

November 9, 2007

# **Midterm Business Results Announcement**

**<For the Six Months ended Sep. 30, 2007>**

Toray Industries, Inc.

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# **I. Midterm Business Results for the Fiscal Year Ending March 2008 (Consolidated Basis)**

# Summary (Profits)

**TORAY**

Innovation by Chemistry

Billion ¥

	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes	FYI: Before Revision of Depreciation Rules		
				FY Mar/08 Midterm	Changes	
Net Sales	746.2	<b>802.3</b>	+56.1 (+7.5%)	<b>802.3</b>	+56.1	(+7.5%)
Cost of Sales	594.1	<b>642.7</b>	+48.7 (+8.2%)	<b>640.1</b>	+46.0	(+7.7%)
Gross Profit	152.1	<b>159.6</b>	+7.5 (+4.9%)	<b>162.2</b>	+10.1	(+6.6%)
(Gross Profit to Net Sales)	20.4%	<b>19.9%</b>	-0.5 points	<b>20.2%</b>	-0.2	points
Operating Income	42.9	<b>44.0</b>	+1.1 (+2.6%)	<b>46.7</b>	+3.8	(+8.8%)
(Operating Income to Net Sales)	5.7%	<b>5.5%</b>	-0.3 points	<b>5.8%</b>	+0.1	points
Non-operating Income and Expenses, net	▲ 2.4	▲ <b>2.2</b>	+0.2	▲ <b>2.0</b>	+0.4	
Ordinary Income	40.5	<b>41.9</b>	+1.4 (+3.4%)	<b>44.6</b>	+4.1	(+10.2%)
Special Credits and Charges, net	▲ 11.1	▲ <b>3.0</b>	+8.1	▲ <b>3.0</b>	+8.1	
Income before Income Taxes	29.4	<b>38.9</b>	+9.4 (+32.1%)	<b>41.6</b>	+12.2	(+41.5%)
Midterm Net Income	28.0	<b>23.0</b>	-5.1 (-18.0%)	<b>24.8</b>	-3.2	(-11.6%)

Net Income per Share (Midterm)	20.03yen	<b>16.43yen</b>
Dividend per Share (Midterm)	5.0yen	<b>5.0yen</b>

## Exchange Rate

< Yen/US\$ >

Midterm 07/3 → Midterm 08/3

Midterm average: 115.4 → 119.3

End of the term: 117.9 → 115.4

< Yen/Euro >

Midterm 07/3 → Midterm 08/3

Midterm average: 146.0 → 162.3

End of the term: 149.8 → 163.4

## Oil Price

<US\$/B> (DUBAI FOB)

Midterm 07/3 → Midterm 08/3

Midterm average: 65.4 → 67.4

\*Consolidated business results are the sums of Apr–Sep business results in companies whose FY ends on March 31, and Jan–Jun business results in companies whose FY ends on December 31.

# Non-operating Income and Expenses

Billion ¥

	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes	Comments
Non-operating Income	8.8	<b>9.6</b>	+0.8	
Interest and Dividend Income	1.5	<b>2.2</b>	+0.6	
Equity in Earnings of Affiliates	4.0	<b>3.2</b>	-0.8	
Others	3.3	<b>4.3</b>	+1.0	
Non-operating Expenses	▲ 11.2	▲ <b>11.8</b>	-0.6	
Interest Expenses	▲ 4.5	▲ <b>5.4</b>	-1.0	Increase in Japanese and overseas interest rates, etc.
Others	▲ 6.7	▲ <b>6.3</b>	+0.4	
Non-operating Income and Expenses, net	▲ 2.4	▲ <b>2.2</b>	+0.2	
Interest and Dividend Income, Interest Expenses, net	▲ 2.9	▲ <b>3.3</b>	-0.4	
Other Income and Expenses, net	▲ 3.5	▲ <b>2.0</b>	+1.4	

\* Positive numbers : Income , Negative numbers ( ▲ ) : Expenses

# Special Credits and Charges

Billion ¥

	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes	Comments
Special Credits	6.4	4.5	-1.9	
Gain on Sales of Property, Plant and Equipment	0.6	0.3	-0.2	
Gain on Sales of Investment Securities	5.8	1.8	-4.1	
Others	-	2.4	+2.4	Reversal of loss on adjustment of employees' retirement benefits of an overseas subsidiary, etc.
Special Charges	▲ 17.5	▲ 7.5	+9.9	
Loss on Sales and Disposal of Property, Plant and Equipment	▲ 1.6	▲ 1.8	-0.2	
Loss on Impairment of Fixed Assets	▲ 12.8	▲ 4.7	+8.1	Loss on impairment of fixed assets of manufacturing facilities of LCD color filters, etc.
Loss on Write-down of Investment Securities	▲ 0.1	▲ 0.0	+0.1	
Loss on Liquidation and Devaluation of Subsidiaries and Affiliates	▲ 1.4	▲ 0.0	+1.4	
Restructuring Costs	▲ 0.9	▲ 0.7	+0.2	
Loss on Adjustment of Employees' Retirement Benefits of the U.K. Subsidiary	▲ 0.6	-	+0.6	
Others	▲ 0.0	▲ 0.3	-0.3	
Special Credits and Charges, net	▲ 11.1	▲ 3.0	+8.1	

\* Positive numbers : Income , Negative numbers ( ▲ ) : Expenses

# Summary (Financial Position)

Billion ¥

	End of Mar/07	End of Sep/07	Changes	Comments
Total Assets	1,674.4	<b>1,711.4</b>	+37.0	
Current Assets	727.5	<b>725.4</b>	-2.1	
Tangible Assets	643.4	<b>670.1</b>	+26.7	Increase of capital expenditures, etc.
Intangible Assets	13.5	<b>15.5</b>	+2.0	
Investments and Other Assets	290.1	<b>300.4</b>	+10.3	

