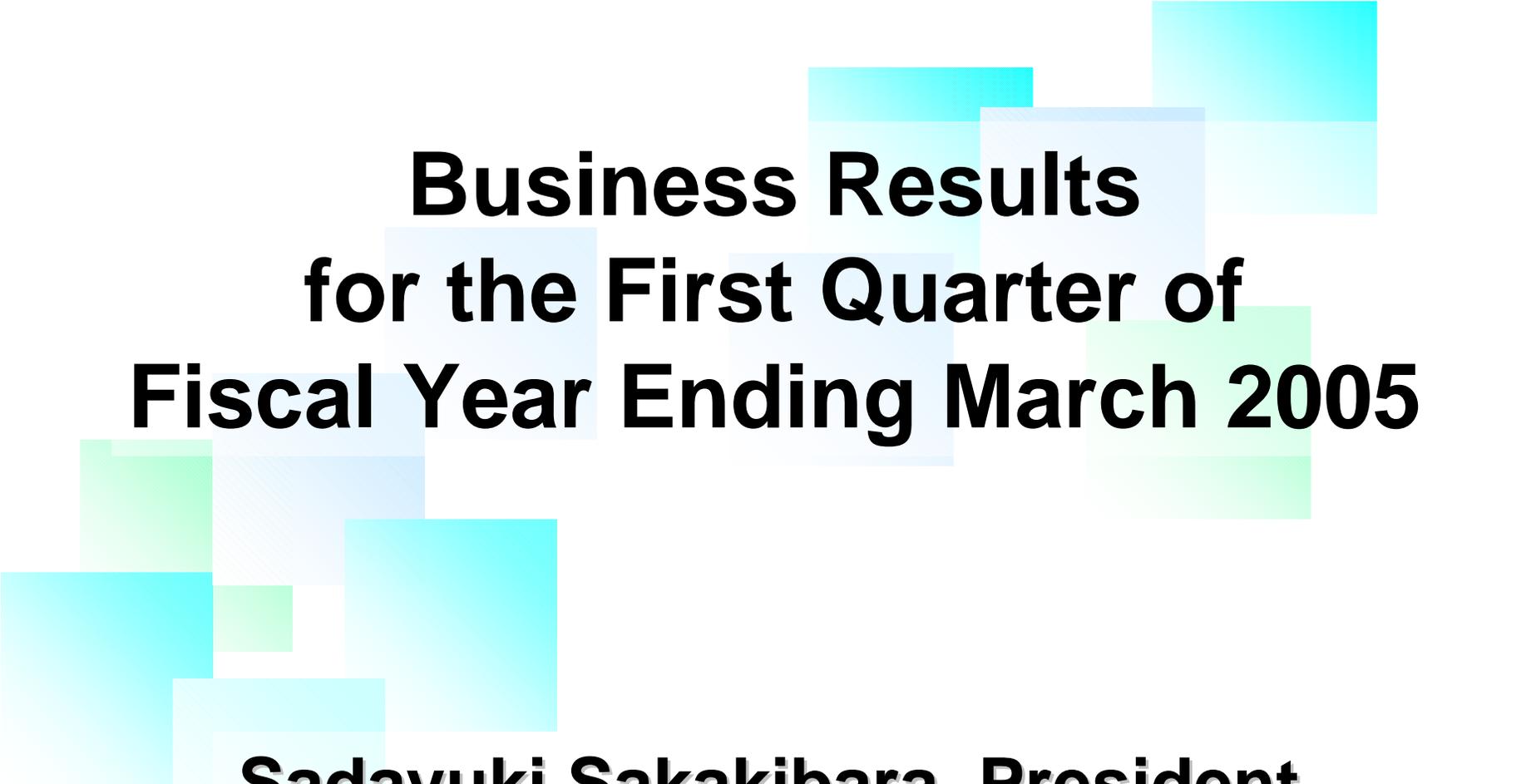


August 10, 2004



**Business Results
for the First Quarter of
Fiscal Year Ending March 2005**

**Sadayuki Sakakibara, President
Toray Industries, Inc.**

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Main Action Points of NT-II

Main Action Points

Developing innovative attitudes and ideas / Reinforcing corporate structure	From the “ defensive ” perspective	<ol style="list-style-type: none"> 1. Develop innovative attitudes and ideas (Revitalizing and Promoting CSR) 2. Reinforce corporate structure (Strengthen global Competitiveness) 3. Reshape style of management
Expanding revenues and profits through business structure reform	From the “ defensive ” and “ offensive ” perspectives	<ol style="list-style-type: none"> 4. Reform corporate structure
	From the “ offensive ” perspective	<ol style="list-style-type: none"> 5. Expand advanced materials businesses 6. Expand and reinforce global No.1 businesses 7. Expand profits from businesses outside Japan

Urging the “**offensive**” management with the “**defensive**” perspective

Early achievement of 100 billion yen in consolidated operating income

Major Drive to a Global, Highly Profitable Toray Group

Target Numbers in NT-II

¥ Billion

Operating Income Trend

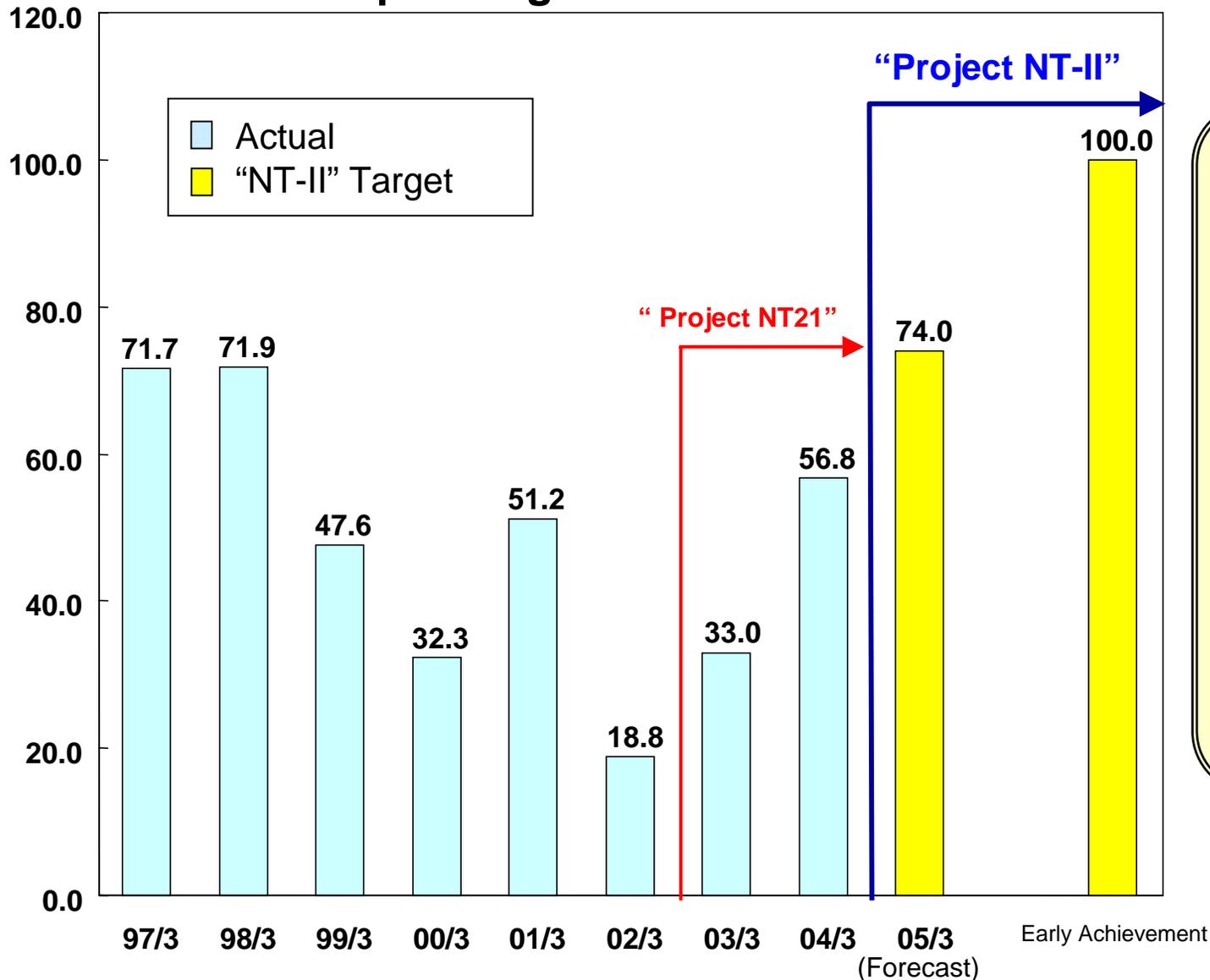


Image of Major Performance Indicator when ¥100 billion of Operating Income is Achieved

Ratio of Operating Income to Net Sales: About 8%

ROA: About 7%

ROE: About 10%

D/E Ratio: 1.0 or Lower

Summary of Business Results for the 1Q of FY Ending Mar/05

Billion ¥

	1Q FY Mar/04	1Q FY Mar/05	Changes
Net Sales	251.7	272.1	+20.4 (+8.1%)
Cost of Sales	197.6	210.5	+12.9 (+6.5%)
Gross Profit	54.1	61.6	+7.5 (+13.8%)
(Gross Profit to Net Sales)	21.5%	22.6%	+1.1 points
Operating Income	9.4	16.1	+6.7 (+71.2%)
(Operating Income to Net Sales)	3.7%	5.9%	+2.2 points
Non-operating Income and Expenses, net	▲ 1.0	0.4	+1.4 (-)
Ordinary Income	8.4	16.5	+8.1 (+96.4%)
Special Credits and Charges	-	▲ 1.1	
Net Income of the Quarter	-	8.8	

	End of Mar/04	End of June/04	Changes
Total Assets	1,295.3	1,284.1	- 11.2 (-0.9%)
Stockholders' Equity	414.2	421.2	+7.0 (+1.7%)
Interest-bearing Debts	494.5	483.4	- 11.1 (-2.2%)

*Consolidated 1st quarter business results are the sums of Apr – Jun business results in companies whose FY ends on March 31 and Jan – Mar business results in companies whose FY ends on December 31.

