

May 9, 2003

FOR IMMEDIATE RELEASE:

## **Toray Announces FY2003 Financial Results**

Overview of Fiscal Year 2003 (April 2002 - March 2003):

Although a sign of recovery was seen in the first half of FY 2002 mainly in the IT industry, factors such as sluggish U.S. economy, a global depression of stock prices, and the crisis in the Middle East caused the world economy fell into stagnation in the second half of FY2002. While some indications that show improvement of the Japanese economy led by exports were seen in the first half in FY2002, the Japanese economy continued to face a severe environment due to the lack of consumer spending, a vital factor needed to recover the Japanese economy.

Under these circumstances, Toray effectively conducted a reinforcement of its corporate structure and re-engineering of the business structure by promoting the company's new management program, "Project New TORAY 21" (NT21) since April 2002.

As a result, the company's consolidated net sales for FY 2003 increased 1.7% on a year-on-year basis, to 1,033 billion yen (US\$8.608 billion), while operating income grew 75.3% to 33 billion yen (US\$275 million) and ordinary income jumped 165.7% to 23.7 billion yen (US\$198 million). Net income increased 52.3% to 5.8 billion yen (US\$48 million).

The "NT21" program contributed substantially to produce excellent results that exceeded the company's original expectations. Toray succeeded in achieving sharp increases in both operating and ordinary incomes.

Business Performances by Sector:

<Fibers and Textiles>

Domestic sales of nylon declined in FY2003 due to sluggish demand in apparel

and the increase in imported products. However, sales of nylon for industrial use, including tire cords and air bags, increased. Overall nylon sales leveled off from the previous year. Sales of Tetoron\* polyester yarn declined due to the deterioration in the apparel market. Overall overseas sales in this sector remained mostly unchanged year-on-year due to the lack of demand and drop in prices in polyester textile, despite the sales increase in non-woven fabric in South Korea and polyester filament textile for clothing in China.

Overall sales of fibers and textiles decreased year-on-year to 418.3 billion yen (US\$3.486 billion). However, as a result of the reinforcement of corporate structure, operating income increased to 10.4 billion yen (US\$87 million).

Regarding polyester filament textile production in China, Toray Sakai Weaving & Dyeing (Nantong) Co., Ltd. completed the initial phase of construction to expand the capacity of its polyester filament textile production. The production facility has already come on stream.

#### <Plastics and Chemicals>

Sales of ABS resin Toyolac\* grew as a result of the steady demand in the domestic automobile sector, steady export of transparent grade products, and an expansion in overseas sales centering on wide-use products. Sales of Nylon resin Amilan\* and PBT resin Toraycon\* grew due to increased demand in the automobile and electric sectors.

In the Film Business, sales of mainstay polyester film Lumirror\* continued to grow, particularly in both domestic and overseas markets of packaging and industrial application. In addition, sales of polypropylene film Torayfan\* also increased, as a result of the recovery in the domestic capacitor demand and an expansion in the packaging-application markets both at home and abroad.

In the chemicals sector, steady exports of Caprolactam, a raw material of nylon, contributed to the overall sales increase.

As a result, overall sales of plastics and chemicals grew year-on-year to 241.9 billion yen (US\$2.016 billion) and operating income increased to 6 billion yen (US\$50 million).

Regarding production, Toray increased ABS resin production capacity at Toray Plastics (Malaysia) Sdn. Bhd.

<IT related Products >

In the IT-related resin and film sector, the domestic sales of liquid crystal displays (LCDs), electronic components and products related to cellular phone increased due to the recovery of domestic demand. Overseas sales expanded, mainly due to the sales increase of precision resin molding products in China. As a result, overall sales of the sector increased.

In the Electronic and Information-related product business, sales of electronic circuit products at home and abroad increased.

In the LCD Material business, sales of Topical\*, a high-quality TFT color filter for LCDs, increased as a result of the growth in sales of small- and medium-sized LCD products targeting cellular phones. However, sales of large-sized LCD products declined due to slow demand in the second half in FY2002.

As a result, overall sales of IT related products were up year-on-year to 147.7 billion yen (US\$1.231 billion), and operating income increased to 9.3 billion yen (US\$78 million).

<Housing and Engineering>

Although the engineering business was affected by the stagnation in capital investment, sales of the construction and real estate businesses increased. Overall sales for the housing and engineering business increased year-on-year to 118.8 billion yen (US\$990 million), and operating income expanded to 800 million yen (US\$7 million).

