based on participation by individual employees in their workplaces. All executives and employees, including contract, part-time and temporary employees, receive copies of the Corporate Ethics and Legal Compliance Handbook, which is used to raise awareness of the importance of ethics and compliance. Content includes detailed standards of conduct for Toray work sites, and information about matters requiring particular care. The third edition of the handbook, published in April 2010, has been updated and expanded to reflect changes to laws and regulations, including the Antitrust Law, and to Toray's internal reporting system.

Domestic and overseas Group companies that have established CSR/Legal Compliance Committees also compile codes of conduct, guidelines, handbooks and other information, and work to ensure consistent implementation.

Framework for Promoting Corporate Ethics and Legal Compliance in Toray



Corporate Governance

Toray Group's basic policy on corporate governance, one of our most important managerial principles, is incorporated into our Corporate Mission, which specifically requires us to "provide our shareholders with dependable and trustworthy management," as well as in our Corporate Guiding Principles, which require us to "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."

Outline of Corporate Governance Structure and Reasons for Adoption

Our Board of Directors consists of 28 members. No outside directors are appointed. As a manufacturer of basic materials, Toray is involved in a wide range of business fields based on our core technologies, including organic synthetic chemistry, polymer chemistry, biotechnology and nanotechnology. We therefore believe that we can best fulfill our management responsibilities to stockholders when decisions by the Board of Directors and execution of duties is undertaken by members of the Board who are well-versed in our business activities.

Toray operates under a corporate auditor system. Our four-member Board of Corporate Auditors includes two outside corporate auditors. To ensure management transparency, as well as objectivity and neutrality in management oversight, the Board of Corporate Auditors is totally independent from the Board of Directors. The outside corporate auditors have no business dealings or other interests with Toray and are able to audit the execution of duties by members of the Board from a position of independence.

Basic Policy on Internal Control Systems and Their Development

"Contributing to society through the creation of new value with innovative ideas, technologies and products"—this philosophy underlies our corporate mission, basic management policies and behavior guidelines, and all Toray Group executives and employees are dedicated to realizing it through the formulation of appropriate organizational structures and rules, information sharing, and the maintenance of effective internal control systems. We are continually reviewing and improving these systems to ensure that business operations are conducted efficiently and in full compliance with laws and regulations. The specific systems are as below:

- 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
- System to ensure the efficient execution of duties by members of the Board
- System for preserving and managing information pertaining to the execution of duties by the members of the Board
- Rules and other systems pertaining to controls over risks of loss
- System of reporting to corporate auditors and other systems for ensuring effective implementation of audits by corporate auditors
- Items pertaining to employees assisting with corporate auditors' duties and items pertaining to the independence of said employees
- System for ensuring appropriate business operations by Toray Group

Auditing by Corporate Auditors, Internal Audits

The corporate auditors, including the outside corporate auditors, possess considerable expertise of financial matters and accounting. They thoroughly monitor the execution of duties by members of the Board by attending important corporate meetings, including meetings of the Board of Directors, and meeting with all members of the Board, divisional and departmental general managers, and by conducting on-site audits of Toray offices and plants worldwide, including subsidiaries and affiliated companies.

The corporate auditors also work closely with internal control organizations. For example, they attend as observers at meetings of the Corporate Ethics Committee, which was established to promote corporate ethics and regulatory compliance as key elements of corporate social responsibility, and the Company-wide Legal Compliance Committee.

One of the units established to administer internal control systems is the Auditing Department, which reports directly to the President. This organization conducts internal audits of Toray Industries, Inc. and its affiliated companies. It shares information by submitting internal audit reports to the corporate auditors as well as to the President.

Remuneration

1. Details of Remuneration

Position	Total remuneration (millions of yen)	Total remuneration (millions of yen) by type			Recipients
		Basic	Bonuses	Provision for the allowance for retirement benefits in the current year	
Members of the Board	1,533	848	142	543	30
Corporate auditors (excluding outside corporate auditors)	85	52	6	27	2
Outside corporate auditors	26	24	2	—	2

Notes: 1. Recipients included two directors who retired during fiscal 2010.

2. Total amounts of remuneration do not include ¥99 million paid in salaries to employee-directors.

2. Total Remuneration Received by Members of the Board and Corporate Auditors

Name	Total consolidated remuneration (millions of yen)	Position	Status of company	Amount by type of remuneration (millions of yen)	Basic	Provision for the allowance for retirement benefits in the current year
Sadayuki Sakakibara	123	Member of the Board	Filing company	81	15	27
Akihiro Nikkaku	110	Member of the Board	Filing company	55	13	42

Note: Information about consolidated remuneration is shown only for persons receiving more than ¥100 million.

3. Policy on Remuneration for Members of the Board and Corporate Auditors

Remuneration for members of the Board and corporate auditors consists of monthly remuneration, a bonus and stock acquisition rights in the form of stock options. The purpose of this structure is to ensure management transparency and fairness, and to provide enhanced incentives for the improvement of financial performance and corporate value in the short-, medium- and long-term perspectives. Remuneration for corporate auditors consists of monthly remuneration and a bonus.

The maximum total amount of monthly remuneration is determined by resolution at the Ordinary General Meeting of Stockholders. Resolutions are passed as required to determine whether or not bonuses should be paid and the amount of such bonuses.

Retirement benefits for members of the Board and corporate auditors are determined according to the amount of monthly remuneration paid during the period of service. Contributions during the period of service are also taken into account. At the Ordinary General Meeting of Stockholders on June 24, 2011, a resolution was passed providing for the abolition of retirement benefits for members of the Board and corporate auditors, and for the introduction of stock options as a form of remuneration for members of the Board. The purpose of this change is to ensure that directors share the benefits and risks of stock price fluctuations with stockholders, and to provide an increased incentive for members of the Board to contribute to improvements in the stock price and financial performance.

Risk Management

For Toray Group, risk management is the root of business management. We are constantly working to identify and minimize potential risks in our business activities and prevent problems arising from those risks. Under our Crisis Management Regulations, we have developed group-wide emergency response systems designed to prevent escalation and enable the resumption of normal activities as early as possible in the event of a major crisis.

Promotion of Group-wide Risk Management

Toray Group assesses risks with the potential to affect its business activities and implements countermeasures from a group-wide perspective. In fiscal 2010, Toray Industries, Inc. conducted a brief survey for the purpose of identifying new risks. Group companies in Japan and overseas selected risks requiring particular care in their respective regions and sectors and took steps to minimize specific risks. A working group was established to implement measures relating to priority risks relating to (1) information leaks, (2) supply chains and (3) new influenza strains.

Crisis Management System

Toray's Crisis Management Regulations set out basic principles for a group-wide response to serious risks affecting Toray Group. The purpose of the regulations is to ensure a consistent and comprehensive response in a crisis situation.

After the Great East Japan Earthquake of March 11, 2011, we immediately established a Company-wide Emergency Headquarters as a framework for prompt, appropriate actions in response to the disaster under the Crisis Management Regulations. These actions minimized the impact of the disaster on Toray Group.

Promotion of Business Continuity Plan (BCP)

We have always regarded major earthquakes as a significant risk factor. Activities under our Major Earthquake Business Continuity Plan include drills concerning the confirmation of personnel safety, and the development and administration of systems for confirming earthquake damage, including its effect on the supply chain. Immediately after the Great East Japan Earthquake, which occurred at 2:46 p.m. on March 11, 2011, we began to confirm the safety of personnel and check for damage at Toray offices and plants, including group companies and suppliers. By 7:39 p.m. the process was completed and reports had been submitted to top management. On March 14, the President ordered the establishment of an emergency headquarters under the Crisis Management Regulations. The President himself was present at all meetings of the headquarters up to and including the ninth meeting on June 21.

We will continue to identify aspects of our earthquake countermeasures and BCP that require group-level improvement from the perspectives of individual segments and each office and plant, and to assess countermeasures.

Board of Directors and Corporate Auditors

(As of June 24, 2011)



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



President, CEO, COO and Representative Member of the Board
Akihiro Nikkaku



Executive Vice President, CTO and Representative Member of the Board
Chiaki Tanaka

In charge of Technology Center; in charge of Automotive Material Strategic Planning Department.



Executive Vice President and Representative Member of the Board
Shinichi Koizumi

In charge of International Operations; in charge of Marketing and Sales; in charge of Torayca & Advanced Composites Division, International Division, Corporate Marketing Planning Department, and branches



Executive Vice President and Representative Member of the Board
Junichi Fujikawa

In charge of Electronic & Information Materials Division, General Administration & Legal Division (General Manager, Security Trade Administration Department); General Manager, Corporate Strategic Planning Division and IT Business SBU



Executive Vice President and Representative Member of the Board
Eizo Tanaka

In charge of Affiliated Companies Division; General Manager, Fibers & Textiles Division and Osaka Head Office

Senior Vice Presidents
(Members of the Board & Members of the Executive Committee)

Norihiko Saitou
Kazuhiro Maruyama
Toshiyuki Asakura
Nobuo Suzui
Koichi Abe

Senior Vice Presidents
(Members of the Board)

Kazushi Hashimoto
Kiyoshi Fukuchi
Akira Uchida
Moriyuki Onishi
Shinichi Okuda
Ryo Murayama
Susumu Yamaguchi
Shogo Masuda

Vice Presidents
(Members of the Board)

Akira Umeda
Yukichi Deguchi
Kojiro Maeda
Kazuo Morimoto
Hisae Sasaki
Osamu Inoue
Hiroshi Murakami
Hiroshi Otani
Minoru Yoshinaga

Corporate Auditors

Kazuo Sonoya (Full-time)
Hiroshi Otani (Full-time)
Mitsuaki Yahagi
Makoto Matsuo

Organization

(As of July 1, 2011)

Board of Directors

Chairman of the Board & President

Executive Committee &
Board of Senior Vice Presidents

Board of Corporate Auditors

Corporate Auditors

Corporate Strategic Planning Division

General Administration & Legal Division

Personnel & Industrial Relations Division

Finance & Controller's Division

Investor Relations Dept.

Corporate Communications Dept.

Auditing Dept.

Intellectual Property Division

Information Systems Division

Purchasing & Logistics Division

International Division

Advertising Dept.