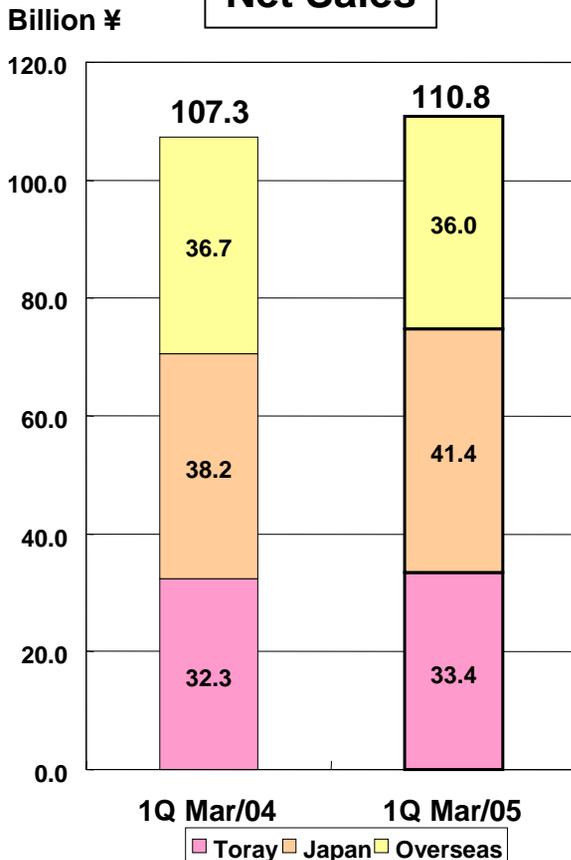
Results by Business Segment

Billion ¥

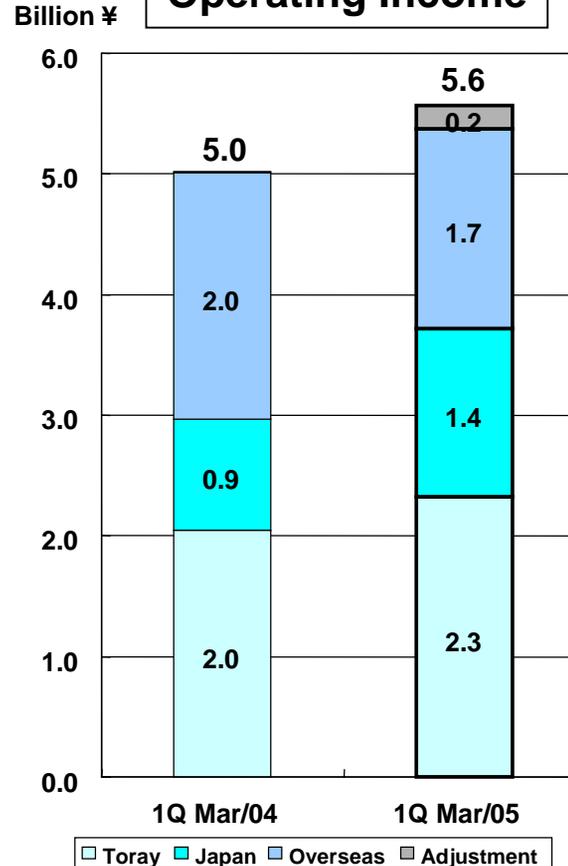
	Net Sales			Operating Income			Comments
	1Q FY Mar/04	1Q FY Mar/05	Changes	1Q FY Mar/04	1Q FY Mar/05	Changes	
Fibers and Textiles	107.3	110.8	+3.5 (+3.3%)	5.0	5.6	+0.5 (+10.9%)	Japan: Sales and income increased through passing on raw material cost increases, shift to profitable products, promotion of New Value Creator, and reinforcement of business structure. Overseas: Income increased mainly by Asian subsidiaries through reinforcement of corporate structure while sales dropped mainly by an European subsidiary.
Plastics and Chemicals	64.8	65.3	+0.5 (+0.7%)	1.3	3.0	+1.7 (+126.5%)	Japan: Sales and income of resins and films divisions increased through sales expansion. Income increased in chemicals division due to reduction of unprofitable caprolactam export. Overseas: Sales and income increased through sales expansion and shift to profitable products in Asia, U.S., and Europe.
IT-related Products	39.6	51.8	+12.2 (+30.8%)	3.2	6.7	+3.5 (+110.5%)	Japan: Sales and income increased mainly by good business environment in IT-related films and resins and electronics materials businesses as well as by large sales growth in an IT-related equipment subsidiary. Overseas: Sales and income increased mainly by good business environment in Korean circuit materials subsidiaries.
Housing and Engineering	14.9	16.0	+1.1 (+7.6%)	▲ 1.2	▲ 1.0	+0.2 (-)	Sales increased and income improved mainly by sales expansion of Japanese construction and engineering subsidiaries.
Pharmaceuticals and Medical Products	10.1	9.9	- 0.2 (-2.2%)	0.0	▲ 0.4	- 0.4 (-)	Sales increased and income improved in a Japanese medical products subsidiary by sales expansion while sales and income of Toray dropped by price reduction of pharmaceuticals.
New Products and Other Businesses	15.1	18.4	+3.3 (+21.9%)	1.1	2.2	+1.1 (+99.8%)	Sales and income increased by sales expansion of carbon fiber composite materials for aircraft and industrial applications in U.S. and Europe and sports application in Asia as well as price recovery. Sales and income of Japanese service-related subsidiaries also increased.
(Carbon Fiber Composite Materials)	9.5	10.6	+1.1 (+11.9%)	1.0	1.5	+0.6 (+61.3%)	
Total	251.7	272.1	+20.4 (+8.1%)	9.4	16.1	+6.6 (+70.3%)	<p>*IT-related chemical products of Toray Fine Chemicals are displaced from the Plastics & Chemicals segment to IT-related Products segment from this 1Q.</p> <p>Accordingly, that of the 1Q FY Mar/04 was also amended.</p>
Elimination & Corporate				0.0	0.1	+0.1	
Consolidated	251.7	272.1	+20.4 (+8.1%)	9.4	16.1	+6.7 (+71.2%)	

Results by Business Segment (Fibers and Textiles)

Net Sales



Operating Income



Comments

Toray

Sales and income improved through promotion of business structure reforms such as continuing reinforcement of corporate structure, passing on material cost increase to selling price, transferring to more profitable products, and expanding New Value Creator businesses.

Japanese Subsidiaries

Sales and income increased through business growth of a trading company (TI) and each subsidiaries' corporate structure reinforcement.

Overseas Subsidiaries

In Asia, income increased by reinforcement of corporate structure, while sales and income of European subsidiaries declined.

<Major Subsidiaries>

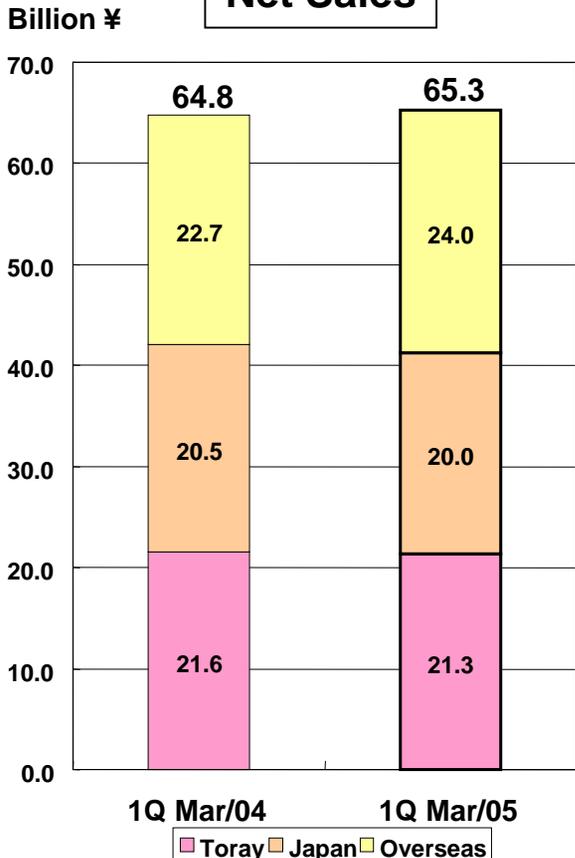
Japan : Toray International Inc., Ichimura Sangyo, Co., Ltd., etc.

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

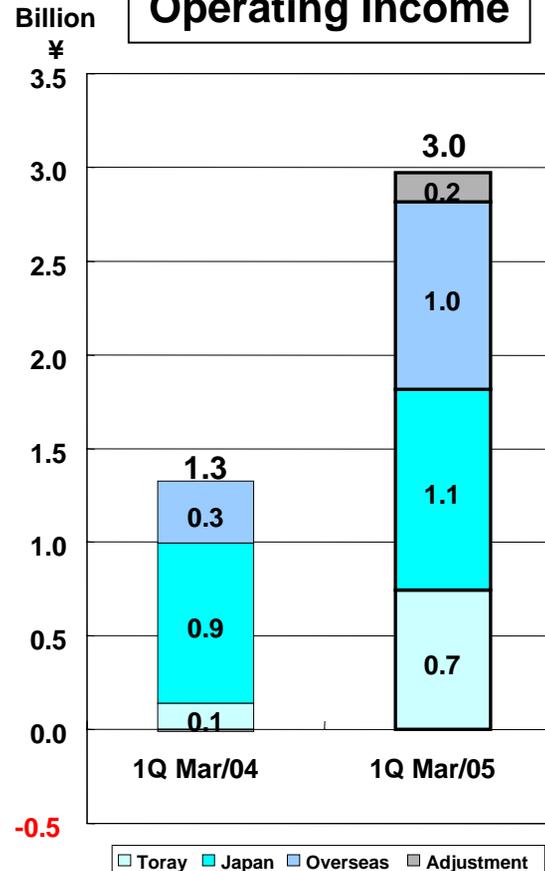
Europe & U.S. : ALCANTARA (Italy), etc.

Results by Business Segment (Plastics & Chemicals)

Net Sales



Operating Income



Comments

Toray

Resins business grew steadily supported by automotives and electric parts. Films business also grew mainly by industrial applications. Chemicals sales dropped due to reduction of caprolactam export.

Japanese Subsidiaries

Income increased mainly through business structure reform of film processing subsidiaries. Sales declined in a trading subsidiary due to lack of spot business that was recorded in previous 1Q.

Overseas Subsidiaries

Sales and income increased through business structure reforms such as shifting to more profitable products along with reinforcement of corporate structure at Malay ABS resin subsidiary and PET film subsidiaries in France, U.S., and South Korea,

<Major Subsidiaries>

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

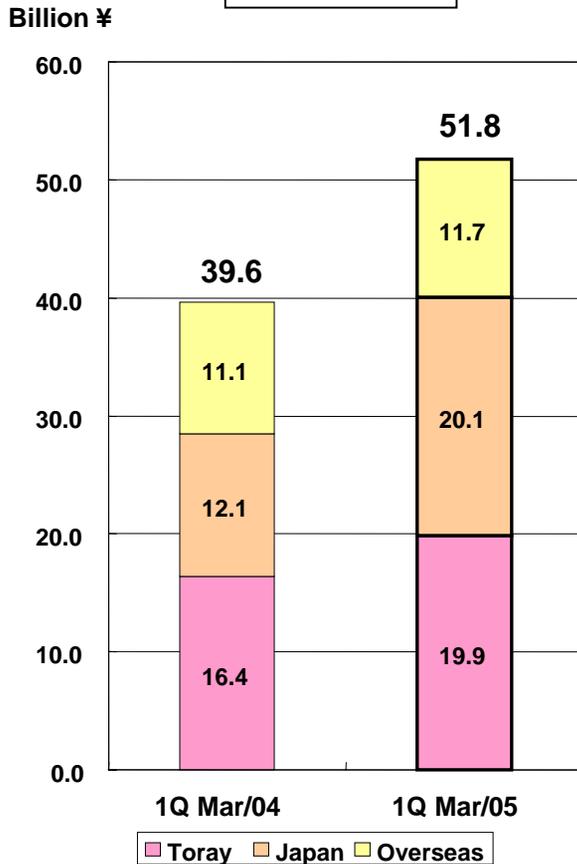
Overseas : TPA (U.S.), TSI (Korea), TPEU (France), TPM (Malaysia), etc.

*IT-related chemical products of Toray Fine Chemicals are displaced from the Plastics & Chemicals segment to IT-related Products segment from this 1Q.