<Pharmaceutical and Medical Products>

Despite the increase in sales of Dorner\*, a (PGI2) derivative, Toraysulfone\*, a polysulfone hollow-fiber artificial kidney, and Toraymyxin\*, a blood purification device for treating septicemia, the pharmaceutical and medical sector was affected by a sharp decline in the setting of prices of medicines, as well as severe competition.

As a result, overall sales of the pharmaceutical and medical products sector decreased year-on-year to 47.6 billion yen (US\$397 million) while operating income grew to 2.8 billion yen (US\$23 million) due to an increase of royalties and cost reduction efforts.

Note) Prostacyclin (PGI<sub>2</sub>) is a trademark of Kaken Pharmaceutical Co., Ltd. Toray provides Kaken with ingredient.

#### <New Products and Other Businesses >

Sales of the advanced composite materials business expanded centering on industrial and sports applications. However, sales for aviation industries showed a low demand. As a consequence, overall sales dropped year-on-year to 58.7 billion yen (US\$489 million), while operating income increased to 3.5 billion yen (US\$29 million) due to total cost reduction.

#### <Recent Investments>

In the fiber and textile business, Toray established Toray Fluorofibers (America), Inc. in the U.S. by acquiring Du Pont's PTFE (PolyTetra-Fluoro Ethylene) fibers business.

In the film business, Toray Saehan Inc. (TSI), a joint venture of Toray and the South Korea-based leading synthetic-fiber manufacturer Saehan, Inc., fully entered into a film processing business by purchasing Saehan's film processing asset. The company also established Toray Film Products (Zhongshan) Ltd. in China to manufacture vapor deposition film for capacitors.

In the resin business, Toray established Shanghai TPS Precision Co., Ltd. in China as an ejection molding base of Toray's consolidated subsidiary Toyo Plastic Seiko Co., Ltd., a resin molding and fabrication/processing firm.

Toray also tied up with Suido Kiko Kaisha, Ltd. to form a capital and business alliance in the water-treatment business.

#### < Dividends >

In consideration of the business performance for the FY 2003, as well as the projections for FY 2004, the dividend for FY 2003 will be 5 yen per share, the same as the previous fiscal year.

< Finance and Cash Flows for FY 2003 >

Toray's assets as of March 31, 2003 were 1,301 billion yen (US\$10.842 billion), an 85.6 billion yen (US\$713 million) decline from the previous year. This is primarily due to decreases in fixed assets, investments in securities for payment of the employee retirement benefit trust, and mark-to-market price of listed stock. Liabilities were 876.3 billion yen (US\$7.303 billion), a 64.8 billion (US\$540 million) yen decrease from the previous year due to decreases in interest-bearing liabilities and allowance for employee retirement benefits.

Capital was 390.4 billion yen (US\$3.253 billion), a 22.7 billion yen (US\$189 million) drop year-on-year, mainly because of a decline in the balance resulting from the assessment of investments in securities and adjustment for the exchange rate. As a result, Toray's stockholders' capital-asset ratio as of March 31, 2003 reached 30.0%, a 0.2-point increase over the previous year.

Free cash flows, cash flows from operating activities net of cash flows from investment activities, for FY 2003 increased year-on-year to 36.7 billion (US\$306 million). Cash flows, as well as changes in and balances of cash and cash equivalents, for FY 2003 are as follows:

Unit: billions of JPY

	Year ended March 31	
	2003	2002
Cash flows from operating activities	88.6 (US\$738 million)	68.6 (US\$516 million)
Cash flows from investment activities	-51.9 (US\$-433 million)	-47.2 (US\$-355 million)
Balance (free cash flows)	36.7 (US\$306 million)	21.4 (US\$161 million)
Cash flows from financing activities	-31.9 (US\$-266 million)	-34.4 (US\$-259 million)
Effects of changes in exchange rate	-0.6 (US\$-5 million)	1.4 (US\$11 million)
Change in cash and cash equivalents for the year	4.2 (US\$35 million)	-11.6 (US\$-87 million)
Cash and cash equivalents at the beginning of the year	51.5 (US\$429 million)	62.9 (US\$473 million)
Effect of changes of consolidated subsidiaries	0.0 (US\$0.0 million)	0.2 (US\$1.5 million)
Cash and cash equivalents at the end of the year	55.7 (US\$464 million)	51.5 (US\$387 million)

