

# **Business Results Announcement for the First Quarter of Fiscal Year Ending March 2007**

**Toray Industries, Inc.**

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**I. Business Results for the  
1Q of Fiscal Year  
Ending March 2007  
(Consolidated Basis)**

# Summary (Profits)

	1Q FY Mar/06	1Q FY Mar/07	Changes	
Net Sales	324.1	<b>358.1</b>	+33.9	(+10.5%)
Cost of Sales	256.9	<b>286.0</b>	+29.1	(+11.3%)
Gross Profit	67.2	<b>72.0</b>	+4.8	(+7.2%)
(Gross Profit to Net Sales)	20.7%	<b>20.1%</b>	- 0.6	points
Operating Income	15.9	<b>18.6</b>	+2.6	(+16.5%)
(Operating Income to Net Sales)	4.9%	<b>5.2%</b>	+0.3	points
Non-operating Income and Expenses, net	▲ 0.9	▲ <b>0.0</b>	+0.9	( - )
Ordinary Income	15.0	<b>18.5</b>	+3.5	(+23.5%)
Special Credits and Charges, net	▲ 2.1	<b>1.0</b>	+3.1	( - )
Income before Income Taxes	12.9	<b>19.5</b>	+6.6	(+51.0%)
Net Income	6.4	<b>11.7</b>	+5.3	(+83.0%)

Billion ¥

Percentage of Achievement in  
Midterm Operating Income to Forecast

	1Q FY Mar/06	1Q FY Mar/07
First Quarter Operating Income	15.9	<b>18.6</b>
Midterm Operating Income FY Mar/06 : Actual FY Mar/07 : Forecast	38.8	<b>43.0</b>
Percentage of Achievement	41.1%	<b>43.2%</b>

\* FY Mar/07 midterm forecast is that announced in May 2006.

\*Consolidated 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.

# Non-operating Income and Expenses

Billion ¥

	1Q FY Mar/06	1Q FY Mar/07	Changes	Comments
Non-operating Income	2.8	<b>5.2</b>	+2.4	
Interest and Dividend Income	0.9	<b>1.0</b>	+0.1	
Equity in Earnings of Affiliates	0.5	<b>1.8</b>	+1.3	
Others	1.4	<b>2.4</b>	+1.0	Increase of gain on foreign exchange, etc.
Non-operating Expenses	▲ 3.7	▲ <b>5.2</b>	-1.5	
Interest Expenses	▲ 1.9	▲ <b>2.1</b>	-0.2	
Others	▲ 1.8	▲ <b>3.2</b>	-1.3	Increase of expenses generated by commencement of new operations, etc.
Non-operating Income and Expenses, net	▲ 0.9	▲ <b>0.0</b>	+0.9	
Interest and Dividend Income, Interest Expenses, net	▲ 1.0	▲ <b>1.1</b>	-0.1	
Other Income and Expenses, net	▲ 0.4	▲ <b>0.7</b>	-0.4	

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

# Special Credits and Charges

Billion ¥

	1Q FY Mar/06	1Q FY Mar/07	Changes	Comments
Special Credits	0.0	<b>1.8</b>	+1.7	
Gain on Sales of Property, Plant and Equipment	0.0	<b>0.2</b>	+0.2	
Gain on Sales of Investments in Securities	0.0	<b>1.5</b>	+1.5	Selling of insignificant stocks
Special Charges	▲ 2.1	▲ <b>0.8</b>	+1.3	
Loss on Sales or Disposal of Property, Plant and Equipment	▲ 0.2	▲ <b>0.5</b>	-0.3	
Loss on Impairment of Fixed Assets	▲ 1.7	-	+1.7	
Loss on Write-down of Investments in Securities	▲ 0.0	▲ <b>0.0</b>	+0.0	
Special Severance Payments and Other Restructuring Expenses	▲ 0.1	▲ <b>0.3</b>	-0.1	
Others	▲ 0.0	-	+0.0	
Special Credits and Charges, net	▲ 2.1	<b>1.0</b>	+3.1	

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

# Summary (Financial Position)

Billion ¥

	End of Mar/06	End of Jun/06	Changes	Comments
Total Assets	1,537.4	<b>1,521.9</b>	-15.5	
Current Assets	662.3	<b>650.5</b>	-11.8	Decrease of cash and time deposits, etc.
Tangible Assets	586.2	<b>596.6</b>	+10.4	Increase of capital expenditures, etc.
Intangible Assets	11.5	<b>11.8</b>	+0.3	
Investments and Other Assets	277.4	<b>262.9</b>	-14.5	Decrease of investments in securities, etc.

