

November 9, 2005

The slide features a background of various blue geometric shapes, including circles, squares, and rectangles, some of which are connected by thin lines, creating a network-like pattern. These shapes are scattered across the slide, with a higher concentration in the center and bottom areas.

# **Midterm Business Results for the Fiscal Year Ending Mar/06 and Progress of “Project NT-II”**

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Toray Industries, Inc.**

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I. Summary of Midterm Business Results  
for the FY Ending Mar/06



# Summary (Profits)

Billion ¥

	FY Mar/05 Midterm	FY Mar/06 Midterm	Changes
Net Sales	575.7	<b>678.8</b>	+103.1 (+17.9%)
Cost of Sales	448.6	<b>536.7</b>	+88.1 (+19.6%)
Gross Profit	127.1	<b>142.1</b>	+15.0 (+11.8%)
(Gross Profit to Net Sales)	22.1%	20.9%	-1.1 points
Operating Income	35.6	<b>38.8</b>	+3.2 (+9.1%)
(Operating Income to Net Sales)	6.2%	5.7%	-0.5 points
Non-operating Income and Expenses, net	▲ 0.8	▲ <b>2.0</b>	-1.2 (-)
Ordinary Income	34.8	<b>36.8</b>	+2.0 (+5.8%)
Special Credits and Charges, net	▲ 4.1	▲ <b>6.0</b>	-1.8 (-)
Midterm Net Income	19.8	<b>16.8</b>	-3.0 (-15.3%)

Net Income per Share (Midterm)	14.12 yen	<b>11.96 yen</b>
Dividend per Share (Midterm)	3.5 yen	<b>4.0 yen</b>

Excluding Chori and Suido Kiko Effects

FY Mar/05 Midterm	FY Mar/06 Midterm	Changes
575.7	<b>575.7</b>	0 (0.0%)
448.6	<b>443.8</b>	-4.8 (-1.1%)
127.1	<b>131.9</b>	+4.8 (+3.8%)
22.1%	<b>22.9%</b>	+0.8 points
35.6	<b>37.9</b>	+2.3 (+6.5%)
6.2%	<b>6.6%</b>	+0.4 points

Exchange Rate

< Yen/US\$> Midterm 05/3 Midterm 06/3

Midterm average: 109.9 109.5

End of the term: 111.1 113.2

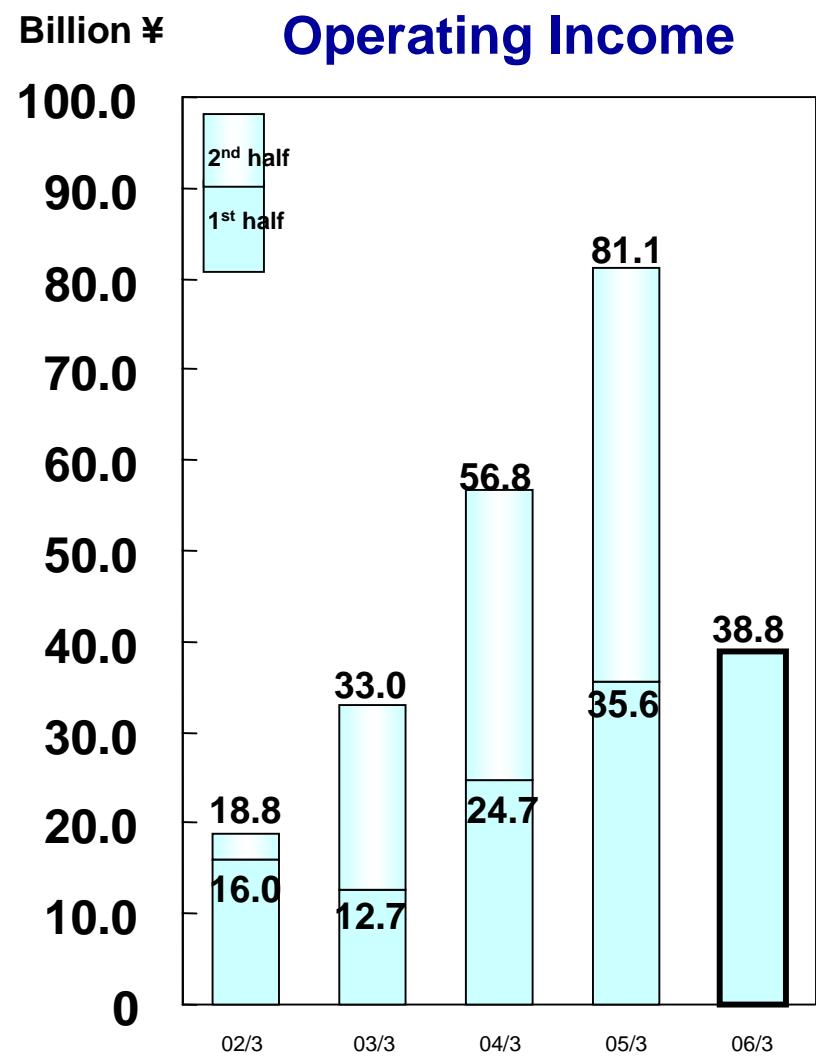
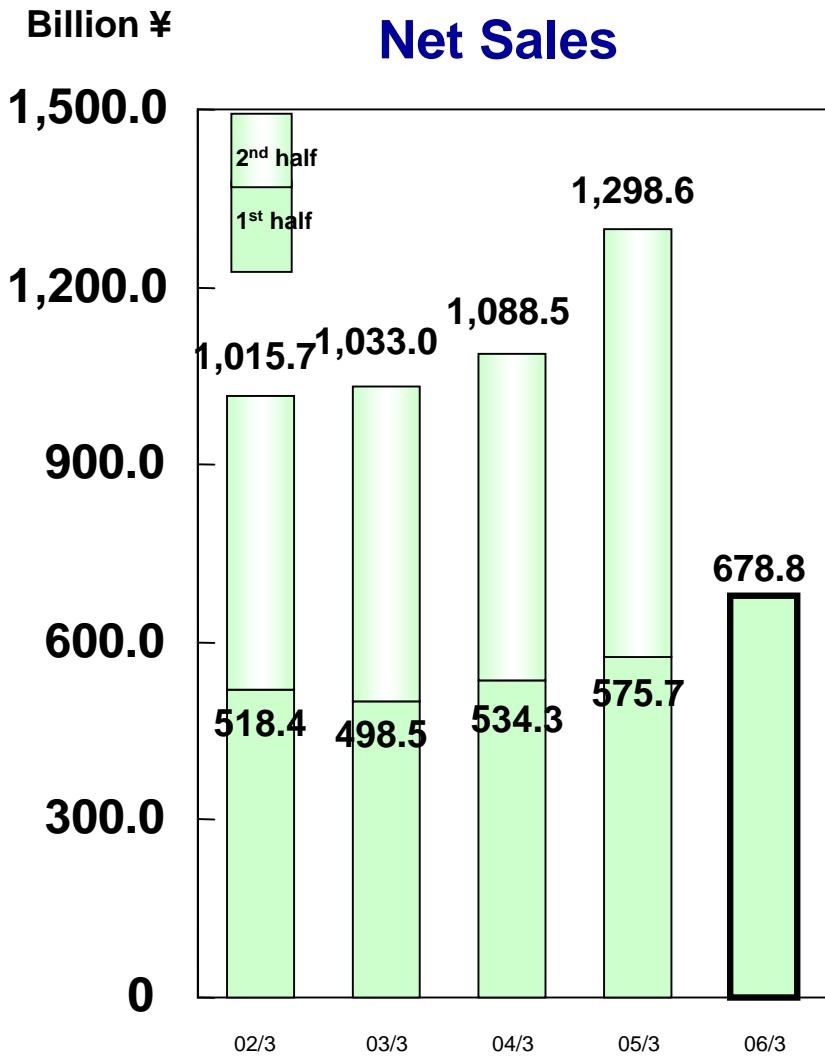
< Yen/Euro> Midterm 05/3 Midterm 06/3

Midterm average: 133.3 135.6

End of the term: 137.0 136.1

\*Chori and Suido Kiko are accounted for affiliated companies by Equity Method until Midterm FY Mar/05.

# Trends in Net Sales and Operating Income



# Non-operating Income and Expenses

Billion ¥

	FY Mar/05 Midterm	FY Mar/06 Midterm	Changes	Comments
Non-operating Income	7.3	6.2	- 1.1	
Interest and Dividend Income	0.9	1.4	+0.5	
Equity in Earnings of Affiliates	4.2	2.1	- 2.1	Loss on impairment and decline in profit of domestic affiliated companies
Others	2.2	2.8	+0.6	
Non-operating Expenses	78.1	78.3	- 0.2	
Interest Expenses	73.1	73.9	- 0.8	Increase in interest expenses due to rising interest rates of US dollars, etc.
Others	75.0	74.4	+0.6	
Non-operating Income and Expenses, net	70.8	72.0	- 1.2	
Interest and Dividend Income, Interest Expenses, net	72.2	72.5	- 0.3	
Other Income and Expenses, net	72.8	71.6	+1.2	

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

# Special Credits and Charges

Billion ¥

	FY Mar/05 Midterm	FY Mar/06 Midterm	Changes	Comments
<b>Special Credits</b>	0.9	<b>2.1</b>	+1.1	
Gain on Sales of Property, Plant and Equipment	0.3	<b>0.5</b>	+0.2	
Gain on Sales of Investments in Securities	0.0	<b>1.6</b>	+1.6	Selling of insignificant stocks
Others	0.6	-	-0.6	
<b>Special Charges</b>	<b>▲ 5.1</b>	<b>▲ 8.0</b>	-2.9	
Loss on Sales or Disposal of Property, Plant and Equipment	<b>▲ 1.2</b>	<b>▲ 1.4</b>	-0.2	
Loss on Impairment	-	<b>▲ 1.7</b>	-1.7	Loss on impairment of unused land
Loss on Write-down of Investments in Securities	<b>▲ 0.3</b>	<b>▲ 0.1</b>	+0.2	
Loss on Liquidation of Affiliate	-	<b>▲ 0.9</b>	-0.9	
Restructuring Expenses	<b>▲ 3.2</b>	<b>▲ 0.5</b>	+2.7	
Loss on Revision of Employees' Pension Fund	-	<b>▲ 1.4</b>	-1.4	Loss generated by change to defined-contribution pension plan
Loss on Reserve for Employees' Retirement Benefits of Overseas Subsidiary	-	<b>▲ 1.9</b>	-1.9	Loss generated by changes in the UK pension accounting standards
Others	<b>▲ 0.4</b>	<b>▲ 0.1</b>	+0.3	
<b>Special Credits and Charges, net</b>	<b>▲ 4.1</b>	<b>▲ 6.0</b>	-1.8	

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

# Assets, Capital Expenditures, Depreciation

Billion ¥

	End of Mar/05	End of Sep/05	Changes	Comments
Total Assets	1,402.3	<b>1,422.6</b>	+20.3	
Total Current Assets	644.4	<b>623.9</b>	-20.5	
Tangible Fixed Assets	532.0	<b>535.8</b>	+3.8	
Intangible Assets	10.8	<b>11.2</b>	+0.4	
Investments and Other Assets	215.1	<b>251.7</b>	+36.6	Increase of investments in securities, etc.