Index of Cash Flows:

	Year ended March 31			
	2000	2001	2002	2003
Shareholder's capital ratio (%)	28.3	29.1	29.8	30.0
Shareholder's capital ratio at the current market price (%)	37.7	48.4	35.6	28.3
Years of debt redemption	10.8	5.4	8.5	6.2
Interest coverage ratio	3.3	5.8	4.5	10.6

Note) Shareholder's capital ratio: Shareholder's capital / total assets

Shareholder's capital ratio at the current market price: Total shares at the current market price / total assets

Years of debt redemption: Interest-bearing liabilities / cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities / payment of interest

- 1) Each index is calculated on a consolidated basis.
- 2) Total shares at the current market price were calculated as follows: price of shares as of March 31 x total shares issued as of March 31
- 3) Cash flows from operating activities are based on the cash flows described in the consolidated cash flows statement. Interest-bearing liabilities include the all liabilities in the consolidated balance sheet, liabilities of which interest is paid. Payment of interest is based on the consolidated cash flow statement.

<Projection for FY 2004>

We forecast that the prospects of overseas economies are unpredictable due to sluggish U.S. economy with a fall in stock prices and poor employment environment, and the SARS outbreak. We also forecast that the Japanese economy will continue to decline due to stagnant consumer spending and poor private capital investment.

In view of these circumstances, since the establishment of "NT21" in 2002, the Toray Group intends to further pursue profitability by promoting reinforcement of corporate structure and re-engineering of business structure, as immediate issues. Accordingly, Toray plans to achieve net sales of 1,050 billion yen (US\$8.75 billion), operating income of 43 billion yen (US\$358 million), ordinary income of 36 billion yen (US\$300 million) and net income of 9 billion

yen (US\$75 million) for FY 2004. The estimated exchange rate for FY2004 is 120 yen =US\$1.

Notes:

- 1) U.S. dollar amounts have been converted from yen at the exchange rate of 120 yen=US\$1, the approximate rate of exchange prevailing on March 31, 2003.
- 2) The financial data are under audit.
- 3) Product names with (\*) are trademarks of Toray Industries, Inc.

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## 1 Consolidated Business Results

(All amounts in millions of Japanese Yen except the "per share" data)

### (1) TORAY'S CONSOLIDATED FINANCIAL HIGHLIGHTS

	Year ended March 31		
	2003 (A)	2002 (B)	Change $\frac{\{(A) - (B)\} \times 100}{(B)}$
<b>Net sales</b>	1,032,991	1,015,713	1.7%
Fibers and textiles	418,332	431,483	-3.0%
Plastics and chemicals	241,882	224,895	7.6%
IT related products	147,729	141,424	4.5%
Housing and engineering	118,764	105,153	12.9%
Pharmaceuticals and medical products	47,632	50,015	-4.8%
New products and other businesses	58,652	62,743	-6.5%
<b>Operating income</b>	33,043	18,845	75.3%
<b>Ordinary income</b>	23,746	8,938	165.7%
<b>Net income</b>	5,790	3,802	52.3%
<b>Depreciation</b>	74,142	78,104	-5.1%
<b>Capital investment</b>	53,816	65,093	-17.3%
<b>Total assets</b>	1,300,954	1,386,507	-6.2%
<b>Property, plant and equipment, net</b>	583,280	633,345	-7.9%
<b>Total stockholders' equity</b>	390,398	413,140	-5.5%
<b>Per Share of common stock:</b>			
Net income:			
Primary	¥4.13	¥2.71	52.4%
Fully diluted	---	---	---
Cash dividends	¥5.00	¥5.00	---
Stockholders' equity	¥278.65	¥294.80	-5.5%
<b>Ratios:</b>			
Operating income to net sales	3.2%	1.9%	
Net income to net sales	0.6%	0.4%	
Equity ratio	30.0%	29.8%	
Return on equity	1.4%	0.9%	

<b>Projection of results</b>	2004
Net sales	1,050,000
Operating income	43,000
Ordinary income	36,000
Net income	9,000