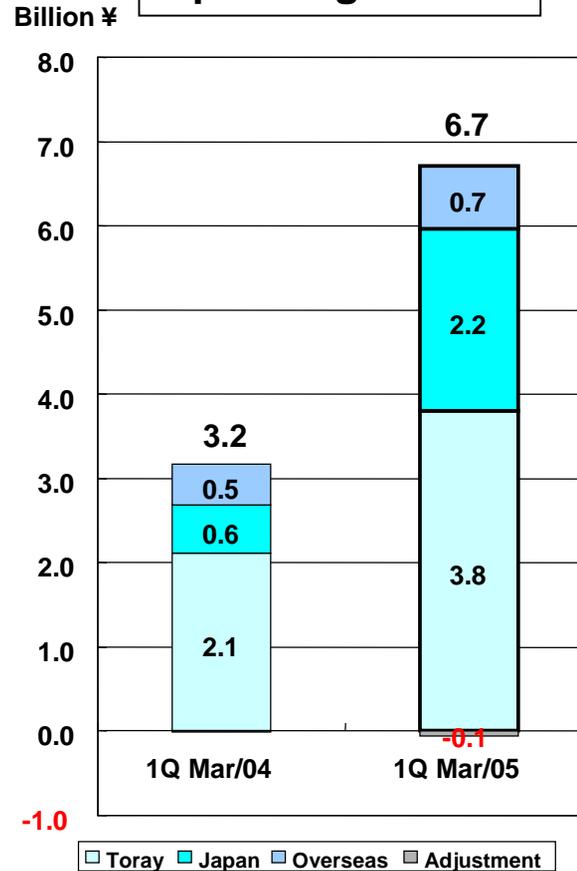
Accordingly, that of the 1Q FY Mar/04 was also amended.

Results by Business Segment (IT-related Products)

Net Sales



Operating Income



Comments

Toray

Sales and income of IT-related resins/films, circuit materials, LCD color filters and others increased by rapid demand expansion of digital-related products.

Japanese Subsidiaries

Sales and income drastically increased through sales start of manufacturing equipment for LCD color filters (slit coaters) at an IT machinery subsidiary and good business results of our film processing subsidiaries.

Overseas Subsidiaries

Sales and income increased mainly in circuit materials related businesses in South Korea.

<Major Subsidiaries>

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

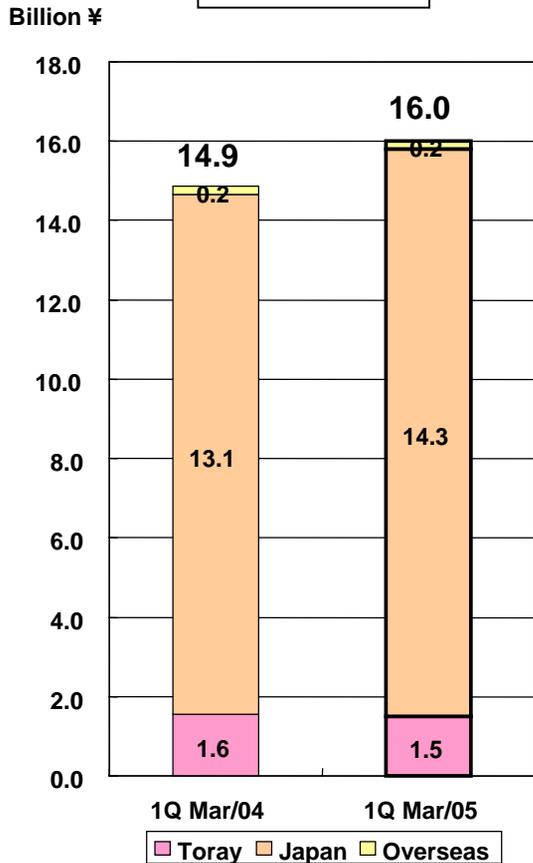
Overseas : TSI (Korea), TPA (U.S.), TPEU (France), etc.

*IT-related chemical products of Toray Fine Chemicals are displaced from the Plastics & Chemicals segment to IT-related Products segment from this 1Q.

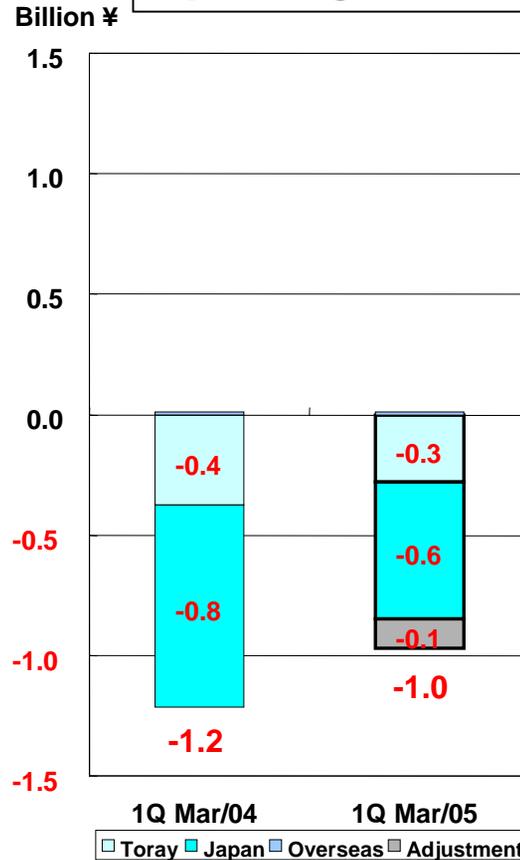
Accordingly, that of the 1Q FY Mar/04 was also amended.

Results by Business Segment (Housing & Engineering)

Net Sales



Operating Income



Comments

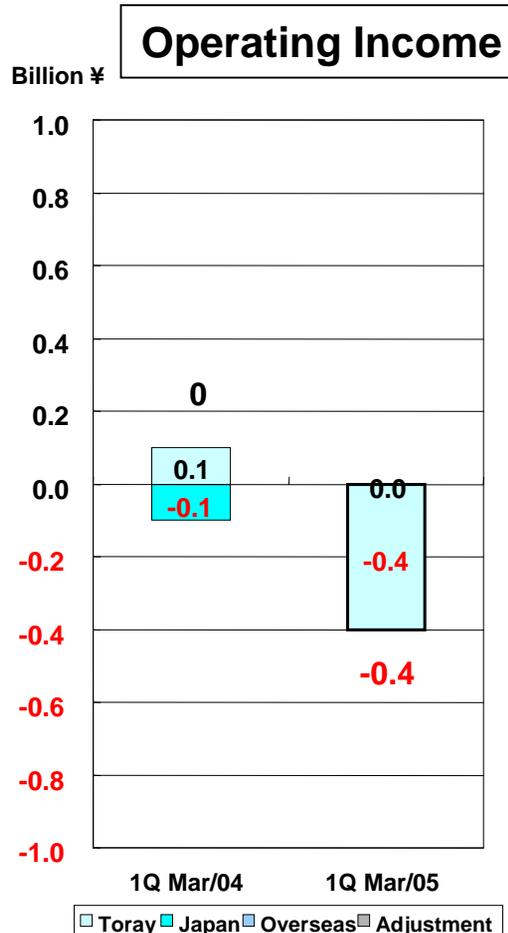
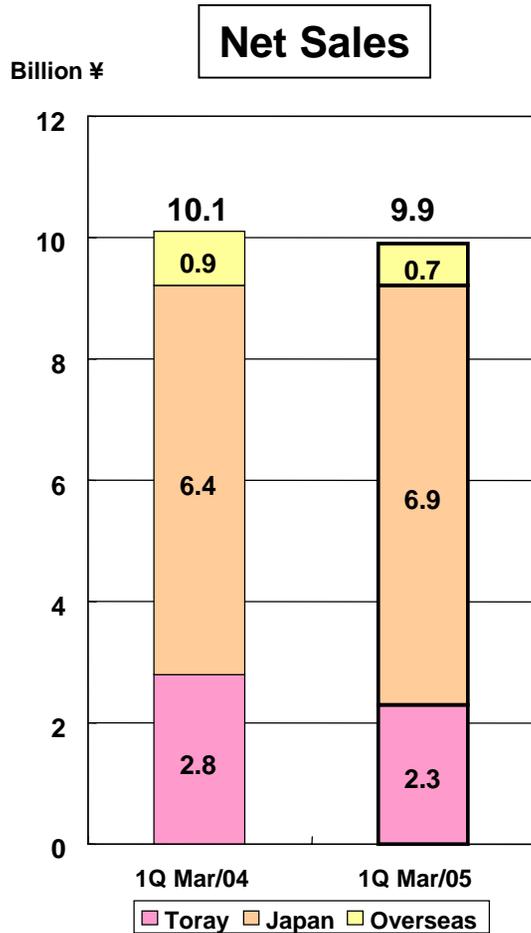
Japanese Subsidiaries

Sales and income increased by business expansion of mansion business of a construction company as well as promotion of corporate structure reinforcement measures of each subsidiary.

<Major Subsidiaries>

Japan : Toray Construction Co., Ltd., Toray Engineering Co., Ltd., etc.

Results by Business Segment (Pharmaceuticals and Medical Products)



Comments

Toray
Sales and income decreased due to decline in drug prices.

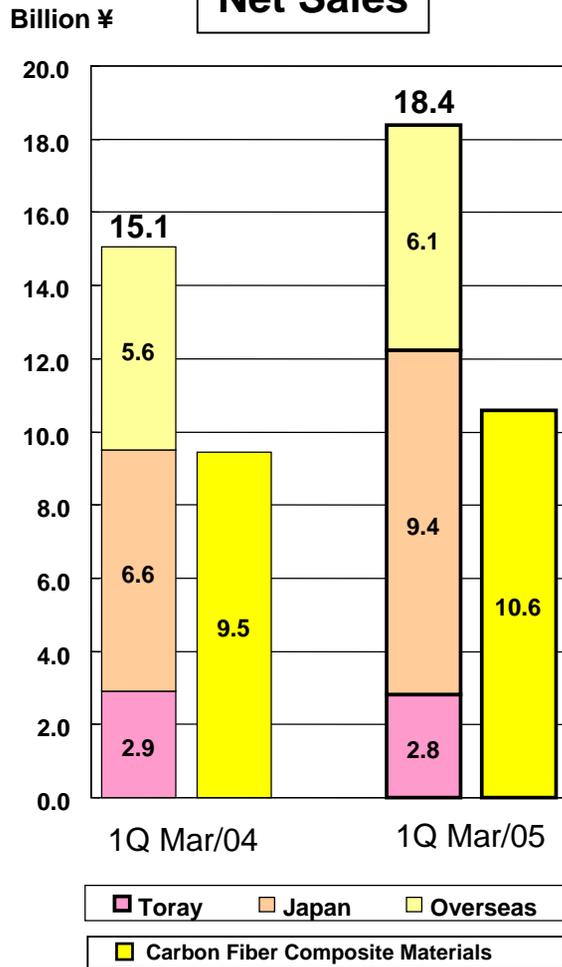
Japanese Subsidiaries
Sales increased and income improved by sales expansion of medical products.

