

May 10, 2010

## Toray Announces Consolidated Results for the Fiscal Year Ended March 31, 2010

Tokyo, May 10, 2010 - Toray Industries, Inc. (the "Company") today announced its consolidated business results for the fiscal year ended March 31, 2010 (FY Mar/10). The following summary of the business results that Toray submitted to the Tokyo Stock Exchange is unaudited and for reference only. (Code Number: 3402)

### Consolidated Financial Highlights

(Millions of yen, millions of U.S. dollars, except per share data)

	Year ended March 31,			
	2010	2009	Change	2010
	Yen		%	U.S. dollars
Net sales	¥1,359,631	¥1,471,561	(7.6)	\$14,620
Operating income	40,107	36,006	11.4	431
Ordinary income	9,006	20,522	(56.1)	97
Net loss	(14,158)	(16,326)	-	(152)

Depreciation	¥74,101	¥82,880	(10.6)	\$797
Capital investment	54,170	91,303	(40.7)	582
Total assets	1,556,796	1,523,603	2.2	16,740
Property, plant and equipment, net	580,344	596,261	(2.7)	6,240
Net assets	518,216	512,610	1.1	5,572

#### Per Share of common stock (yen)

Net loss Basic	¥(10.12)	¥(11.66)	-	-
Cash dividends	5.0	7.5	(33.3)	-
Net assets	336.65	335.04	0.5	-

#### Ratios (%)

Operating income to net sales	2.9%	2.4%	-	-
Net loss to net sales	(1.0)%	(1.1)%	-	-
Equity ratio	30.3%	30.8%	-	-
Return on equity	(3.0)%	(3.1)%	-	-

#### Notes:

1. For calculation of "net assets per share" and "equity ratio," minority interests are deducted from net assets.
2. U.S. dollar amounts have been converted from yen at the exchange rate of ¥93.0=U.S.\$1, the approximate rate of exchange prevailing on March 31, 2010.
3. Amounts are rounded to the nearest million.

## Consolidated Business Segment Information

(Millions of yen, *millions of U.S. dollars*)

Net Sales	Year ended March 31,			
	2010	2009	Change	2010
	Yen		%	<i>U.S. dollars</i>
Fibers and Textiles	<b>¥525,204</b>	¥568,996	(7.7)	<b>\$5,647</b>
Plastics and Chemicals	<b>332,735</b>	377,644	(11.9)	<b>3,578</b>
IT-related Products	<b>230,433</b>	229,421	0.4	<b>2,478</b>
Carbon Fiber Composite Materials	<b>50,676</b>	70,390	(28.0)	<b>545</b>
Environment and Engineering	<b>159,787</b>	160,207	(0.3)	<b>1,718</b>
Life Science and Other Businesses	<b>60,796</b>	64,903	(6.3)	<b>654</b>
Total	<b>1,359,631</b>	1,471,561	(7.6)	<b>14,620</b>
Elimination and Corporate	-	-	-	-
Consolidated Total	<b>1,359,631</b>	1,471,561	(7.6)	<b>14,620</b>

Operating Income	Year ended March 31,			
	2010	2009	Change	2010
	Yen		%	<i>U.S. dollars</i>
Fibers and Textiles	<b>¥12,099</b>	¥7,664	57.9	<b>\$130</b>
Plastics and Chemicals	<b>8,058</b>	4,072	97.9	<b>87</b>
IT-related Products	<b>18,514</b>	9,822	88.5	<b>199</b>
Carbon Fiber Composite Materials	<b>(6,157)</b>	8,398	-	<b>(66)</b>
Environment and Engineering	<b>4,722</b>	3,303	43.0	<b>51</b>
Life Science and Other Businesses	<b>1,480</b>	3,185	(53.5)	<b>16</b>
Total	<b>38,716</b>	36,444	6.2	<b>416</b>
Elimination and Corporate	<b>1,391</b>	(438)	-	<b>15</b>
Consolidated Total	<b>40,107</b>	36,006	11.4	<b>431</b>

Notes:

1. U.S. dollar amounts have been converted from yen at the exchange rate of ¥93.0=U.S.\$1, the approximate rate of exchange prevailing on March 31, 2010.
2. Amounts are rounded to the nearest million.