	End of Mar/06	End of Jun/06	Changes	Comments
Total Liabilities	946.7	<b>932.7</b>	-14.0	
Current Liabilities	537.9	<b>520.4</b>	-17.5	
Other Liabilities	408.8	<b>412.3</b>	+3.5	
Minority Interests in Consolidated Subsidiaries	53.7	-	-	
Total Stockholders' Equity	537.0	-	-	
Net Assets	-	<b>589.2</b>	-	
Interest-bearing Debts	484.4	<b>496.5</b>	+12.1	
D/E ratio	0.90	<b>0.93</b>	+0.03	

# Capital Expenditures, Depreciation

Billion ¥

	1Q FY Mar/06	1Q FY Mar/07	Changes	Comments
Capital Expenditures	12.5	<b>19.4</b>	+7.0	Toray : 5.2, Japan : 1.9, Overseas : 12.4
Depreciation -)	14.8	<b>15.8</b>	+1.0	Toray : 6.2, Japan : 2.3, Overseas : 7.3
Transfer, Disposal, etc.	1.3	<b>6.8</b>	+5.5	
Changes in Tangible Fixed Assets	▲ 1.0	<b>10.4</b>		

## Major Capital Expenditures :

### <Japan>

Toray : Carbon fiber / prepregs production facilities

Operation will start in Jan/07

### <Overseas>

CFA : Carbon fiber production facilities (US)

Operation started in Jan/06

TSI : Film processing facilities (Korea)

Operation started in Mar/06

TJQ : Polyester/cotton blended textiles production facilities (China)

Operation started in Apr/06



# Results by Business Segment

Billion ¥

	Net Sales			Operating Income		
	1Q FY Mar/06	1Q FY Mar/07	Changes	1Q FY Mar/06	1Q FY Mar/07	Changes
Fibers & Textiles	140.4	<b>146.0</b>	+5.6 (+4.0%)	4.9	<b>3.8</b>	-1.1 (-22.8%)
Plastics & Chemicals	78.0	<b>90.8</b>	+12.8 (+16.4%)	3.9	<b>3.6</b>	-0.4 (-9.1%)
IT-related Products	51.7	<b>64.6</b>	+12.9 (+25.0%)	5.0	<b>6.8</b>	+1.8 (+34.9%)
Carbon Fiber Composite Materials	11.9	<b>14.6</b>	+2.6 (+22.1%)	2.6	<b>4.4</b>	+1.8 (+67.1%)
Environment & Engineering	24.7	<b>27.3</b>	+2.6 (+10.4%)	▲ 0.9	▲ <b>0.6</b>	+0.3 (-)
Life Science & Other Businesses	17.4	<b>14.9</b>	-2.5 (-14.4%)	0.3	<b>0.6</b>	+0.3 (+107.0%)
(Pharmaceuticals & Medical Products Included)	9.3	<b>9.2</b>	-0.1 (-1.2%)	▲ 0.1	▲ <b>0.0</b>	+0.1 (-)
Total	324.1	<b>358.1</b>	+33.9 (+10.5%)	15.9	<b>18.5</b>	+2.6 (+16.5%)
Elimination & Corporate				0.1	<b>0.1</b>	+0.0
Consolidated	324.1	<b>358.1</b>	+33.9 (+10.5%)	15.9	<b>18.6</b>	+2.6 (+16.5%)

# Results by Business Segment (Fibers and Textiles)

Billion ¥

	Net Sales			Operating Income			Comments
	1Q FY Mar/06	1Q FY Mar/07	Changes	1Q FY Mar/06	1Q FY Mar/07	Changes	
Toray	30.1	31.2	+1.0 (+3.4%)	2.1	1.8	-0.3 (-14.5%)	High-functional fibers businesses for industrial applications were in good condition while apparel market was still tough due to dull in-store sales. Total sales increased but income decreased due to the steep rise in raw materials and fuel prices.
Japanese Subsidiaries	70.3	70.7	+0.4 (+0.6%)	1.8	2.0	+0.2 (+10.1%)	Sales and income increased through sales expansion at trading subsidiaries.
Overseas Subsidiaries	39.9	44.1	+4.2 (+10.5%)	0.9	0.3	-0.5 (-61.4%)	Despite of further improvement in Chinese businesses, Indonesian businesses were strongly affected by rise of fuel prices, which lead to increase in sales but decrease in income.
Adjustment				0.1	▲ 0.4	-0.5	
Total	140.4	146.0	+5.6 (+4.0%)	4.9	3.8	-1.1 (-22.8%)	

## <Major Subsidiaries >

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

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

Europe & US : ALCANTARA (Italy), etc.