<Major Subsidiary>

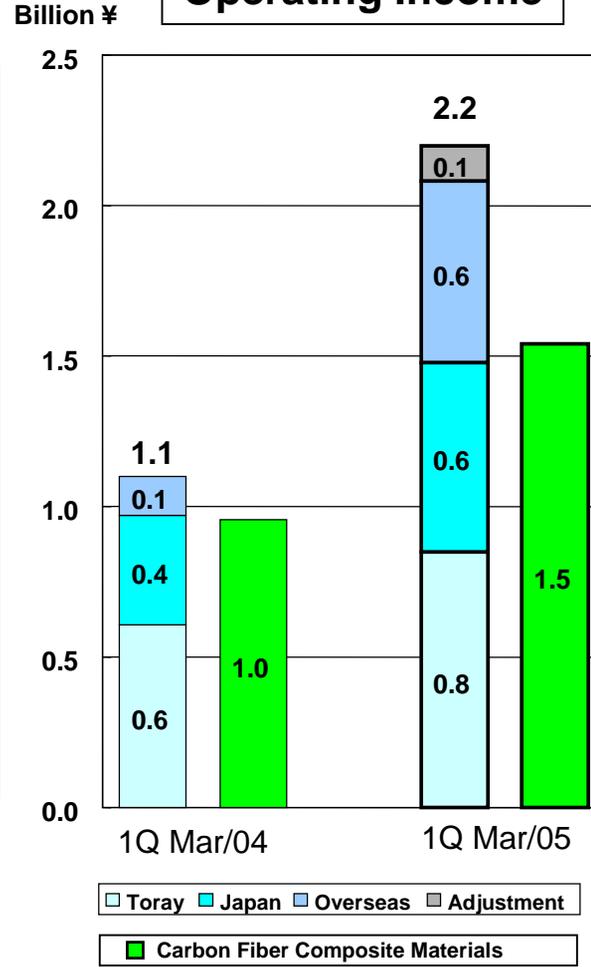
Japan : Toray Medical Co., Ltd.

Results by Business Segment (New Products and Other Businesses)

Net Sales



Operating Income



Comments

Toray

Income increased mainly in carbon fiber composite materials business.

Japanese Subsidiaries

Sales and income increased by business expansion of trading subsidiaries and good business environment of service-related subsidiaries.

Overseas Subsidiaries

Sales and income of carbon fiber composite materials business increased by price recovery and sales expansion of industrial and aircraft applications in Europe and U.S.

<Major Subsidiaries>

Japan : Toray Research Center Inc., Toray Enterprise Corp., etc.

Overseas : SOFICAR (France), etc.

Operating Income Factor Analysis

Billion ¥

	1Q FY Mar/04 to 1Q FY Mar/05		
	Toray	Subsidiaries	Total
Expansion of Advanced Materials and New Value Creator activities, Production & Sales Efficiency Improvement (Improvement of Product Unit and Production Mix, etc.), Sales & Production Amount Increase, etc.	+2.2	+3.2	+5.4
Achievement of "TC Project" (Reduction of Production Fixed Costs, Outsourcing Costs, Procurement and Logistics Costs, Overhead Costs, and Sales Expenses, Optimization of Head Count, etc.)	+0.4	+1.1	+1.5
Influence of Appreciation of Selling Prices and Raw Material Costs, etc.	-0.2	+0.0	-0.2
Total	+2.4	+4.3	+6.7

Business Forecast for Midterm FY Mar/05

Billion ¥

	FY Mar/04 Midterm <Actual>	FY Mar/05 Midterm <New Forecast>	Changes	FY Mar/05 Midterm <Initial Forecast>	Changes
Net Sales	534.3	580.0	+45.7 (+8.5%)	550.0	+30.0 (+5.5%)
Operating Income	24.7	32.0	+7.3 (+29.4%)	29.0	+3.0 (+10.3%)
Ordinary Income	23.0	32.0	+9.0 (+39.3%)	29.0	+3.0 (+10.3%)
Midterm Net Income	10.9	17.0	+6.1 (+55.3%)	15.0	+2.0 (+13.3%)

Note) FY Mar/05 forecast will be revised at the announcement of midterm business results in November 2004.

We constantly monitor risk factors and take prompt steps to minimize their impacts on our performance.

<Risk Factors>

<Measures/Strategies to Minimize Their Impacts>

Continuing or further hikes of high raw material prices (PTG, EG, AN, etc.)

- Pass on raw material price increase timely through frequent information exchange between our purchasing dept. and our sales dept.
- Link sales price contracts to raw material prices
- Shift product mix toward high value-added products

Slowdown of demand on IT-related equipment

- Promptly obtain information from customers by promoting New Value Creator business model, and lead them to the development of high value-added products that meet the customers' needs
- Ensure stable income through long-term contracts
- Expand No.1 businesses that resist price reductions

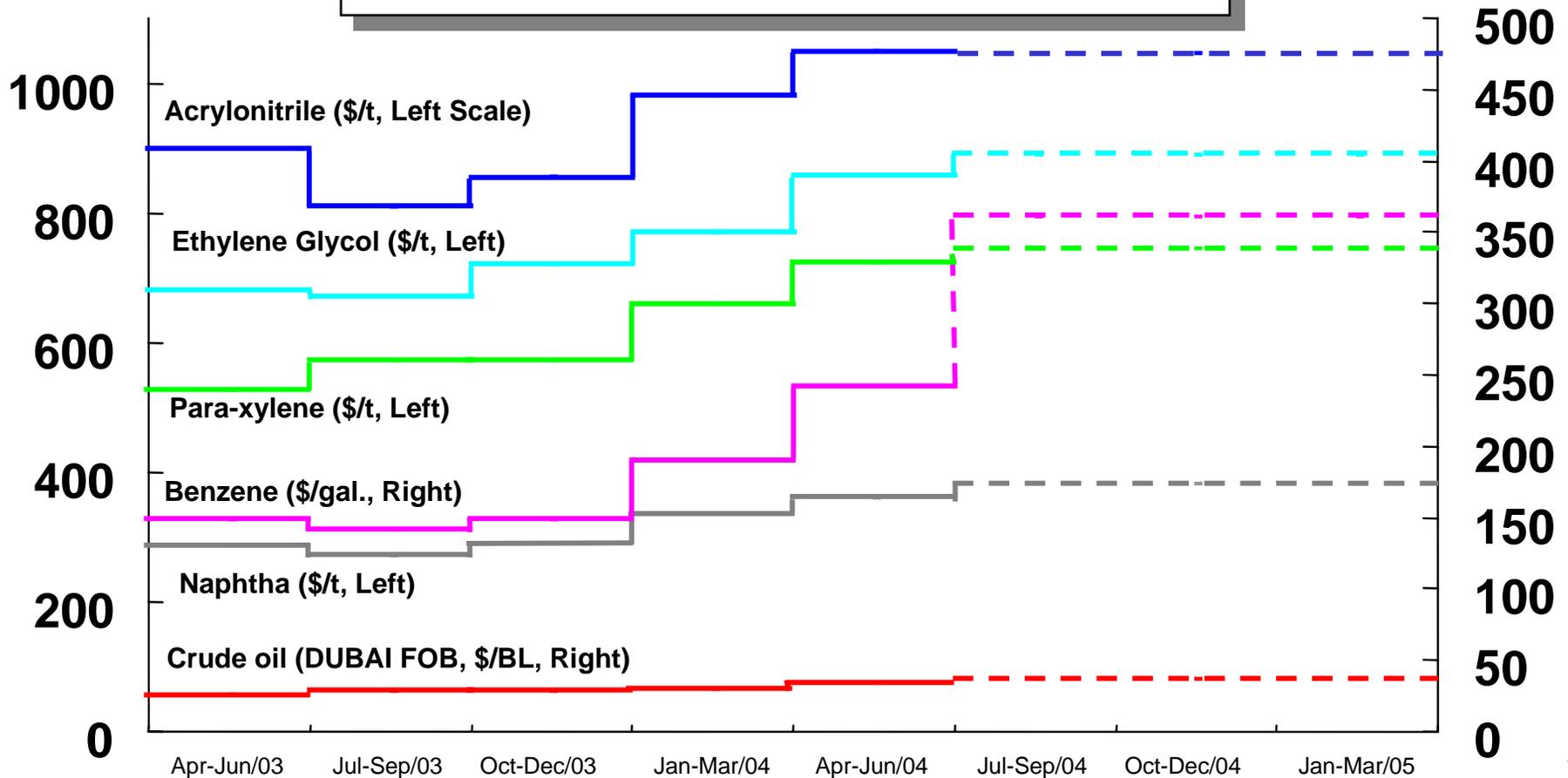
Slowdowns in the U.S. and Asian economies

- Build a firm corporate structure that will not easily be shaken by the economic changes, by full promotion of the issues taken under "Project NT-II"

Estimate of Raw Material Prices

Prices of crude oil and major raw materials keep rising. We estimate they will remain at a high level recording in July-Sep/04 for the time being.

Trend of Crude Oil and Raw Material Prices



We constantly monitor risk factors and take prompt steps to minimize their impacts on our performance.

<Risk Factors>

<Measures/Strategies to Minimize Their Impacts>

Continuing or further hikes of high raw material prices (PTG, EG, AN, etc.)

- Pass on raw material price increase timely through frequent information exchange between our purchasing dept. and our sales dept.
- Link sales price contracts to raw material prices
- Shift product mix toward high value-added products

Slowdown of demand on IT-related equipment

- Promptly obtain information from customers by promoting New Value Creator business model, and lead them to the development of high value-added products that meet the customers' needs
- Ensure stable income through long-term contracts
- Expand No.1 businesses that resist price reductions

Slowdowns in the U.S. and Asian economies

- Build a firm corporate structure that will not easily be shaken by the economic changes, by full promotion of the issues taken under "Project NT-II"

Midterm Forecast by Business Segment(1) **TORAY**

Midterm-on-midterm Comparison

Billion ¥

	Net Sales			Operating Income			Comments
	FY Mar/04 Midterm <Actual>	FY Mar/05 Midterm <New Forecast>	Changes	FY Mar/04 Midterm <Actual>	FY Mar/05 Midterm <New Forecast>	Changes	
Fibers and Textiles	213.4	222.0	+8.6 (+4.0%)	9.4	10.0	+0.6 (+6.1%)	Japan: Sales and income are expected to increase through sales expansion of value-added products and price raise to cover raw materials cost increase. Outside Japan: Sales and income are expected to grow in Asian subsidiaries through business expansion, while an European subsidiary is estimated to fall.
Plastics and Chemicals	127.4	133.0	+5.6 (+4.4%)	4.3	5.0	+0.7 (+15.8%)	Japan: Sales and income are expected to increase through business growth in resins for automotives and electric parts, and films for industrial and packaging uses. Outside Japan: Sales is expected to grow through price rise and sales expansion of Asian film and resin subsidiaries, while income is estimated to be at the same level due to high price of raw materials.
IT-related Products	83.4	110.0	+26.6 (+31.9%)	6.9	12.5	+5.6 (+80.8%)	Japan: Sales and income are expected to increase drastically by good business environment in IT-related resins/films, electronics materials, and LCD color filters, as well as sales expansion of IT-related equipment at a subsidiary. Outside Japan: Sales and income are expected to increase mainly in circuit materials subsidiaries in South Korea.
Housing and Engineering	54.3	56.0	+1.7 (+3.2%)	0.3	0.5	+0.2 (+51.5%)	Business in construction subsidiary is estimated to fall below as for most of mansion constructions are to be completed in latter half of this FY, while engineering business is expected to grow in private sector plant business at an engineering-related subsidiary.
Pharmaceuticals and Medical Products	22.0	20.0	-2.0 (-9.1%)	0.7	0.0	-0.7 (-100.0%)	Pharmaceuticals business is estimated to fall due to price decline legislation.
New Products and Other Businesses	33.9	39.0	+5.1 (+15.0%)	2.7	4.0	+1.3 (+48.3%)	Increase expected in carbon fiber composite materials businesses through good results of aerospace applications in U.S. and Europe, industrial uses, sports applications in Asia, as well as the price recovery. Service-related subsidiaries in Japan are also expected to increase their sales and income.
(Carbon Fiber Composite Materials)	18.1	22.0	+3.9 (+21.3%)	1.8	3.0	+1.2 (+64.8%)	
Total	534.3	580.0	+45.7 (+8.5%)	24.4	32.0	+7.6 (+31.3%)	
Elimination & Corporate				0.4	0.0	-0.4	
Consolidated	534.3	580.0	+45.7 (+8.5%)	24.7	32.0	+7.3 (+29.4%)	

*IT-related chemical products of Toray Fine Chemicals are displaced from the Plastics & Chemicals segment to IT-related Products segment from this 1Q.