## (2) SEGMENT INFORMATION (For the year ended March 31, 2003)

## Industrial Segment Information

	Sales to outside customers	Inter-segment sales	Total sales	Operating income	Assets	Depreciation and amortization	Capital expenditures
Fibers and Textiles	418,332	1,195	419,527	10,380	438,399	24,840	19,649
Plastics and Chemicals	241,882	28,156	270,038	6,023	357,139	23,105	14,027
IT Related Products	147,729	4,816	152,545	9,298	221,679	14,717	11,309
Housing and Engineering	118,764	36,679	155,443	846	149,252	2,246	3,132
Pharmaceuticals and Medical Products	47,632	3	47,635	2,755	69,047	2,831	2,617
New Products and Other Businesses	58,652	17,916	76,568	3,471	119,378	8,156	7,167
Total	1,032,991	88,765	1,121,756	32,773	1,354,894	75,895	57,901
Elimination and Corporate	---	(88,765)	(88,765)	270	(53,940)	(736)	(652)
Consolidated Total	1,032,991	---	1,032,991	33,043	1,300,954	75,159	57,249

## Geographic Segment Information

	Sales to outside customers	Inter-segment sales	Total sales	Operating income	Assets
Japan	737,013	68,258	805,271	21,270	935,800
Asia	175,601	24,555	200,156	8,614	233,996
Europe & United States	120,377	3,948	124,325	3,298	150,675
Total	1,032,991	96,761	1,129,752	33,182	1,320,471
Elimination and Corporate	---	(96,761)	(96,761)	(139)	(19,517)
Consolidated Total	1,032,991	---	1,032,991	33,043	1,300,954

## Export Sales and Sales by Overseas Subsidiaries

	Export sales and sales by overseas subsidiaries	Percentage of such sales against consolidated net sales
Asia	253,580	24.6%
Other regions	173,849	16.8%
Total	427,429	41.4%

## 2 Non-Consolidated Business Results

(All amounts in millions of Japanese Yen except the "per share" data)

### TORAY'S NONCONSOLIDATED FINANCIAL HIGHLIGHTS

	Year ended March 31		
	2003 (A)	2002 (B)	Change $\frac{\{(A) - (B)\} \times 100}{(B)}$
<b>Net sales</b>	442,586	458,831	-3.5%
Fibers and textiles	184,983	205,854	-10.1%
Plastics and chemicals	110,711	103,473	7.0%
IT related Products	74,770	73,144	2.2%
New products and other businesses	72,120	76,358	-5.6%
<b>Operating income</b>	9,674	-5,805	---
<b>Ordinary income</b>	10,396	5,179	100.7%
<b>Net income</b>	3,121	2,467	26.5%
<b>Depreciation (Property, plant, and equipment)</b>	32,131	35,309	-9.0%
<b>Capital investment (Property, plant, and equipment)</b>	20,547	30,610	-32.9%
<b>Total assets</b>	873,637	926,257	-5.7%
<b>Property, plant and equipment, net</b>	267,970	282,085	-5.0%
<b>Total stockholders' equity</b>	402,539	422,304	-4.7%
<b>Per Share of common stock:</b>			
Net income:			
Primary	¥2.23	¥1.76	26.7%
Fully diluted	---	---	---
Cash dividends	¥5.00	¥5.00	---
Stockholders' equity	¥287.32	¥301.34	-4.7%
<b>Ratios:</b>			
Operating income to net sales	2.2%	-1.3%	
Net income to net sales	0.7%	0.5%	
Equity ratio	46.1%	45.6%	
Return on equity	0.8%	0.6%	

<b>Projection of results</b>	2004
Net sales	445,000
Operating income	14,000
Ordinary income	19,000
Net income	8,000

<Attachment>

## Management Policy

### 1) Corporate Mission

Toray's corporate philosophy is "to contribute to society through the creation of new value by innovative ideas, technologies and products". Under this philosophy, Toray established the following 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 the local community:

To act as a responsible corporate citizen and build a long-lasting, beneficial partnership with the local communities in which we do business

Toray is committed to taking on responsibility and contributing to its customers, employees, shareholders and the local community.

### 2) Policy on distribution of surplus profits

Toray recognizes that its profit distribution policy is a vital matter for the company and it is committed to distributing such profits fairly through deliberate considerations of every factor, including business results, financial conditions and a retention of earnings necessary for future investment.

### 3) Issues Remaining to Be Solved and Medium- to Long-term Business Strategy

Toray has promoted a new management program dubbed "Project New TORAY 21" since April 2002 in order to become a company with high earnings. The program is an action plan designed to guide the re-engineering of the company's businesses to be in step with the 21<sup>st</sup> century, backed by the emergence of China as an economic power, shifting the world from a cyclical economy to the one in which there is a persistent oversupply of goods.