# Results by Business Segment (Plastics and Chemicals)

Billion ¥

	Net Sales			Operating Income			Comments
	1Q FY Mar/06	1Q FY Mar/07	Changes	1Q FY Mar/06	1Q FY Mar/07	Changes	
Toray	20.5	20.9	+0.4 (+1.8%)	0.9	0.5	-0.4 (-48.7%)	Sales increased through sales expansion of plastics businesses mainly for automobiles, and films businesses mainly for industrial applications. However, income decreased due to the steep rise in raw materials and fuel prices.
Japanese Subsidiaries	30.5	35.4	+4.9 (+15.9%)	1.8	2.1	+0.3 (+17.3%)	Sales and income increased by steady businesses at plastics, films, chemicals, and trading subsidiaries.
Overseas Subsidiaries	27.0	34.6	+7.6 (+28.2%)	1.5	0.8	-0.7 (-47.3%)	Sales increased through sales expansion of Chinese plastics subsidiary and US film subsidiary. However, income decreased by strategic shift to IT-related applications at Korean film subsidiary and by sluggish European film subsidiary due to decline in the European market.
Adjustment				▲ 0.2	0.2	+0.5	
<b>Total</b>	<b>78.0</b>	<b>90.8</b>	<b>+12.8 (+16.4%)</b>	<b>3.9</b>	<b>3.6</b>	<b>-0.4 (-9.1%)</b>	

## <Major Subsidiaries>

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

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

# Results by Business Segment (IT-related Products)

Billion ¥

	Net Sales			Operating Income			Comments
	1Q FY Mar/06	1Q FY Mar/07	Changes	1Q FY Mar/06	1Q FY Mar/07	Changes	
Toray	19.5	24.6	+5.1 (+26.4%)	3.2	2.7	-0.6 (-17.7%)	Sales increased through sales expansion of IT-related plastics / films and PDP-related materials, however, income decreased due to the steep rise in raw materials and fuel prices for PET film businesses, and price decline of color filters resulting from tough competition in the market.
Japanese Subsidiaries	20.6	24.1	+3.5 (+16.9%)	1.7	3.0	+1.3 (+75.7%)	Sales and income increased through sales expansion of FPD-related films, two-layer COF films, and FPD and semiconductor-related equipments, etc.
Overseas Subsidiaries	11.6	15.9	+4.3 (+37.0%)	▲ 0.1	1.0	+1.1 (-)	Sales and income increased by sales expansion of FPD-related films at Korean subsidiaries as well as steady businesses at circuit-related Korean subsidiary which were affected by customers' inventory adjustment in 1Q FY Mar/06.
Adjustment				0.2	0.1	-0.1	
<b>Total</b>	<b>51.7</b>	<b>64.6</b>	<b>+12.9 (+25.0%)</b>	<b>5.0</b>	<b>6.8</b>	<b>+1.8 (+34.9%)</b>	

## <Major Subsidiaries>

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

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

# Results by Business Segment (Carbon Fiber Composite Materials)

Billion ¥

	Net Sales			Operating Income			Comments
	1Q FY Mar/06	1Q FY Mar/07	Changes	1Q FY Mar/06	1Q FY Mar/07	Changes	
Toray	11.5	11.8	+0.4 (+3.1%)	1.7	2.5	+0.8 (+45.4%)	Responding to the steadily expanding demand for aircrafts and industrial applications, sales and income increased due to sales expansion of carbon fibers, intermediate materials and molded products.
Japanese Subsidiaries	6.5	8.4	+1.9 (+28.8%)	0.0	0.1	+0.0 (+29.8%)	Sales increased through steady sales expansion at trading subsidiary.
Overseas Subsidiaries	9.3	11.9	+2.6 (+27.4%)	1.0	1.9	+0.9 (+84.2%)	Sales and income increased due to expansion of demand for aircrafts and industrial applications as well as efficacy of capacity increase at US subsidiary in January.
Adjustment	▲ 15.4	▲ 17.6		▲ 0.1	0.0	+0.1	
Total	11.9	14.6	+2.6 (+22.1%)	2.6	4.4	+1.8 (+67.1%)	

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

## <Major Subsidiaries>

Japan : Toray International, Inc.