	FY Mar/05 Midterm	FY Mar/06 Midterm	Changes	Comments
Capital Expenditures	23.4	<b>31.8</b>	+8.4	Toray : 9.9, Japan : 3.8, Overseas : 18.1
Depreciation -)	31.5	<b>30.4</b>	-1.1	Toray : 12.4, Japan : 4.8, Overseas : 13.2
Transfer, Disposal, etc.	▲ 3.2	<b>2.4</b>	+5.5	
Changes in Tangible Fixed Assets	▲ 11.2	<b>3.8</b>		

## Major Capital Expenditures

### <Japan>

Toray : Color filter production facilities  
           : PDP paste production facilities

Operation started in Apr/05 (LM5 phase I)  
 Operation started in Sep/05

### <Overseas>

STEMCO : TAB•COF processing facilities (Korea)  
 CFA : Carbon fiber production facilities (US)

Operation started in Mar/05  
 Operation will start in Jan/06



# Liabilities, Stockholders' Equity

Billion ¥

	End of Mar/05	End of Sep/05	Changes	Comments
Total Liabilities	896.4	<b>889.2</b>	- 7.3	
Current Liabilities	523.7	<b>505.6</b>	-18.1	Reduction of interest-bearing debts, decrease in trade payables, etc.
Other Liabilities	372.7	<b>383.5</b>	+10.8	Increase of deferred tax liabilities, etc.
Minority Interests in Consolidated Subsidiaries	53.3	<b>49.0</b>	-4.3	
Total Stockholders' Equity	452.5	<b>484.4</b>	+31.9	Increase of retained earnings, increase of valuation of listed stocks, etc.
Interest-bearing Debts	466.8	<b>459.5</b>	-7.4	Reduction of interest-bearing debts

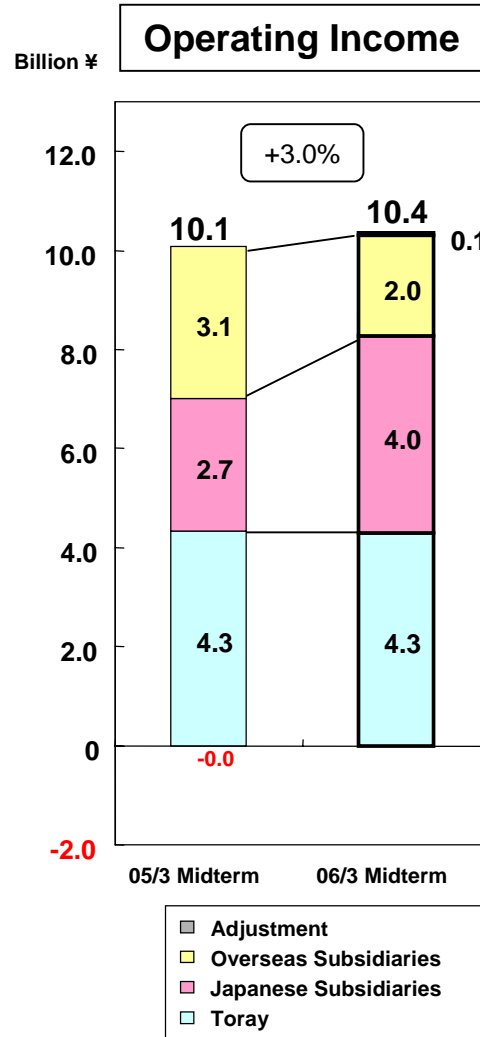
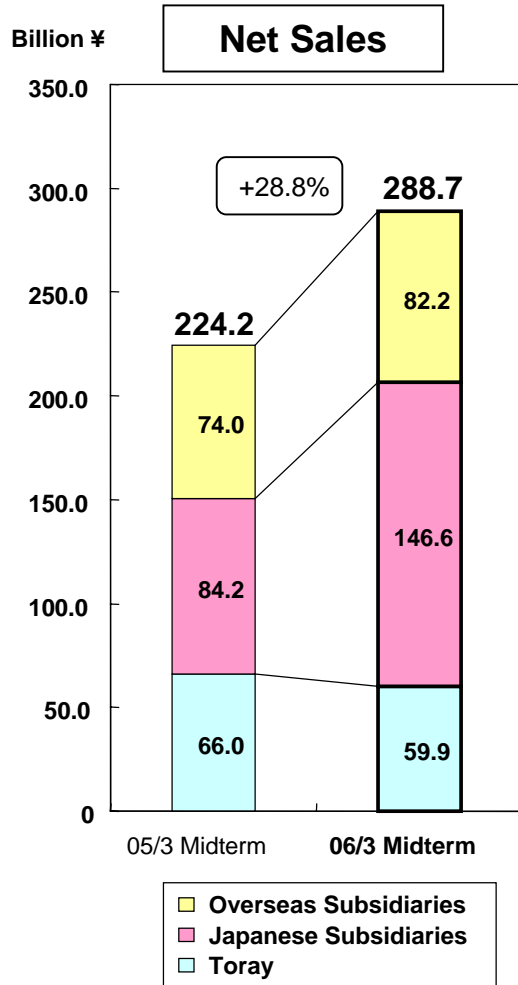
D / E ratio :	End of Sep/04	1.15
	End of Mar/05	1.03
	End of Sep/05	0.95

# Results by Business Segment

Billion ¥

	Net Sales			Operating Income		
	FY Mar/05 Midterm	FY Mar/06 Midterm	Changes	FY Mar/05 Midterm	FY Mar/06 Midterm	Changes
Fibers & Textiles	224.2	<b>288.7</b>	+64.5 (+28.8%)	10.1	<b>10.4</b>	+0.3 (+3.0%)
Plastics & Chemicals	134.8	<b>158.8</b>	+24.0 (+17.8%)	6.0	<b>8.6</b>	+2.6 (+42.7%)
IT-related Products	108.5	<b>111.1</b>	+2.7 (+2.5%)	15.0	<b>13.1</b>	-1.9 (-12.5%)
Carbon Fiber Composite Materials	21.5	<b>24.4</b>	+2.9 (+13.6%)	2.8	<b>5.9</b>	+3.1 (+109.7%)
Environment & Engineering	52.0	<b>61.9</b>	+9.9 (+19.0%)	0.3	<b>▲ 1.2</b>	-1.4 (-)
Life Science & Other Businesses	34.7	<b>33.7</b>	-1.0 (-2.7%)	1.3	<b>2.0</b>	+0.7 (+56.2%)
(Pharmaceuticals & Medical Products Included)	20.2	<b>20.3</b>	+0.1 (+0.6%)	<b>▲ 0.3</b>	<b>0.6</b>	+0.9 (-)
<b>Consolidated</b>	<b>575.7</b>	<b>678.8</b>	+103.1 (+17.9%)	<b>35.6</b>	<b>38.8</b>	+3.2 (+9.1%)

# Results by Business Segment (Fibers & Textiles)



## Comments

### Toray

Sales decreased due to strategic sales decrease of unprofitable products and increase of inter-company elimination caused by consolidation of Chori. Operating income was as the same level on period-to-period comparison by raising sales price and shifting to profitable products to offset the soaring prices of raw materials and fuels.

### Domestic Subsidiaries

Sales and income increased by consolidation of Chori.

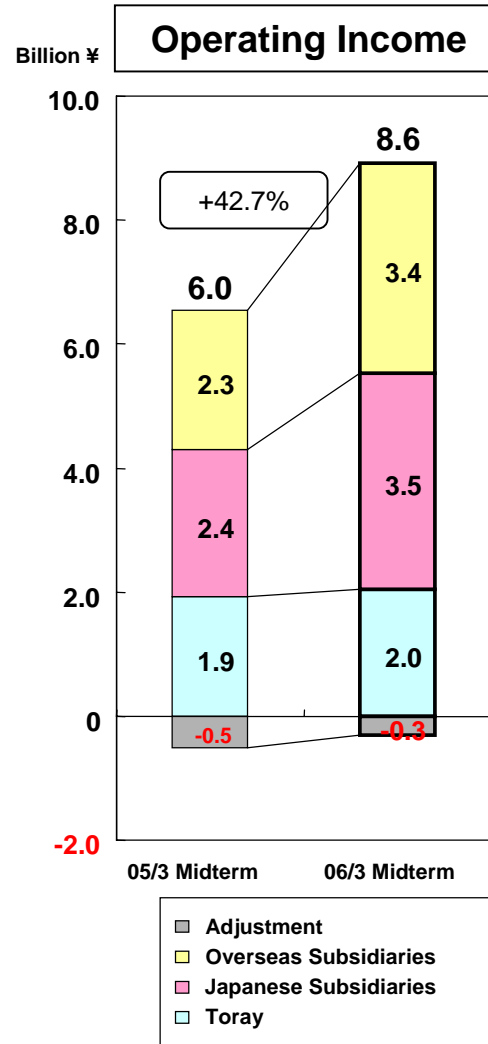
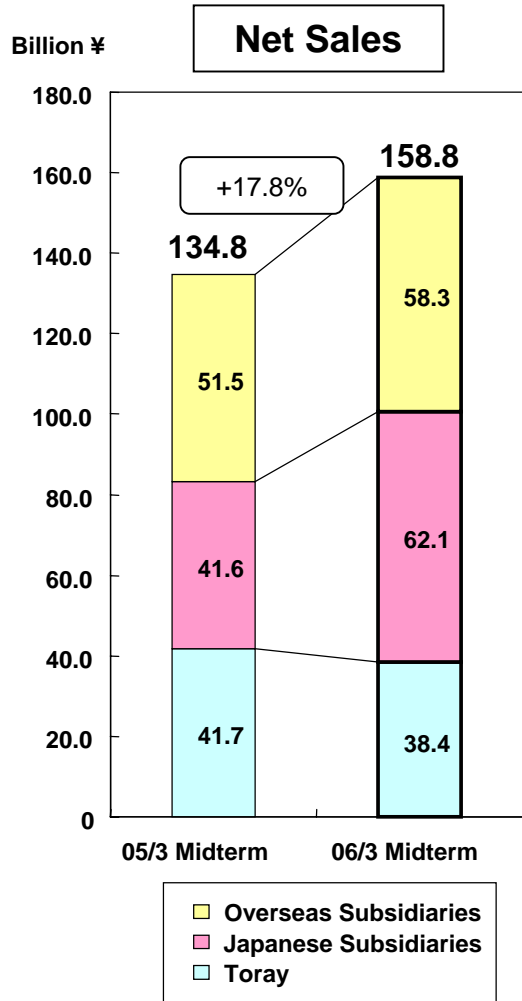
### Overseas Subsidiaries

Sales increased while operating income decreased mainly due to high price of raw materials and fuels in Asian subsidiaries.

### <Major Subsidiaries>

Japan: Toray International Inc., Ichimura Sangyo, Co., Ltd., Chori Co., Ltd., etc.  
 Asia : PENFABRIC (Malaysia), LUCKYTEX (Thailand), ITS (Indonesia), TFNL (China), etc.  
 Europe & US : ALCANTARA (Italy), etc.

# Results by Business Segment (Plastics & Chemicals)



## Comments

### Toray

Sales decreased due to partial transfer of film business to a subsidiary and discontinue of selling of caprolactum while income increased though steady resin and film businesses.

### Domestic Subsidiaries

Sales and income increased through consolidation of Chori as well as steady business at a film-processing subsidiary.

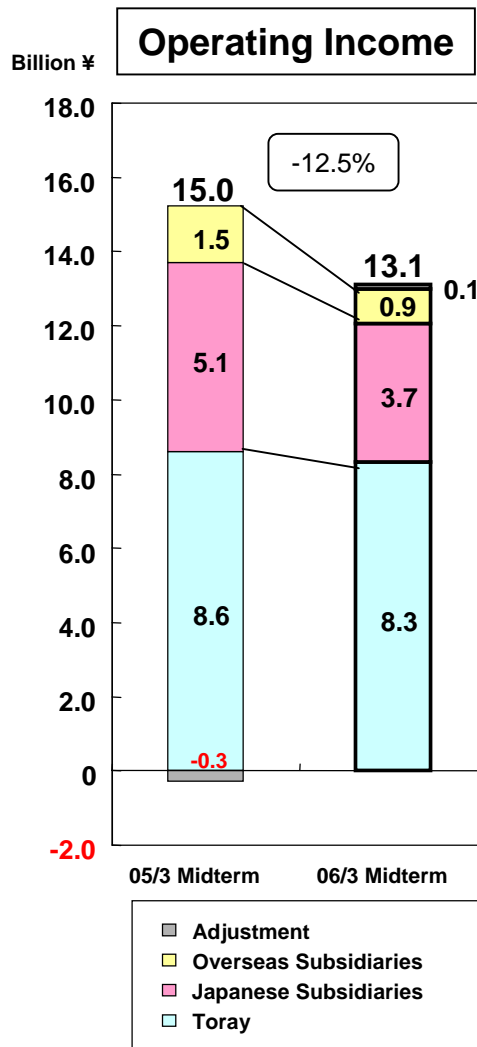
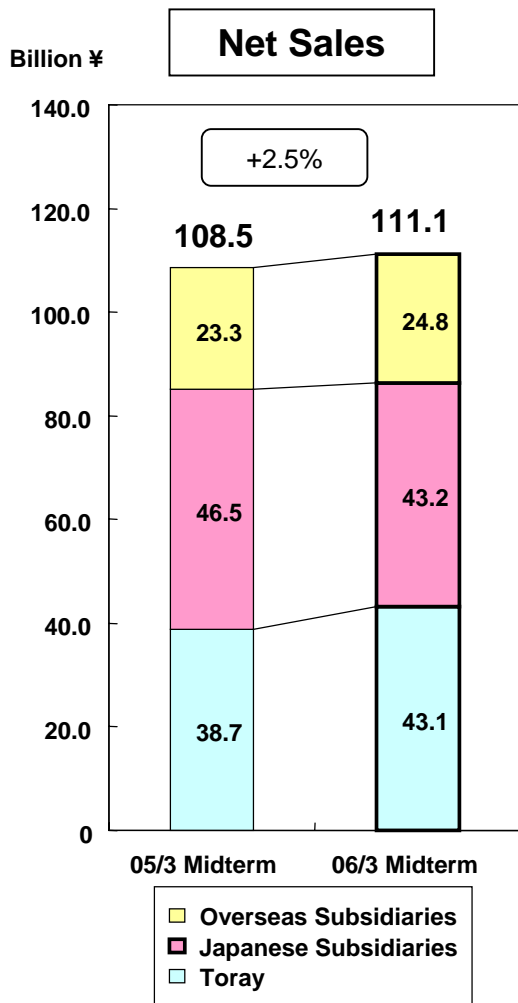
### Overseas Subsidiaries

Sales and income increased through passing of raw materials and fuels cost increase to selling prices and promotion of business structure reform.