	End of Mar/07	End of Sep/07	Changes	Comments
Total Liabilities	1,024.8	<b>1,043.1</b>	+18.4	
Current Liabilities	541.0	<b>547.4</b>	+6.4	
Other Liabilities	483.8	<b>495.8</b>	+12.0	Increase of long-term debt, etc.
Total Net Assets	649.7	<b>668.2</b>	+18.6	
Interest-bearing Debts	536.9	<b>593.9</b>	+57.0	Increase of capital expenditures, etc.
D/E ratio*	0.91	<b>0.97</b>	+0.06	

\* Interest-bearing Debts / Shareholders' Equity

(Shareholders' Equity = Total Net Assets – Minority Interests in Consolidated Subsidiaries)

# Summary (Financial Position)

Billion ¥

	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes
ROE* <sup>1</sup>	10.3%	<b>7.6%</b>	-2.7 points
ROA* <sup>2</sup>	5.5%	<b>5.2%</b>	-0.3 points
Free Cash Flows	▲ 40.6	▲ <b>54.2</b>	-13.6

\*1 ROE = Midterm Net Income / Shareholders' Equity      \*2 ROA = Operating Income / Total Assets  
ROE and ROA are converted to annual based exchange ratios.

## <Details of Free Cash Flows>

	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes
Cash Flows from Operating Activities	17.0	<b>28.9</b>	+11.9 (+70.3%)
Cash Flows from Investment Activities	▲ 57.6	▲ <b>83.1</b>	-25.6
Free Cash Flows	▲ 40.6	▲ <b>54.2</b>	-13.6



# Capital Expenditures, Depreciation

Billion ¥

	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes	Comments
Capital Expenditures	51.4	<b>61.8</b>	+10.4	Toray : 19.5, Japan : 5.7, Overseas : 36.6
Depreciation -)	33.4	<b>42.4</b>	+9.0	Toray : 19.3, Japan : 5.4, Overseas : 17.7
Transfer, Disposal, etc.	▲ 9.3	<b>7.3</b>	+16.6	
Changes in Tangible Assets	8.7	<b>26.7</b>		

## Major Capital Expenditures :

### <Japan>

Toray : Carbon fiber production facilities

Operation will start in Jan/08

### <Overseas>

TSI : Film processing facilities (Korea)

Operation will start in Nov/07

SOFICAR : Carbon fiber production facilities (France)

Operation started in Aug/07

CFA : Carbon fiber production facilities (US)

Operation will start in Dec/08

TPM : ABS resin production facilities (Malaysia)

Operation will start in Mar/08

# Results by Business Segment

Billion ¥

	Net Sales				Operating Income				FYI : Before Revision of Depreciation Rules Operating Income				FYI : Effect of Revision of Depreciation Rules
	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes		FY Mar/07 Midterm	FY Mar/08 Midterm	Changes		FY Mar/07 Midterm	FY Mar/08 Midterm	Changes		FY Mar/08 Midterm
Fibers & Textiles	301.8	<b>320.9</b>	+19.1	(+6.3%)	9.5	<b>10.0</b>	+0.5	(+5.7%)	9.5	<b>11.0</b>	+1.6	(+16.6%)	-1.0
Plastics & Chemicals	184.6	<b>199.4</b>	+14.8	(+8.0%)	8.7	<b>9.0</b>	+0.3	(+3.4%)	8.7	<b>9.6</b>	+1.0	(+11.3%)	-0.7
IT-related Products	127.8	<b>138.7</b>	+11.0	(+8.6%)	14.5	<b>12.8</b>	-1.7	(-12.0%)	14.5	<b>13.3</b>	-1.2	(-8.3%)	-0.5
Carbon Fiber Composite Materials	31.9	<b>39.9</b>	+8.0	(+25.0%)	8.8	<b>8.2</b>	-0.7	(-7.6%)	8.8	<b>8.4</b>	-0.5	(-5.4%)	-0.2
Environment & Engineering	67.8	<b>71.1</b>	+3.3	(+4.9%)	0.1	<b>2.5</b>	+2.3	(+2,034.8%)	0.1	<b>2.5</b>	+2.4	(+2,062.6%)	-0.0
Life Science & Other Businesses	32.3	<b>32.3</b>	-0.0	(-0.1%)	2.0	<b>2.4</b>	+0.5	(+24.6%)	2.0	<b>2.6</b>	+0.6	(+32.2%)	-0.2
(Pharmaceuticals & Medical Products Included)	20.0	<b>22.4</b>	+2.4	(+11.8%)	0.6	<b>0.8</b>	+0.2	(+37.9%)	0.6	<b>1.0</b>	+0.3	(+56.7%)	-0.1
Total	746.2	<b>802.3</b>	+56.1	(+7.5%)	43.6	<b>44.8</b>	+1.2	(+2.8%)	43.6	<b>47.4</b>	+3.9	(+8.9%)	-2.6
Elimination & Corporate					<b>▲ 0.7</b>	<b>▲ 0.8</b>	-0.1		<b>▲ 0.7</b>	<b>▲ 0.8</b>	-0.1		
Consolidated	746.2	<b>802.3</b>	+56.1	(+7.5%)	42.9	<b>44.0</b>	+1.1	(+2.6%)	42.9	<b>46.7</b>	+3.8	(+8.8%)	-2.6

# Results by Business Segment (Fibers and Textiles)

Billion ¥

	Net Sales			Operating Income			Comments
	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes	
Toray	62.8	62.5	-0.3 (-0.5%)	3.6	3.0	-0.6 (-17.5%)	Though nylon fiber performed strongly in particular for ground fabric of air bags, total sales were almost the same level year-on-year due to partial transfer of commercial right of industrial use to a subsidiary. Income decreased due to the increase of fixed costs stemming from the effect of revision of depreciation rules, etc.
Japanese Subsidiaries	148.3	152.3	+4.0 (+2.7%)	4.8	4.5	-0.3 (-5.8%)	Sales increased through robust exports of fiber and textiles at trading subsidiaries, however, income decreased due to increase in costs at a trading subsidiary.
Overseas Subsidiaries	90.8	106.2	+15.4 (+17.0%)	1.2	3.0	+1.7 (+139.4%)	Sales and income increased through improvement of income at subsidiaries in China, Korea, Italy, and Indonesia.
Adjustment				▲ 0.2	▲ 0.5	-0.3	
Total	301.8	320.9	+19.1 (+6.3%)	9.5	10.0	+0.5 (+5.7%)	

## <Major Subsidiaries >

Japan : Toray International Inc., Ichimura Sangyo, Co., Ltd., Chori Co., Ltd., etc.