## Consolidated Geographic Segment Information

(Millions of yen, *millions of U.S. dollars*)

Net Sales	Year ended March 31,			
	2010	2009	Change	2010
	Yen		%	<i>U.S. dollars</i>
Japan	<b>¥968,227</b>	¥1,016,046	(4.7)	<b>\$10,411</b>
Asia	<b>279,892</b>	302,547	(7.5)	<b>3,010</b>
North America, Europe & Others	<b>111,512</b>	152,968	(27.1)	<b>1,199</b>
Total	<b>1,359,631</b>	1,471,561	(7.6)	<b>14,620</b>
Elimination and Corporate	-	-	-	-
Consolidated Total	<b>1,359,631</b>	1,471,561	(7.6)	<b>14,620</b>

Operating Income	Year ended March 31,			
	2010	2009	Change	2010
	Yen		%	<i>U.S. dollars</i>
Japan	<b>¥21,551</b>	¥18,179	18.5	<b>\$232</b>
Asia	<b>18,089</b>	7,211	150.9	<b>195</b>
North America, Europe & Others	<b>(1,137)</b>	10,381	-	<b>(12)</b>
Total	<b>38,503</b>	35,771	7.6	<b>414</b>
Elimination and Corporate	<b>1,604</b>	235	-	<b>17</b>
Consolidated Total	<b>40,107</b>	36,006	11.4	<b>431</b>

## Overseas Sales

(Millions of yen, *millions of U.S. dollars*)

Net Sales	Year ended March 31,			
	2010	2009	Change	2010
	Yen		%	<i>U.S. dollars</i>
Asia	<b>¥392,540</b>	¥430,438	(8.8)	<b>\$4,221</b>
North America, Europe & Others	<b>179,635</b>	247,394	(27.4)	<b>1,932</b>
Total	<b>572,175</b>	677,832	(15.6)	<b>6,152</b>

Percentage against consolidated net sales	Year ended March 31,	
	2010	2009
Asia	<b>28.9%</b>	29.3%
North America, Europe & Others	<b>13.2%</b>	16.8%
Total	<b>42.1%</b>	46.1%

### Notes:

1. U.S. dollar amounts have been converted from yen at the exchange rate of ¥93.0=U.S.\$1, the approximate rate of exchange prevailing on March 31, 2010.
2. Amounts are rounded to the nearest million.

## Forecast of Consolidated Results for the fiscal year ending March 31, 2011

(Millions of yen, *millions of U.S. dollars*)

	Year ending March 31, 2011	
	Yen	<i>U.S. dollars</i>
Net sales	¥1,500,000	\$16,667
Operating income	60,000	667
Ordinary income	50,000	556
Net income	25,000	278

Reference: Forecast EPS (year ending March 31, 2011) ¥17.86

### Notes:

1. U.S. dollar amounts have been converted from yen at the exchange rate of ¥90=U.S.\$1, the estimated rate of exchange for FY Mar/11 (April 2010 - March 2011).

# Consolidated Business Results and Financial Condition

## 1. Overview of FY Mar/10 (April 2009 – March 2010)

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

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

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

For the entire fiscal year, consolidated net sales for the fiscal year ended March 31, 2010 declined 7.6% on a year-on-year basis to ¥1,359.6 billion (US\$14,620 million), reflecting the significant impact of sluggish sales in the first half. Operating income rose 11.4% to ¥40.1 billion (US\$431 million) from the previous fiscal year, as recovery in the second half offset the decline in the first half. Ordinary income came to ¥9.0 billion (US\$97 million), down 56.1% year-on-year, primarily due to equity in losses of unconsolidated subsidiaries and affiliated companies. The Group posted a net loss of ¥14.2 billion (US\$152 million), improved ¥2.2 billion compared with ¥16.3 billion in loss posted in the previous year, despite the accrual of income taxes for prior periods as extraordinary losses fell. Income taxes for prior periods were recorded in this period in anticipation that the Company would receive a notice of correction based on transfer pricing taxation from the Tokyo Regional Taxation Bureau. Toray believes that it has been paying taxes in a proper manner in accordance with the taxation system of each country, and disagrees with the bureau’s judgment of correction based on transfer pricing taxation. The Company intends to lodge an objection and request bilateral consultations from the standpoint of preventing double taxation as soon as it officially receives the notice.