### <Major Subsidiaries>

Japan : Toray Advanced Film Co., Ltd., Toray Fine Chemicals Co., Ltd., Soda Aromatic Co., Ltd., Chori Co., Ltd., etc.  
Overseas : TPA (U.S.), TPM (Malaysia), TPEu (France), TSI (Korea), etc.

# Results by Business Segment (IT-related Products)



## Comments

### Toray

Sales increased by sales expansion of IT-related resins and films while income decreased due to sales drop of circuit materials effected by demand adjustment of digital-related products from the latter half of the previous fiscal year to first quarter of this fiscal year.

### Japanese Subsidiaries

Business results of film-processing subsidiary were good, however, total sales and income decreased due to sales decline of LCD-related equipment resulted from the adjustment in LCD panel investments which were good in the previous year's first half.

### Overseas Subsidiaries

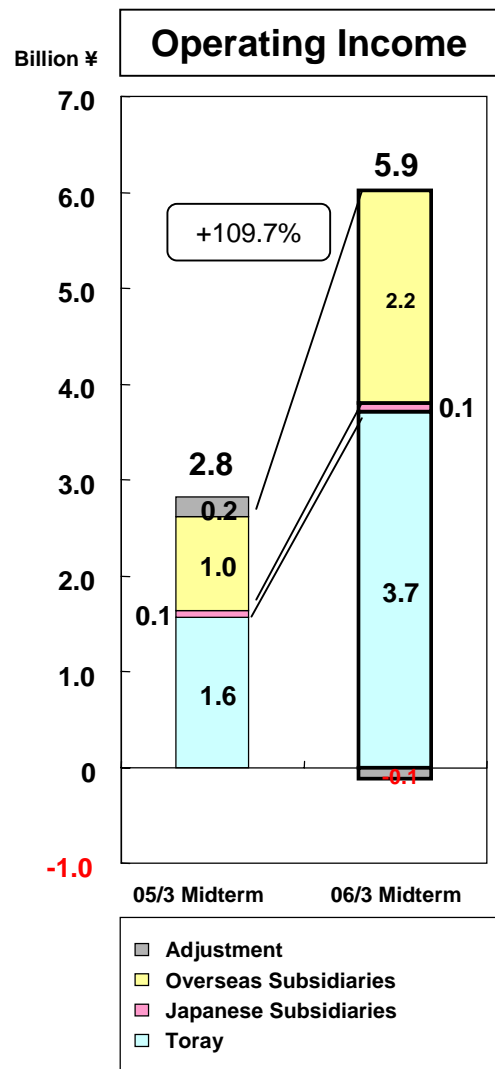
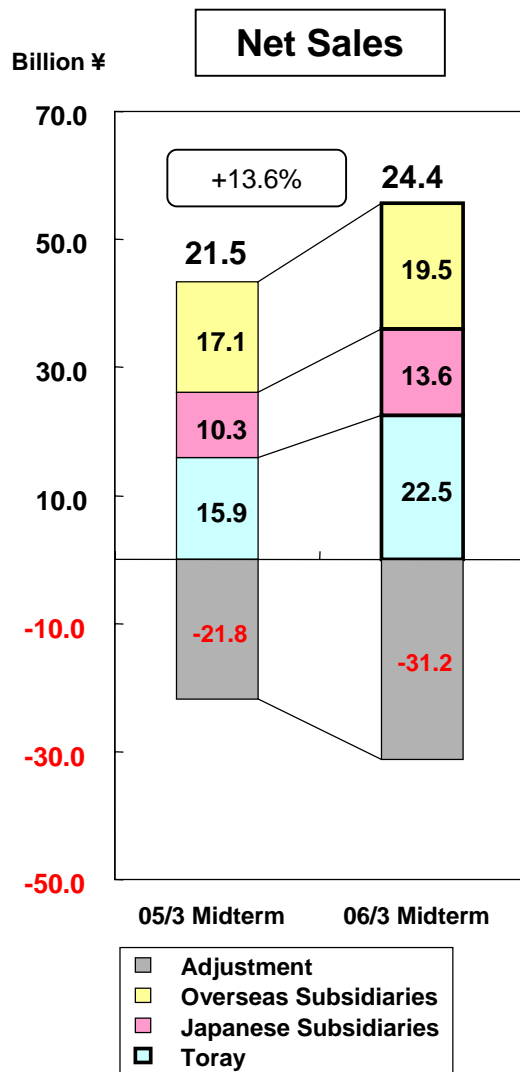
Sales increased through sales expansion of films for FPDs though income decreased due to inventory adjustment of customers of circuit materials' businesses at Korea's subsidiaries.

Business results were better in the 2Q than in 1Q.

### <Major Subsidiaries>

Japan : Toray Engineering Co., Ltd., Toray Advanced Film Co., Ltd., etc.  
Overseas : TPA (US), TPEu(France), TSI (Korea), etc.

# Results by Business Segment (Carbon Fiber Composite Materials)



## Comments

### Toray

Sales and income increased through good business results in all applications mainly in aircrafts, industrial uses including PC chassis and machine parts, and sports applications such as golf shafts, as well as shift to profitable products.

### Japanese Subsidiaries

Sales increased through sales expansion of a trading company.

### Overseas Subsidiaries

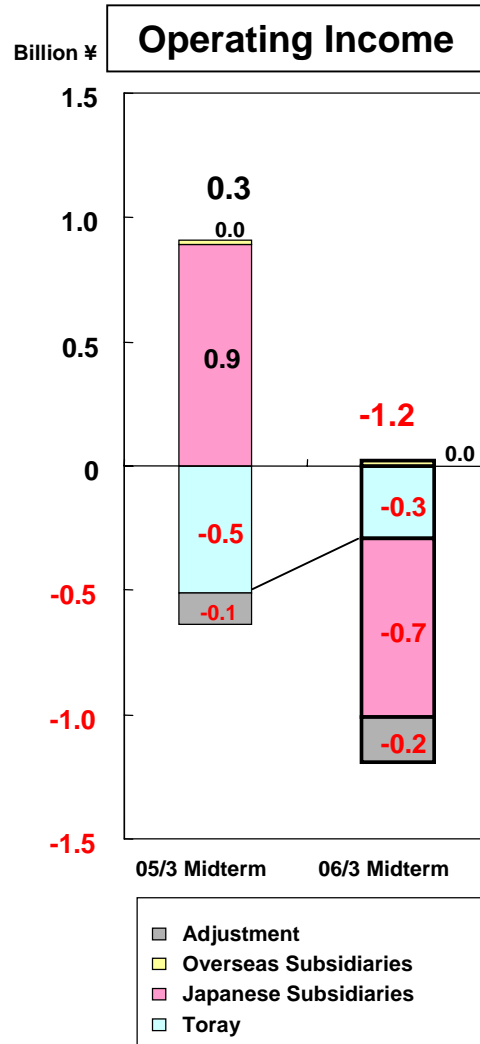
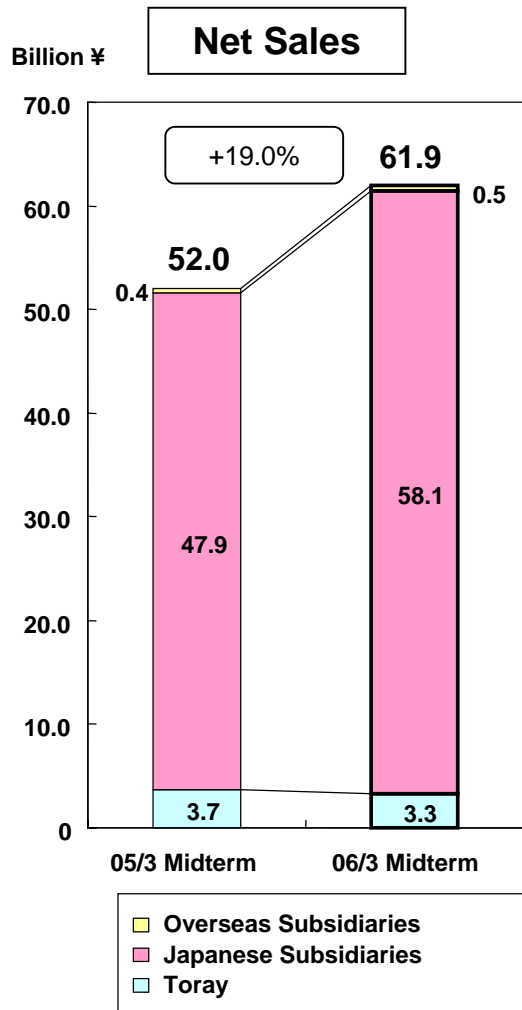
Sales and income increased through capacity increase and sales expansion at European subsidiary and sales expansion of aircraft and industrial applications at US subsidiary.

### <Major Subsidiaries>

Japan : Toray International Inc.  
Overseas : SOFICAR (France), etc.

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

# Results by Business Segment (Environment & Engineering)



### Comments

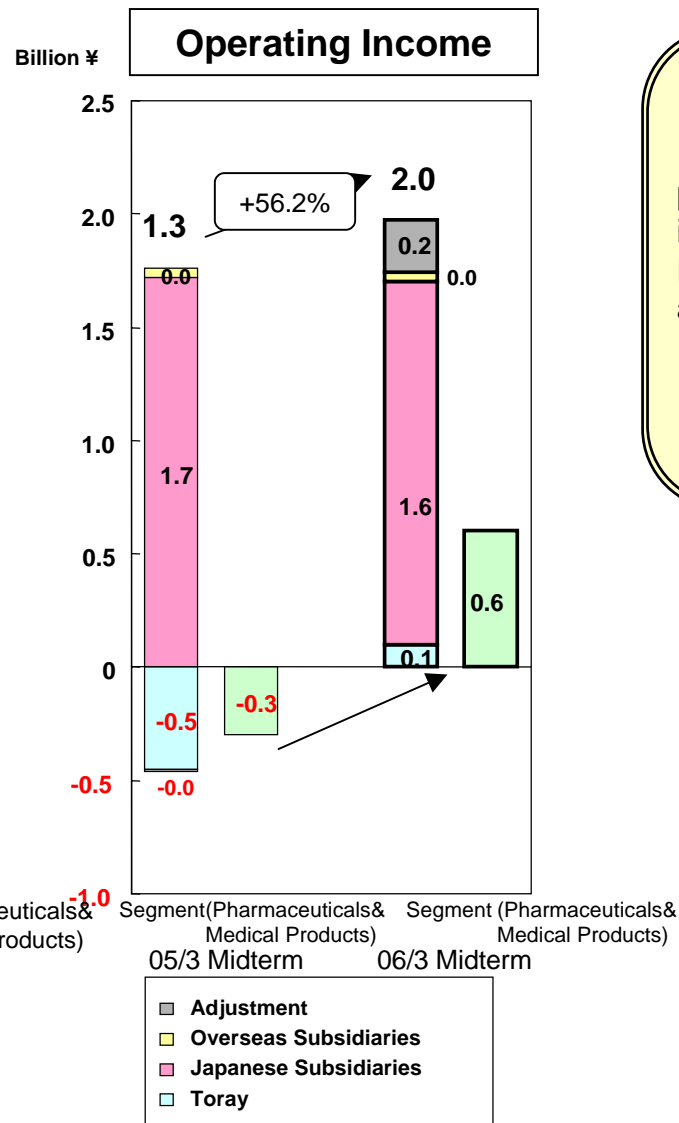
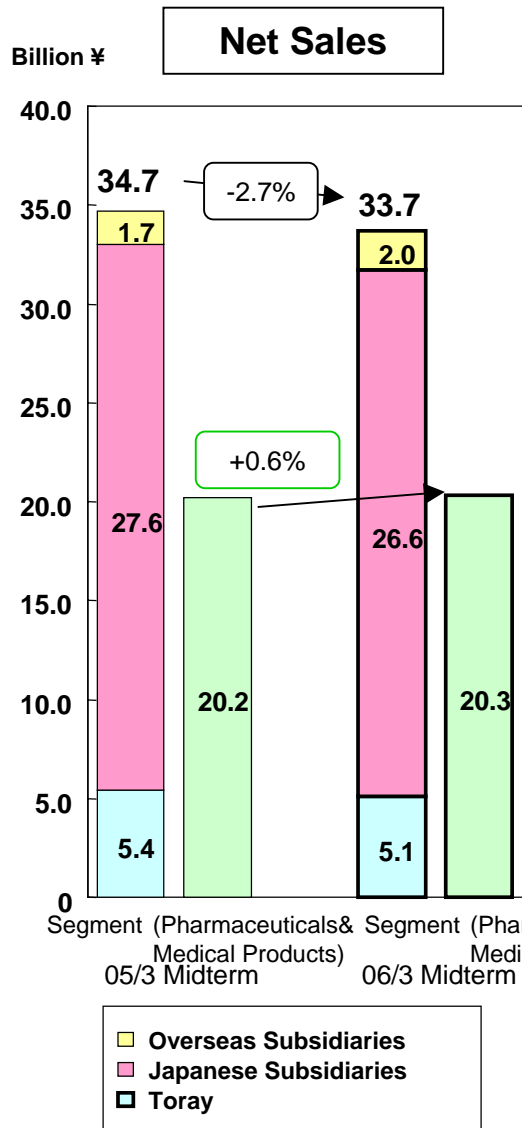
**Japanese Subsidiaries**

Sales increased while income decreased by consolidation of Suido Kiko.