Asia : PENFABRIC (Malaysia), LUCKYTEX (Thailand), ITS (Indonesia), TFNL (China), etc.

Europe & US : ALCANTARA (Italy), etc.

# Results by Business Segment (Plastics and Chemicals)

Billion ¥

	Net Sales			Operating Income			Comments
	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes	
Toray	43.1	43.4	+0.3 (+0.7%)	1.6	1.2	-0.4 (-22.9%)	Plastic resins business mainly in automobiles and home appliances were steady. While in films business, conventional-type films were transferred to an overseas subsidiary. In total, sales were almost the same level year-on-year. Income decreased due to the effect of revision of depreciation rules, etc.
Japanese Subsidiaries	71.0	69.3	-1.7 (-2.3%)	4.8	4.9	+0.1 (+2.1%)	Sales decreased at a trading subsidiary. However, income increased due to steady business at chemical-related subsidiaries.
Overseas Subsidiaries	70.7	86.8	+16.2 (+22.9%)	2.0	2.9	+1.0 (+48.5%)	Sales and income increased through sales expansion at plastic resins subsidiaries in China and Malaysia, and sales increase of high value-added products at films subsidiary in US.
Adjustment				0.3	▲ 0.1	-0.4	
Total	184.6	199.4	+14.8 (+8.0%)	8.7	9.0	+0.3 (+3.4%)	

## <Major Subsidiaries>

Japan : Toray Advanced Film Co., Ltd., Toray Fine Chemicals Co., Ltd., Soda Aromatic Co., Ltd., Chori Co., Ltd., etc.

Overseas : TPA (US), TPM (Malaysia), TPEu (France), TSI (Korea), etc.

# Results by Business Segment (IT-related Products)

Billion ¥

	Net Sales			Operating Income			Comments
	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes	
Toray	52.2	56.8	+4.7 (+9.0%)	7.7	6.6	-1.1 (-13.9%)	Despite steady businesses in FPD-related films, electronic components-related films, and semiconductor coating materials, total sales increased but income decreased due to price decline of color filters resulting from tough competition in the medium/small size LCD market, sluggish circuit materials and the effect of revision of depreciation rules, etc.
Japanese Subsidiaries	42.2	43.5	+1.3 (+3.1%)	4.2	4.7	+0.5 (+11.3%)	Sales and income increased through sales growth of LCD slit coaters, etc. at IT-related equipment subsidiary.
Overseas Subsidiaries	33.4	38.4	+5.0 (+14.8%)	2.6	1.4	-1.2 (-47.0%)	Sales increased through sales expansion of PET films and processed PET films products at Korean subsidiary. However, income decreased due to sluggish circuit materials for FPC and the effect of price decline of TAB, COF tapes at Korean subsidiaries.
Adjustment				0.1	0.1	+0.1	
Total	127.8	138.7	+11.0 (+8.6%)	14.5	12.8	-1.7 (-12.0%)	

## <Major Subsidiaries>

Japan : Toray Engineering Co., Ltd., Toray Advanced Film Co., Ltd., etc.

Overseas : TPA (US), TPEu (France), TSI (Korea), STEMCO (Korea), etc.

# Results by Business Segment (Carbon Fiber Composite Materials)

Billion ¥

	Net Sales			Operating Income			Comments
	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes	
Toray	26.3	37.8	+11.4 (+43.4%)	5.0	3.8	-1.2 (-24.1%)	Sales increased through strong businesses in aircraft, sports, and industrial applications. However, income decreased due to the increase of depreciation cost accompanying the facility at Ehime Plant which started operation in January 2007, etc.
Japanese Subsidiaries	17.7	23.9	+6.2 (+34.9%)	0.2	0.3	+0.1 (+77.5%)	Sales and income increased through steady sales expansion at trading subsidiary.
Overseas Subsidiaries	25.8	33.2	+7.4 (+28.7%)	4.5	4.6	+0.1 (+2.5%)	Despite the increase in start-up cost at US subsidiary accompanying full-size shipment of materials for B787, total sales and income increased through steady businesses in aircraft and industrial applications in both Europe and US.
Adjustment	▲ 37.9	▲ 55.0	-17.0	▲ 0.8	▲ 0.5	+0.3	
Total	31.9	39.9	+8.0 (+25.0%)	8.8	8.2	-0.7 (-7.6%)	

As the segment highly conducts global operation with Japanese, Europe, and US facilities, internal sales figures are shown in adjustment line, to describe the true state of the business.

## <Major Subsidiaries>

Japan : Toray International, Inc.

Overseas : SOFICAR (France), CFA (US), TCA (US)

# Results by Business Segment (Environment & Engineering)

Billion ¥

	Net Sales			Operating Income			Comments
	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes	
Toray	3.8	4.2	+0.4 (+10.2%)	▲ 0.6	▲ 0.1	+0.5 (-)	Sales increased and income improved due to sales increase through export of RO membranes.
Japanese Subsidiaries	63.8	66.8	+3.0 (+4.7%)	0.7	3.0	+2.3 (+346.3%)	Sales and income increased through sales expansion of industrial equipment at engineering subsidiary as well as advancement in corporate-structure reinforcement at building material-related subsidiary and water treatment engineering subsidiary.
Overseas Subsidiaries	0.3	0.2	-0.1 (-40.6%)	▲ 0.0	▲ 0.3	-0.3 (-)	Income decreased due to increase in start-up cost of the water treatment subsidiary in US which was established last year.
Adjustment				0.0	▲ 0.2	-0.2	
<b>Total</b>	<b>67.8</b>	<b>71.1</b>	<b>+3.3 (+4.9%)</b>	<b>0.1</b>	<b>2.5</b>	<b>+2.3 (+2,034.8%)</b>	

## <Major Subsidiaries>

Japan : Toray Construction Co., Ltd., Toray Engineering Co., Ltd.,  
Toray ACE Co., Ltd., Suido Kiko Kaisha, Ltd., etc.