## **Business Performance by Segment:**

### *Fibers and Textiles*

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

Overall sales of Fibers and Textiles in the fiscal year ended March 31, 2010 declined 7.7% to ¥525.2 billion (US\$5,647 million) from the previous year, while operating income increased 57.9% to ¥12.1 billion (US\$130 million).

### *Plastics and Chemicals*

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

On the whole, sales of Plastics and Chemicals fell 11.9% to ¥332.7 billion (US\$3,578 million). Operating income surged 97.9% to ¥8.1 billion (US\$87 million).

### *IT-related Products*

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

As a result, sales of IT-related Products rose 0.4% to ¥230.4 billion (US\$2,478 million) and operating income increased 88.5% to ¥18.5 billion (US\$199 million).

### *Carbon Fiber Composite Materials*

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

On the whole, sales in the Carbon Fiber Composite Materials segment fell 28.0% to ¥50.7 billion (US\$545 million) on year. The segment posted an operating loss of ¥6.2 billion (US\$66 million), down ¥14.6 billion compared with a profit of ¥8.4 billion a year

earlier, partly reflecting the significant production cutbacks aimed at adjusting inventory levels.

Toray Group is actively promoting development of new applications in the energy and automobile fields where demand for carbon fiber composite materials is expected to significantly expand reflecting heightened interests in environmental issues. In March this year, the Company signed a Joint Development Agreement (JDA) with Daimler AG for automobile parts made of carbon fiber reinforced plastics (CFRP). In addition, the Company established a department dedicated for development of the Chinese market in which demand for such products are expected to rapidly expand.

#### *Environment and Engineering*

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

As a result, overall sales of the segment remained virtually unchanged at ¥159.8 billion (US\$1,718 million). Operating income rose 43.0% to ¥4.7 billion (US\$51 million), partly as a water treatment engineering subsidiary in Japan improved its profitability.

#### *Life Science and Other Businesses*

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

On the whole, total sales of Life Science and Other Businesses fell 6.3% year-on-year to ¥60.8 billion (US\$654 million) and operating income of the segment dropped 53.5% to ¥1.5 billion (US\$16 million), partly reflecting declining transactions at a domestic trading subsidiary and falling orders at a research service subsidiary.

#### *New Businesses and Investments*

In the fiscal year under review, Toray Group entered into an agreement with Tonen General Sekiyu K.K. on terms for establishing a joint venture for a lithium ion battery separator film (BSF) business and subsequently started a joint venture, Toray Tonen Specialty Separator Godo Kaisha, in February 2010. The demand for lithium ion batteries, of which BSF is a major component, is expected to keep growing given the popularity of various types of increasingly sophisticated electronic devices around the world. In addition, the batteries are expected to be adopted in electric and hybrid electric vehicles (HEVs). Toray will build on the experience and accomplishment of Exxon Mobil Group in the BSF business and aims to create synergies through providing its next-generation BSF technology while leveraging its film production and development technologies as well as the Group's global operations to contribute to profit growth and enhanced competitiveness of the BSF business.

The Company established a water treatment joint venture Toray Blue Star Membrane Co., Ltd. in China jointly with China National BlueStar (Group) Co., Ltd., a subsidiary of ChemChina, one of China's most prominent state enterprises, to cater to the growing demand in Asia led by booming China. The Company also established Cangzhou Toray Fine Chemicals Co., Ltd., a joint venture with Sinopec Asset Management Corporation to produce and sell dimethylsulfoxide (DMSO). At the same time, Toray also decided to expand the production capacity at its polypropylene spunbond company Toray Polytech (Nantong) Co., Ltd., and transfer its polyester film production facilities from Japan to Yihua Toray Polyester Film Co., Ltd. in China, and expand the production facility for polyester film for optical applications at a South Korean subsidiary Toray Advanced Materials Korea Inc. (formerly Toray Saehan Inc.).