#### <Major Subsidiaries>

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

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



### Comments

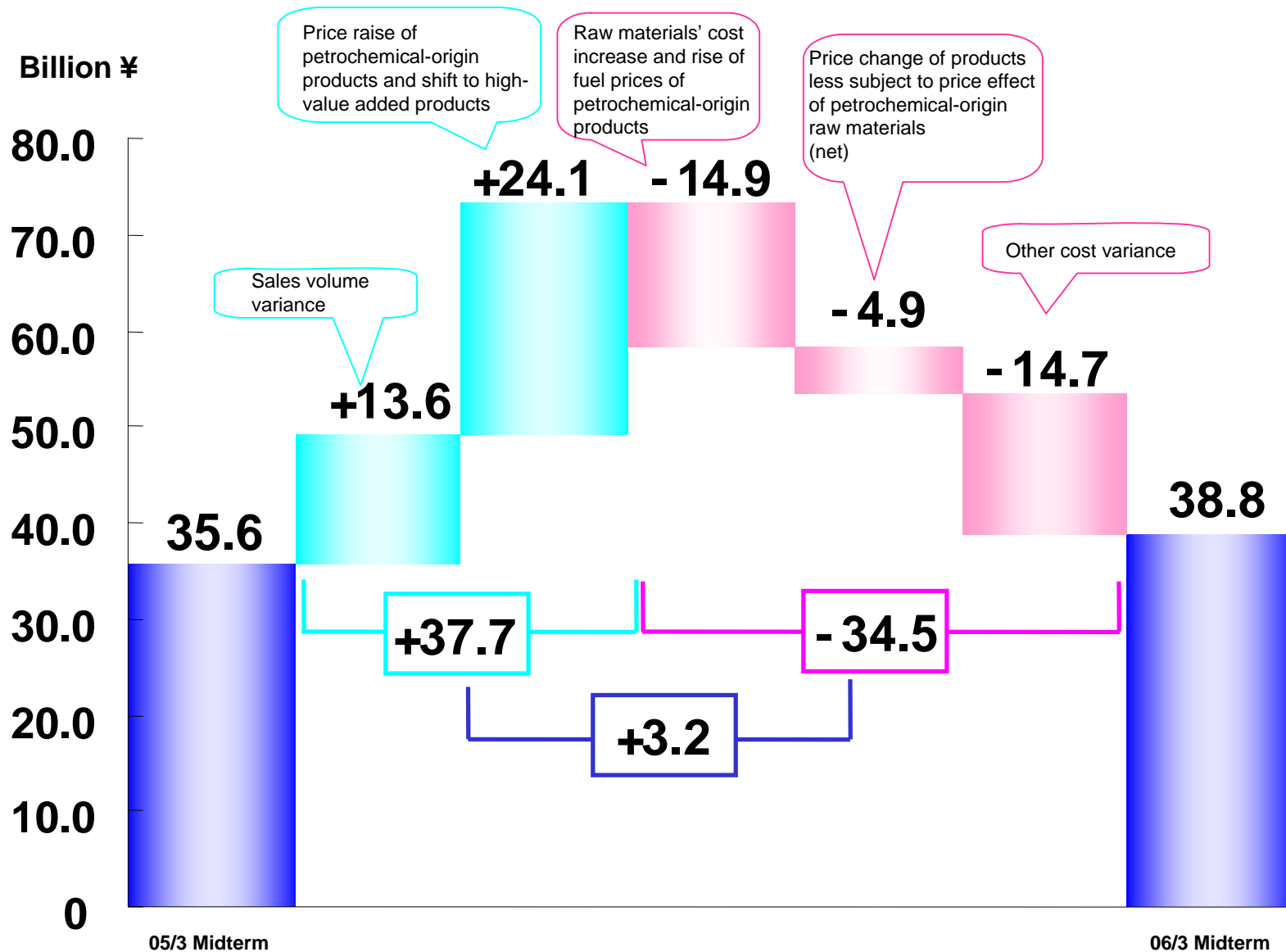
In pharmaceuticals and medical products businesses, sales and income increased through sales expansion of Dorner, Prostacyclin (PG<sub>12</sub>) Derivative, and increase in licensing revenues.

#### <Major Subsidiaries>

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



# Income Variance Factor Analysis





## II. Business Forecast for the Fiscal Year Ending Mar/06

# Forecast Summary

Billion ¥

		FY Mar/05	FY Mar/06	Changes
Net Sales	1st Half	575.7	678.8	+103.1 (+17.9%)
	2nd Half	722.9	751.2	+28.3 (+3.9%)
	<b>Total</b>	<b>1,298.6</b>	<b>1,430.0</b>	<b>+131.4 (+10.1%)</b>
Operating Income	1st Half	35.6	38.8	+3.2 (+9.1%)
	2nd Half	45.5	53.2	+7.7 (+17.0%)
	<b>Total</b>	<b>81.1</b>	<b>92.0</b>	<b>+10.9 (+13.5%)</b>
Ordinary Income	1st Half	34.8	36.8	+2.0 (+5.8%)
	2nd Half	42.0	50.2	+8.2 (+19.4%)
	<b>Total</b>	<b>76.8</b>	<b>87.0</b>	<b>+10.2 (+13.3%)</b>
Net Income	1st Half	19.8	16.8	-3.0 (-15.3%)
	2nd Half	14.6	26.3	+11.6 (+79.6%)
	<b>Total</b>	<b>34.4</b>	<b>43.0</b>	<b>+8.6 (+25.0%)</b>
Net Income per Share	1st Half	14.12 yen	11.96 yen	
	2nd Half	10.34 yen	18.75 yen	
	<b>Total</b>	<b>24.46 yen</b>	<b>30.71 yen</b>	
Dividend per Share	1st Half	3.5 yen	<b>4.0 yen</b>	
	2nd Half	3.5 yen	<b>4.0 yen</b>	
	<b>Total</b>	<b>7.0 yen</b>	<b>8.0 yen</b>	

Percentage of Achievement in FY Mar/06 Midterm Operating Income to FY Mar/06 Operating Income Forecast

	Initial Forecast	New Forecast
FY Mar/06 Midterm Operating Income Result	34.0	<b>38.8</b>
FY Mar/06 Operating Income Forecast	90.0	<b>92.0</b>
Percentage of Achievement	37.8%	<b>42.2%</b>

Expected exchange rate (Oct/05 ~ Mar/06) : 110 yen / US\$, 138 yen / euro  
 Expected oil price (Oct/05 ~ Mar/06) : US\$57 / B (Dubai FOB)

# Forecast by Business Segment

Billion ¥

		Net Sales			Operating Income			Comments
		FY Mar/05	FY Mar/06	Changes (%)	FY Mar/05	FY Mar/06	Changes (%)	
Fibers & Textiles	1st Half	224.2	<b>288.7</b>	+64.5 (+28.8%)	10.1	<b>10.4</b>	+0.3 (+3.0%)	Sales and income are expected to increase by raising price and promoting value-added products while effected by hovering raw materials and fuel costs.
	2nd Half	289.1	<b>291.3</b>	+2.1 (+0.7%)	10.8	<b>10.7</b>	-0.2 (-1.6%)	
	Total	<b>513.4</b>	<b>580.0</b>	+66.6 (+13.0%)	<b>20.9</b>	<b>21.0</b>	+0.1 (+0.6%)	
Plastics & Chemicals	1st Half	134.8	<b>158.8</b>	+24.0 (+17.8%)	6.0	<b>8.6</b>	+2.6 (+42.7%)	Sales and income are expected to increase by promoting resins for automotives and films for packaging and industrials, as well as raising price to offset high costs of raw materials and fuels.
	2nd Half	165.6	<b>171.2</b>	+5.6 (+3.4%)	9.6	<b>8.9</b>	-0.7 (-7.6%)	
	Total	<b>300.4</b>	<b>330.0</b>	+29.6 (+9.9%)	<b>15.7</b>	<b>17.5</b>	+1.8 (+11.8%)	
IT-related Products	1st Half	108.5	<b>111.1</b>	+2.7 (+2.5%)	15.0	<b>13.1</b>	-1.9 (-12.5%)	With IT-related product market recovering, sales and income are expected to increase through growing sales of FPD related films, processing films, and circuit materials.
	2nd Half	110.7	<b>128.9</b>	+18.2 (+16.4%)	13.3	<b>18.4</b>	+5.1 (+38.3%)	
	Total	<b>219.1</b>	<b>240.0</b>	+20.9 (+9.5%)	<b>28.3</b>	<b>31.5</b>	+3.2 (+11.4%)	
Carbon Fiber Composite Materials	1st Half	21.5	<b>24.4</b>	+2.9 (+13.6%)	2.8	<b>5.9</b>	+3.1 (+109.7%)	Sales and income are expected to increase due to strong demand for all applications such as aircrafts, industrials, and sports as well as the contribution of capacity increase at SOFICAR in France.
	2nd Half	23.2	<b>25.6</b>	+2.4 (+10.3%)	2.8	<b>5.1</b>	+2.3 (+83.3%)	
	Total	<b>44.7</b>	<b>50.0</b>	+5.3 (+11.9%)	<b>5.6</b>	<b>11.0</b>	+5.4 (+96.6%)	
Environment & Engineering	1st Half	52.0	<b>61.9</b>	+9.9 (+19.0%)	0.3	<b>▲ 1.2</b>	-1.4 (-)	Sales are expected to increase mainly due to consolidation of Suido Kiko. Income is expected to increase mainly due to good business conditions of construction-related and engineering-related subsidiaries.
	2nd Half	96.6	<b>98.1</b>	+1.4 (+1.5%)	4.0	<b>6.2</b>	+2.2 (+53.4%)	
	Total	<b>148.7</b>	<b>160.0</b>	+11.3 (+7.6%)	<b>4.3</b>	<b>5.0</b>	+0.7 (+16.4%)	
Life Science & Other Businesses	1st Half	34.7	<b>33.7</b>	-1.0 (-2.7%)	1.3	<b>2.0</b>	+0.7 (+56.2%)	Income is estimated to fall due to the transfer of a subsidiary's hotel business in the previous fiscal year.
	2nd Half	37.7	<b>36.3</b>	-1.4 (-3.7%)	5.2	<b>4.0</b>	-1.2 (-23.0%)	
	Total	<b>72.3</b>	<b>70.0</b>	-2.3 (-3.2%)	<b>6.5</b>	<b>6.0</b>	-0.5 (-7.2%)	
(Pharmaceuticals & Medical Products Included)	1st Half	20.2	<b>20.3</b>	+0.1 (+0.6%)	<b>▲ 0.3</b>	<b>0.6</b>	+0.9 (-)	Sales and income are expected to increase through salse expansion of pharmaceuticals and medical products and corporate structure reinforcement efforts.
	2nd Half	24.1	<b>24.7</b>	+0.5 (+2.2%)	3.1	<b>2.4</b>	-0.8 (-25.3%)	
	Total	<b>44.4</b>	<b>45.0</b>	+0.6 (+1.5%)	<b>2.9</b>	<b>3.0</b>	+0.1 (+5.2%)	
Consolidated	1st Half	575.7	<b>678.8</b>	+103.1 (+17.9%)	35.6	<b>38.8</b>	+3.2 (+9.1%)	
	2nd Half	722.9	<b>751.2</b>	+28.3 (+3.9%)	45.5	<b>53.2</b>	+7.7 (+17.0%)	
	Total	<b>1,298.6</b>	<b>1,430.0</b>	+131.4 (+10.1%)	<b>81.1</b>	<b>92.0</b>	+10.9 (+13.5%)	

# Interim Comparison of Operating Income by Business Segment

Billion ¥

Business Segment	Operating Income 1st Half → 2nd Half ( ) variance	Business Environment	Action Plan for the 2 <sup>nd</sup> Half
Fibers & Textiles	10.4 → 10.7 (+0.3)	<ul style="list-style-type: none"> <li>•Concerns about further price rise of raw materials and fuels</li> <li>•Concerns over continuous weak market of standard products</li> </ul>	<ul style="list-style-type: none"> <li>•Promotion of price raise to cover cost increase of raw materials and fuels</li> <li>•Sales expansion of high value-added products</li> </ul>
Plastics & Chemicals	8.6 → 8.9 (+0.3)	<ul style="list-style-type: none"> <li>•Concerns about further price rise of raw materials and fuels</li> <li>•Stable demand expected in resins for automobiles</li> </ul>	<ul style="list-style-type: none"> <li>•Promotion of price raise to cover cost increase of raw materials and fuels</li> <li>•Sales expansion of high value-added products</li> </ul>
IT-related Products	13.1 → 18.4 (+5.3)	<ul style="list-style-type: none"> <li>•Market in general toward recovery</li> <li>•Increase in sales of FPDs</li> <li>•Strong pressure for price-reduction</li> </ul>	<ul style="list-style-type: none"> <li>•Sales expansion of optical films for FPDs and processed film products</li> <li>•Sales expansion of circuit materials</li> <li>•Sales expansion of optical films for FPDs and circuit materials at Korean subsidiary</li> </ul>
Carbon Fiber Composite Materials	5.9 → 5.1 (-0.8)	<ul style="list-style-type: none"> <li>•Stable demand expected in all applications</li> <li>•Volume decrease due to 4-year legal inspection (Oct.,2005) at Ehime plant</li> <li>•Increase in initial cost to launch US plant in early 2006</li> </ul>	<ul style="list-style-type: none"> <li>•Steady preparation to start-up US plant</li> <li>•Development of new applications</li> </ul>
Environment & Engineering	▲1.2 → 6.2 (+7.3)	<ul style="list-style-type: none"> <li>•Orders for condominiums and constructions are received in the 2<sup>nd</sup> half of the FY</li> <li>•Business of Suido Kiko is 2<sup>nd</sup> half-centric business-type</li> </ul>	<ul style="list-style-type: none"> <li>•Thorough management of received projects</li> <li>•Continuing efforts in cost reduction and operating cost reduction</li> <li>•Organizational change of water treatment sector, strengthen partnership with Suido Kiko</li> </ul>
Life Science & Other Businesses	2.0 → 4.0 (+2.0)	<ul style="list-style-type: none"> <li>•Operating income was 2<sup>nd</sup> half-centric due to seasonal influence</li> </ul>	<ul style="list-style-type: none"> <li>•Steady sales expansion of existing pharmaceuticals and medical products</li> </ul>
Consolidated	38.8 → 53.2 (+14.4)		