The program is divided into the immediate issue to achieve business results in FY2002 and FY2003, and the mid-term task to do so in next three to five years. The most important theme included in the immediate task is to achieve further reinforcement of corporate structure. Specifically, the company promotes the following seven projects:

1. Promoting Marketing Innovation

The company will strongly promote innovative attitudes and customer-oriented ideas and actions by operational staff.

2. Rationalizing Global Production

With regard to the fibers and textiles, film and resin businesses, in order to upgrade its global competitiveness the company intends to enhance and strengthen its global production structure while optimizing production scales in Japan.

3. Strengthening Total Cost Competitiveness

Toray reduced gross labor costs, fixed production costs, procurement and distribution costs, head office expenditures and operating costs. These cost reduction, which is beyond of the company's expectation, have substantially contributed to profit improvement. The Toray Group intends to drastically reduce total costs in FY2003.

4. Re-engineering of Toray Group's Business Structure

The company conducts a comprehensive review of its own businesses and those of its subsidiaries and affiliates in order to promote retrenchment, unification, streamlining, restructuring and disposal of low-profit/low-growth businesses with lower strategic priority. In FY2002, the company implemented unification for its chemical subsidiaries, and disposal and retrenchment for the part of apparel subsidiary's businesses. In addition, Toray is strategically promoting M&A and alliance projects in order to expand businesses on a global basis.

5. Strengthening Financial Structure

Toray reduced interest-bearing liabilities to more than 500 billion yen by improving profitability and efficiency in capital expenditure and inventory curtailment.

6. Transforming Research system

Toray aims to transform its research system, which was managed by the company alone, into a research system to be jointly conducted by major universities, research laboratories and corporations.

## 7. Revising Employee's wages and Pension system

Toray has revised employee's wages system to improve business efficiency, begin with introducing to the management level and specialist employees from this April. Also, the company will start a drastic reform of the pension system in order to reduce the company's heavy burden.

For the mid-term issues, Toray is conducting the following three projects:

### A. "New Value Creator"

The company evolves from a manufacturing-oriented corporation to a "New Value Creator" of the 21<sup>st</sup> century -- an entity that creates new values and provides solutions for its customers by incorporating its expertise and know-how through the introduction of new services and new systems of production and distribution. In line with this, Toray is receiving business inquiries, including fiber and textile business, from customers.

### B. Three High-Growth Business Areas

Toray positions "IT-related", "Life Sciences" and "Environment, Safety and Amenity" as the three high-growth business areas. Based on its core technologies including organic chemistry, polymer chemistry and biochemistry, the company intends to nurture these business areas in the 21<sup>st</sup> century. Toray lays the foundations for future development through such business activities as acquisition of Du Pont's PTFE (PolyTetra-Fluoro Ethylene) fibers business, a tie-up with Suido Kiko Kaisha, Ltd. to form a capital and business alliance in the water-treatment business, expansion for the carbon fiber production in Europe, a master agreement with U.S-based Cargill Dow LLC, studies on nano technology and biotechnology and, an establishment of advanced research laboratory.

In FY2003, the company positions electronics & information related products, water treatment, carbon fiber and pharmaceuticals as the top strategic businesses to boost the three high-growth business areas. The company will set up a special project system to integrate from research to marketing activities by putting the best possible managerial resources.

### C. Expansion of Chinese and ASEAN Markets

Toray established its regional united companies in China and ASEAN countries to expand local businesses based on their managerial judgment. In China, the company plans to set up a research laboratory for fibers and textiles, while expanding production facilities for polyester filament and film. In Thailand, Toray has decided to increase nylon fiber production for air bags.

#### 4) Corporate Governance

Toray is promoting realization of fair and transparent management by revitalizing its Board of Directors consisting of thirty directors and strengthening management control functions. The company is also designating four auditors, including two outside auditors who will join the company's board of directors.

At Toray, directors, who were elected at the company's shareholder's meeting, are fully responsible for the decisions, supervision and execution of business to ensure that full corporate responsibility is conducted on behalf of our shareholders. The company has established a procedural method for auditors to substantially observe the directors' business progress.

Toray has established an Ethics Committee, which is composed of members of the Board of Directors, auditors have the option to join as observers, in order to re-address corporate ethics and law compliance. In addition, the company has established a Law Compliance Committee this fiscal year to strengthen those activities through the corporate ladder.

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