Accordingly, that of the midterm FY Mar/04 was also amended.

Midterm Forecast by Business Segment(2)

Comparison with Initial Forecast

Billion ¥

	Net Sales			Operating Income			Comments
	FY Mar/05 Midterm <Initial Forecast>	FY Mar/05 Midterm <New Forecast>	Changes	FY Mar/05 Midterm <Initial Forecast>	FY Mar/05 Midterm <New Forecast>	Changes	
Fibers and Textiles	214.0	222.0	+8.0 (+3.7%)	9.5	10.0	+0.5 (+5.3%)	Japan: In spite of raw material cost increase, better result is expected through price raise to cover raw materials cost increase, shift to high-value-added products, and promotion of New Value Creator. Outside Japan: Influence of raw material cost increase on Asian subsidiaries and sluggish European economy on an European subsidiary lower our forecast.
Plastics and Chemicals	130.0	133.0	+3.0 (+2.3%)	4.5	5.0	+0.5 (+11.1%)	Japan: Better result is expected through sales expansion of resins for automotives and electric parts, and films for industrial and packaging uses. Outside Japan: Almost the same as initial forecast
IT-related Products	97.0	110.0	+13.0 (+13.4%)	11.0	12.5	+1.5 (+13.6%)	Japan: Better result is expected through strong demand of each product. Sales of IT-related equipment are as initially forecasted in midterm basis. Outside Japan: Almost the same as initial forecast
Housing and Engineering	53.0	56.0	+3.0 (+5.7%)	0.0	0.5	+0.5 (-)	Better results are expected in a construction subsidiary and an engineering subsidiary.
Pharmaceuticals and Medical Products	22.0	20.0	-2.0 (-9.1%)	0.5	0.0	-0.5 (-100.0%)	Harsh competition and delay in licencing fee lower our forecast of pharmaceutical business. Medical subsidiary is as initially forecasted.
New Products and Other Businesses	34.0	39.0	+5.0 (+14.7%)	3.5	4.0	+0.5 (+14.3%)	Better result is expected in carbon fiber composite materials businesses through good results of aerospace applications in U.S. and Europe, industrial uses, sports applications in Asia. Service-related subsidiaries in Japan are also expected better results.
(Carbon Fiber Composite Materials)	18.5	22.0	+3.5 (+18.9%)	2.5	3.0	+0.5 (+20.0%)	
Total	550.0	580.0	+30.0 (+5.5%)	29.0	32.0	+3.0 (+10.3%)	
Elimination & Corporate				0.0	0.0	+0.0	
Consolidated	550.0	580.0	+30.0 (+5.5%)	29.0	32.0	+3.0 (+10.3%)	

Effects on Toray's Business Results in Consolidation of Chori and Suido Kiko

Effect on Toray's Consolidated Business Results of the 2nd Half FY Mar/05

(No effects on the 1st Half)

Unit: Billion Yen

	Chori	Suido Kiko	Total
Net Sales	+114.0	+13.5	+127.5
Operating Income	+2.3	+1.6	+3.9
Ordinary Income	+1.5	+1.5	+3.0
Net Income	+0.5	+0.3	+0.8

<Reference> Consolidated Business Forecasts of the Two Companies for FY Mar/05

	Chori		Suido Kiko	
	Midterm	FY Mar/05	Midterm	FY Mar/05
Net Sales	125.0	250.0	5.0	18.5
Ordinary Income	2.0	4.1	▲ 1.2	0.4
(Midterm) Net Income	1.6	3.6	▲ 0.7	0.1

Chori: Based on Chori's forecast announced on August 6, 2004

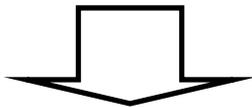
Suido Kiko: Based on Suido Kiko's forecast announced on July 28, 2004

Strategic Significance of Majority Acquisition of Chori Co., Ltd.

Toray acquires majority ownership (51.46%) of Chori Co., Ltd. and will maximize synergy between the two companies by putting Chori's strengths to work for the Toray Group's business strategy.

Chori's Strengths

- | | |
|---|---|
| 1. In textiles and chemicals businesses <ul style="list-style-type: none">- Marketing strengths- External procurement capabilities, sales network- Highly specialized and talented personnel | 2. In global businesses, especially in China <ul style="list-style-type: none">- Strong business network- Marketing channels- Workforce familiar with China's businesses |
|---|---|



Toray's Strategy

- 1. Promote a "New Value Creator" Business Model**
Establish a new supply chain from raw material procurement through multistage product development and processing to end customers.
- 2. Expand businesses outside Japan**
Use business sites, marketing channels, and workforce in China to expand not only Toray's fibers & textiles business, but also other advanced materials businesses.
- 3. Reinforce and develop "Toray Synthetic Textile Cluster"**
Organically link the companies in the "Toray Synthetic Textile Cluster" by conjugating Chori's business network in the fibers and textiles businesses in Japan.

Favorable Progress of Chori's “Regeneration Management Plan”

Following the basic policy of “Reinforcing Financial Structure” and “Securing Business Profitability,” Chori has been going forward its “Regeneration Management Plan” favorably.

Billion ¥

	FY Mar/02	FY Mar/03	FY Mar/04			FY Mar/05	
	Actual	Actual	Target	Actual	Changes	Target	Forecast
Net Sales	430.3	367.3	286.9	299.5	+12.6	255.3	250.0
Operating Income	3.3	3.0	4.4	4.0	-0.4	5.0	-
Ordinary Income	1.5	1.4	2.8	2.9	+0.1	4.1	4.1
Net Income	1.8	-4.9	2.5	1.0	-1.5	3.7	3.6
Interest-bearing Debt	130.3	106.7	45.4	43.9	-1.5	45.4	38.0

Note 1: Operating Income forecast for FY Mar/2005 is not announced.

Note 2: Interest-bearing debts include discounted notes.

Note 3: “Target” in the above table is the target figures in Chori’s “Regeneration Management Plan.”

Chori's Business Development in China

With its business centers in each key regions, Chori covers all areas in China and develops fibers and textiles and chemicals businesses.

Local Office / Rep. Office

Northern / North Eastern Regions

(2 Local Offices/3 Rep. Offices)

<Major Functions and Expectations>

- Connection with Central Government
- Collection of Political and Economic information
- Business center covering wide areas including inland and north east 3 provinces

Eastern Region

(2 Local Offices/3 Rep. Offices)

<Major Functions and Expectations>

- Development of fibers and textiles and chemicals businesses
- Production center near Shanghai area and establishment of a supply chain to Japan, U.S., and Europe.
- Business center covering the Yangtze River delta and the Yangtze River basin

Southern Region

(2 Local Offices)

<Major Functions and Expectations>

- Business center covering Hong Kong and the Pearl River delta
- Business center of fibers and textiles for the US and Europe

Beijing

Nantong

Shanghai

Hong Kong

Invested Businesses

**Trading & Logistics:
9 companies**

**Fibers & Textiles:
14 companies**

Manufacture & marketing of women's apparel, women's inner wear, shirts, knitted products, thrown silk, etc.

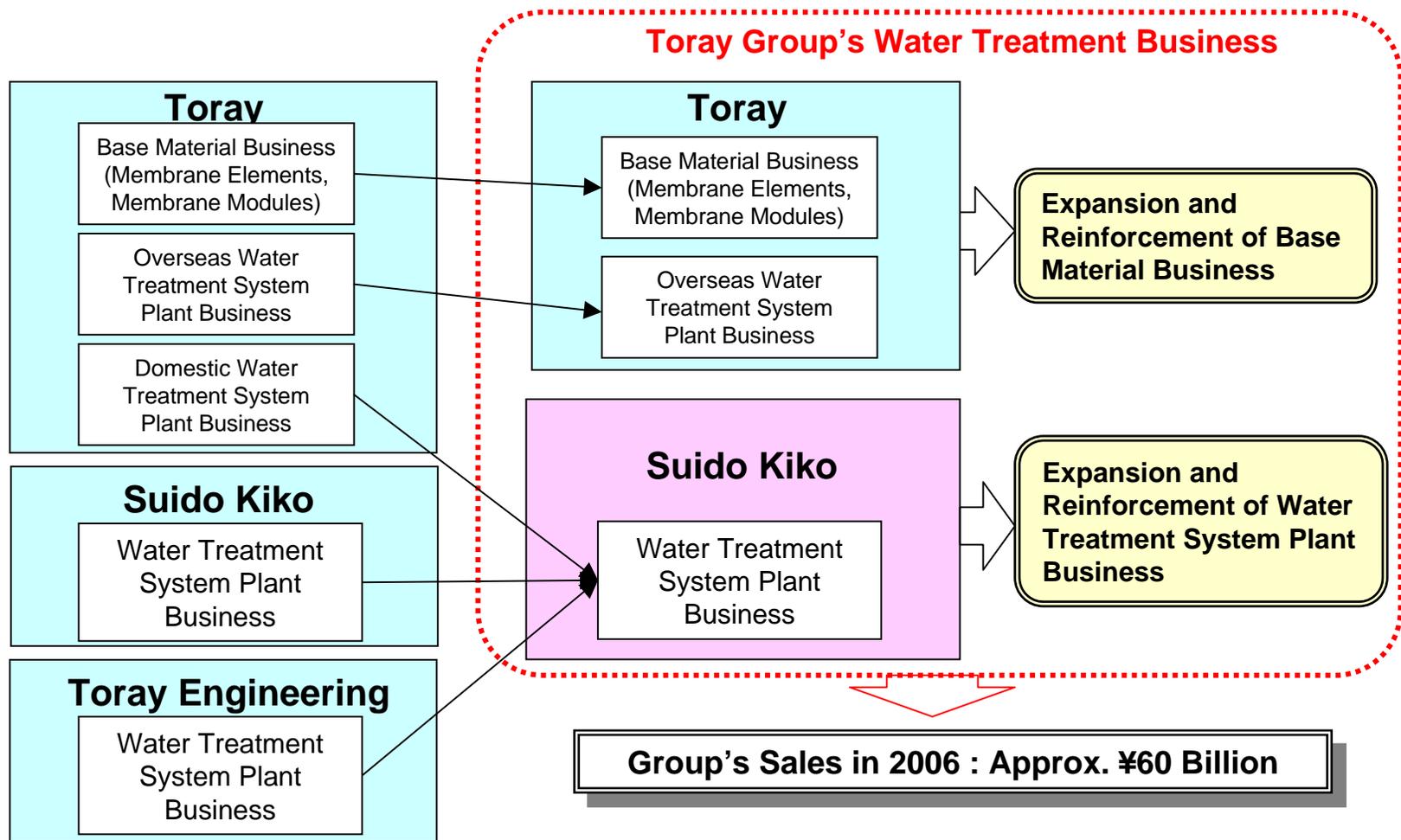
**Chemicals:
10 companies**

Manufacture & marketing of carbonated strontium, special coating agents, special adhesives, etc.