Corporate Marketing Planning Dept.

Automotive Material Strategic Planning Dept.

Global Environment Business Strategic Planning Dept.

Affiliated Companies Division

Fibers & Textiles Division

Resins & Chemicals Division

Films Division

Torayca & Advanced Composites Division

Electronic & Information Materials Division

Pharmaceuticals & Medical Products Division

Water Treatment & Environment Division

Product Safety & Quality Assurance Planning Dept.

Regulatory Compliance Division

Technology Center

Manufacturing Division

Engineering Division

Research & Development Division

Toray Group Worldwide Network

(Major consolidated subsidiaries and affiliates)
(As of March 31, 2011)

Consolidated Subsidiaries	Japan	59
	Overseas	79
	Total	138
Subsidiaries Accounted for by Equity Method	Japan	27
	Overseas	24
	Total	51
Total Subsidiaries	Japan	86
	Overseas	103
	Total	189
Affiliates Accounted for by Equity Method	Japan	14
	Overseas	23
	Total	37
Companies Subject to Consolidation	Japan	100
	Overseas	126
	Total	226

(As of March 31, 2011)

EUROPE

United Kingdom

Consolidated Subsidiaries

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

France

Consolidated Subsidiaries

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

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 (Zhongshan) Ltd.
- Toray Film Products (Hong Kong) 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. (TIIP)

Malaysia

Consolidated Subsidiaries

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

Subsidiary Accounted for by Equity Method

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

Affiliate Accounted for by Equity Method

- Toray BASF PBT Resin Sdn. Berhad (TBPR)

Singapore

Consolidated Subsidiary

- Toray International Singapore Pte. Ltd. (TISP)

Japan

Consolidated Subsidiaries

- Ichimura Sangyo, Co., Ltd.
- Toray Fine Chemicals Co., Ltd.
- Toyo Plastic Seiko Co., Ltd.
- Toray Advanced Film Co., Ltd.
- Toray KP Films Inc.
- Soda Aromatic Co., Ltd.
- Toray Engineering Co., Ltd.
- Toray Construction Co., Ltd.
- Suido Kiko Kaisha, Ltd.
- Toray Medical Co., Ltd.
- Toray Research Center Inc.
- Toray International, Inc.
- Chori Co., Ltd.
- Others

Subsidiaries Accounted for by Equity Method

- Toyo Business Support 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.
- Others

Indonesia

Consolidated Subsidiaries

- P.T. Acryl Textile Mills (ACTEM)
- P.T. Century Textile Industry Tbk (CENTEX)
- P.T. Eastertex (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

Major Offices in Japan

2nd Head Office Building

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

Osaka Head Office

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

Overseas Offices and Branches

New York

Toray Industries (America) Inc. (TAM)

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

London

Toray Industries, Inc., Europe Office (TEU)

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

Beijing

Toray Industries, Inc., Beijing Office

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

Seoul

Toray Industries, Inc., Seoul Office

10th Floor, LG Mapo Bldg., 275,
Gongdeok2-dong, Mapo-gu, Seoul,
121-721 Korea
Telephone: 82 (2) 707-0381—2
Facsimile: 82 (2) 707-0067

- Regional Supervisory Organization
- Fibers & Textiles
- Plastics & Chemicals
- IT-related Products
- Carbon Fiber Composite Materials
- Environment & Engineering
- Life Science & Other Businesses
- Trading

Financial SECTION



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MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

During the fiscal year ended March 31, 2011 (FY Mar/11), even as developed countries continued to face severe conditions such as high unemployment rate, the global economy on the whole continued to expand, sustained by high-rate growths in emerging countries, primarily in Asia, as well as the impact of the economic stimulus measures implemented by governments of various developed countries. After experiencing a gradual export-led recovery, the Japanese economy came to a standstill in the fall of 2010, as the impact of economic measures including the eco-car subsidies began to wear off and the yen rallied further against the U.S. dollar. There are concerns now that the economy, which appeared to have returned to a recovery track in early 2011, would suffer to a significant extent from the Great East Japan Earthquake that occurred on March 11.

Under such business environment, Toray Group under the medium-term management program "Project IT-II (Innovation TORAY II)" launched in April 2009 worked on measures to maximize earnings by comprehensively ensuring sales through every possible effort and strengthening cost competitiveness. Furthermore, the Group focused its efforts to transfer cost increases on to selling prices with customers' understanding to cope with steep rises in raw materials and fuel prices around the world.

As a result of these efforts, Toray Group posted a year-on-year increase in both revenues and earnings.

In April this year, Toray Industries, Inc. (the "Company") received a notice of correction in terms of transfer pricing taxation

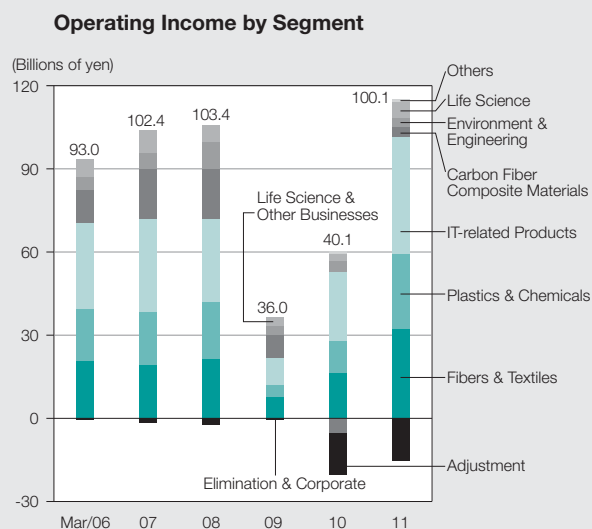
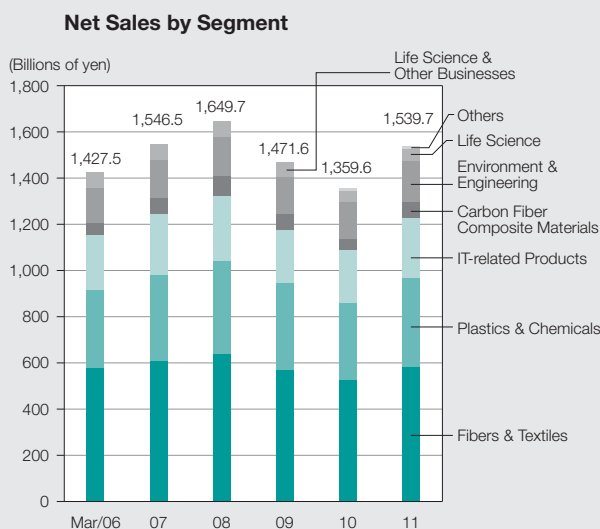
from the Tokyo Regional Taxation Bureau as it had expected. Based on this notice, however, the amount of the corporate taxes was less than the estimated amount of reserve the Company had set aside in the previous year and therefore it has posted the excess amount as reversal of corporate income taxes for prior years in its financial statements for the fiscal year under review.

Toray Group recorded loss on disaster of ¥1.9 billion to account for damages on some of its business bases caused by the Great East Japan Earthquake. As far as Toray Group was concerned, however, property damage from the Great East Japan Earthquake was limited and there were no human casualties. While some of its production activities were affected by the earthquake and subsequent blackouts, recovery has been progressing steadily. In terms of procurement of raw materials, Toray Group has been implementing measures such as switching to alternative materials and reviewing of products being manufactured at the various domestic and overseas plants. It has also started taking initiatives to address the anticipated power shortage issues, including power-saving measures and the use of in-house power generators.

INCOME ANALYSIS

Net Sales

Consolidated net sales in FY Mar/11 amounted to ¥1,539.7 billion, up ¥180.1 billion, or 13.2%, from the previous fiscal year. Sales increased in Fibers and Textiles, Plastics and Chemicals, IT-related Products segment and so on.



*1 Effective from the year ended March 31, 2011, "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17 of March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20 of March 21, 2008) are applied. Accordingly, segment information for the year ended March 31, 2010 is restated.

*2 Operating income by segment that is not attributable to any segment is included in "Elimination & Corporate" for the fiscal years ended March 31, 2006, 2007, 2008, and 2009, respectively, and included in "Adjustment" for the fiscal years ended March 31, 2010 and 2011, respectively.

Sales by Segment

Fibers and Textiles

Total sales in this segment rose ¥58.9 billion, or 11.2%, to ¥584.1 billion.

In Japan, demand for industrial-use materials led by airbags and other automotive applications as well as general applications grew strongly, while sales volume expanded in apparel applications including garments, primarily to major specialty store retailers of private label apparel. Overseas, the polypropylene spunbond business for diapers in the Republic of Korea and China expanded, the yarn and textile business for airbag applications in Thailand and Czech Republic, the fiber and textile business in China and the polyester fiber business in the Republic of Korea and ASEAN countries also performed strongly.

Plastics and Chemicals

Total segment sales increased ¥49.6 billion, or 14.9%, to ¥382.3 billion.

Despite the impact of slow automobile sales in Japan since fall reflecting the discontinuation of the eco-car subsidies, recovery in demand continued in the resin business on the back of strong growth throughout the year in automobile production for emerging countries, and increase in domestic sales in home electric appliances due to the eco-point system. In the film business, sales expanded both in Japan and overseas in the industrial materials field in general led by solar cell and packaging applications.

IT-related Products

Total segment sales rose ¥31.6 billion, or 13.7%, to ¥262.0 billion.

Sales of films, processed film products used in flat panel displays and liquid crystal-related materials expanded, reflecting growing demand on the whole for TV and other large displays despite some adjustments in demand for this application since fall, and the continued robust expansion in demand for small and mid-sized displays such as for smart-phones. Sales volume of semiconductor-related materials and plasma display-related materials also increased.

Carbon Fiber Composite Materials

Total sales in this segment increased ¥16.3 billion, or 32.2%, to ¥67.0 billion.

Toray Group expended its market share in the business on the back of sustained recovery in demand in aircraft and space, sports, and general industrial applications, and sales and production volumes of Torayca® and Torayca® prepreg (carbon fiber sheets impregnated with epoxy resin) increased. Sales of carbon fiber molded products (composites) also expanded primarily in the IT field such as for PC chassis. At the same time, the Group improved the selling price amid steep rises in raw materials and fuel prices.