# Review of IT-related Products Segment

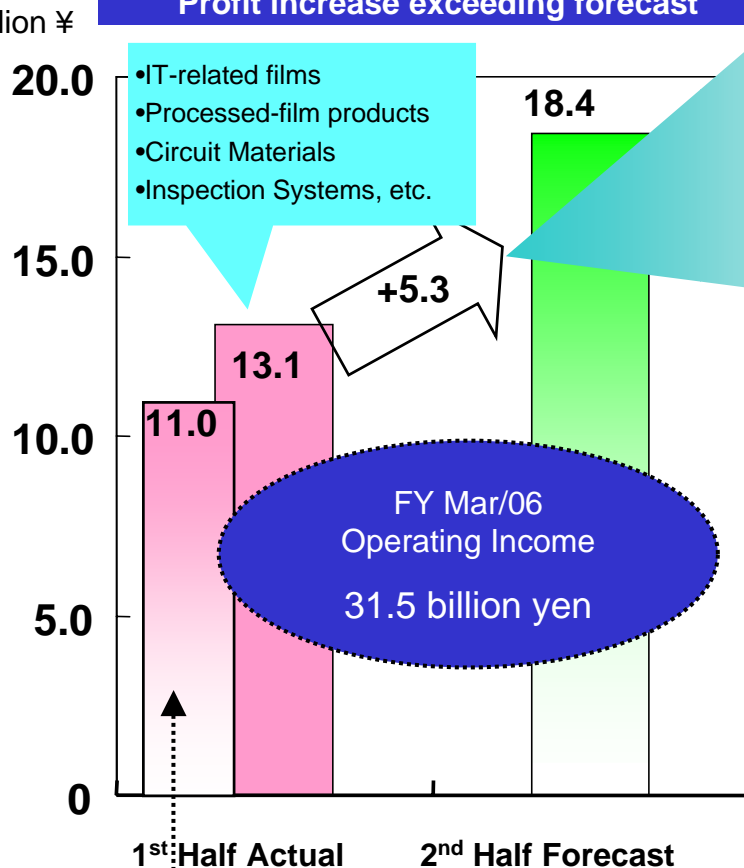
2Q and onward

- 1) Demand expansion of large-size LCDs
- 2) Inventory adjustment completed of IT-related materials → underlying demand expansion trend

Elements for profit increase in the 2<sup>nd</sup> half

Aim for further sales increase in the growing IT-related market

**Profit increase exceeding forecast**



- IT-related films
- Processed-film products
- Circuit Materials
- Inspection Systems, etc.


Businesses contributing to profit increase in the 2 <sup>nd</sup> Half compared to the 1 <sup>st</sup> Half	Action Plans
IT-related Film Businesses (FPD, digital photos, etc.)	<ul style="list-style-type: none"> <li>• Draw in demand of the growing PET films for FPDs</li> <li>• Maintain high share of the digital photo printing applications</li> </ul>
Circuit Materials Businesses	<ul style="list-style-type: none"> <li>• Expand sales of FPC materials through promotion of global operations</li> <li>• Expand applications of TAB materials for PDP panels</li> </ul>
Semiconductors and other Businesses	<ul style="list-style-type: none"> <li>• Expand sales of semiconductors/PDP materials through efforts with major customers</li> <li>• Increase production capacity of printing materials</li> </ul>
Film-processing Businesses of Japanese Subsidiaries	<ul style="list-style-type: none"> <li>• Expand sales of coating films for FPDs</li> <li>• Further expand businesses through start of new facility for 2-layer circuit materials</li> </ul>
Circuit Materials / Film-processing Businesses of Korean Subsidiaries	<ul style="list-style-type: none"> <li>• Share-up in the Korean market in line with BUY KOREAN policy (optical films, FPC-related materials, TAB/COF tapes, etc.)</li> </ul>

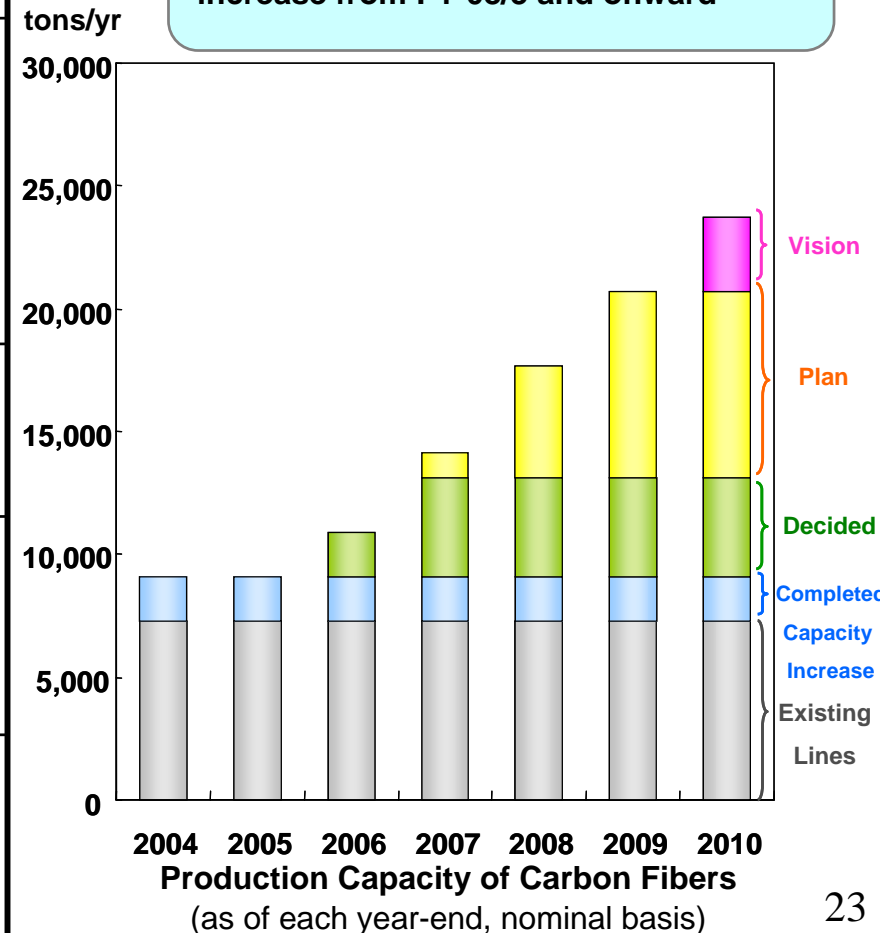
Forecast at 1Q

# Review of Carbon Fiber Composite Materials Segment

Operating income increased on period-to-period comparison through capacity increase, development of aircraft applications, sales expansion of new applications, as well as price raise. Further business expansion is expected in the coming period.

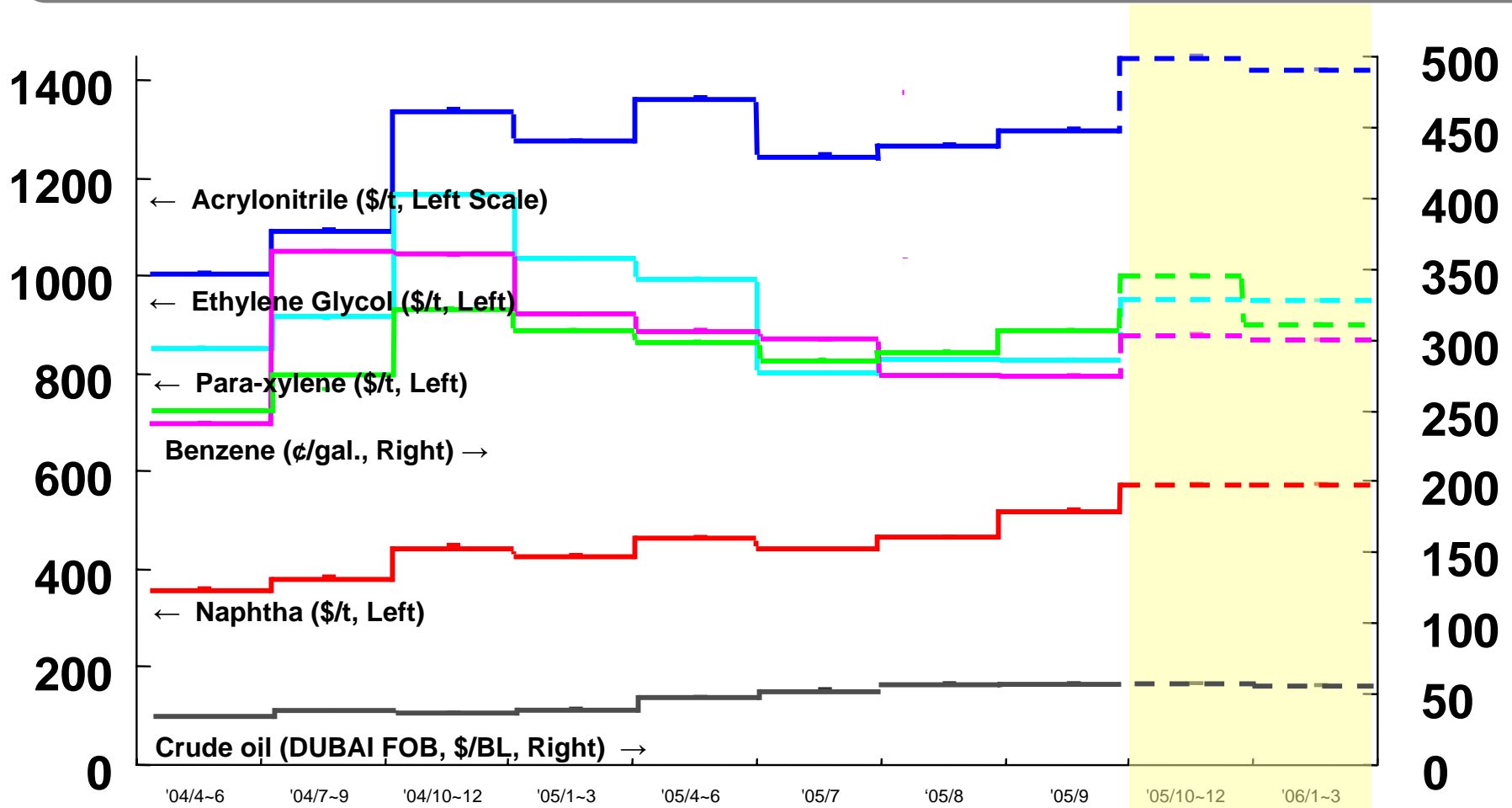
Aim for sales of 130 billion yen in FY 11/3 through continuous capacity increase from FY 08/3 and onward

	05/3 → 06/3	06/3 → 07/3
<b>Capacity Increase</b>	<b>SOFICAR</b> (800t/y→2,600t/y) Started in Oct. 2004)	<b>CFA</b> (1,800t/y→3,600t/y) <b>TCA</b> (5,200,000m <sup>2</sup> /y → 11,400,000m <sup>2</sup> /y) Start planned in early 2006
<b>Thorough Profit Control by Product</b>	Tight balance of demand and supply led to favorable price recovery	Tight balance of demand and supply continues
<b>Aircrafts</b>	Number of jets increased of Boeing and Airbus Sales of prepregs for development of B787	Start Full-scale production of B787 
<b>Industrial Use</b>	Expansion of pressure vessels (CNG tanks, etc.), civil engineering / construction-related applications	Further expansion of existing applications



# Forecast of Raw Materials Prices

Prices of major raw materials are estimated to remain at high levels from October onward. Further efforts are required to cover cost increase and shift to high-value added products.