Reinforcement of the Toray Group's Water Treatment Business by the Consolidation of Suido Kiko (1)



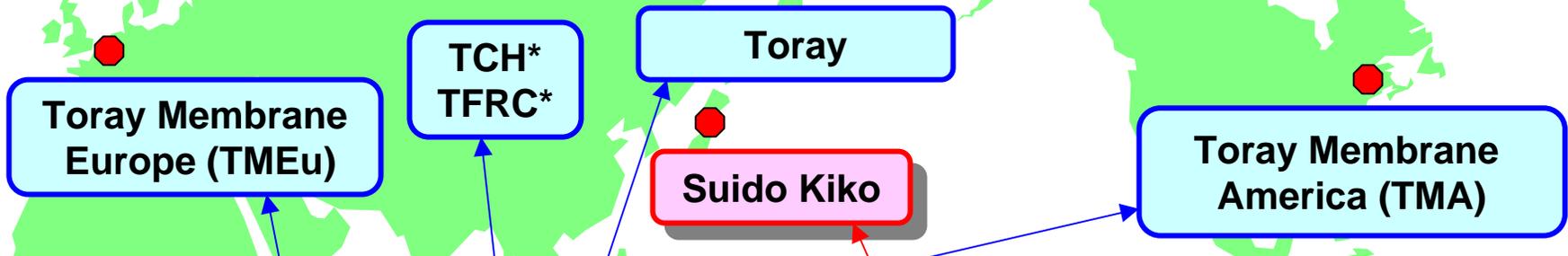
With the consolidation of Suido Kiko, Toray will reinforce the water treatment business by assigning Suido Kiko a key role in the Group's Total Water-related Engineering Business.



Reinforcement of the Toray Group's Water Treatment Business by the Consolidation of Suido Kiko (2)

Toray group will expand the total water treatment business by reinforcing the system plant business in addition to the membrane business already operated in Japan, U.S., Europe, and China.

Toray Group's Global Business Development in Water Treatment Business



<Advantages as a Leading Membrane Manufacturer>

- A full line-up of products to meet the diverse demand of customers from MF membranes to RO membranes
- Global four bases – Japan, U.S., Europe, and China
- Established a water treatment laboratory in Nantong, China

<Reinforcement of System Plant Business>

By the consolidation of Suido Kiko, Toray places Suido Kiko as a core subsidiary of the Total Water-related Engineering Business.

*1 TCH: Toray Industries (China) Co., Ltd.

*2 TFRC: Toray Fibers & Textiles Research Laboratories (China) Co., Ltd.

Recent Topics (1)

	Topics	NT-II Issues				Reference
		Expanding Advanced Materials Businesses	Expanding No.1 Businesses	Expanding Businesses Outside Japan	Business Structure Reform, NVC	
April	<p>Toray International to start full scale operation of garment production in China</p> <p>A joint venture between Toray International and a major sewing company, Matsuoka Corp. started full scale operation of garment production in China.</p>			○		-
April	<p>Production capacity expansion of carbon fibers and its preregs in U.S.</p> <p>Decided production capacity expansion of carbon fiber (1,800 ton/year) and new polymerization / filament manufacturing facility of "precursor" at a U.S. subsidiary, CFA and production capacity expansion of prepreg at a U.S. subsidiary, TCA. (start in early 2006)</p>	○	○	○		P29 P30
May	<p>Reinforcement of film processing business promoted by integrating and reorganizing the Group's subsidiaries</p> <p>Decided to Integrate Toyo Metallizing and Toray Plastics Films together with Toray's packaging film business and establish a new subsidiary, Toray Advanced Film (started in July 2004)</p>	○			○	P31 P32
May	<p>Production capacity expansion of PDPs at MPDP</p> <p>Matsushita PDP (MPDP) decided to build the third and the world's largest (3 million units/year) PDP manufacturing plant. (start in November 2005)</p>	○				P33 P34
May	<p>Reached long-term agreement to supply carbon fiber composite materials with Boeing</p> <p>Reached agreement with Boeing to supply carbon fiber composite materials to be used in the primary structure of B7E7.</p>	○	○	○		P29 P30
May	<p>Reinforcement of the chemical business structure by improving production efficiency of Caprolactam</p> <p>Decided to stop caprolactam production in Nagoya plant and consolidate the production in Tokai plant, and stop export businesses with low profits. (start in June 2004)</p>				○	P35
June	<p>Production capacity expansion of two-layer FPC films</p> <p>Toyo Metallizing decided to expand its production capacity of "Metaloyal", two-layer flexible printed circuit films, from 530,000m² to 700,000m²/year. (start in October 2004)</p>	○				-

Recent Topics (2)

	Topics	NT-II Issues				Reference
		Expanding Advanced Materials Businesses	Expanding No.1 Businesses	Expanding Businesses Outside Japan	Business Structure Reform, NVC	
June	<p>Establishment of “Toray Synthetic Textile Cluster” Established a new partnership “Toray Synthetic Textile Cluster” in the midterm processing fields of fibers and textiles businesses. (fully start from October 2004)</p>				○	P36
July	<p>Development of flexible PLA (polylactic) wrapping films Succeeded in developing world’s first flexible PLA (polylactic acid: a plant-based eco-friendly material) films utilizing Toray’s unique fine-structure-control technology.</p>	○				-
July	<p>Production capacity expansion of 3GT fibers which have high elasticity Toray and Opelontex decided to increase production capacity of 3GT fibers at Toray Mishima plant from 1,500ton/year to 2,500ton/year. (start in Spring 2005)</p>	○				-
July	<p>Production capacity expansion of ultra-thin OPP films for film capacitors Decided to increase production capacity of ultra-thin polypropylene films (OPP films) for hybrid car-capacitors at Tsuchiura plant from 18,000ton/year to 19,500ton/year. (start in May 2006)</p>	○	○			P37
July	<p>Consolidation of Chori Co. Decided to consolidate Chori Co. in TOB by purchasing 51.46% of its stock to create synergy in fibers and textiles and other business and to reinforce operations in China.</p>			○	○	P20 ~ P23
July	<p>Production capacity expansion of thick PET films Decided to increase thick PET film production capacity at three production bases in Japan, Malaysia, and South Korea from 70,000ton/year to 110,000ton/year within 2 years.</p>	○	○	○		P38
July	<p>Expansion of water treatment business by consolidation of Suido Kiko Kaisha, Ltd. Decided to consolidate Suido Kiko by additional stock acquisition to reinforce water treatment businesses through transferring and integrating Toray and Toray Engineering’s water treatment system plant businesses into Suido Kiko’s.</p>	○				P20 P24 P25

Reference



Expansion of Carbon Fibers Composite Materials Businesses (1)

Toray agreed with Boeing for the supply of carbon fiber composite materials to be used in the primary structure of the next generation medium-size aircraft B7E7, from 2004 through 2021, total 18 years.

Outline of B7E7 (Dreamliner)

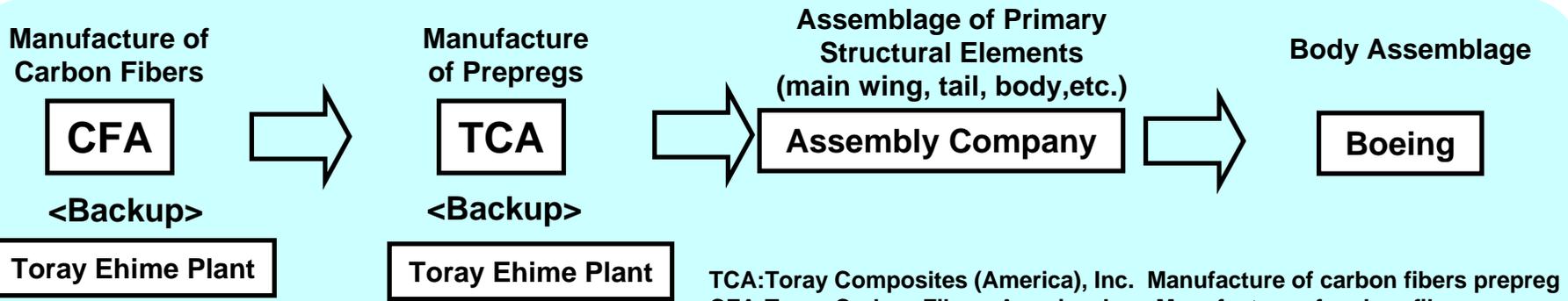


Seating : 200 ~ 300
Fuel Efficiency : 20% less fuel than earlier airliner of its size
Cruise Speed : Mach 0.85
Entry into Service : 2008
CFRP : Approx. 30 t / jet
Present Order : 62 jets



Carbon Fiber Prepreg

Supply Chain of Carbon Fiber Composite Materials

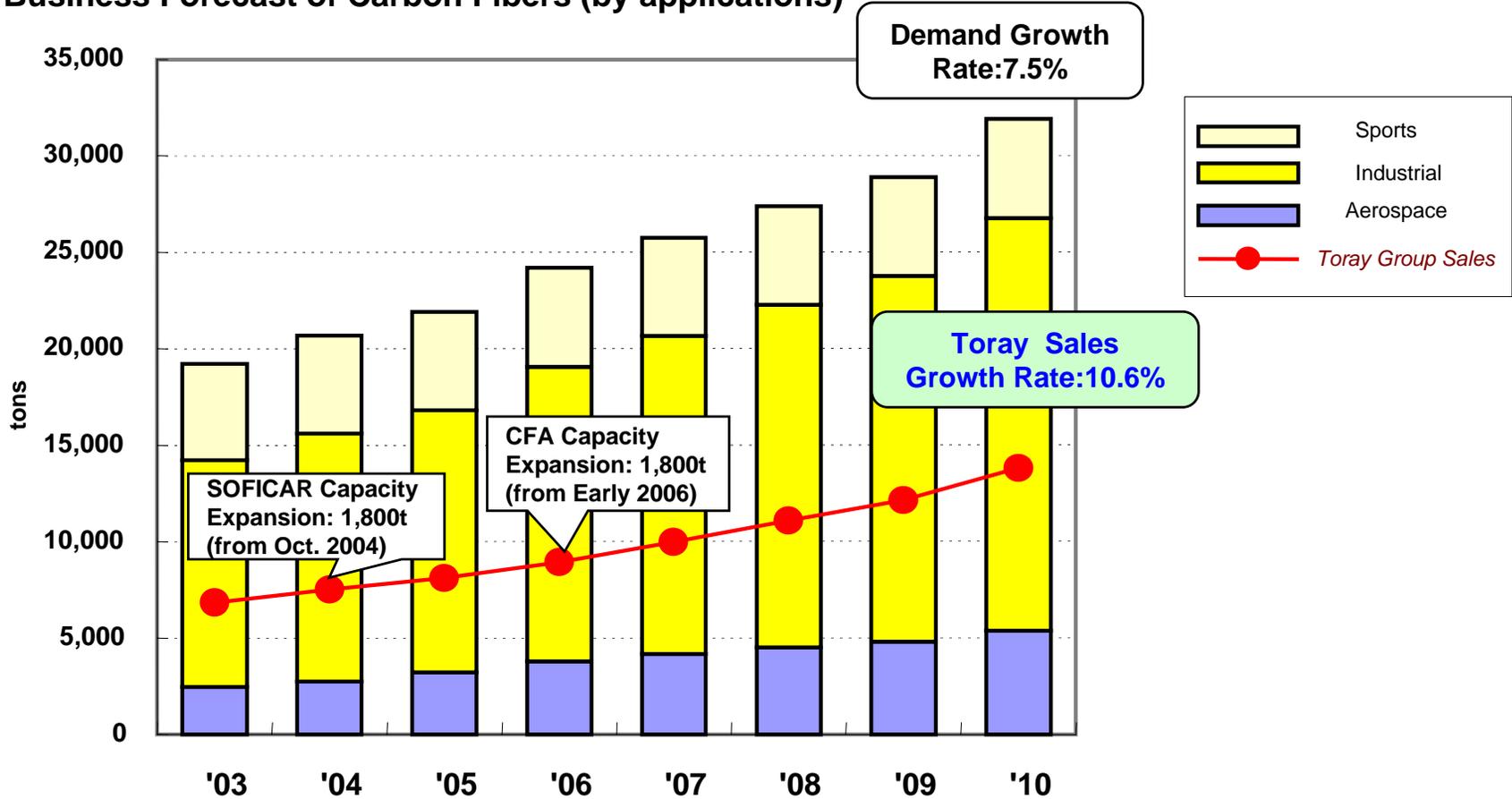


TCA: Toray Composites (America), Inc. Manufacture of carbon fibers prepreg
CFA: Toray Carbon Fibers America, Inc. Manufacture of carbon fibers

Expansion of Carbon Fibers Composite Materials Businesses (2)

Ensures Toray's market position as the leading company in the growing carbon fiber market through its timely investment.