#### Forecast for FY Mar/11 (April 2010 – March 2011)

Going forward, it is still unclear whether the global economy will enter into a self-sustained recovery, as the negative factors such as the wearing off of the effects of the stimulus measures, the rise in raw material prices and the prolonged tough employment situation continue to impact the recovery. However, with the overseas economy growing led by China and other emerging economies, the Japanese economy is also expected to have a gradual recovery driven largely by exports.

Against this backdrop, Toray Group intends to continue with the reinforcement of total cost competitiveness and business structure reform and promote growth strategies under its medium-term management program "Project IT-II (Innovation TORAY II)." For the fiscal year started April 1, 2010, after taking into account the endeavors to improve earnings such as efforts for thorough cost cutting and sales volume expansion, the Group expects consolidated net sales of ¥1,500 billion (US\$16,667 million), operating income of ¥60 billion (US\$667 million), ordinary income of ¥50 billion (US\$556 million), and net income of ¥25 billion (US\$278 million). These forecasts are calculated based on an exchange rate of ¥90 to the U.S. dollar.

## 2. Financial Position and Cash Flows

### Analysis of Assets, Liabilities, Net Assets and Cash Flows

As of March 31, 2010, Toray's total assets stood at ¥1,556.8 billion (US\$16,740 million), up ¥33.2 billion from the end of the previous fiscal year, despite a ¥15.4 billion fall in current assets reflecting primarily decline in inventory, as fixed assets increased ¥48.6 billion due mainly to investment in Toray Tonen Specialty Separator Godo Kaisha. Though bonds payable declined, total liabilities increased ¥27.6 billion from the end of the previous fiscal year to ¥1,038.6 billion (US\$11,168 million), as deposits received increased. Net assets came to ¥518.2 billion (US\$5,572 million,) up ¥5.6 billion from the end of the previous fiscal year, and net assets less minority interests stood at ¥471.1 billion (US\$5,066 million) due to decrease factors such as recording of net loss and dividend payout as well as increase factors such as the changes to the foreign currency translation adjustments and net unrealized gains on securities. As a result, the equity ratio at the end of the fiscal year was 30.3%, a 0.5 percentage-point decline compared with the level at the end of the previous fiscal year.



Free cash flows for the period, derived by subtracting the cash flows from investing activities from the cash flows from operating activities, were ¥44.5 billion (US\$478 million). Cash flows, as well as changes in the balances of cash and cash equivalents, for the fiscal year ended March 31, 2010 are as follows:

(Billions of yen, *millions of U.S. dollars*)

	Year ended March 31,		
	2010	2009	2010
	Yen		U.S. \$
Cash flows from operating activities	<b>166.2</b>	38.4	<b>1,787</b>
Cash flows from investing activities	<b>(121.7)</b>	(113.4)	<b>(1,309)</b>
Free cash flows	<b>44.5</b>	(74.9)	<b>478</b>
Cash flows from financing activities	<b>(43.4)</b>	89.1	<b>(466)</b>
Effect of exchange rate changes	<b>1.0</b>	(8.6)	<b>11</b>
Change in cash and cash equivalents for the year	<b>2.1</b>	5.6	<b>23</b>
Cash and cash equivalents at beginning of the year	<b>62.2</b>	56.5	<b>668</b>
Effect of changes in consolidated subsidiaries	<b>0.0</b>	0.1	<b>0</b>
Cash and cash equivalents at end of the year	<b>64.3</b>	62.2	<b>692</b>

#### Indices related to Financial Position and Cash Flows:

	Year ended March 31,				
	2006	2007	2008	2009	2010
Equity ratio (%)	34.9	35.2	34.9	30.8	<b>30.3</b>
Market capitalization / Total assets (%)	87.8	71.2	53.3	36.3	<b>49.1</b>
Interest-bearing debt / Cash flows from operating activities	4.2	6.9	5.4	17.3	<b>3.8</b>
Cash flows from operating activities / Interest paid	14.9	8.4	10.4	3.2	<b>17.1</b>

#### Notes:

1. All indices are computed based on consolidated data.
2. Market capitalization equals the stock price at the end of the period multiplied by the number of shares outstanding at the end of the period (excluding treasury stock).
3. Cash flows from operating activities are stated in the consolidated statements of cash flows.