Environment and Engineering

Total sales in this segment rose ¥18.4 billion, or 11.5%, to ¥178.2 billion.

Sales of reverse osmosis membranes in the water treatment business expanded for large-scale overseas projects. Among domestic subsidiaries, while a trading company improved its performance, sales at an engineering subsidiary remained stagnant.

Life Science

Total segment sales increased ¥5.8 billion, or 12.4%, to ¥52.4 billion.

Sales volume of Feron™, a natural-type interferon beta preparation, increased thanks to the approval obtained for an additional indication. That of REMITCH*, an oral antipruritus drug, also continued to increase, as sales of the product went into full swing. Moreover, among medical devices, shipment of Toraymyxin™, a hemoperfusion absorption column for removing endotoxins, and dialysis equipments performed robustly.

Others

Net sales decreased ¥0.5 billion, or 3.7%, to ¥13.6 billion.

Costs and Expenses

The ratio of total costs and expenses to net sales for the year was 93.5%, down 3.6 percentage points from the previous fiscal year.

Consolidated net sales increased 13.2%, and the cost of sales increased 10.2%. As a result, the cost of sales ratio decreased 2.2 percentage points, to 79.8%.

Selling, general and administrative expenses increased ¥6.3 billion, or 3.1%, to ¥210.8 billion. The ratio of selling, general and administrative expenses to net sales decreased 1.4 percentage points, to 13.7%.

R&D expenses increased ¥0.4 billion, or 0.8%, to ¥46.6 billion.

Operating Income and Net Income

Operating income rose ¥60.0 billion, or 149.5%, from the previous fiscal year, to ¥100.1 billion. Operating income to net sales climbed 3.6 percentage points, to 6.5%.

Looking at operating income by segment, operating income increased in all segments except for the Environment and Engineering segment.

Operating income in the Fibers and Textiles segment jumped ¥16.1 billion, or 98.8%, to ¥32.4 billion. Main factors included: a steady increase in sales for industrial-use materials, including automotive applications and general applications, and sales expansion of apparel applications in Japan, as well as steady performance in the polyester fiber business in China, the Republic of Korea and ASEAN countries.

In the Plastics and Chemicals segment, operating income surged ¥15.5 billion, or 134.2%, to ¥27.1 billion, owing to sales expansion by plastic resins subsidiary in Malaysia mainly for home electric appliance applications in emerging countries of Asia and other areas, and brisk sales by overseas films subsidiaries backed by robust demand.

Operating income in the IT-related Products segment grew ¥17.2 billion, or 68.9%, to ¥42.2 billion, owing to sales expansion of film and processed film products for use in flat panel displays and electronic parts, as well as brisk sales by subsidiaries related to film and processed film products in the Republic of Korea.

In the Carbon Fiber Composite Materials segment, operating income improved ¥8.6 billion from the previous fiscal year to ¥3.3 billion. This was due primarily to the expansion of market share through Toray Group's aggressive sales promotion efforts, supported by a continuous recovery in demand for products for aircraft and space, sports and general industrial applications, as well as the adjustment of sales prices to former levels amid rising raw material and fuel prices.

Operating income in the Environment and Engineering segment decreased ¥0.5 billion, or 13.0%, to ¥3.3 billion. This was mainly because the engineering business at a subsidiary in Japan remained sluggish.

In the Life Science Businesses segment, operating income increased ¥3.4 billion, or 124.3%, to ¥6.1 billion. Sales expanded for Feron™. Shipments of REMITCH*, increased steadily. In addition, shipments of medical treatment devices, including Toraymyxin™ and dialysis equipments, also increased steadily.

Operating income of Others increased ¥0.2 billion, or 19.1%, to ¥1.0 billion.

In net other income (expenses), Toray Group reported ¥17.2 billion in expenses, down ¥25.3 billion year on year. Interest and dividend income increased ¥0.3 billion to ¥2.8 billion, while interest expenses fell ¥2.6 billion to ¥6.4 billion. As a result, net financial expenses totaled ¥3.6 billion, an improvement of ¥2.9 billion. Equity in earnings of unconsolidated subsidiaries and affiliated companies amounted to ¥6.3 billion, an improvement of ¥20.8 billion from the previous fiscal year. Restructuring costs increased ¥3.0 billion from the previous fiscal year, to ¥4.4 billion. Loss on impairment of fixed assets declined ¥0.9 billion to ¥2.2 billion. Loss on sales and disposal of property, plant and equipment, net, decreased ¥0.2 billion to ¥3.1 billion.

As a result, Toray Group reported an income before income taxes and minority interests of ¥82.9 billion, an improvement of ¥85.3 billion. After deducting income taxes and minority interests in earnings of consolidated subsidiaries, Toray Group posted a net income of ¥57.9 billion. This was a ¥72.1 billion improvement from the previous fiscal year.

Net income per share was ¥36.41, an improvement of ¥46.52 from the previous fiscal year. The Company declared a year-end cash dividend of ¥5.00 per share, taking into account its earnings performance in FY Mar/11 and the outlook for FY Mar/12. Added to the interim cash dividend, this brought total annual dividends to ¥7.50 per share.

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

FINANCIAL POSITION

Assets

At March 31, 2011, total assets stood at ¥1,567.5 billion, up ¥10.7 billion, or 0.7%, from the end of the previous fiscal year. This was mainly due to the increases in cash and time deposits and trade receivables (the sum of notes receivable and accounts receivable), despite a decrease in property, plant and equipment, net of depreciation.

Current Assets

Current assets increased ¥83.6 billion, or 13.1%, to ¥724.1 billion. Cash and time deposits increased ¥40.9 billion, or 63.6%, to ¥105.3 billion, from the end of the previous fiscal year. Trade receivables increased ¥24.5 billion, or 9.5%, to ¥283.4 billion.

Property, Plant and Equipment

Property, plant and equipment, net of depreciation, declined ¥48.7 billion, or 8.4%, to ¥531.6 billion. Capital expenditures totaled ¥55.4 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 ¥16.6 billion, which included additional polypropylene spunbond production facilities at Toray Polytech (Nantong) Co., Ltd. In the Plastics and Chemicals segment, capital expenditures amounted to ¥15.9 billion, which included a new polypropylene film production facility for Toray Films Europe S.A.S. Capital expenditures in the IT-related Products segment totaled ¥9.2 billion, which included additional polyester film production facilities at Toray Advanced Materials Korea Inc. In the Carbon Fiber Composite Materials segment, capital expenditures amounted to ¥4.6 billion, which included additional carbon fiber production facilities at the Company. In the Environment and Engineering segment, capital expenditures amounted to ¥5.6 billion, which included a new reverse osmosis membrane production facility at Toray BlueStar Membrane Co., Ltd. Capital expenditures in the Life Science segment totaled ¥1.7 billion.

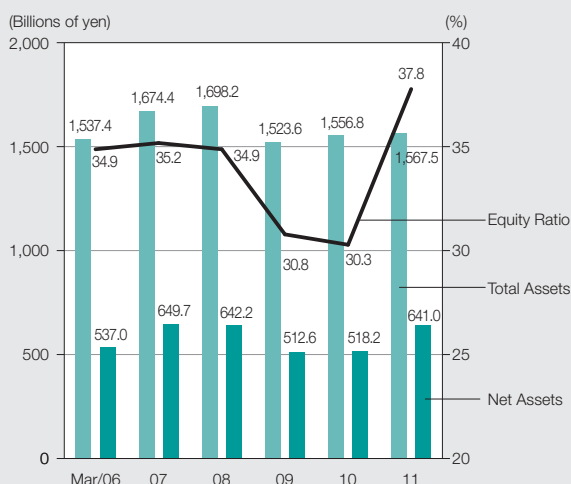
Liabilities

Total liabilities decreased ¥112.1 billion, or 10.8%, to ¥926.5 billion. This was mainly because 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 ¥138.7 billion, or 21.9%, to ¥493.5 billion.

Net Assets

Net assets came to ¥641.0 billion, and net assets less minority interests in consolidated subsidiaries stood at ¥592.9 billion. As a result, net assets per share rose ¥27.25 to ¥363.90. The equity ratio increased 7.6 percentage points to 37.8%, and the debt/equity ratio improved by 0.51 point to 0.83.

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.

CASH FLOWS

In FY Mar/11, net cash provided by operating activities exceeded net cash used in investing activities by ¥78.5 billion. This was mainly due to capital expenditures that fell below depreciation and amortization, as well as the posting of income before income taxes and minority interests. Net cash used in financing activities was ¥33.0 billion, due mainly to a reduction in interest-bearing liabilities. As a result, cash and cash equivalents at fiscal year-end stood at ¥105.3 billion, up ¥40.9 billion, or 63.6%, from the end of the previous fiscal year.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥129.2 billion, down ¥37.0 billion from the previous fiscal year. This was mainly due to income before income taxes and minority interests of ¥82.9 billion, depreciation and amortization of ¥70.5 billion and an increase in trade payables of ¥26.0 billion, which contrasted with an increase in trade receivables of ¥33.2 billion.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥50.7 billion, down ¥71.0 billion from the previous fiscal year. Main factors included capital expenditures of ¥53.9 billion.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥33.0 billion, down ¥10.3 billion from the previous fiscal year. This was mainly due to a net decrease in short-term debt of ¥74.7 billion and repayment of long-term debt of ¥65.1 billion, which contrasted with proceeds from issuance of common stock of ¥101.3 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 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.

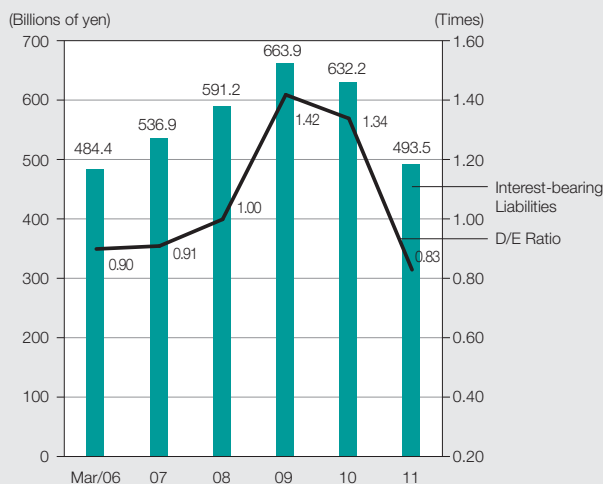
In addition to severe competition with other companies, Toray Group's various businesses also face the risk of new players entering the market. Price fluctuations, stemming from the reduction of National Health Insurance (NHI) drug prices and reimbursement prices, also affect the pharmaceuticals and 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 Toray Group's business partners, could have a negative impact on Toray Group's results of operations and financial conditions.