Business Forecast of Carbon Fibers (by applications)



Toray's Market Share: 36%

Toray's Market Share: 43%

(Include Large Tow)

Toray vertically-integrates its domestic sales and technological development systems of base films and processed film products, and develops solution sales by involving customers.
 We concentrate our energies on IT-related area as well as create synergy in the packaging area.

Transformation into a 'Vertically Integrated Business Model covering all level of productions from base films to processed film products'

	Base films and processed film products for IT-related and industrial applications			Base films and processed film products for packaging application		
Main Products	Base Films		Processed Film Products	Base Films		Processed Film Products
	PET, OPP Films, etc.	PE Films, etc.	Coating, Metallized Processed Films ("Cerapeel", Metaloyal", etc.)	PET, OPP Films, etc.	Non-oriented PP, Nylon Films	Metallized Processed Films ("Barrialex", etc.)
Company	Toray	Toray Plastic Films	Toyo Metallizing	Toray	Toray Plastic Films	Toyo Metallizing

<New Organization>

Production	Toray	Toray Advanced Film	Toray	Toray Advanced Film
Sales	Toray	Toray Advanced Film		

<Sales of Toray Advanced Film>

FY Mar/05:
Approx. ¥35 Billion

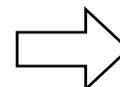


Image in FY Mar/2010:
Approx. ¥100 Billion

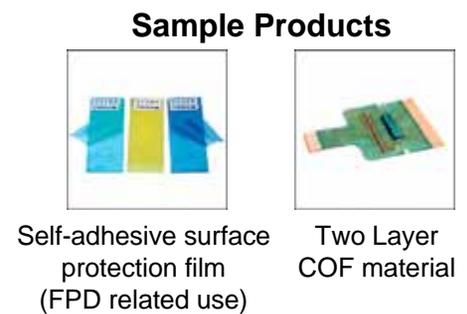
Establishment of Toray Advanced Film Co., Ltd. (2)

IT-related and Industrial Applications: Expand businesses focusing on IT-related applications. Strengthen and expand base films for circuit materials in collaboration with Toray's Electronics & Information-related Products division.

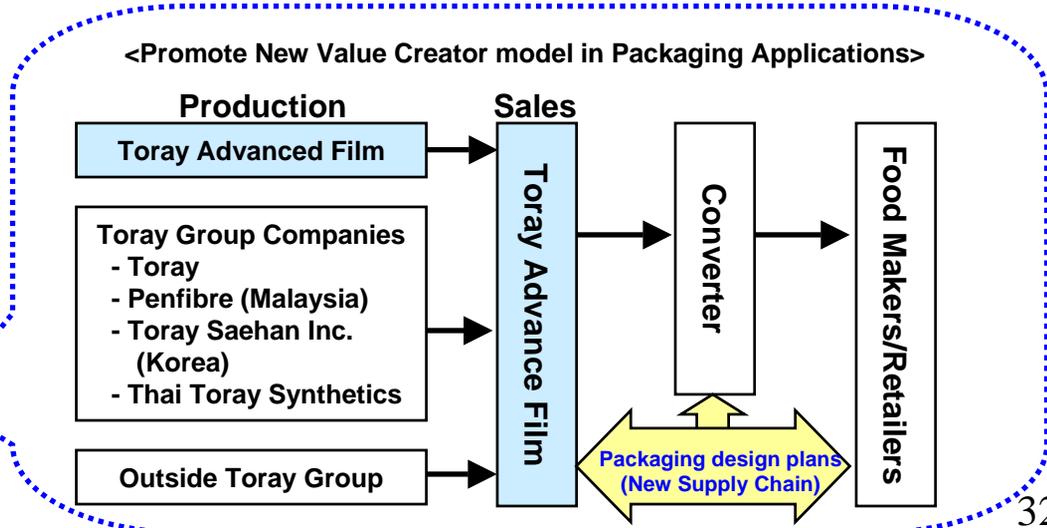
Packaging Application: Increase profitability through global operations, and promote a New Value Creator business model by means of development of high-functional new films and establishment of a new supply chain proposing new packaging designs.

- IT-related Application**
- PDP front panels
 - LCD related functional films
 - Base films for circuit materials
 - Others (touch panels, IC cards, IC tags, etc.)
- Industrial Applications**
- Conventional applications (labels, capacitors, window adhesive films, etc.)
 - New applications (diagnostic kits, etc.)

Highest Priority Areas
Apply combined efforts of the entire Toray Group



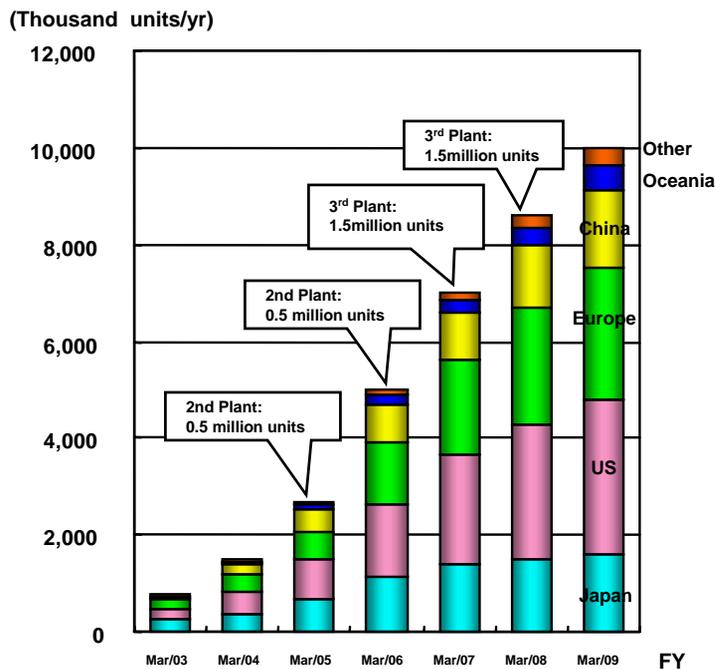
- Packaging Materials Applications**
- Conventional applications (transparent vacuum vaporized films, CPP for retort, metallized CPP/PET, etc.)
 - New applications (ultra-high barrier films, heat sealable films, etc.)



Production Capacity Expansion of PDPs at Matsushita PDP Co., Ltd. (MPDP) (1)

MPDP (Matsushita Electric:75%,Toray:25%) has decided to construct the world's largest mass production plant, capable of producing more than 3 million units per year, since the flat panel display market is entering a full-scale widespread distribution period. (Additional investment by Toray : ¥5 bill.; Total investment by Toray : ¥12.5 bill.) This will give the Matsushita Group a production capacity of 4.5 million units per year, making it No. 1 in the world.

PDP demand trends and capacity expansion of MPDP



Forecast of growth rate of PDP market between 03~08 : 40 – 50%/year

Toray's Technologies Support MPDP's Strengths (photosensitive paste technologies)

1. Fine processing possible

- (1) High resolution (including full HD)
- (2) Improved shape uniformity of discharged cell (improved luminous efficiency, reduced discharge voltage)

Pitch 150 microns
 Line width 30 microns
 Height 150 microns

2. Conformity to various shapes

- (1) Rectangular, Tapered
- (2) Stripe-shaped, Grid pattern

Grid Pattern Tapered

3. High productivity

- (1) Short processing
- (2) Short exposure time
- (3) Easily adaptable to multiple panel production