### 3. Policy on Distribution of Surplus Profits and Dividends for the Period under Review and FY Mar/11

Toray recognizes that its profit distribution policy is a vital matter for the corporate management, and accordingly is committed to distributing such profits fairly through comprehensive consideration of every factor including business results, financial standing and retention of earnings necessary for future investment.

Taking into consideration the earnings performance during the period under review and the outlook for the coming fiscal year, Toray is proposing to pay a year-end dividend of ¥2.5 per share of common stock, for an aggregate annual dividend of ¥5.0 per share of common stock including the interim dividend.

For the fiscal year ending March 31, 2011, the Company anticipates to pay an annual dividend of ¥5.0 per share of common stock.

#### Notes:

- 1) U.S. dollar amounts have been converted from yen at the exchange rate of ¥93.0=U.S.\$1, the approximate rate of exchange prevailing on March 31, 2010.
- 2) U.S. dollar amounts of forecast for FY Mar/11 have been converted from yen at the exchange rate of ¥90=US\$1, the estimated rate of foreign currency exchange for the FY Mar/11 (April 2010 - March 2011).

# Management Policies

## 1. Corporate Mission

Toray's corporate philosophy is "contributing to society through the creation of new value with innovative ideas, technologies and products." Under this philosophy, Toray has 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 society:

To establish ties and develop mutual trust as a responsible corporate citizen

Toray is committed to taking on responsibility and contributing to its customers, employees, shareholders in society.

## 2. Medium- to Long-Term Business Strategy and Issues to Be Solved

In April 2006, the 80th anniversary of its foundation, Toray Group established "AP (Action Program) – Innovation TORAY 21," a long-term corporate vision incorporating the great aspiration to become a global top company of advanced materials. In pursuit of this vision, the Group established the mid-term business strategies "Project Innovation TORAY 2010 (IT-2010)" in October 2006, undertaking the challenge of further growth through innovation and creativity.

However, the rapid and significant downfall in demand on a global scale since the fall of 2008 seriously affected the Group as well and utmost priority was accorded to the implementation of emergency measures to tackle the drastic changes of the business environment. Consequently, focus for fiscal 2009 and 2010 was shifted to overcoming the economic crisis and, as a basic strategy to guide the efforts, the Group launched a new medium-term management program "Project IT-II (Innovation TORAY II)" in April 2009.

Under Project IT-II, Toray Group has been taking bold and swift initiatives required to improve earnings across the board. The three group-wide themes under the project are: Total Cost Reduction Project, "Action Program for Survival" Project, and "Action Program for Growth" Project. These are translated into specific measures promoting total cost reduction including reduction in compensation of and return of bonuses from directors of the Company, maximization of earnings by ensuring sales through every possible effort, optimization of the scale and systems of the businesses in response to

structural changes in the business environment, in-depth reduction of capital investments and working capital, and promotion of growth strategy to overcome the economic crisis and for the subsequent growth.

As a result of these undertakings, Toray Group improved the consolidated operating income to the level exceeding that of fiscal 2008 and achieved positive free cash flow, which are the goals set at the start of Project IT-II, one year earlier in fiscal 2009. The recent economic upswing, however, is far from being self-sustained, and further reinforcement of the financial and business positions to secure profits under this unstable business environment still remains as the most important issue facing the Group.

Based on an awareness of these situations, Toray Group will continue in fiscal 2010 to make concerted efforts in promoting the measures under Project IT-II, namely total cost reduction, maximization of earnings by ensuring sales through every possible effort, and optimization of the scale and systems of the businesses.

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

Toray Group will carry through the Project IT-II in a strategic move to enable sustained growth as a highly profitable business group once it overcomes the economic crisis and carve out a new future to become a global top company of advanced materials.

#### Disclaimer

Descriptions of predicted business results, forecasts and business plans contained in this material are based on predictive forecasts of the future business environment made at the present time. The material in this statement is not a guarantee of the company's future business performance.

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