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

# Results by Business Segment (Environment & Engineering)

Billion ¥

	Net Sales			Operating Income			Comments
	1Q FY Mar/06	1Q FY Mar/07	Changes	1Q FY Mar/06	1Q FY Mar/07	Changes	
Toray	1.6	1.6	+0.0 (+0.3%)	▲ 0.3	▲ 0.2	+0.1 (-)	
Japanese Subsidiaries	22.8	25.4	+2.6 (+11.4%)	▲ 0.3	▲ 0.3	+0.0 (-)	Sales increased through sales expansion at Suido Kiko and trading subsidiaries.
Overseas Subsidiaries	0.3	0.2	-0.0 (-15.2%)	▲ 0.0	▲ 0.0	+0.0 (-)	
Adjustment				▲ 0.2	▲ 0.1	+0.1	
Total	24.7	27.3	+2.6 (+10.4%)	▲ 0.9	▲ 0.6	+0.3 (-)	

## <Major Subsidiaries>

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

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

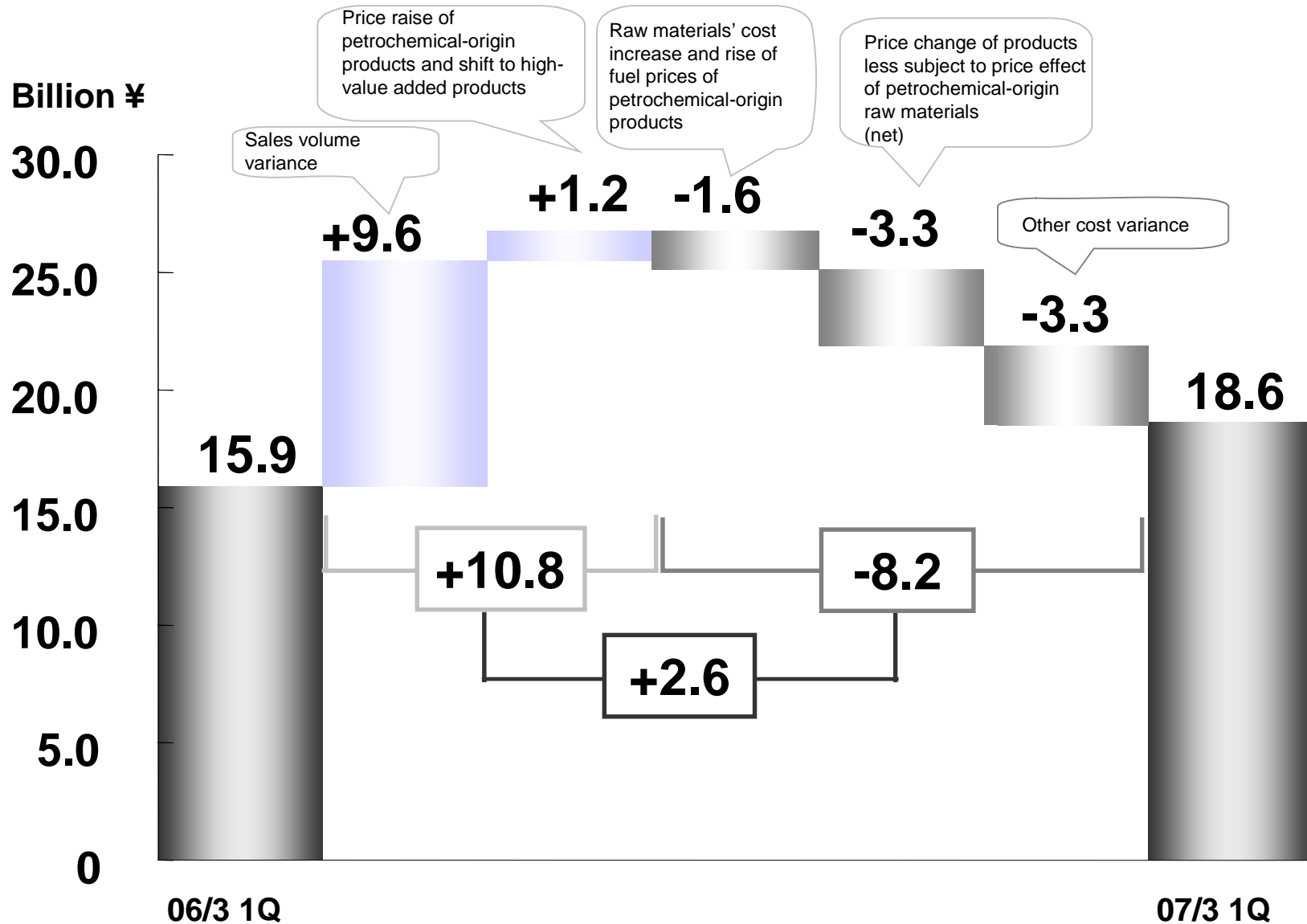
Billion ¥

	Net Sales			Operating Income			Comments
	1Q FY Mar/06	1Q FY Mar/07	Changes	1Q FY Mar/06	1Q FY Mar/07	Changes	
Toray	2.1	1.8	-0.3 (-15.0%)	▲ 0.2	▲ 0.2	+0.1 (-)	Sales decreased due to price reduction of drugs in pharmaceuticals businesses, etc.
Japanese Subsidiaries	14.3	12.5	-1.8 (-12.5%)	0.4	0.7	+0.3 (+72.2%)	Sales decreased due to decline of spot trading at trading subsidiary, etc. while income increased by sales expansion of artificial kidney, etc.
Overseas Subsidiaries	1.1	0.7	-0.4 (-37.7%)	0.0	0.1	+0.0 (+460.0%)	
Adjustment				0.1	▲ 0.0	-0.1	
<b>Total</b>	<b>17.4</b>	<b>14.9</b>	<b>-2.5 (-14.4%)</b>	<b>0.3</b>	<b>0.6</b>	<b>+0.3 (+107.0%)</b>	
(Pharmaceuticals & Medical Products Included)	9.3	9.2	-0.1 (-1.2%)	▲ 0.1	▲ 0.0	+0.1 (-)	

## <Major Subsidiaries>

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

# Income Variance Factor Analysis





## **II. Midterm Business Forecast for the Fiscal Year Ending March 2007 (Consolidated Basis)**

# Midterm Forecast Summary

Billion ¥

	FY Mar/06 Midterm <Actual>	FY Mar/07 Midterm <New Forecast>	Changes
Net Sales	678.8	<b>725.0</b>	+46.2 (+6.8%)