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

## Capital Expenditures

Billion ¥

	FY Mar/05 (Actual)	FY Mar/06 (Forecast)	Changes
Toray	29.8	<b>40.0</b>	+10.2
Consolidated Subsidiaries	39.7	<b>55.0</b>	+15.3
Consolidated Basis	69.5	<b>95.0</b>	+25.5

## R & D Expenses

Billion ¥

	FY Mar/05 (Actual)	FY Mar/06 (Forecast)	Changes
Toray	31.3	<b>32.5</b>	+1.2
Consolidated Subsidiaries	7.1	<b>7.5</b>	+0.4
Consolidated Basis	38.4	<b>40.0</b>	+1.6

## Depreciation

Billion ¥

	FY Mar/05 (Actual)	FY Mar/06 (Forecast)	Changes
Toray	26.9	<b>27.0</b>	+0.1
Consolidated Subsidiaries	35.7	<b>37.0</b>	+1.3
Consolidated Basis	62.6	<b>64.0</b>	+1.4



### III. Progress of Mid-term Management Reform Program “Project NT-II”

# Specific Projects Promoted under NT-II

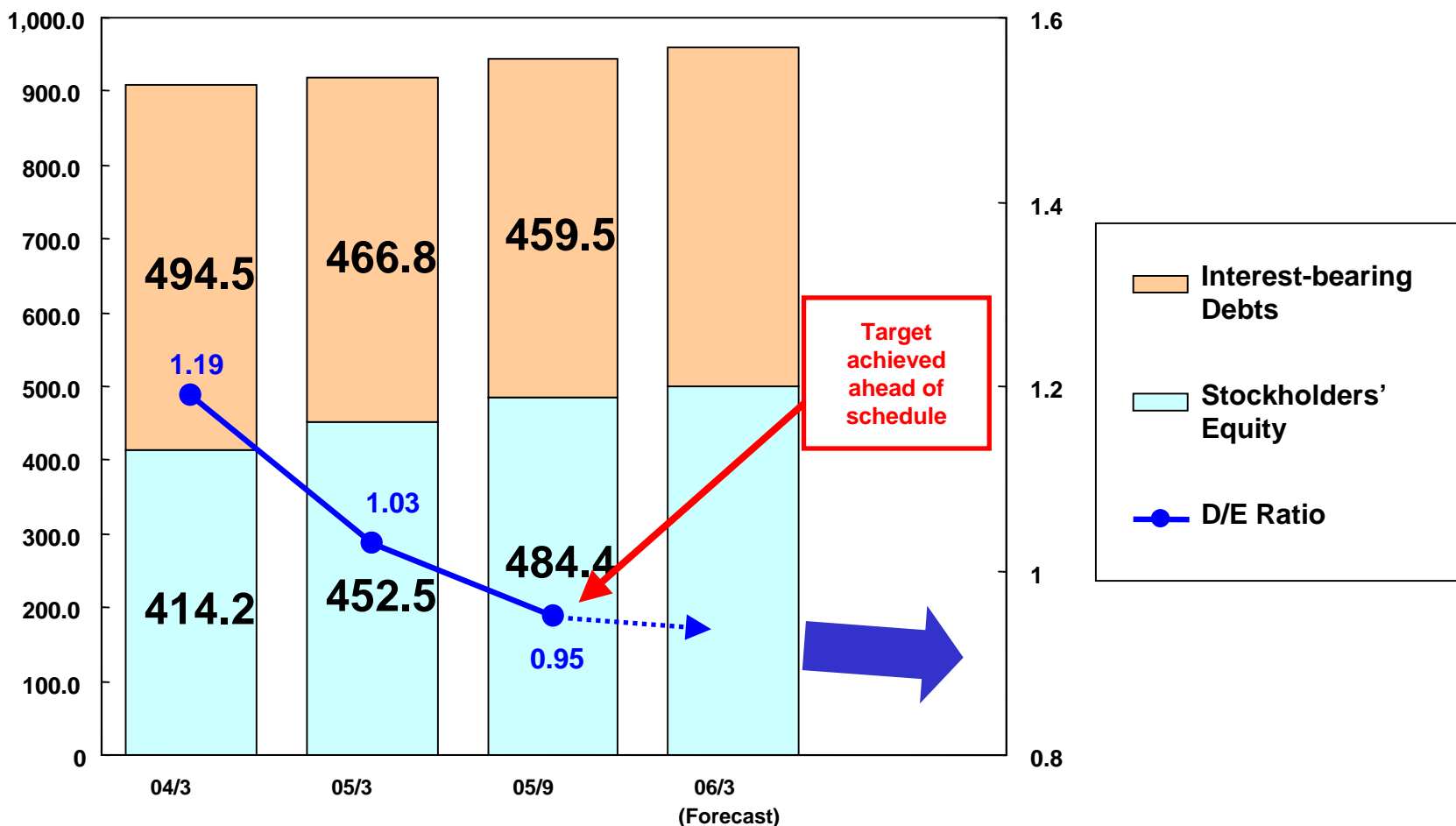


Management Issues	Project	Main Themes to be Addressed
Developing innovative attitudes and ideas / Reinforcing corporate structure	1. Activating corporate culture	(1)Achieve communication and information sharing (2)Raise awareness of corporate entrepreneurship (3)Reform of pension system (4)Select young, outstanding human resources (5)Establish corporate culture where women can realize their full potential
	2. Mar/2005: Strengthening cost competitiveness	(1)Steady implementation of total cost down project (reduction target: ¥ 6 billion actual: ¥9 billion)
	Mar/2006 and beyond: Promoting self-improvement efforts	(2)Promote self-improvement efforts beyond April/2005
	3. Strengthening financial structure	(1)Balance two-pronged approach of expanding investment in advanced materials businesses and reinforcing financial structure (2)Reduce D/E ratio to 1.0 or below early.
	4. Promoting marketing innovation	(1)Develop innovative attitudes and ideas of marketing staff (2)Result's management of marketing indicators (3)Promote the "New Value Creator" concept (4)Armed with IT (5)Expand one-stop, full service function (6)Further reinforcement of global operations (7)Reduce inventory by half
Expanding revenues and profits through business structure reform	5. Strengthening profit control by product	(1)Eliminate products that generate negative gross profits (2)Improve gross profit ratio more than 5% in 3 years (3)Maintain and/or reduce the ratio of operating expenses to net sales
	6. Expanding advanced materials businesses	(1)Commercialize new advanced materials in near future (2)Strengthen R&D function (3)Expand established advanced materials (4)Strengthen Intellectual Properties
	7. Expanding No. 1 businesses	(1)Execute No.1 businesses expansion strategies (2)Allot abundant management resources to No.1 businesses (3)Enhance employee awareness (instill self-confidence and pride) and further expansion of strategies utilizing strengths of No.1 businesses
	8. Expanding businesses outside Japan	(1)ASEAN businesses - business structure reform / strengthen profitability by developing new businesses (2)China – set black figures / positive development of new businesses (3)Korea – expand IT-related materials and advanced materials (4)U.S. and Europe - business structure reform / expand profits of advanced materials

# Strengthening Financial Structure

D/E ratio lowered to 0.95 at the end of Sep/05 and have achieved the NT-II target; lower than 1.0, ahead of schedule.

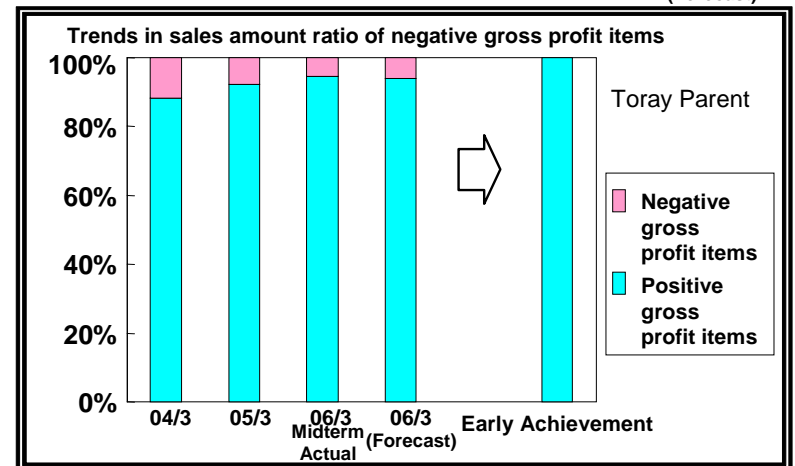
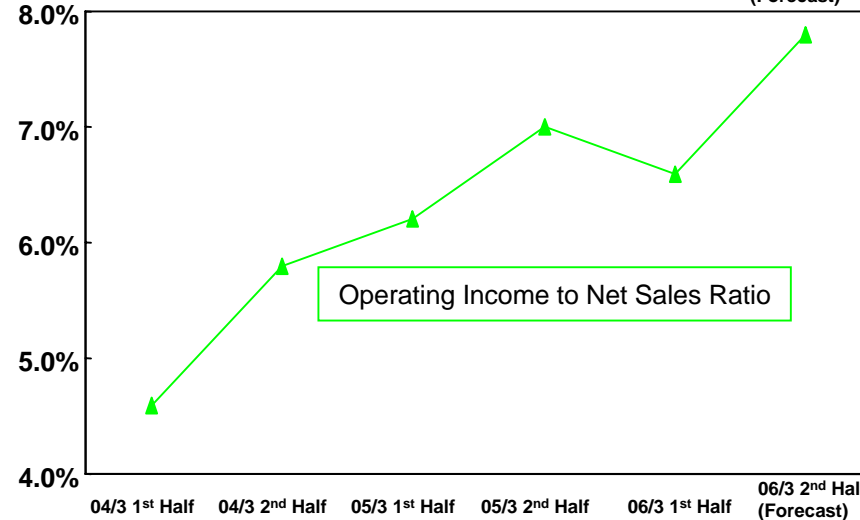
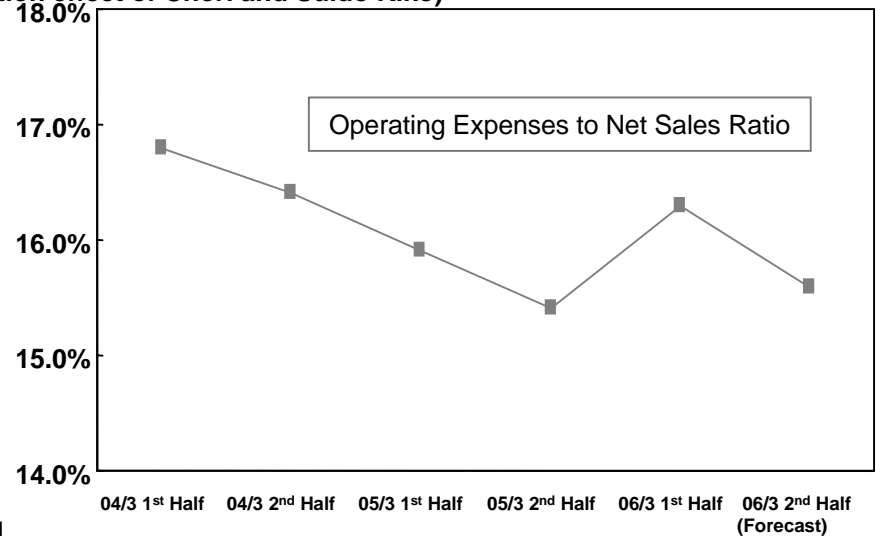
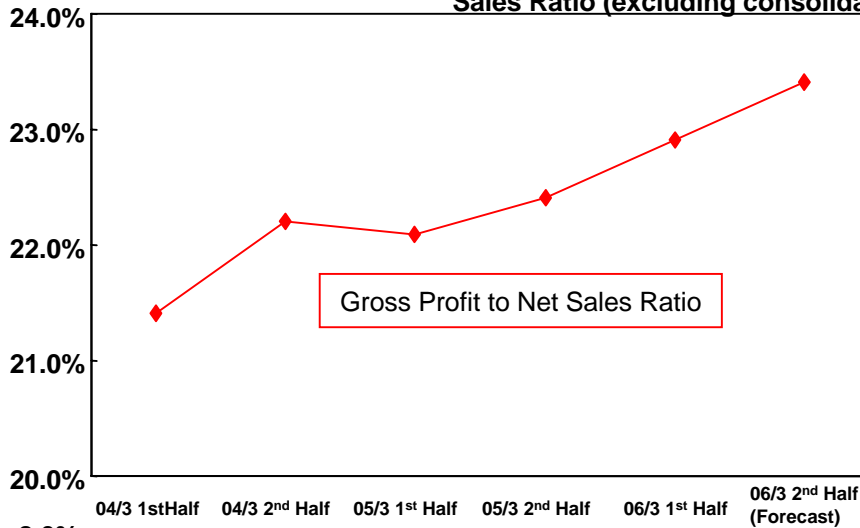
Billion ¥