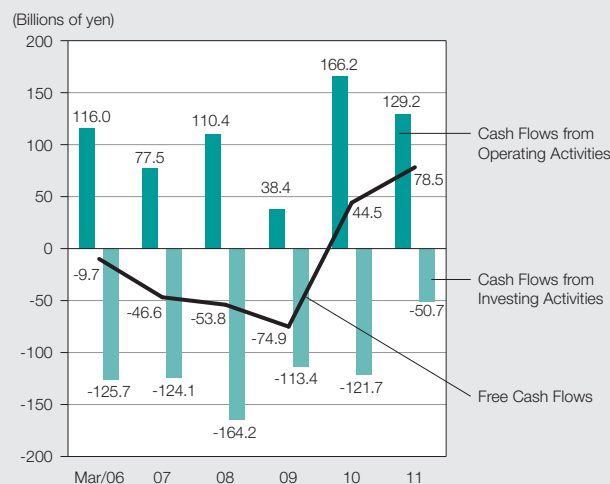
(2) Rising prices of fuel and raw materials

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.

Interest-bearing Liabilities and D/E Ratio



Cash Flows



(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.

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 Toray 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, 2011 and 2010

Assets	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	2011
Current assets:			
Cash (Note 5)	¥ 87,398	¥ 48,140	\$ 1,052,988
Time deposits (Notes 4 and 5)	17,928	16,244	216,000
Trade receivables (Notes 5 and 7):			
Notes receivable	34,938	35,374	420,940
Accounts receivable	248,466	223,560	2,993,566
Inventories (Note 3)	270,009	264,562	3,253,120
Deferred tax assets (Note 9)	27,816	16,954	335,133
Prepaid expenses and other current assets (Notes 5 and 6)	40,018	38,166	482,145
Allowance for doubtful accounts	(2,495)	(2,529)	(30,061)
Total current assets	724,078	640,471	8,723,831
Property, plant and equipment (Notes 4 and 12):			
Land	69,174	70,371	833,422
Buildings	448,295	454,581	5,401,145
Machinery and equipment	1,423,674	1,454,234	17,152,698
Construction in progress	41,372	55,045	498,458
	1,982,515	2,034,231	23,885,723
Accumulated depreciation	(1,450,920)	(1,453,887)	(17,480,964)
Property, plant and equipment, net	531,595	580,344	6,404,759
Intangible assets	9,282	10,361	111,832
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliated companies (Note 5)	120,813	120,538	1,455,578
Investment securities (Notes 4, 5 and 6)	101,122	109,775	1,218,337
Long-term loans receivable	1,461	1,657	17,602
Deferred tax assets (Note 9)	32,923	48,230	396,663
Other (Note 8)	48,764	48,223	587,518
Allowance for doubtful accounts	(2,568)	(2,803)	(30,939)
Total investments and other assets	302,515	325,620	3,644,759
Total assets	¥ 1,567,470	¥ 1,556,796	\$ 18,885,181

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	2011
Current liabilities:			
Short-term bank loans (Notes 4, 5 and 7)	¥ 74,766	¥ 134,013	\$ 900,795
Current portion of long-term debt (Notes 4, 5 and 7)	87,129	42,238	1,049,747
Commercial paper	—	22,000	—
Trade payables (Notes 5 and 7):			
Notes payable	32,348	27,663	389,735
Accounts payable	149,836	135,334	1,805,253
Income taxes payable (Note 9)	14,782	12,632	178,096
Accrued liabilities	44,734	41,592	538,964
Other current liabilities (Notes 4 and 9)	99,357	98,494	1,197,073
Total current liabilities	502,952	513,966	6,059,663
Long-term debt (Notes 4, 5 and 7)	329,472	430,922	3,969,542
Deferred tax liabilities (Note 9)	3,346	2,693	40,313
Accrued employees' retirement benefits (Note 8)	66,877	67,064	805,747
Customers' guarantee deposits and other liabilities (Note 4)	23,853	23,935	287,386
Total liabilities	926,500	1,038,580	11,162,651
Commitments and contingent liabilities (Note 11)			
Net assets (Note 10):			
Stockholders' equity:			
Common stock:			
Authorized—4,000,000,000 shares			
Issued—1,631,481,403 shares in 2011			
1,401,481,403 shares in 2010	147,873	96,937	1,781,602
Capital surplus	136,739	85,803	1,647,458
Retained earnings	382,454	332,107	4,607,880
Treasury stock, at cost	(1,160)	(1,141)	(13,976)
Total stockholders' equity	665,906	513,706	8,022,964
Accumulated other comprehensive income:			
Net unrealized gains on securities	21,164	24,139	254,988
Net deferred gains (losses) on hedges	105	(159)	1,265
Foreign currency translation adjustments	(94,252)	(66,576)	(1,135,566)
Total accumulated other comprehensive income	(72,983)	(42,596)	(879,313)
Minority interests in consolidated subsidiaries	48,047	47,106	578,879
Total net assets	640,970	518,216	7,722,530
Total liabilities and net assets	¥ 1,567,470	¥ 1,556,796	\$ 18,885,181

CONSOLIDATED STATEMENTS OF OPERATIONS

Toray Industries, Inc. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	2011
Net sales	¥ 1,539,693	¥ 1,359,631	\$ 18,550,518
Costs and expenses:			
Cost of sales (Notes 3, 8, 12 and 13)	1,228,782	1,114,991	14,804,602
Selling, general and administrative expenses (Notes 8, 12 and 13)	210,824	204,533	2,540,049
	1,439,606	1,319,524	17,344,651
Operating income	100,087	40,107	1,205,867
Other income (expenses):			
Interest expense	(6,389)	(8,948)	(76,976)
Interest and dividend income	2,752	2,406	33,157
Equity in earnings (losses) of unconsolidated subsidiaries and affiliated companies	6,309	(14,469)	76,012
Loss on sales and disposal of property, plant and equipment, net	(3,090)	(3,266)	(37,229)
Loss on impairment of fixed assets	(2,204)	(3,099)	(26,554)
Gain on sales and loss on write-down of investment securities, net	(1,828)	(2,153)	(22,024)
Loss on liquidation and devaluation of subsidiaries and affiliated companies	(537)	(339)	(6,470)
Restructuring costs	(4,411)	(1,398)	(53,145)
Other, net	(7,796)	(11,256)	(93,927)
	(17,194)	(42,522)	(207,156)
Income (loss) before income taxes and minority interests	82,893	(2,415)	998,711
Income taxes (Note 9):			
Current	16,002	10,176	192,795
Prior	(1,996)	5,200	(24,048)
Deferred	6,523	(6,197)	78,591
	20,529	9,179	247,338
Income (loss) before minority interests	62,364	(11,594)	751,373
Minority interests in earnings of consolidated subsidiaries	(4,439)	(2,564)	(53,481)
Net income (loss)	¥ 57,925	¥ (14,158)	\$ 697,892

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Toray Industries, Inc. and Consolidated Subsidiaries
Year ended March 31, 2011

	Millions of yen	Thousands of U.S. dollars (Note 2)
	2011	2011
Income before minority interests	¥ 62,364	\$ 751,373
Other comprehensive income		
Net unrealized loss on securities	(3,220)	(38,795)
Net deferred gain on hedges	267	3,217
Foreign currency translation adjustments	(29,054)	(350,048)
Share of other comprehensive income of unconsolidated subsidiaries and affiliated companies accounted for by the equity method	(1,262)	(15,205)
Total other comprehensive income (Note 17)	(33,269)	(400,831)
Comprehensive income (Note 17)	¥ 29,095	\$ 350,542
Total comprehensive income attributable to:		
Owners of the parent	¥ 27,538	\$ 331,783
Minority interests	1,557	18,759

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Toray Industries, Inc. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen										
	Stockholders' equity					Accumulated other comprehensive income					
	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 accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
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
Changes in:											
Issuance of new shares	50,936	50,936			101,872						101,872
Dividends			(7,576)		(7,576)						(7,576)
Net income			57,925		57,925						57,925
Acquisition of treasury stock				(22)	(22)						(22)
Disposition of treasury stock				3	3						3
Other			(2)		(2)						(2)
Items other than stockholders' equity, net						(2,975)	264	(27,676)	(30,387)	941	(29,446)
Total changes	50,936	50,936	50,347	(19)	152,200	(2,975)	264	(27,676)	(30,387)	941	122,754
Balance as of March 31, 2011	¥ 147,873	¥ 136,739	¥ 382,454	¥ (1,160)	¥ 665,906	¥ 21,164	¥ 105	¥ (94,252)	¥ (72,983)	¥ 48,047	¥ 640,970

	Thousands of U.S. dollars (Note 2)										
	Stockholders' equity					Accumulated other comprehensive income					
	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 accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Balance as of March 31, 2010	\$1,167,915	\$1,033,771	\$4,001,289	\$ (13,747)	\$6,189,228	\$ 290,831	\$ (1,916)	\$ (802,119)	\$ (513,204)	\$ 567,542	\$6,243,566
Changes in:											
Issuance of new shares	613,687	613,687			1,227,374						1,227,374
Dividends			(91,277)		(91,277)						(91,277)
Net income			697,892		697,892						697,892
Acquisition of treasury stock				(265)	(265)						(265)
Disposition of treasury stock				36	36						36
Other			(24)		(24)						(24)
Items other than stockholders' equity, net						(35,843)	3,181	(333,447)	(366,109)	11,337	(354,772)
Total changes	613,687	613,687	606,591	(229)	1,833,736	(35,843)	3,181	(333,447)	(366,109)	11,337	1,478,964
Balance as of March 31, 2011	\$1,781,602	\$1,647,458	\$4,607,880	\$ (13,976)	\$8,022,964	\$ 254,988	\$ 1,265	\$ (1,135,566)	\$ (879,313)	\$ 578,879	\$7,722,530