# Results by Business Segment (Life Science & Other Businesses)

Billion ¥

	Net Sales			Operating Income			Comments
	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes	
Toray	4.5	4.8	+0.4 (+8.3%)	▲ 0.0	0.2	+0.2 (-)	In pharmaceuticals and medical products, sales and income increased through sales expansion of Interferon preparation through new indications as well as sales increase of new artificial kidney product.
Japanese Subsidiaries	26.9	26.8	-0.1 (-0.4%)	1.8	2.0	+0.2 (+13.2%)	
Overseas Subsidiaries	1.0	0.7	-0.3 (-30.2%)	0.1	0.1	+0.0 (+10.1%)	
Adjustment				0.1	0.2	+0.0	
Total	32.3	32.3	-0.0 (-0.1%)	2.0	2.4	+0.5 (+24.6%)	
(Pharmaceuticals & Medical Products Included)	20.0	22.4	+2.4 (+11.8%)	0.6	0.8	+0.2 (+37.9%)	

## <Major Subsidiaries>

Japan : Toray Medical Co., Ltd., Toray Research Center Inc., Toray Enterprise Corp., etc.



# Comparison of Results with Initial Forecast by Business Segment

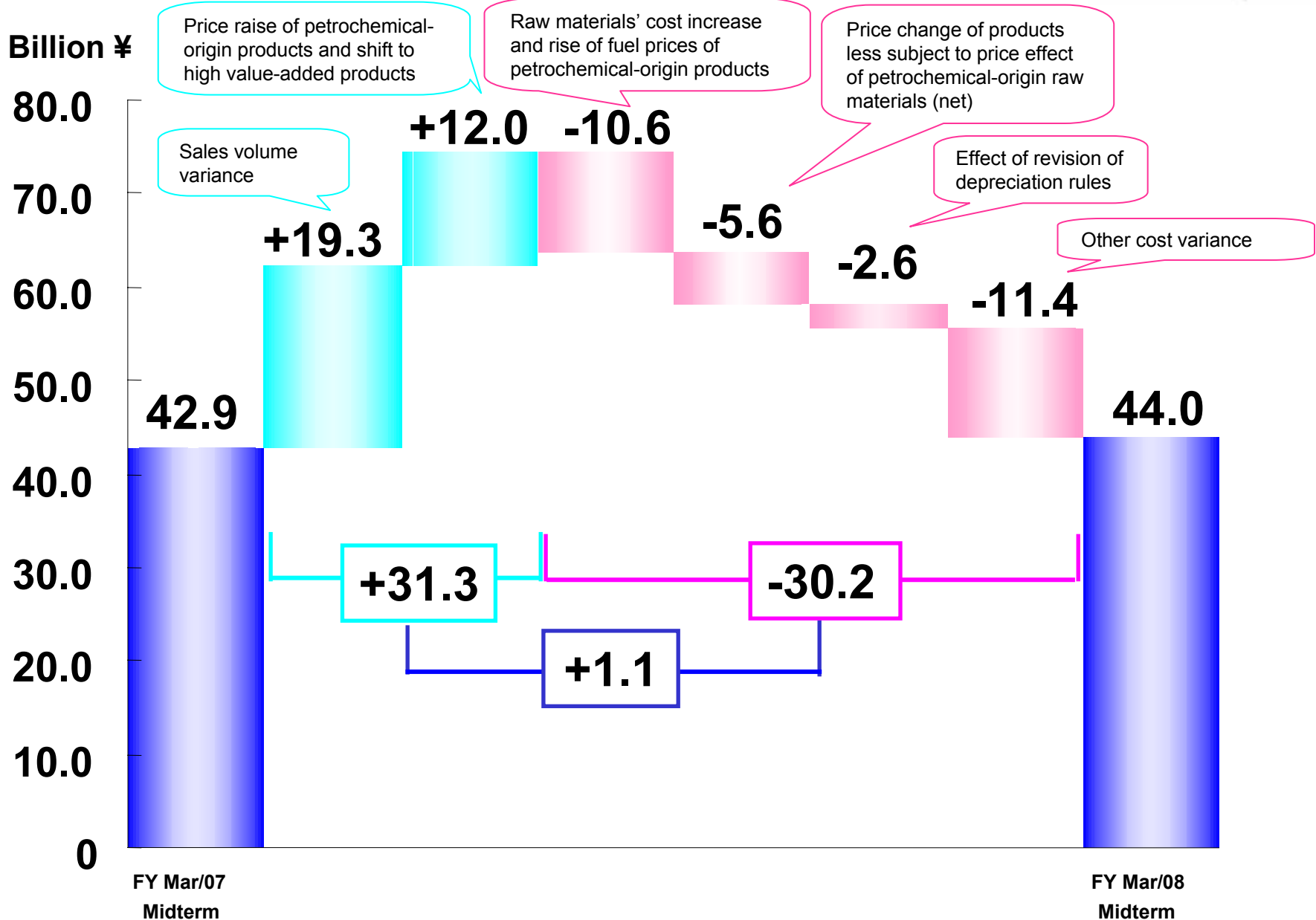


Innovation by Chemistry

Billion ¥

Business Segment	Midterm Net Sales Initial Forecast → Actual ( ) variance	Midterm Operating Income Initial Forecast → Actual ( ) variance	Variance Factors
Fibers & Textiles	300.0 → 320.9 (+20.9)	9.0 → 10.0 (+1.0)	<ul style="list-style-type: none"> <li>• Focus on price pass-through to offset the steep rise in raw materials and fuel prices, and shift to high value-added products</li> <li>• Improvement of income at overseas subsidiaries</li> </ul>
Plastics & Chemicals	190.0 → 199.4 (+9.4)	9.5 → 9.0 (-0.5)	<ul style="list-style-type: none"> <li>• Delay in price pass-through to offset the steep rise in raw materials and fuel prices, and shift to high value-added products</li> </ul>
IT-related Products	140.0 → 138.7 (-1.3)	13.5 → 12.8 (-0.7)	<ul style="list-style-type: none"> <li>• Weak market and sharp price down caused by tough competition of LCD color filters</li> <li>• Weak market and sharp price down caused by tough competition of circuit materials</li> </ul>
Carbon Fiber Composite Materials	40.0 → 39.9 (-0.1)	9.0 → 8.2 (-0.8)	<ul style="list-style-type: none"> <li>• Increase in start-up cost of new production facilities</li> </ul>
Environment & Engineering	70.0 → 71.1 (+1.1)	2.0 → 2.5 (+0.5)	<ul style="list-style-type: none"> <li>• Steady business at engineering subsidiary</li> </ul>
Life Science & Other Businesses	30.0 → 32.3 (+2.3)	2.0 → 2.4 (+0.4)	<ul style="list-style-type: none"> <li>• Steady businesses of pharmaceuticals and medical products</li> </ul>
Elimination & Corporate		▲1.0 → ▲0.8 (+0.2)	
Consolidated	770.0 → 802.3 (+32.3)	44.0 → 44.0 (±0.0)	

# Income Variance Factor Analysis



# Results of Major Subsidiaries

Billion ¥

	Net Sales			Operating Income			