# Strengthening Profit Control by Product

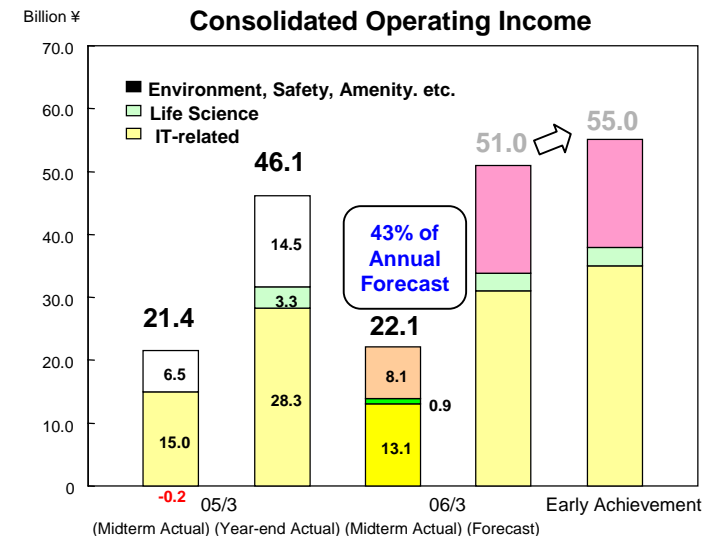
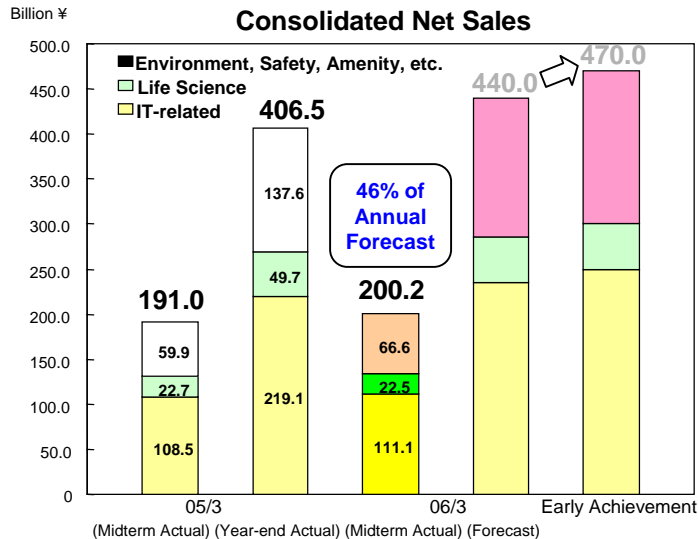
During this midterm, gross profit to net sales ratio rose and operating income to net sales ratio improved on period-to-period comparison. In the 2<sup>nd</sup> half of the fiscal year, all three indices including operating expenses to net sales ratio are expected to improve. Sales amount ratio of negative gross profit items are certainly decreasing and we will keep on careful follow-up in bid to further improvement.

Trends in Gross Profit to Net Sales Ratio, Operating Expenses to Net Sales Ratio, and Operating Income to Net Sales Ratio (excluding consolidation effect of Chori and Suido Kiko)



# Expanding Advanced Materials Businesses

In advanced materials, we will increase profits in existing businesses and work on early commercialization of promising new themes which are in the research and development stage.



## Progress of Advanced Materials Projects

<Next generation flexible printed circuit boards>

We have developed “next generation patterning technology” which realizes 10μm-level fine pitch and outstanding position accuracy, and are promoting the commercialization of “next generation flexible printed circuit boards”.

<CMP polishing pads>

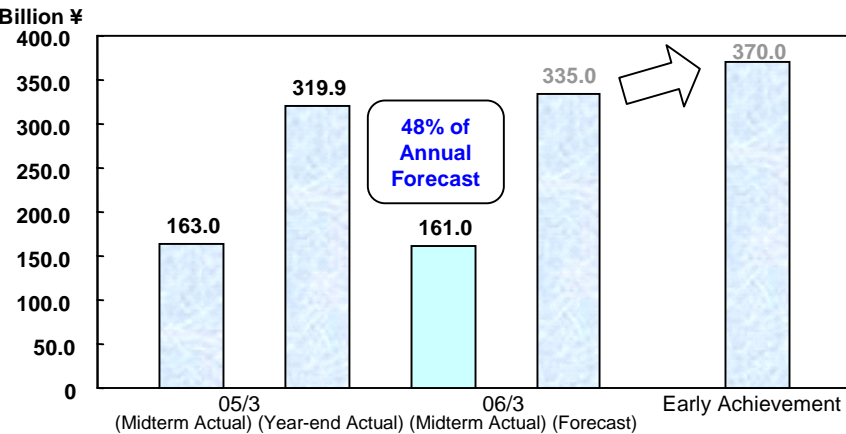
We have developed a unique CMP polishing pad with high polishing speed (shortening of polishing time), high-uniformity, and less-defect-properties, and are now developing new markets.

<Organic EL material>

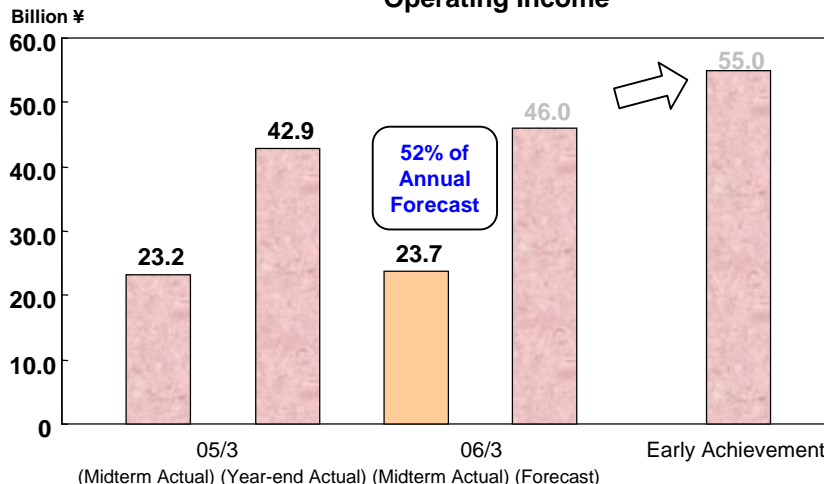
We are working on gaining approval from major organic EL panel manufacturers and have already acquired a few qualifications.

**Favorable progress of 52% was achieved as of operating income forecast through steady businesses in carbon fibers and PET films.**

**Net Sales**



**Operating Income**



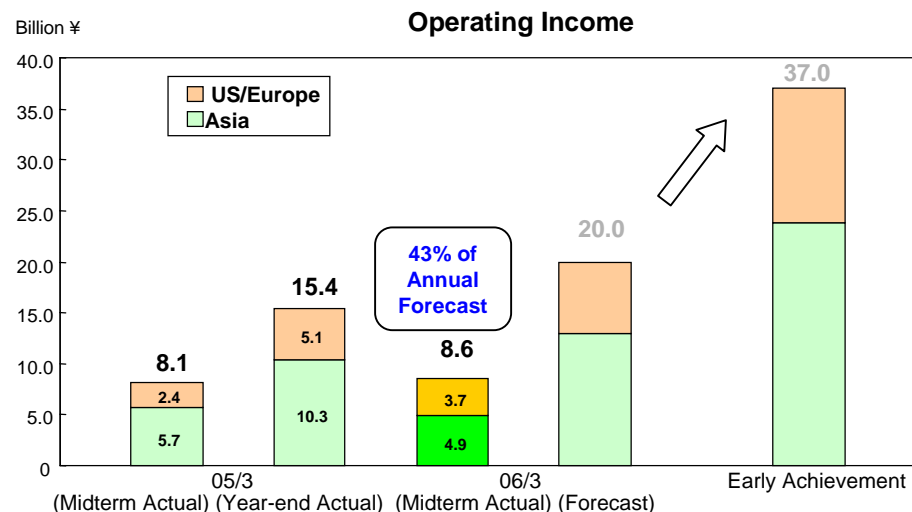
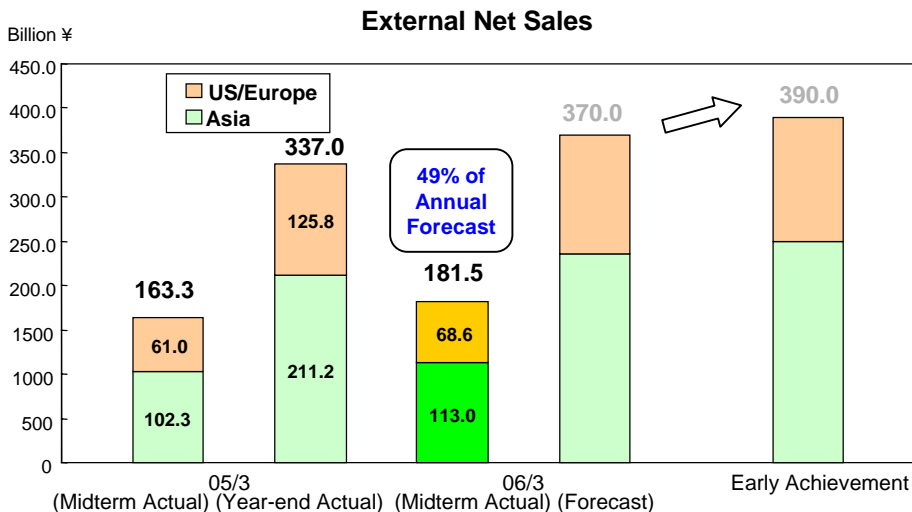
**Progresses of Midterm FY Mar/2006**

1. We have strictly selected projects and decided priority of capital investment
2. Major products whose period to period operating income increased are as follows;

Business Segment	Major Products
Fibers & Textiles	Fluorine Fiber
Plastics & Chemicals	PET Film
IT-related Products	DMSO
Carbon Fiber Composite Materials	Carbon Fiber Automobile Exterior Shell

# Expanding Businesses Outside Japan

**While promoting “priority projects” which are information and telecommunication-related businesses in Korea and automobile-related businesses in Thailand, we are also developing “new projects” at new site locations.**



## Promotion of Priority Projects

- IT-related businesses in Korea
  - Started construction of film-processing facility  
production capacity : 7,000,000m<sup>2</sup>/month  
commercial production planned during 1<sup>st</sup> half 2006
  - Stared construction of optical PET film manufacturing facility  
production capacity : 13,200 tons/year  
commercial production planned during 1<sup>st</sup> half 2007
- Automobile-related businesses in Thailand
  - Capacity increase of highly-functional resin compounding  
production capacity : 6,000 tons/year  
started commercial production in September

## Promotion of New Projects

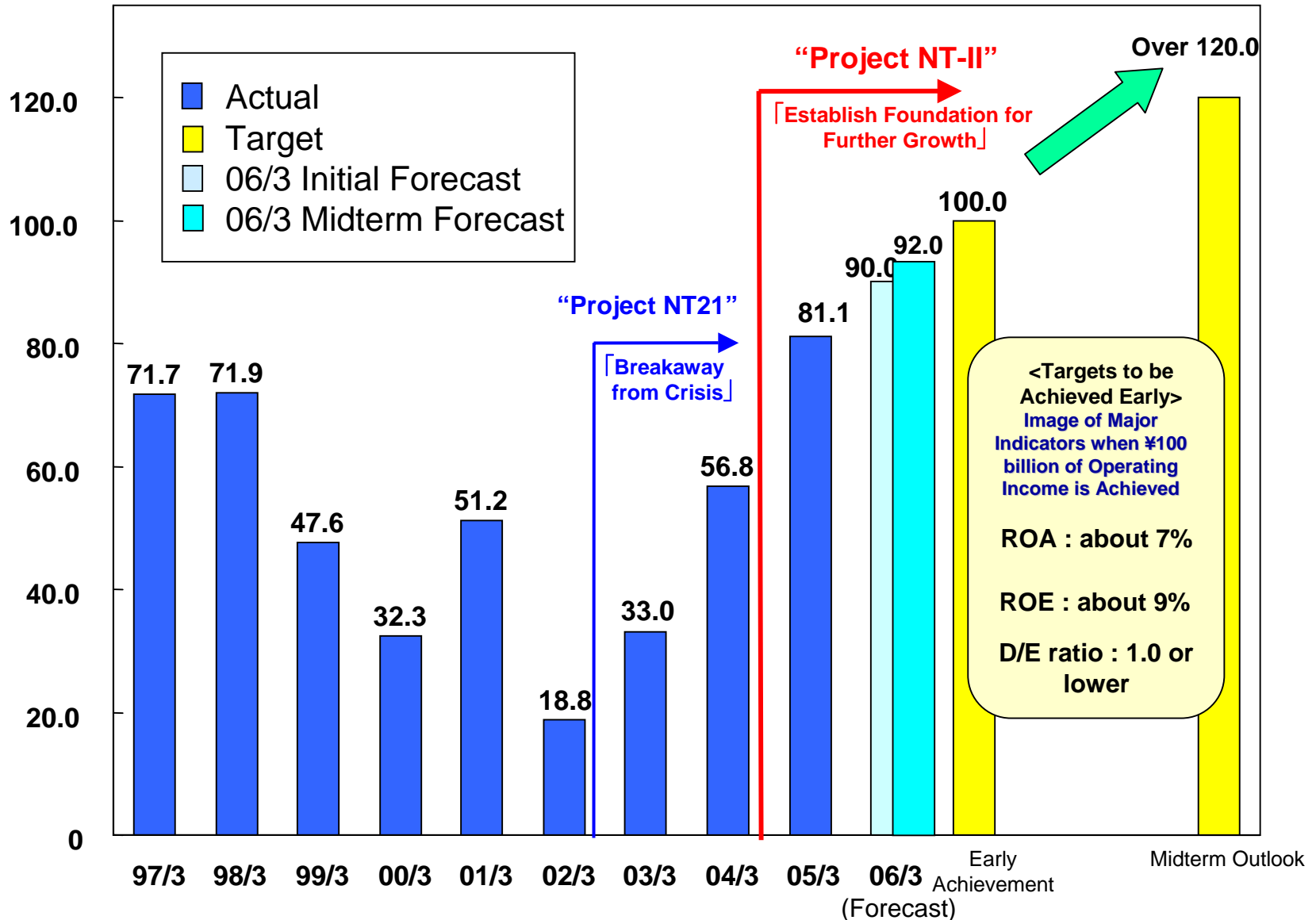
- East Europe (Czech, etc.)
  - Started airbag textile business in Czech  
production capacity : 300,000 m/month  
commercial production planned in Jan.,2006
- Russia
  - Opened Moscow office of trading company  
(July, 2005)