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Toray Industries, Inc. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	2011
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ 82,893	¥ (2,415)	\$ 998,711
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	70,479	74,904	849,145
Loss on impairment of fixed assets	2,204	3,099	26,554
Interest and dividend income	(2,752)	(2,406)	(33,157)
Equity in (earnings) losses of unconsolidated subsidiaries and affiliated companies	(6,309)	14,469	(76,012)
Interest expense	6,389	8,948	76,976
Loss on sales and disposal of property, plant and equipment, net	3,090	3,266	37,229
Gain and loss on sales and loss on write-down of investment securities, net	1,832	2,164	22,072
Increase (decrease) in accrued employees' retirement benefits	246	(52)	2,964
Increase in trade receivables	(33,152)	(35,636)	(399,422)
(Increase) decrease in inventories	(13,414)	59,087	(161,614)
Increase in trade payables	26,044	12,318	313,783
Other, net	2,472	42,012	29,783
Subtotal	140,022	179,758	1,687,012
Interest and dividends received	6,852	4,493	82,554
Interest paid	(6,550)	(9,738)	(78,916)
Arbitral award paid	(1,469)	—	(17,699)
Income taxes paid	(9,641)	(8,298)	(116,156)
Net cash provided by operating activities	129,214	166,215	1,556,795
Cash flows from investing activities:			
Capital expenditures	(53,923)	(60,331)	(649,675)
Purchases of investment securities	(591)	(1,174)	(7,120)
Proceeds from sales of property, plant and equipment	2,830	2,864	34,096
Proceeds from sales of investment securities	1,867	993	22,494
Payments for investments in capital of unconsolidated subsidiaries and affiliated companies	—	(60,094)	—
Additional acquisition of shares of consolidated subsidiaries	(1,065)	(28)	(12,831)
Other, net	148	(3,953)	1,783
Net cash used in investing activities	(50,734)	(121,723)	(611,253)
Cash flows from financing activities:			
Net (decrease) increase in short-term debt	(74,729)	5,084	(900,349)
Proceeds from long-term debt	13,765	17,329	165,843
Repayment of long-term debt	(65,098)	(55,153)	(784,313)
Proceeds from issuance of common stock	101,265	—	1,220,060
Cash dividends paid	(8,343)	(8,443)	(100,518)
Other, net	101	(2,178)	1,217
Net cash used in financing activities	(33,039)	(43,361)	(398,060)
Effect of exchange rate changes on cash and cash equivalents	(4,526)	998	(54,530)
Net increase in cash and cash equivalents	40,915	2,129	492,952
Cash and cash equivalents at beginning of year	64,327	62,158	775,024
Beginning balance of cash and cash equivalents at subsidiaries not previously included in consolidation	15	40	181
Cash and cash equivalents at end of year	¥ 105,257	¥ 64,327	\$ 1,268,157

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Toray Industries, Inc. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

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 and amortized principally over five years on a straight-line method.

c) Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2011 and 2010 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
	2011	2010	2011
Cash	¥ 87,398	¥ 48,140	\$1,052,988
Time deposits	17,928	16,244	216,000
Less — Time deposits with maturities of over 3 months	(69)	(57)	(831)
Cash and cash equivalents	¥ 105,257	¥ 64,327	\$1,268,157

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 inception is 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.

m) Accounting Standard for Asset Retirement Obligations

Effective from the year ended March 31, 2011, the Company adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008). As a result, operating income decreased by ¥28 million (\$337 thousand) and income before income taxes and minority interests decreased by ¥1,440 million (\$17,349 thousand).

n) Accounting Standards for Business Combinations and related matters

Effective from the year ended March 31, 2011, the Company adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008), the "Partial amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23, December 26, 2008), the "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, December 26, 2008), the "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, December 26, 2008), and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008).

o) Accounting Standard for Presentation of Comprehensive Income

Effective from the year ended March 31, 2011, the Company adopted the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, June 30, 2010). However, the amounts for "Valuation, translation adjustments and other" and "Total valuation, translation adjustments and other" are presented as the amounts of "Accumulated other comprehensive income" and "Total accumulated other comprehensive income" for the year ended March 31, 2010.

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 ¥83 to \$1.00, the approximate exchange rate

prevailing on March 31, 2011. 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, 2011 and 2010, inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Merchandise and finished goods	¥ 136,663	¥ 141,012	\$ 1,646,542
Work in process	75,949	67,645	915,048
Raw materials and supplies	57,397	55,905	691,530
	¥ 270,009	¥ 264,562	\$ 3,253,120

Losses recognized and charged to cost of sales as a result of valuation at March 31, 2011 and 2010 were ¥1,222 million (\$14,723 thousand) and ¥6,695 million, respectively.

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

Short-term bank loans at March 31, 2011 and 2010 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, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Loans principally from banks and insurance companies with interest rates primarily from 0.3100% to 5.5800%, maturing serially through 2020:			
Unsecured	¥ 276,601	¥ 323,160	\$ 3,332,542
Lease obligations maturing serially through 2022:			
Unsecured	2,142	2,987	25,806
Yen notes with an interest rate of 2.00% due 2013	10,000	10,000	120,482
Yen notes with an interest rate of 1.94% due 2010	—	10,000	—
Yen notes with an interest rate of 1.61% due 2013	10,000	10,000	120,482
Yen notes with an interest rate of 1.48% due 2011	20,000	20,000	240,964
Zero coupon convertible bonds due 2012	50,000	50,000	602,410
Zero coupon convertible bonds due 2014	50,000	50,000	602,410
	418,743	476,147	5,045,096
Less amounts due within one year	87,735	42,724	1,057,048
	¥ 331,008	¥ 433,423	\$ 3,988,048

At March 31, 2011, assets pledged as collateral were as follows:

	Millions of yen	Thousands of U.S. dollars
Time deposits	¥ 8	\$ 96
Property, plant and equipment, net	6,308	76,000
Investment securities at carrying value	40	482
Others	256	3,085
	¥ 6,612	\$ 79,663

The annual maturities of long-term debt and lease obligations subsequent to March 31, 2011 were as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31:		
2012	¥ 87,735	\$ 1,057,048
2013	56,849	684,928
2014	96,775	1,165,964
2015	60,729	731,675
2016	50,788	611,904
2017 and thereafter	65,867	793,577
	¥ 418,743	\$ 5,045,096

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, 2011 and 2010 were 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		
	2011		
	Carrying value	Fair value	Unrealized gain (loss)
Cash and time deposits	¥ 105,326	¥ 105,326	¥ —
Trade receivables	283,404	283,404	—
Investment securities			
Held-to-maturity debt securities	191	191	—
Investment securities in subsidiaries and affiliated companies	14,333	13,606	(727)
Other securities	96,219	96,219	—
Assets	¥ 499,473	¥ 498,746	¥ (727)
Trade payables	¥ 182,184	¥ 182,184	¥ —
Short-term bank loans	74,766	74,766	—
Bonds (*1)	140,000	139,865	(135)
Long-term bank loans (*2)	276,601	281,975	5,374
Liabilities	¥ 673,551	¥ 678,790	¥ 5,239
Derivative transactions (*3)			
Hedge accounting is not applied	¥ 1,023	¥ 1,023	¥ —
Hedge accounting is applied	4,699	4,699	—
Derivative transactions	¥ 5,722	¥ 5,722	¥ —

	Millions of yen		
	2010		
	Carrying value	Fair value	Unrealized gain (loss)
Cash and time deposits	¥ 64,384	¥ 64,384	¥ —
Trade receivables	258,934	258,934	—
Investment securities			
Held-to-maturity debt securities	195	195	—
Investment securities in subsidiaries and affiliated companies	13,641	10,696	(2,945)
Other securities	106,313	106,313	—
Assets	¥ 443,467	¥ 440,522	¥ (2,945)
Trade payables	¥ 162,997	¥ 162,997	¥ —
Short-term bank loans	134,013	134,013	—
Commercial paper	22,000	22,000	—
Bonds (*1)	150,000	148,186	(1,814)
Long-term bank loans (*2)	323,160	325,354	2,194
Liabilities	¥ 792,170	¥ 792,550	¥ 380
Derivative transactions (*3)			
Hedge accounting is not applied	¥ 1,044	¥ 1,044	¥ —
Hedge accounting is applied	3,416	3,416	—
Derivative transactions	¥ 4,460	¥ 4,460	¥ —

	Thousands of U.S. dollars		
	2011		
	Carrying value	Fair value	Unrealized gain (loss)
Cash and time deposits	\$ 1,268,988	\$ 1,268,988	\$ —
Trade receivables	3,414,506	3,414,506	—
Investment securities			
Held-to-maturity debt securities	2,301	2,301	—
Investment securities in subsidiaries and affiliated companies	172,687	163,928	(8,759)
Other securities	1,159,265	1,159,265	—
Assets	\$ 6,017,747	\$ 6,008,988	\$ (8,759)
Trade payables	\$ 2,194,988	\$ 2,194,988	\$ —
Short-term bank loans	900,795	900,795	—
Bonds (*1)	1,686,747	1,685,120	(1,627)
Long-term bank loans (*2)	3,332,542	3,397,290	64,748
Liabilities	\$ 8,115,072	\$ 8,178,193	\$ 63,121
Derivative transactions (*3)			
Hedge accounting is not applied	\$ 12,325	\$ 12,325	\$ —
Hedge accounting is applied	56,615	56,615	—
Derivative transactions	\$ 68,940	\$ 68,940	\$ —

*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

Cash and time deposits and 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.

Investment securities

Securities are valued at quoted market price. Debt securities 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

Trade payables, Short-term bank loans and 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.

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.