	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes	
Toray International Inc.	182.9	<b>204.6</b>	+21.7	2.2	<b>2.9</b>	+0.7	
Toray Engineering Co., Ltd.	47.7	<b>54.6</b>	+6.9	2.7	<b>4.7</b>	+2.0	
Toray Construction Co., Ltd.	24.3	<b>20.3</b>	-4.0	1.0	<b>0.6</b>	-0.4	
Toray Advanced Film Co., Ltd.	21.5	<b>22.4</b>	+1.0	2.5	<b>1.9</b>	-0.6	
Toray Medical Co., Ltd.	15.9	<b>17.3</b>	+1.4	0.5	<b>0.5</b>	-0.0	
TSI (Korea)	39.3	<b>44.5</b>	+5.2	1.9	<b>2.7</b>	+0.7	
TPM (Malaysia)	23.1	<b>29.3</b>	+6.2	1.0	<b>0.8</b>	-0.2	
Subsidiaries in Southeast Asia *1	Fibers & Textiles	52.3	<b>59.3</b>	+7.0	0.9	<b>0.9</b>	+0.0
	Plastics & Chemicals	27.4	<b>33.8</b>	+6.5	1.3	<b>0.9</b>	-0.4
	Others	2.8	<b>4.0</b>	+1.2	0.1	<b>▲0.0</b>	-0.1
	Total	82.4	<b>97.2</b>	+14.8	2.2	<b>1.8</b>	-0.4
Subsidiaries in China *2	Fibers & Textiles	31.6	<b>41.1</b>	+9.5	<b>▲0.2</b>	<b>0.5</b>	+0.7
	Plastics & Chemicals	16.4	<b>23.2</b>	+6.7	0.2	<b>0.4</b>	+0.1
	Others	6.0	<b>7.6</b>	+1.6	0.4	<b>0.5</b>	+0.1
	Total	54.1	<b>71.9</b>	+17.8	0.5	<b>1.4</b>	+0.9
Film Subsidiaries (Overseas) *3	Plastics & Chemicals	41.9	<b>44.4</b>	+2.5	0.2	<b>1.0</b>	+0.8
	IT-related Products	19.3	<b>21.9</b>	+2.6	2.1	<b>1.9</b>	-0.2
	Total	61.2	<b>66.3</b>	+5.1	2.3	<b>2.9</b>	+0.6

\*1 : ITS, ETX, ISTEM, ACTEM, CENTEX, Penfibre, PAB-G, TTS, LTX, TTTM, TPM sum total

\*2 : TFNL, TSD, TAK/TAZ, TJQ, TCH, TSL, THK-G, TPHK/TPSZ, RKH/RKZ, TFH/TFZ sum total

\*3: TSI (films/electronic materials), Penfibre (films), TPA, TPEu, TFH/TFZ sum total

# Research and Development (R&D) Expenses, Number of Employees

## R&D Expenses

Billion ¥

	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes
Toray	17.1	<b>17.7</b>	+0.6
Consolidated Subsidiaries	4.1	<b>4.9</b>	+0.8
Consolidated Basis	21.2	<b>22.6</b>	+1.4

## Number of Employees

Number of people

	End of Sep/06	End of Mar/07	End of Sep/07	Changes
Toray	6,915	6,830	<b>7,262</b>	+432
Japanese Consolidated Subsidiaries	9,637	9,589	<b>9,828</b>	+239
Overseas Consolidated Subsidiaries	19,680	20,134	<b>20,949</b>	+815
Total	36,232	36,553	<b>38,039</b>	+1,486

# Changes in Subsidiaries and Affiliates

Number of companies

		End of Mar/07	End of Sep/07	Changes
Consolidated Subsidiaries  (a)	Japan	67	68	+1
	Overseas	77	77	±0
	Total	144	145	+1
Subsidiaries accounted for by Equity Method  (b)	Japan	35	33	-2
	Overseas	22	22	±0
	Total	57	55	-2
Total Subsidiaries  (a) + (b)	Japan	102	101	-1
	Overseas	99	99	±0
	Total	201	200	-1
Affiliates accounted for by Equity Method  (c)	Japan	16	14	-2
	Overseas	25	25	±0
	Total	41	39	-2
<b>Companies subject to Consolidation</b>  (a) + (b) + (c)	Japan	<b>118</b>	<b>115</b>	<b>-3</b>
	Overseas	<b>124</b>	<b>124</b>	<b>±0</b>
	Total	<b>242</b>	<b>239</b>	<b>-3</b>