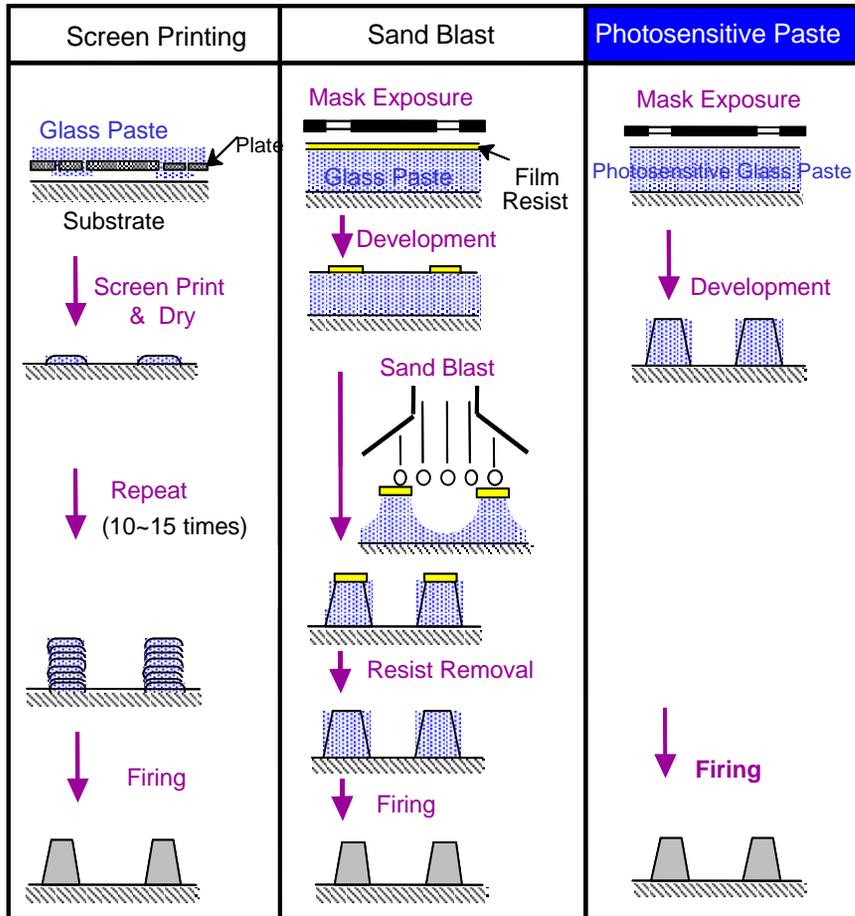
MPDP Strengths

Technological Superiorities

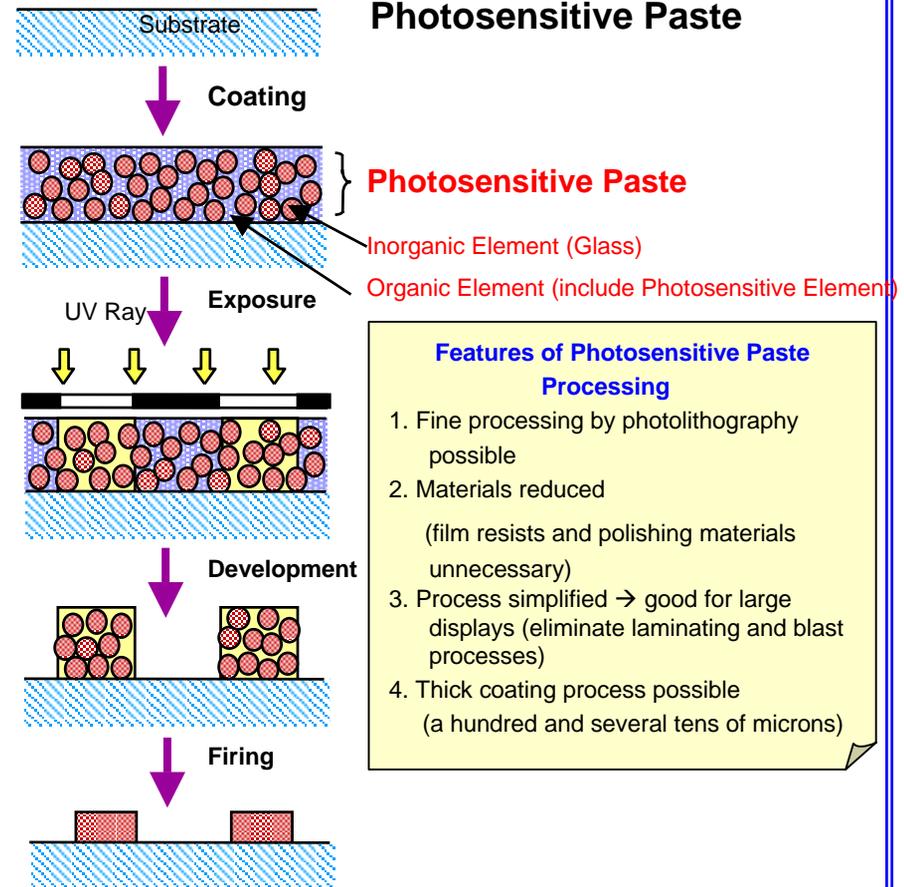
High Productivity

Technological supremacy and cost competitiveness of MPDP are realized by the key technologies to form barrier ribs on PDP's rear plates utilizing Toray's photosensitive paste.

Barrier Ribs Formation Technologies



Processing of Photosensitive Paste

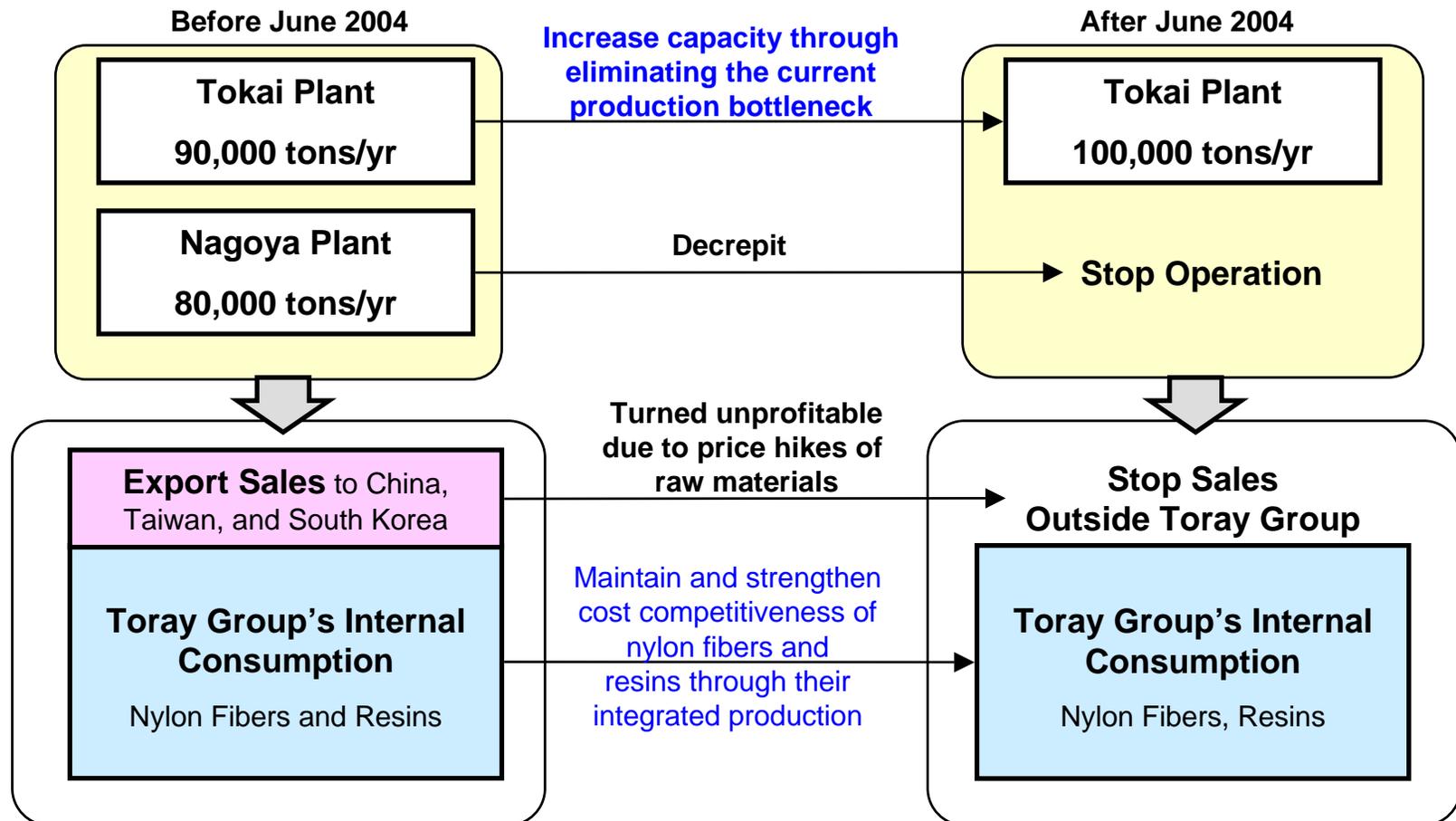


Features of Photosensitive Paste Processing

1. Fine processing by photolithography possible
2. Materials reduced (film resists and polishing materials unnecessary)
3. Process simplified → good for large displays (eliminate laminating and blast processes)
4. Thick coating process possible (a hundred and several tens of microns)

Consolidation of Caprolactam Production

Improved the production efficiency through establishing a single plant operation by consolidating production of caprolactam, a raw material for nylon fibers and resins, in Tokai plant. Due to the high material cost of caprolactam, stopped the unprofitable exporting and strengthening the business structure.



Create new partnerships among Toray Synthetic Textile Cluster, the geographic concentration of interconnected textile companies.

Promote vertical integration from fibers to textile among Toray Synthetic Textile Cluster to combine knowledge and technologies.

Toray Synthetic Textile Cluster

**Japanese Textile Converters
(located in Hokuriku)**
(about 70 companies to start with)

Original technology development

Advanced textile

World-leading quality

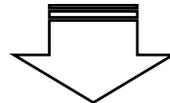


Toray

While major companies in the advanced nations are gradually moving out of the fibers and textiles businesses, Toray is developing a strong business model unparalleled anywhere else in the world.

<What makes Toray unique>

1. Emphasize partnerships with Japanese Textile Converters and have built an integrated fiber-to-processing production and marketing system.
2. Construct an integrated global operation system from fibers or staples to textiles
3. Obtain superior research and development capabilities.



- Promote innovativeness
- Enhance global competitiveness
- Reinforce global marketing

Production Capacity Expansion of Ultra-thin Polypropylene (OPP) Films

Set up new ultra-thin OPP film manufacturing facility to Tsuchiura plant in response to increasing demand for film capacitors. The capital expenditure will be total ¥3 billion scheduled to start its operation in May 2006.

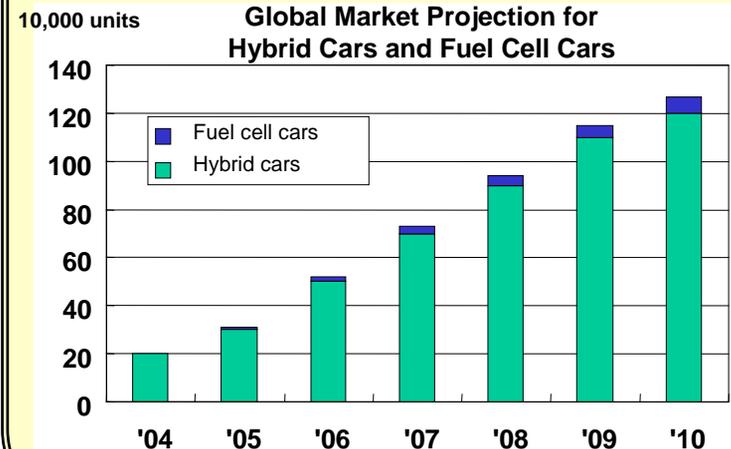
	Toray Group's OPP film Production Capacities(yr)		
	Current	New Capacity	May 2006
Japan (Tsuchiura)	18,000 ton	+1,500 ton	19,500 ton
US (TPA)	37,000 ton		37,000 ton
Toray Group	55,000 ton	+1,500 ton	56,500 ton
Applications		Toray's share of OPP films for capacitors (est. 2004) (Thinner than 5 microns) Global share:33% Japan share:80%	

Film Capacitors Growth Area (hybrid car application)

Capacitors for the hybrid car application require excellent performances which *Torayfan** has. Our goal is to become the de facto standard in this industry.

OPP is the best for film capacitors, and the sales expansion is expected as demand for film capacitors increases.

Required Features	OPP	PET	PPS
Voltage endurance	◎	○	△
Inductivity (miniaturization)	○	◎	◎
Insulation resistance	◎	△	△
Higher temperature	◎	△	△
Max. temperature	△	○	◎
Cost	○	◎	△



Production Capacity Expansion of Thick PET Films

Increase production capacity of thick PET films (25~500 microns) at Toray's Asian production bases in Japan, Malaysia, and South Korea in order to meet huge demand expansion for industrial films in IT and other areas.

		2004	End of 2005	End of 2006	Investment
Capacity Expansion of Established Lines	Korea (TSI) Japan (Gifu, Shiga Plant) Malaysia (PFR)	70,000 ton/year	90,000 ton/year	95,000 ton/year	¥ 8.5 bill.
New Line	Malaysia (PFR)	0 ton/year	0 ton/year	15,000 ton/year	¥ 6.5 bill.
Toray's Total Thick Films in Asia		70,000 ton/year	90,000 ton/year	110,000 ton/year	¥ 15.0 bill.

Toray's Total PET Films Production	310,000 ton/year	320,000 ton/year	330,000 ton/year
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<Main Application of Thick Films in Asia>

Classification	Application	Demand Increase(%/yr)	2004 Demand (000 ton/yr)	Major Required Features
Industrial	Electric Insulators, Electronic components, (Ceramic capacitors) release films, Labels, Tapes, TTR, etc.	Approx. 5%	200	Low cost, Quality stability, Minimum flaws, Good handling, High transparency, UL approval, Flatness (for release films for ceramic capacitors)
Optical	Reflectors for LCDs, Release Films for Diffusion and Polarizing Films, Touch Panel, AR Films, etc.	20 ~ 25%	40	High luminance, Flatness, Flawlessness, Good adhesion, etc.

Descriptions of forecasted business results, expectations, estimates, and business plans for the Half-year of Fiscal Year ending March 2005 and mid-term management issues 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.