Long-term bank loans

The fair value of long-term bank loans is estimated by discounting the principal amounts and interest 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 and interest (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	2010	Thousands of U.S. dollars
	2011		2011
Unlisted securities	¥ 45,278	¥ 42,411	\$ 545,518

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, 2011 and 2010

	Millions of yen			
	2011			
	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	¥ 105,326	¥ —	¥ —	¥ —
Trade receivables	283,150	254	—	—
Investment securities				
Held-to-maturity debt securities	23	162	6	—
Other securities	40	—	—	800
	¥ 388,539	¥ 416	¥ 6	¥ 800

	Millions of yen			
	2010			
	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			
	2011			
	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	\$ 1,268,988	\$ —	\$ —	\$ —
Trade receivables	3,411,446	3,060	—	—
Investment securities				
Held-to-maturity debt securities	277	1,952	72	—
Other securities	482	—	—	9,639
	\$ 4,681,193	\$ 5,012	\$ 72	\$ 9,639

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.

6. SECURITIES

At March 31, 2011 and 2010, information of the securities classified as held-to-maturity debt securities were as follows:

	Millions of yen				Thousands of U.S. dollars			
	2011				2011			
	Carrying value	Fair value	Unrealized gains	Unrealized losses	Carrying value	Fair value	Unrealized gains	Unrealized losses
Held-to-maturity debt securities	¥ 191	¥ 191	¥ —	¥ —	\$ 2,301	\$ 2,301	\$ —	\$ —

	Millions of yen			
	2010			
	Carrying value	Fair value	Unrealized gains	Unrealized losses
Held-to-maturity debt securities	¥ 195	¥ 195	¥ —	¥ —

At March 31, 2011 and 2010, information of the securities classified as other securities were as follows:

	Millions of yen				Thousands of U.S. dollars			
	2011				2011			
	Carrying value	Acquisition cost	Unrealized gains	Unrealized losses	Carrying value	Acquisition cost	Unrealized gains	Unrealized losses
Other securities	¥ 96,219	¥ 62,608	¥ 40,301	¥ 6,690	\$ 1,159,265	\$ 754,313	\$ 485,554	\$ 80,602

	Millions of yen			
	2010			
	Carrying value	Acquisition cost	Unrealized gains	Unrealized losses
Other securities	¥ 106,313	¥ 67,305	¥ 45,543	¥ 6,535

7. DERIVATIVES

The Company and its consolidated subsidiaries had the following derivatives contracts outstanding at March 31, 2011 and 2010:

Hedge accounting is not applied

	Millions of yen			Thousands of U.S. dollars		
	2011			2011		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:						
Buying U.S. dollar	¥14,149	¥ (70)	¥ (70)	\$ 170,470	\$ (843)	\$ (843)
Buying euro	161	7	7	1,940	84	84
Buying Indonesian rupiah	1,340	8	8	16,145	96	96
Buying Japanese yen	293	1	1	3,530	12	12
Selling U.S. dollar	5,181	20	20	62,422	241	241
Selling euro	316	0	0	3,807	0	0
Selling Japanese yen	649	20	20	7,819	241	241
Foreign currency swaps:						
Receiving Japanese yen, paying U.S. dollar	4,741	1,071	1,071	57,120	12,904	12,904
Receiving U.S. dollar, paying Korean won	1,074	(28)	(28)	12,940	(337)	(337)
Interest rate swaps:						
Floating-rate receipt, fixed-rate payment	652	(6)	(6)	7,855	(73)	(73)
	¥ —	¥ 1,023	¥ 1,023	\$ —	\$ 12,325	\$ 12,325

	Millions of yen		
	2010		
	Contract amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:			
Buying U.S. dollar	¥15,163	¥ (170)	¥ (170)
Buying euro	18	0	0
Buying Indonesian rupiah	380	4	4
Buying Japanese yen	575	(33)	(33)
Selling U.S. dollar	2,474	14	14
Selling euro	172	0	0
Selling Japanese yen	107	7	7
Foreign currency swaps:			
Receiving Japanese yen, paying U.S. dollar	9,220	1,222	1,222
	¥ —	¥ 1,044	¥ 1,044

Hedge accounting is applied

		Millions of yen		
		2011		
Hedge accounting method	Type of derivative and principal hedged items	Contract amount	Fair value	Estimation method for fair value
Deferral hedge method	Forward foreign exchange contracts: Accounted for as part of trade receivables and trade payables			
	Buying U.S. dollar	¥ 3,580	¥ 28	Forward foreign exchange quotes
	Buying Japanese yen	1,997	91	
	Selling U.S. dollar	216	(3)	
	Selling euro	344	(5)	
	Selling British pound	142	4	
	Selling Japanese yen	690	(5)	
	Foreign currency options: Accounted for as part of trade receivables and trade payables			
	Buying Japanese yen	1,400	4	The price provided by correspondent financial institutions
	Foreign currency swaps: Accounted for as part of long-term bank loans			
Receiving Japanese yen, paying U.S. dollar	15,475	4,541	The price provided by correspondent financial institutions	
Interest rate swaps: Accounted for as part of long-term bank loans				
Floating-rate receipt, fixed-rate payment	5,248	(208)	The price provided by correspondent financial institutions	
Interest rate caps: Accounted for as part of long-term bank loans				
		308	0	The price provided by correspondent financial institutions
Special accounting method for interest rate swaps	Interest rate swaps: Accounted for as part of bonds and long-term bank loans			
	Floating-rate receipt, fixed-rate payment	81,200	(*1)	—
	Floating-rate receipt, floating-rate payment	30,700		
	Fixed-rate receipt, floating-rate payment	51,000		
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts: Accounted for as part of trade receivables and trade payables (Forecasted transactions)			
	Buying U.S. dollar	16,401	265	Forward foreign exchange quotes
	Buying euro	1,157	69	
	Buying British pound	2,622	55	
	Selling U.S. dollar	11,411	(73)	
	Selling euro	2,363	(63)	
	Selling British pound	10	0	
	Selling Canadian dollar	5	(1)	
	Forward foreign exchange contracts: Accounted for as part of trade receivables and trade payables			
	Buying U.S. dollar	12,224	(*2)	—
	Buying euro	474		
	Buying Canadian dollar	14		
	Selling U.S. dollar	26,433		
	Selling euro	4,336		
	Selling British pound	14		
	Selling Canadian dollar	59		
	Foreign currency swaps: Accounted for as part of long-term bank loans			
Receiving U.S. dollar, paying Japanese yen	1,000	(*2)	—	
	¥ —	¥ 4,699		

		Millions of yen			
		2010			
Hedge accounting method	Type of derivative and principal hedged items	Contract amount	Fair value	Estimation method for fair value	
Deferral hedge method	Forward foreign exchange contracts:				
	Accounted for as part of trade receivables and trade payables				
		Buying U.S. dollar	¥ 17	¥ 2	Forward foreign exchange quotes
		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				
		Buying Japanese yen	600	(22)	The price provided by correspondent financial institutions
	Foreign currency swaps:				
	Accounted for as part of long-term bank loans				
		Receiving Japanese yen, paying U.S. dollar	17,855	3,316	The price provided by correspondent financial institutions
		Receiving Japanese yen, paying Korean won	690	240	
Interest rate swaps:					
Accounted for as part of long-term bank loans					
	Floating-rate receipt, fixed-rate payment	7,626	(299)	The price provided by correspondent financial institutions	
Interest rate caps:					
	Accounted for as part of long-term bank loans	471	1	The price provided by correspondent financial institutions	
Special accounting method for interest rate swaps	Interest rate swaps:				
	Accounted for as part of bonds and long-term bank loans				
		Floating-rate receipt, fixed-rate payment	81,230	(*1)	—
		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)				
		Buying U.S. dollar	9,829	362	Forward foreign exchange quotes
		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				
		Buying U.S. dollar	10,546	(*2)	—
		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	

Thousands of U.S. dollars

		2011			
Hedge accounting method	Type of derivative and principal hedged items	Contract amount	Fair value	Estimation method for fair value	
Deferral hedge method	Forward foreign exchange contracts: Accounted for as part of trade receivables and trade payables				
	Buying U.S. dollar	\$ 43,133	\$ 337	Forward foreign exchange quotes	
	Buying Japanese yen	24,060	1,096		
	Selling U.S. dollar	2,602	(36)		
	Selling euro	4,145	(60)		
	Selling British pound	1,711	48		
	Selling Japanese yen	8,313	(60)		
	Foreign currency options: Accounted for as part of trade receivables and trade payables				The price provided by correspondent financial institutions
	Buying Japanese yen	16,867	48		
	Foreign currency swaps: Accounted for as part of long-term bank loans				The price provided by correspondent financial institutions
	Receiving Japanese yen, paying U.S. dollar	186,446	54,712		
	Interest rate swaps: Accounted for as part of long-term bank loans				The price provided by correspondent financial institutions
	Floating-rate receipt, fixed-rate payment	63,229	(2,506)		
Interest rate caps: Accounted for as part of long-term bank loans				The price provided by correspondent financial institutions	
	3,711	0			
Special accounting method for interest rate swaps	Interest rate swaps: Accounted for as part of bonds and long-term bank loans				
	Floating-rate receipt, fixed-rate payment	978,313	(*1)	—	
	Floating-rate receipt, floating-rate payment	369,880			
	Fixed-rate receipt, floating-rate payment	614,458			
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts: Accounted for as part of trade receivables and trade payables (Forecasted transactions)				
	Buying U.S. dollar	197,602	3,193	Forward foreign exchange quotes	
	Buying euro	13,940	831		
	Buying British pound	31,590	663		
	Selling U.S. dollar	137,482	(880)		
	Selling euro	28,470	(759)		
	Selling British pound	120	0		
	Selling Canadian dollar	60	(12)		
	Forward foreign exchange contracts: Accounted for as part of trade receivables and trade payables				
	Buying U.S. dollar	147,277	(*2)		—
	Buying euro	5,711			
	Buying Canadian dollar	169			
	Selling U.S. dollar	318,470			
	Selling euro	52,241			
	Selling British pound	169			
	Selling Canadian dollar	711			
	Foreign currency swaps: Accounted for as part of long-term bank loans				
Receiving U.S. dollar, paying Japanese yen	12,048	(*2)		—	
		\$ —	\$56,615		

*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, trade payables and long-term bank loans 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, trade payables and long-term bank loans.