## **II. Business Forecast for the Fiscal Year Ending March 2008 (Consolidated Basis)**

# Forecast Summary

Innovation by Chemistry

Billion ¥

		After Revision of Depreciation Rules			FYI : Before Revision of Depreciation Rules			
		FY Mar/07 Actual	FY Mar/08 Forecast	Changes		FY Mar/08 Forecast	Changes	
Net Sales	1st Half	746.2	802.3	+56.1	(+7.5%)	802.3	+56.1	(+7.5%)
	2nd Half	800.2	857.7	+57.4	(+7.2%)	857.7	+57.4	(+7.2%)
	<b>Total</b>	<b>1,546.5</b>	<b>1,660.0</b>	<b>+113.5</b>	<b>(+7.3%)</b>	<b>1,660.0</b>	<b>+113.5</b>	<b>(+7.3%)</b>
Operating Income	1st Half	42.9	44.0	+1.1	(+2.6%)	46.7	+3.8	(+8.8%)
	2nd Half	59.5	64.0	+4.5	(+7.5%)	66.3	+6.8	(+11.4%)
	<b>Total</b>	<b>102.4</b>	<b>108.0</b>	<b>+5.6</b>	<b>(+5.4%)</b>	<b>113.0</b>	<b>+10.6</b>	<b>(+10.3%)</b>
Ordinary Income	1st Half	40.5	41.9	+1.4	(+3.4%)	44.6	+4.1	(+10.2%)
	2nd Half	57.0	59.1	+2.1	(+3.7%)	61.4	+4.3	(+7.6%)
	<b>Total</b>	<b>97.5</b>	<b>101.0</b>	<b>+3.5</b>	<b>(+3.6%)</b>	<b>106.0</b>	<b>+8.5</b>	<b>(+8.7%)</b>
Net Income	1st Half	28.0	23.0	- 5.1	(-18.0%)	24.8	- 3.2	(-11.6%)
	2nd Half	30.5	33.0	+2.5	(+8.1%)	34.2	+3.7	(+12.0%)
	<b>Total</b>	<b>58.6</b>	<b>56.0</b>	<b>- 2.6</b>	<b>(-4.4%)</b>	<b>59.0</b>	<b>+0.4</b>	<b>(+0.7%)</b>
Net Income per Share	1st Half	20.0 yen	16.4 yen					
	2nd Half	21.8 yen	23.6 yen					
	<b>Total</b>	<b>41.8 yen</b>	<b>40.0 yen</b>					
Dividend per Share	1st Half	5.0 yen	5.0 yen					
	2nd Half	5.0 yen	5.0 yen					
	<b>Total</b>	<b>10.0 yen</b>	<b>10.0 yen</b>					
Dividend Payout Ratio	1st Half	25.0%	30.4%					
	2nd Half	22.9%	21.2%					
	<b>Total</b>	<b>23.9%</b>	<b>25.0%</b>					
						FY Mar/07 Midterm		FY Mar/08 Midterm
						42.9		44.0
						102.4		108.0
						41.9%		40.8%

Expected exchange rate (Oct/07 ~ Mar/08)

115yen / US\$, 155yen / Euro

# Forecast by Business Segment

Innovation by Chemistry

Billion ¥

		Net Sales				Operating Income			
		FY Mar/07	FY Mar/08	Changes (%)		FY Mar/07	FY Mar/08	Changes (%)	
Fibers & Textiles	1st Half	301.8	<b>320.9</b>	+19.1 (+6.3%)	9.5	<b>10.0</b>	+0.5 (+5.7%)		
	2nd Half	305.9	<b>309.1</b>	+3.1 (+1.0%)	9.8	<b>9.5</b>	-0.3 (-2.8%)		
	Total	607.8	<b>630.0</b>	+22.2 (+3.7%)	19.2	<b>19.5</b>	+0.3 (+1.4%)		
Plastics & Chemicals	1st Half	184.6	<b>199.4</b>	+14.8 (+8.0%)	8.7	<b>9.0</b>	+0.3 (+3.4%)		
	2nd Half	190.7	<b>200.6</b>	+9.9 (+5.2%)	10.6	<b>10.5</b>	-0.0 (-0.2%)		
	Total	375.3	<b>400.0</b>	+24.7 (+6.6%)	19.2	<b>19.5</b>	+0.3 (+1.4%)		
IT-related Products	1st Half	127.8	<b>138.7</b>	+11.0 (+8.6%)	14.5	<b>12.8</b>	-1.7 (-12.0%)		
	2nd Half	136.0	<b>151.3</b>	+15.2 (+11.2%)	18.9	<b>19.2</b>	+0.3 (+1.5%)		
	Total	263.8	<b>290.0</b>	+26.2 (+9.9%)	33.5	<b>32.0</b>	-1.5 (-4.4%)		
Carbon Fiber Composite Materials	1st Half	31.9	<b>39.9</b>	+8.0 (+25.0%)	8.8	<b>8.2</b>	-0.7 (-7.6%)		
	2nd Half	36.7	<b>50.1</b>	+13.4 (+36.6%)	9.2	<b>11.8</b>	+2.6 (+28.0%)		
	Total	68.6	<b>90.0</b>	+21.4 (+31.2%)	18.1	<b>20.0</b>	+1.9 (+10.6%)		
Environment & Engineering	1st Half	67.8	<b>71.1</b>	+3.3 (+4.9%)	0.1	<b>2.5</b>	+2.3 (+2,034.8%)		
	2nd Half	93.5	<b>108.9</b>	+15.4 (+16.5%)	5.8	<b>7.5</b>	+1.7 (+29.2%)		
	Total	161.3	<b>180.0</b>	+18.7 (+11.6%)	6.0	<b>10.0</b>	+4.0 (+68.0%)		
Life Science & Other Businesses	1st Half	32.3	<b>32.3</b>	-0.0 (-0.1%)	2.0	<b>2.4</b>	+0.5 (+24.6%)		
	2nd Half	37.4	<b>37.7</b>	+0.3 (+0.9%)	6.2	<b>6.6</b>	+0.4 (+5.9%)		
	Total	69.7	<b>70.0</b>	+0.3 (+0.4%)	8.2	<b>9.0</b>	+0.8 (+10.4%)		
(Pharmaceuticals & Medical Products Included)	1st Half	20.0	<b>22.4</b>	+2.4 (+11.8%)	0.6	<b>0.8</b>	+0.2 (+37.9%)		
	2nd Half	26.8	<b>27.6</b>	+0.8 (+3.0%)	4.2	<b>4.7</b>	+0.5 (+10.9%)		
	Total	46.8	<b>50.0</b>	+3.2 (+6.8%)	4.8	<b>5.5</b>	+0.7 (+14.3%)		
Elimination & Corporate	1st Half				▲ 0.7	▲ 0.8	-0.1 (-)		
	2nd Half				▲ 1.0	▲ 1.2	-0.2 (-)		
	Total				▲ 1.7	▲ 2.0	-0.3 (-)		
Consolidated	1st Half	746.2	<b>802.3</b>	+56.1 (+7.5%)	42.9	<b>44.0</b>	+1.1 (+2.6%)		
	2nd Half	800.2	<b>857.7</b>	+57.4 (+7.2%)	59.5	<b>64.0</b>	+4.5 (+7.5%)		
	Total	1,546.5	<b>1,660.0</b>	+113.5 (+7.3%)	102.4	<b>108.0</b>	+5.6 (+5.4%)		