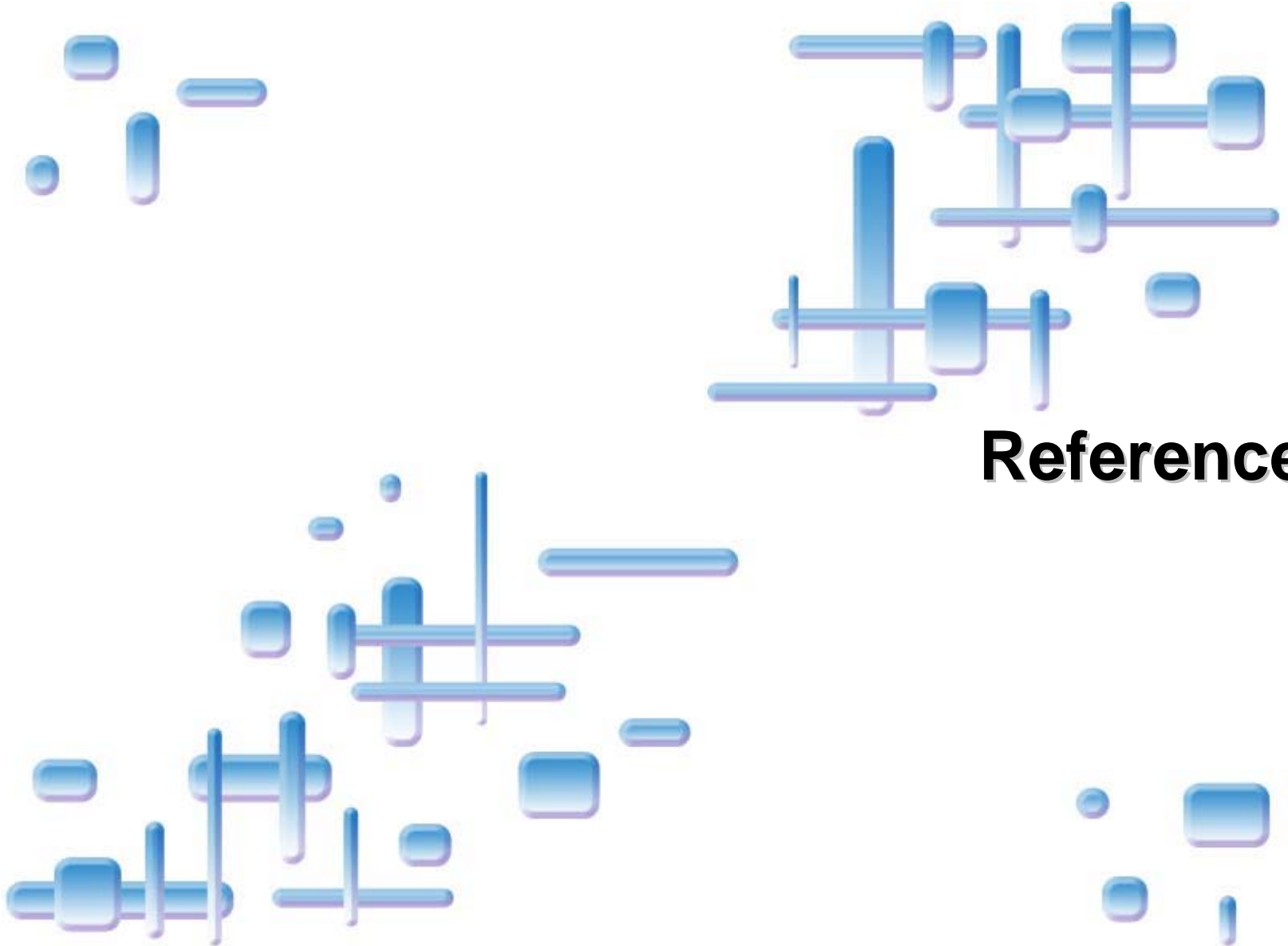
# Target Numbers in NT-II

Billion ¥

## Operating Income Trend, Plan, and Outlook



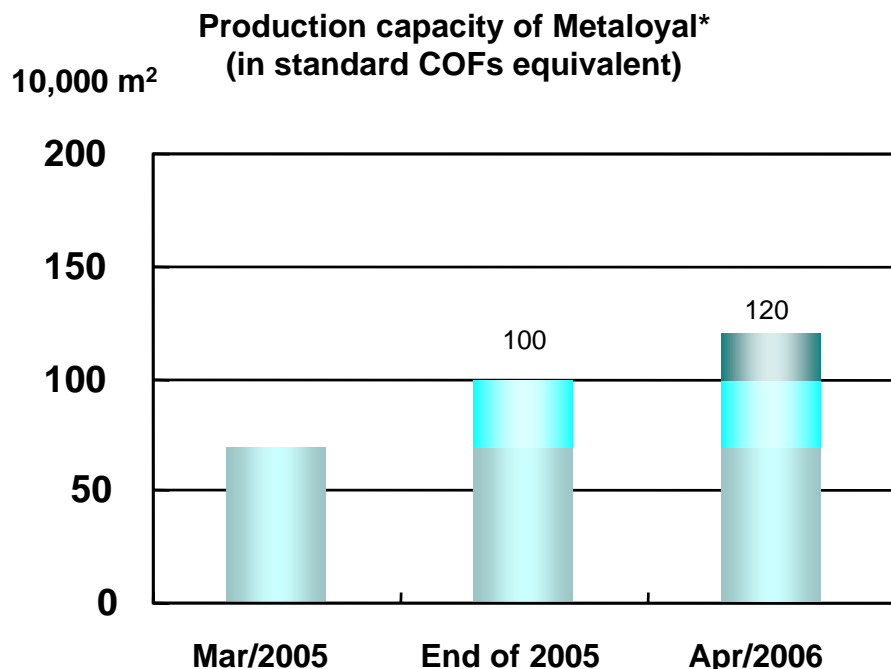
	Topics	NT-II Issues			
		Expanding Advanced Materials Businesses	Expanding Global No.1 Businesses	Expanding Businesses Outside Japan	Business Structure Reform, NVC
Aug.	<p><b>Increase capacity of two-layer base film for high-density flexible printed circuit boards</b></p> <p>In response to demand expansion of flexible printed circuit boards and others, Toray will add state-of-the-art facility to manufacture Metaloyal*, two-layer flexible base films, at Toray Advanced Film Co., Fukushima plant. (Planned to start before April 2006)</p>	○			
Aug.	<p><b>Started the development of hepatitis C virus (HCV) vaccine</b></p> <p>Toray, in collaboration with Tokyo Metropolitan Institute for Neuroscience of Tokyo Metropolitan Organization for Medical Research, succeeded in the cultivation of hepatitis C virus (HCV) for the first time in the world. The results were published in <i>Nature Medicine</i>, in June 2005. Based on bio-pharmaceutical technology established through the experience in the development of human natural interferon-β, <i>Feron*</i>, Toray has started to develop hepatitis C virus (HCV) vaccine. The company will further promote research work toward practical use of the HCV vaccine at an early stage jointly with Tokyo Metropolitan Institute for Neuroscience and National Institute of Infectious Diseases.</p>	○			○
Oct.	<p><b>Created advanced resin materials by utilizing innovative nano-alloy technologies</b></p> <p>Toray succeeded to alloy two different resins and draw out only the best properties of each resin. This technology allows the creation of never possible, absolutely innovative advanced resin materials.</p>	○			○
Oct.	<p><b>Development of cool biz-matching project, “Cool White Paper”</b></p> <p>Started full-scale and comprehensive proposal to apparel companies and retailers of the “Cool White Paper”, and apparel-related project to match 2006 Summer Cool Biz Fashion, which is a part of Toray Group’s efforts to tackle with environmental issues.</p>				○



## **References**

# Increase Capacity of Two-layer Copper Clad Laminates Film for High-density Flexible Printed Circuit Boards

In response to demand expansion of flexible printed circuit boards and others, Toray Advanced Film Co. will add state-of-the-art facility to manufacture Metaloyal\*, two-layer CCL films, at Fukushima plant. (Planned to start before April, 2006)



## Newly-added state-of-the-art facility

### Performance advantages

- Peel strength
- Dimensional stability
- Uniformity of copper layer thickness

### Quality advantages

- Reduction of foreign substances
- Reduction of pinholes
- Reduction of surface protrusions

Respond to fine pitch pattern  
Respond quickly to quality improvement requests from customers

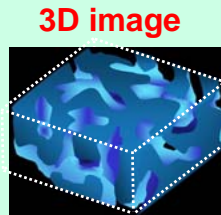
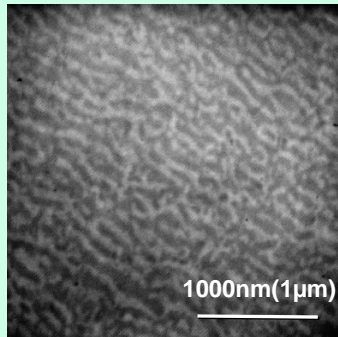
Aim to expand sales by four times in FY 2010 to 10 billion yen by continuing capacity increase of Metaloyal\*.

# Creation of Advanced Resin Materials by Utilizing Innovative Nano-alloy Technology

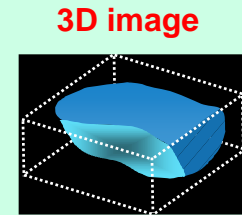
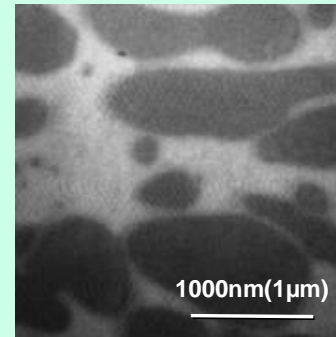
Toray succeeded in alloying two different resins and drawing out only the best properties of each resin. This technology allows the creation of absolutely innovative advanced resin materials.

Succeeded in creating stable co-continuous structure at a few nano-meters size (1/1000 of conventional size)

## Nano-alloy (developed material)



## Conventional alloy



Toray realized a new material from Polycarbonate (PC) resin and Polybutylene Terephthalate (PBT) resin by utilizing nano-alloy technology, which complements weak properties of each resin.

Planning to commercialize the material within a year for injection molding applications focusing on automobile parts / electric and electronic components, etc.

Promoting new applications such as transparent sheets, decoration films, etc.

	Nano-alloy (developed material)	Conventional alloy	PBT resin	PC resin
High-speed puncture property	○	×	×	○
Chemical resistance	○	×	○	×
Flowability	○	○	○	×
Heat resistance	○	○	×	○
Rigidity	○	○	○	○
Transparency * Light transmission (%)	○	×	×	○

\* 1mm thickness injection molded plate

# Started Development of Cool Biz-matching Project, “Cool White Paper”

Started full-scale and comprehensive proposal to apparel companies and retailers of the “Cool White Paper”, an apparel-related project to match 2006 Summer Cool Biz Fashion, which is a part of Toray Group’s efforts to tackle with environmental issues.

## Toray’ efforts in global warming issues

1. We have set greenhouse gas emission reduction targets of 10% at each Toray plant, exceeding the Kyoto Protocol of 6% in 2008
2. Participated in “Team minus 6%”
3. Set the cooling temperature of the office to 28°C and conducted “cool biz”

## Provision of Cool Biz-matching products

Products with following high-functions:

1. moist-absorption / moist-release
2. sweat-absorption / quick drying
3. chilly touch
4. cooling effect
5. good ventilation

Proposal of a comprehensive fashion project to match Cool Biz including suits, jackets, shirts (mainly cleric shirts), pants, innerwear



Toray contributes to the establishment and promotion of Cool Biz from a social approach in view of reduction of green house gas emission  
Toray as a leader, developed new supply chains integral with upstream and downstream industries

Descriptions of forecasted business results, estimates, expectations, and business plans for the Fiscal Year ending March 2006 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.