8. RETIREMENT BENEFIT PLAN

Accrued employees' retirement benefits as of March 31, 2011 and 2010 were analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Projected benefit obligations	¥ (208,386)	¥ (217,081)	\$ (2,510,675)
Plan assets	129,945	137,786	1,565,603
	(78,441)	(79,295)	(945,072)
Unrecognized actuarial differences	63,493	65,552	764,976
Unrecognized prior service cost	(25,139)	(28,019)	(302,880)
	(40,087)	(41,762)	(482,976)
Prepaid pension cost (included in other assets)	26,790	25,302	322,771
Accrued employees' retirement benefits	¥ (66,877)	¥ (67,064)	\$ (805,747)

The components of net periodic benefit cost related to the employees' retirement benefits for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Service cost	¥ 6,139	¥ 6,423	\$ 73,965
Interest cost	4,607	4,735	55,506
Expected return on plan assets	(4,124)	(3,772)	(49,687)
Amortization of actuarial differences	6,523	7,327	78,590
Amortization of prior service cost	(2,960)	(2,910)	(35,663)
Net periodic benefit cost	10,185	11,803	122,711
Cost for pension plan transition of the subsidiary in Europe	3,890	—	46,867
Contribution to defined contribution pension plan and other	4,341	4,298	52,302
	¥ 18,416	¥ 16,101	\$ 221,880

In addition to the above, special severance payments of ¥2,178 million (\$26,241 thousand) and ¥2,731 million were charged to net income (loss) for the years ended March 31, 2011 and 2010, respectively.

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

	2011	2010
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, 2011 and 2010 was 40.7%.

At March 31, 2011 and 2010, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Accrued bonuses	¥ 6,471	¥ 6,062	\$ 77,964
Accrued employees' retirement benefits	29,379	29,881	353,964
Tax loss carryforwards	35,489	53,824	427,578
Unrealized intercompany profits	11,019	11,105	132,759
Investments in subsidiaries and affiliated companies	36,743	36,135	442,687
Other	41,377	41,511	498,518
	160,478	178,518	1,933,470
Valuation allowance	(45,164)	(58,861)	(544,145)
Total deferred tax assets	115,314	119,657	1,389,325
Deferred tax liabilities:			
Reserve for advanced depreciation	12,260	12,870	147,711
Depreciation	11,145	10,192	134,277
Undistributed earnings of overseas subsidiaries and affiliated companies	5,399	4,613	65,048
Unrealized gains on securities	15,461	17,226	186,277
Other	13,680	12,265	164,819
Total deferred tax liabilities	57,945	57,166	698,132
Net deferred tax assets	¥ 57,369	¥ 62,491	\$ 691,193

At March 31, 2011 and 2010, deferred tax assets and liabilities were classified as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets - current	¥ 27,816	¥ 16,954	\$ 335,133
Deferred tax assets - non-current	32,923	48,230	396,663
Deferred tax liabilities - current (included in other current liabilities)	24	—	290
Deferred tax liabilities - non-current	3,346	2,693	40,313

The reconciliation of the statutory tax rate and the effective income tax rate for the year ended March 31, 2011 was as follows:

	2011
Statutory tax rate	40.7%
Increase (decrease) in taxes resulting from:	
Permanent differences	0.7
Recognition of certain deferred tax assets by reversal of valuation allowance	(3.6)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(3.1)
Income taxes for prior periods	(2.4)
Differences of tax rates for overseas consolidated subsidiaries	(7.8)
Other	0.3
Effective income tax rate	24.8%

A reconciliation of the statutory tax rate and effective tax rate for the year ended March 31, 2010 is not presented due to the recording of a loss before income taxes and minority interests.

In the year ended March 31, 2010, 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.

In the year ended March 31, 2011, income taxes for prior periods, which were recorded in an estimated amount in the previous period, were reversed because the Company received a notice of correction based on transfer pricing taxation from the Tokyo Regional Taxation Bureau with regard to transactions between the Company and its subsidiaries in the U.S.A.

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 resolu-

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

At the June 2011 annual stockholders' meeting, stockholders approved the payment of cash dividends of ¥5.00 per share, aggregating ¥8,151 million (\$98,205 thousand) which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2011.

11. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2011, 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	¥ 1,680	\$ 20,241
Loans receivable outstanding	1,182	14,241
Balance	¥ 498	\$ 6,000

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

At March 31, 2011 and 2010, contingent liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
As guarantors of loans to:			
Unconsolidated subsidiaries and affiliated companies	¥ 1,640	¥ 2,338	\$ 19,759
Other	7,097	9,173	85,506
	¥ 8,737	¥ 11,511	\$ 105,265
Notes discounted	¥ 258	¥ —	\$ 3,108
Export bills discounted	1,463	1,539	17,627
Contingent liabilities associated with securitization of receivables	¥ 9,872	¥ 14,700	\$ 118,940

12. LEASES

Finance Leases

The Group holds certain buildings, machinery and equipment and intangible assets by leases.

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. Total lease payments under these leases were ¥1,332 million (\$16,048 thou-

sand) and ¥1,870 million for the years ended March 31, 2011 and 2010, respectively. 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, 2011 and 2010 was as follows:

	Millions of yen			
	Acquisition costs	Accumulated depreciation/amortization	Accumulated loss on impairment	Net book value
March 31, 2011:				
Buildings	¥ 64	¥ 49	¥ —	¥ 15
Machinery and equipment	6,031	4,630	18	1,383
Intangible assets	932	709	—	223
	¥ 7,027	¥ 5,388	¥ 18	¥ 1,621

	Millions of yen			
	Acquisition costs	Accumulated depreciation/amortization	Accumulated loss on impairment	Net book value
March 31, 2010:				
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

	Thousands of U.S. dollars			
	Acquisition costs	Accumulated depreciation/amortization	Accumulated loss on impairment	Net book value
March 31, 2011:				
Buildings	\$ 771	\$ 590	\$ —	\$ 181
Machinery and equipment	72,663	55,784	217	16,662
Intangible assets	11,229	8,542	—	2,687
	\$ 84,663	\$ 64,916	\$ 217	\$ 19,530

Future minimum lease payments under finance leases subsequent to March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due within one year	¥ 848	¥ 1,382	\$ 10,217
Due after one year	775	1,633	9,337
Total	¥ 1,623	¥ 3,015	\$ 19,554
Allowance for loss on impairment of leased property	¥ 2	¥ 15	\$ 24

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, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due within one year	¥ 735	¥ 259	\$ 8,855
Due after one year	689	1,028	8,302
Total	¥ 1,424	¥ 1,287	\$ 17,157

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, 2011 and 2010 were ¥46,566 million (\$561,036 thousand) and ¥46,188 million, respectively.

14. SEGMENT INFORMATION

(Segment information)

1. Outline of reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation to the segments and to assess performance.

The Company identifies the following six segments according to the nature of the products and market for their products.

Reportable segment	Main products
Fibers and Textiles	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
Plastics and Chemicals	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)
IT-related Products	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
Carbon Fiber Composite Materials	Carbon fibers, carbon fiber composite materials and their molded products
Environment and Engineering	Comprehensive engineering; condominiums; industrial equipment and machinery; environment-related equipment; water treatment membranes and related equipment; materials for housing, building and civil engineering
Life Science	Pharmaceuticals and medical products

2. Measurement of sales, income (loss), assets and other material items of reportable segments

The accounting policies for the reportable segments are the same as those described in Note 1. SIGNIFICANT ACCOUNTING POLICIES.

The figures of segment income (loss) are based on operating income.

Intersegment sales are determined based on consideration of the market price and related information.

3. Information on sales, income (loss), assets and other material items of reportable segments

Year ended March 31, 2011:	Millions of yen									Consolidated total
	Fibers and Textiles	Plastics and Chemicals	IT-related Products	Carbon Fiber Composite Materials	Environment and Engineering	Life Science	Others	Total	Adjustments	
Sales to outside customers	¥ 584,115	¥ 382,299	¥ 262,027	¥ 67,018	¥ 178,183	¥ 52,430	¥ 13,621	¥1,539,693	¥ —	¥1,539,693
Intersegment sales	532	26,021	7,658	739	32,805	1	16,848	84,604	(84,604)	—
Total sales	¥ 584,647	¥ 408,320	¥ 269,685	¥ 67,757	¥ 210,988	¥ 52,431	¥ 30,469	¥1,624,297	¥ (84,604)	¥1,539,693
Segment income	¥ 32,449	¥ 27,108	¥ 42,233	¥ 3,285	¥ 3,349	¥ 6,129	¥ 1,047	¥ 115,600	¥ (15,513)	¥ 100,087
Segment assets	¥ 408,463	¥ 411,539	¥ 339,009	¥ 186,491	¥ 169,694	¥ 58,265	¥ 37,509	¥1,610,970	¥ (43,500)	¥1,567,470
Depreciation and amortization	17,705	19,458	15,220	11,827	2,651	2,155	1,271	70,287	192	70,479
Investment in unconsolidated subsidiaries and affiliated companies accounted for by the equity method	14,671	33,363	59,794	216	4,248	36	4,151	116,479	(810)	115,669
Capital expenditures	17,303	16,454	9,634	4,820	5,218	1,840	757	56,026	(84)	55,942

Year ended March 31, 2010:	Millions of yen									Consolidated total
	Fibers and Textiles	Plastics and Chemicals	IT- related Products	Carbon Fiber Composite Materials	Environment and Engineering	Life Science	Others	Total	Adjustments	
Sales to outside customers	¥ 525,204	¥ 332,735	¥ 230,433	¥ 50,676	¥ 159,787	¥ 46,656	¥ 14,140	¥1,359,631	¥ —	¥1,359,631
Intersegment sales	636	18,890	7,058	714	33,497	5	16,221	77,021	(77,021)	—
Total sales	¥ 525,840	¥ 351,625	¥ 237,491	¥ 51,390	¥ 193,284	¥ 46,661	¥ 30,361	¥1,436,652	¥ (77,021)	¥1,359,631
Segment income (loss)	¥ 16,324	¥ 11,574	¥ 25,000	¥ (5,305)	¥ 3,850	¥ 2,732	¥ 879	¥ 55,054	¥ (14,947)	¥ 40,107
Segment assets	¥ 404,416	¥ 394,450	¥ 331,629	¥ 201,981	¥ 166,042	¥ 57,294	¥ 40,376	¥1,596,188	¥ (39,392)	¥1,556,796
Depreciation and amortization	20,034	19,285	16,485	12,156	2,976	2,363	1,436	74,735	169	74,904
Investment in unconsolidated subsidiaries and affiliated companies accounted for by the equity method	14,309	32,218	62,063	582	3,120	30	3,960	116,282	(930)	115,352
Capital expenditures	9,613	18,307	11,206	14,406	1,736	1,355	1,112	57,735	(662)	57,073