Initial Forecast and Variance			
Net Sales		Operating Income	
Initial Forecast	Variance	Initial Forecast	Variance
300.0	<b>+20.9</b>	9.0	<b>+1.0</b>
320.0	<b>- 10.9</b>	10.0	<b>- 0.5</b>
620.0	<b>+10.0</b>	19.0	<b>+0.5</b>
190.0	<b>+9.4</b>	9.5	<b>- 0.5</b>
210.0	<b>- 9.4</b>	10.0	<b>+0.5</b>
400.0	-	19.5	-
140.0	<b>- 1.3</b>	13.5	<b>- 0.7</b>
160.0	<b>- 8.7</b>	20.5	<b>- 1.3</b>
300.0	<b>- 10.0</b>	34.0	<b>- 2.0</b>
40.0	<b>- 0.1</b>	9.0	<b>- 0.8</b>
50.0	<b>+0.1</b>	11.5	<b>+0.3</b>
90.0	-	20.5	<b>- 0.5</b>
70.0	<b>+1.1</b>	2.0	<b>+0.5</b>
110.0	<b>- 1.1</b>	7.0	<b>+0.5</b>
180.0	-	9.0	<b>+1.0</b>
30.0	<b>+2.3</b>	2.0	<b>+0.4</b>
40.0	<b>- 2.3</b>	6.0	<b>+0.6</b>
70.0	-	8.0	<b>+1.0</b>
20.0	<b>+2.4</b>	0.5	<b>+0.3</b>
30.0	<b>- 2.4</b>	4.0	<b>+0.7</b>
50.0	-	4.5	<b>+1.0</b>
		▲ 1.0	<b>+0.2</b>
		▲ 1.0	<b>- 0.2</b>
		▲ 2.0	-
770.0	<b>+32.3</b>	44.0	-
890.0	<b>- 32.3</b>	64.0	-
1,660.0	-	108.0	-



# Comparison of Results with 2H Forecast

Business Segment	Operating Income 1 <sup>st</sup> Half → 2 <sup>nd</sup> Half ( ) variance	Business Environment	Action Plans for 2 <sup>nd</sup> Half
Fibers & Textiles	10.0 → 9.5 (-0.5)	<ul style="list-style-type: none"> <li>• Continuous high level prices of raw materials and fuels</li> <li>• Weak market conditions in Japan due to weak Japanese retailers business, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Further price pass-through and shift to high value-added products</li> </ul>
Plastics & Chemicals	9.0 → 10.5 (+1.6)	<ul style="list-style-type: none"> <li>• Continuous high level prices of raw materials and fuels</li> <li>• Stable demand in plastic resins for automobiles and electric applications</li> </ul>	<ul style="list-style-type: none"> <li>• Further price pass-through and shift to high value-added products</li> <li>• Expansion of sales of high value-added products at overseas films subsidiaries</li> </ul>
IT-related Products	12.8 → 19.2 (+6.4)	<ul style="list-style-type: none"> <li>• Upward momentum of LCD / PDP panel market</li> <li>• Continuous strong pressure for price reduction</li> <li>• Stable semiconductor market</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of sales of optical films and processed films</li> <li>• Expansion of sales of PDP-related and semiconductor-related materials</li> <li>• Improvement of income in LCD color filters and circuit materials businesses</li> </ul>
Carbon Fiber Composite Materials	8.2 → 11.8 (+3.7)	<ul style="list-style-type: none"> <li>• Ongoing strong demand in all applications</li> <li>• Continuous expansion in aircraft applications</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of sales of aircraft applications</li> <li>• Smooth start-up of new facilities (France, Ehime)</li> </ul>
Environment & Engineering	2.5 → 7.5 (+5.1)	<ul style="list-style-type: none"> <li>• Demand expansion of RO membranes and other water treatment membranes</li> <li>• Stable demand in industrial equipment</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of sales of RO membranes and other water treatment membranes</li> <li>• Continuous efforts in cost reduction and expenses reduction</li> </ul>
Life Science & Other Businesses	2.4 → 6.6 (+4.1)	<ul style="list-style-type: none"> <li>• Ongoing tough competition in pharmaceuticals and medical products</li> </ul>	<ul style="list-style-type: none"> <li>• Steady sales expansion of existing pharmaceuticals</li> <li>• Expansion of sales of new type artificial kidney</li> </ul>
Elimination & Corporate	▲0.8 → ▲1.2 (-0.5)		
Consolidated	44.0 → 64.0 (+20.0)		

# Forecast of Capital Expenditures, Depreciation, R&D Expenses

## Capital Expenditures

Billion ¥

	FY Mar/07 Actual	FY Mar/08 Forecast	Changes
Toray	49.8	60.0	+10.2
Consolidated Subsidiaries	70.6	90.0	+19.4
Consolidated Basis	120.4	150.0	+29.6