Year ended March 31, 2011:	Thousands of U.S. dollars									Consolidated total
	Fibers and Textiles	Plastics and Chemicals	IT- related Products	Carbon Fiber Composite Materials	Environment and Engineering	Life Science	Others	Total	Adjustments	
Sales to outside customers	\$7,037,530	\$4,606,012	\$3,156,952	\$ 807,446	\$2,146,783	\$ 631,687	\$ 164,108	\$18,550,518	\$ —	\$18,550,518
Intersegment sales	6,410	313,506	92,265	8,903	395,241	12	202,988	1,019,325	(1,019,325)	—
Total sales	\$7,043,940	\$4,919,518	\$3,249,217	\$ 816,349	\$2,542,024	\$ 631,699	\$ 367,096	\$19,569,843	\$(1,019,325)	\$18,550,518
Segment income	\$ 390,952	\$ 326,602	\$ 508,831	\$ 39,578	\$ 40,349	\$ 73,843	\$ 12,616	\$ 1,392,771	\$ (186,904)	\$ 1,205,867
Segment assets	\$4,921,241	\$4,958,301	\$4,084,446	\$2,246,880	\$2,044,506	\$ 701,988	\$ 451,915	\$19,409,277	\$ (524,096)	\$18,885,181
Depreciation and amortization	213,313	234,434	183,373	142,494	31,940	25,964	15,313	846,831	2,314	849,145
Investment in unconsolidated subsidiaries and affiliated companies accounted for by the equity method	176,759	401,964	720,410	2,602	51,181	434	50,011	1,403,361	(9,759)	1,393,602
Capital expenditures	208,470	198,241	116,072	58,072	62,867	22,169	9,121	675,012	(1,012)	674,000

Notes:

- "Others" represents service-related businesses such as analysis, survey and research.
- a) "Adjustments" of segment income for the year ended March 31, 2011 of ¥(15,513) million (\$ (186,904) thousand) includes intersegment eliminations of ¥1,257 million (\$15,144 thousand) and corporate expenses of ¥(16,770) million (\$ (202,048) thousand). "Adjustments" of segment income (loss) for the year ended March 31, 2010 of ¥(14,947) million includes intersegment eliminations of ¥1,391 million and corporate expenses of ¥(16,338) million. The corporate expenses consist of the headquarters' research expenses, etc. that are not allocated to each reportable segment.
b) "Adjustments" of segment assets for the year ended March 31, 2011 of ¥(43,500) million (\$ (524,096) thousand) includes intersegment eliminations of ¥(62,369) million (\$ (751,433) thousand) and corporate assets of ¥18,869 million (\$ (227,337) thousand). "Adjustments" of segment assets for the year ended March 31, 2010 of ¥(39,392) million includes intersegment eliminations of ¥(58,953) million and corporate assets of ¥19,561 million. The corporate assets consist of the headquarters' research assets, etc. that are not allocated to each reportable segment.
- "Segment income (loss)" is reconciled to the operating income.

(Additional Information)

Effective from the year ended March 31, 2011, the Company adopted the "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17, March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20, March 21, 2008).

(Related information)

Geographic information

Sales to outside customers

Year ended March 31, 2011:	Millions of yen				
	Japan	Asia		North America, Europe and other areas	Total
		China	Others		
Sales to outside customers	¥ 855,004	¥ 200,302	¥ 264,418	¥ 219,969	¥ 1,539,693

Year ended March 31, 2011:	Thousands of U.S. dollars				
	Japan	Asia		North America, Europe and other areas	Total
		China	Others		
Sales to outside customers	\$ 10,301,253	\$ 2,413,277	\$ 3,185,759	\$ 2,650,229	\$ 18,550,518

Sales amounts are allocated to countries or regions according to the customers' location.

Property, plant and equipment

		Millions of yen			
		Japan	Asia	North America, Europe and other areas	Total
Year ended March 31, 2011:					
Property, plant and equipment, net		¥ 306,305	¥ 129,763	¥ 95,527	¥ 531,595
		Thousands of U.S. dollars			
		Japan	Asia	North America, Europe and other areas	Total
Year ended March 31, 2011:					
Property, plant and equipment, net		\$ 3,690,422	\$ 1,563,410	\$ 1,150,927	\$ 6,404,759

(Information about loss on impairment of fixed assets by reportable segments)

		Millions of yen								
		Fibers and Textiles	Plastics and Chemicals	IT- related Products	Carbon Fiber Composite Materials	Environment and Engineering	Life Science	Others	Elimination and corporate	Consolidated total
Year ended March 31, 2011:										
Loss on impairment		¥ 24	¥ 621	¥ 1,559	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 2,204
		Thousands of U.S. dollars								
		Fibers and Textiles	Plastics and Chemicals	IT- related Products	Carbon Fiber Composite Materials	Environment and Engineering	Life Science	Others	Elimination and corporate	Consolidated total
Year ended March 31, 2011:										
Loss on impairment		\$ 289	\$ 7,482	\$ 18,783	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 26,554

Segment information for year ended March 31, 2010 under previous accounting standard:

(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 produc-

tion 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								
		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
Year ended March 31, 2010:										
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

(Results by Geographic Segment)

Year ended March 31, 2010:	Millions of yen					
	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

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 year ended March 31, 2010, were as follows:

Year ended March 31, 2010:	Millions of yen		
	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%

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

15. AMOUNTS PER SHARE

Basic net income (loss) per share is computed based on the net income (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
	2011	2010	2011
Net income (loss):			
Basic	¥ 36.41	¥ (10.12)	\$ 0.44
Diluted	34.43	—	0.41
Cash dividends applicable to the year	7.50	5.00	0.09
Net assets	363.90	336.65	4.38

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

16. RELATED PARTY TRANSACTIONS

Year ended March 31, 2011

Related Party Transactions

Name	Toray Tonen Specialty Separator Godo Kaisha
Category	Affiliated company
Location	Tochigi, Japan
Common stock	¥301 million (\$3,627 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	—
Balance at year end	
Other current liabilities	¥27,934 million (\$336,554 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.

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
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
Balance at year end	
Other current liabilities	¥28,458 million

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
Total current assets	¥ 23,706
Total non-current assets	140,735
Total current liabilities	97,482
Total non-current liabilities	183,918
Total net assets	(116,959)
Net sales	234,670
Loss before income taxes	(185,456)
Net loss	¥ (192,483)

17. COMPREHENSIVE INCOME

The components of the comprehensive income for the year ended March 31, 2010 were as follows;

	Millions of yen
	2010
Total comprehensive income attributable to:	
Owners of the parent	¥ 9,223
Minority interests	3,700
Total comprehensive income	¥ 12,923
Other comprehensive income	
Net unrealized gain on securities	¥ 14,250
Net deferred gain on hedges	275
Foreign currency translation adjustments	9,389
Share of other comprehensive income of unconsolidated subsidiaries and affiliated companies accounted for by the equity method	603
Total other comprehensive income	¥ 24,517



Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011

Tel : +81 3 3503 1100
Fax: +81 3 3503 1197

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, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, 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, 2011 and 2010, 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 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, 2011

Investor Information

(As of March 31, 2011)

Common Stock:

Issued: 1,630,174,363 shares
(excluding treasury stock)
Number of Stockholders: 190,769

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

Cash Dividends Per Share

	2011	2010
Total for the year	¥ 7.50	¥ 5.00
Interim	2.50	2.50

Principal Stockholders

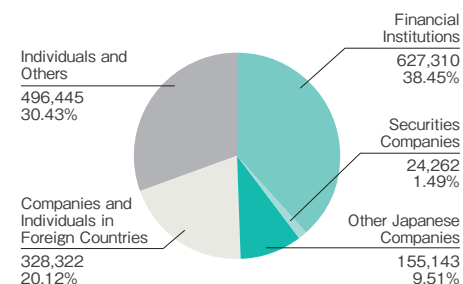
	Percentage of shares held	Thousands of shares
The Master Trust Bank of Japan, Ltd. (Trust account)	7.45	121,517
Japan Trustee Services Bank, Ltd. (Trust account)	4.86	79,236
Nippon Life Insurance Co.	4.37	71,212
Mitsui Life Insurance Co., Ltd.	2.94	47,948
Sumitomo Mitsui Banking Corporation	1.84	30,022
Japan Trustee Services Bank, Ltd. (Trust 9 account)	1.82	29,635
SSBT OD05 OMNIBUS ACCOUNT — TREATY CLIENTS	1.66	27,141
Japan Trustee Services Bank, Ltd. (Trust 4G account)	1.42	23,219
Mitsui Fudosan Co., Ltd.	1.19	19,460
The Dai-ichi Mutual Life Insurance Co.	1.14	18,539

* Percentage of shares held is calculated excluding 1,307,040 shares of treasury stock.

Stock Price Range



Composition of Stockholders (Thousands of shares)



CORPORATE DATA

(As of March 31, 2011)

Toray Industries, Inc

Head Office

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

Established:

January 1926

Paid-in Capital:

¥147,873,030,771

Number of Employees:

38,740

Parent company: 6,797

Japanese subsidiaries: 10,261

Overseas subsidiaries: 21,682



Toray Industries, Inc.

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

Contact IR Dept.

Telephone : 81(3)3245-5113
Facsimile : 81(3)3245-5459
e-mail : ir@nts.toray.co.jp

CORPORATE MISSIONS

- | | |
|-----------------------------|--|
| <i>For our customers</i> | <i>To provide new value to our customers through high-quality products and superior services</i> |
| <i>For our employees</i> | <i>To provide our employees with opportunities for self development in a challenging environment</i> |
| <i>For our shareholders</i> | <i>To provide our shareholders with dependable and trustworthy management</i> |
| <i>For society</i> | <i>To establish ties and develop mutual trust as a responsible corporate citizen</i> |