## R&D Expenses

Billion ¥

	FY Mar/07 Actual	FY Mar/08 Forecast	Changes
Toray	33.8	37.0	+3.2
Consolidated Subsidiaries	8.4	10.0	+1.6
Consolidated Basis	42.3	47.0	+4.7

## Depreciation

Billion ¥

	FY Mar/07 Actual	FY Mar/08 Forecast	Changes	
Toray	29.5	41.0	+11.5	
Consolidated Subsidiaries	41.4	47.0	+5.6	
Consolidated Basis	70.8	88.0	+17.2	
				<FYI>
				FY Mar/08 Forecast (Before Revision)
				37.0
				46.0
				83.0

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**III. Midterm Business Results  
and  
Business Forecast for the  
Fiscal Year Ending March 2008  
(Non-consolidated Basis)**

# Summary (Profits) (Non-consolidated Basis)

Billion ¥

	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes
Net Sales	264.6	<b>290.5</b>	+25.9 (+9.8%)
Gross Profit	62.9	<b>62.0</b>	-0.9 (-1.4%)
(Gross Profit to Net Sales)	23.8%	<b>21.3%</b>	-2.4 points
Operating Income	17.3	<b>14.8</b>	-2.5 (-14.7%)
(Operating Income to Net Sales)	6.5%	<b>5.1%</b>	-1.5 points
Non-operating Income and Expenses, net	2.3	<b>1.4</b>	-0.9
Ordinary Income	19.6	<b>16.1</b>	-3.5 (-17.7%)
Special Credits and Charges, net	▲ 18.9	▲ <b>3.8</b>	+15.1
Income before Income Taxes	0.7	<b>12.3</b>	+11.6 (+1,715.7%)
Midterm Net Income	▲ 1.8	<b>9.2</b>	+11.0 (-)

# Summary (Financial Position) (Non-consolidated Basis)

Billion ¥

	End of Mar/07	End of Sep/07	Changes	
Total Assets	1,044.1	<b>1,049.8</b>	+5.7	(+0.5%)
Net Assets	477.9	<b>477.1</b>	-0.8	(-0.2%)
Interest-bearing Debts	345.4	<b>378.9</b>	+33.5	(+9.7%)

	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes	
ROE <sup>*1</sup>	-0.8%	<b>3.9%</b>	+4.6	points
ROA <sup>*2</sup>	3.5%	<b>2.8%</b>	-0.7	points

Net Income per Share (Midterm)	<b>▲1.30 yen</b>	<b>6.57 yen</b>
Dividend per Share (Midterm)	<b>5.0 yen</b>	<b>5.0 yen</b>
Dividend Payout Ratio	-	<b>76.2%</b>

\*1 ROE = Midterm Net Income / Shareholders' Equity      \*2 ROA = Operating Income / Total Assets

ROE and ROA are converted to annual based exchange ratios.

# Forecast for the Fiscal Year Ending March 2008 (Non-consolidated Basis)

Billion ¥

		FY Mar/07	After Revision of Depreciation Rules		FYI : Before Revision of Depreciation Rules	
			FY Mar/08	Changes	FY Mar/08	Changes
Net Sales	1st Half	264.6	<b>290.5</b>	+25.9 (+9.8%)	<b>290.5</b>	+25.9 (+9.8%)
	2nd Half	283.6	<b>309.5</b>	+25.9 (+9.1%)	<b>309.5</b>	+25.9 (+9.1%)
	<b>Total</b>	<b>548.2</b>	<b>600.0</b>	<b>+51.8 (+9.4%)</b>	<b>600.0</b>	<b>+51.8 (+9.4%)</b>
Operating Income	1st Half	17.3	<b>14.8</b>	-2.5 (-14.7%)	<b>17.1</b>	-0.3 (-1.5%)
	2nd Half	25.5	<b>25.2</b>	-0.3 (-1.2%)	<b>26.9</b>	+1.4 (+5.6%)
	<b>Total</b>	<b>42.8</b>	<b>40.0</b>	<b>-2.8 (-6.6%)</b>	<b>44.0</b>	<b>+1.2 (+2.7%)</b>
Ordinary Income	1st Half	19.6	<b>16.1</b>	-3.5 (-17.7%)	<b>18.4</b>	-1.2 (-6.0%)
	2nd Half	32.5	<b>29.9</b>	-2.7 (-8.2%)	<b>31.6</b>	-1.0 (-2.9%)
	<b>Total</b>	<b>52.1</b>	<b>46.0</b>	<b>-6.1 (-11.8%)</b>	<b>50.0</b>	<b>-2.1 (-4.1%)</b>
Net Income	1st Half	▲ 1.8	<b>9.2</b>	+11.0 (-)	<b>10.7</b>	+12.5 (-)
	2nd Half	19.3	<b>16.8</b>	-2.5 (-13.1%)	<b>18.3</b>	-1.0 (-5.3%)
	<b>Total</b>	<b>17.5</b>	<b>26.0</b>	<b>+8.5 (+48.5%)</b>	<b>29.0</b>	<b>+11.5 (+65.6%)</b>
Net Income per Share	1st Half	▲1.30 yen	<b>6.57 yen</b>			
	2nd Half	13.80 yen	<b>12.00 yen</b>			
	<b>Total</b>	<b>12.50 yen</b>	<b>18.56 yen</b>			
Dividend per Share	1st Half	5.0 yen	<b>5.0 yen</b>			
	2nd Half	5.0 yen	<b>5.0 yen</b>			
	<b>Total</b>	<b>10.0 yen</b>	<b>10.0 yen</b>			
Dividend Payout Ratio	1st Half	-	<b>76.2%</b>			
	2nd Half	36.2%	<b>41.7%</b>			
	<b>Total</b>	<b>80.0%</b>	<b>53.9%</b>			

Descriptions of predicted business results, projections, and business plans for the Fiscal Year ending March 2008 contained in this material are based on predictive forecasts of the future business environment made at the present time.

The material in this presentation is not a guarantee of the Company's future business performance.