Operating Income	38.8	<b>43.0</b>	+4.2 (+10.7%)
Ordinary Income	36.8	<b>41.0</b>	+4.2 (+11.4%)
Net Income	16.8	<b>24.0</b>	+7.3 (+43.3%)

FY Mar/07 Midterm <Initial Forecast>	Changes
725.0	– (–)
43.0	– (–)
41.0	– (–)
24.0	– (–)

Expected exchange rate : 110 yen / US\$

Note ) FY Mar/07 midterm forecast unchanged from its previous announcement on May 10, 2006.  
 FY Mar/07 forecast will be reviewed at the announcement of midterm business results.

# Midterm Forecast by Business Segment

## (1) Comparison with Initial Forecast

Billion ¥

	Net Sales			Operating Income			Comments
	FY Mar/07 Midterm <Initial Forecast>	FY Mar/07 Midterm <New Forecast>	Changes	FY Mar/07 Midterm <Initial Forecast>	FY Mar/07 Midterm <New Forecast>	Changes	
Fibers & Textiles	290.0	<b>290.0</b>	- (-)	10.5	<b>9.0</b>	-1.5 (-14.3%)	Lower initial forecast of income due to the steep rise in raw materials and fuel prices.
Plastics & Chemicals	175.0	<b>175.0</b>	- (-)	7.5	<b>7.5</b>	- (-)	
IT-related Products	135.0	<b>135.0</b>	- (-)	15.5	<b>15.5</b>	- (-)	
Carbon Fiber Composite Materials	30.0	<b>30.0</b>	- (-)	8.0	<b>9.5</b>	+1.5 (+18.8%)	Raise initial forecast of income due to good business in all applications.
Environment & Engineering	60.0	<b>60.0</b>	- (-)	0.0	<b>0.0</b>	- (-)	
Life Science & Other Businesses	35.0	<b>35.0</b>	- (-)	1.5	<b>1.5</b>	- (-)	
(Pharmaceuticals & Medical Products Included)	20.0	<b>20.0</b>	- (-)	0.5	<b>0.5</b>	- (-)	
Total	725.0	<b>725.0</b>	- (-)	43.0	<b>43.0</b>	- (-)	
Elimination & Corporate				0.0	<b>0.0</b>		
Consolidated	725.0	<b>725.0</b>	- (-)	43.0	<b>43.0</b>	- (-)	

# Midterm Forecast by Business Segment

## (2) Midterm-on-midterm comparison

Billion ¥

	Net Sales			Operating Income			Comments
	FY Mar/06 Midterm <Actual>	FY Mar/07 Midterm <New Forecast>	Changes	FY Mar/06 Midterm <Actual>	FY Mar/07 Midterm <New Forecast>	Changes	
Fibers & Textiles	288.7	<b>290.0</b>	+1.3 (+0.4%)	10.4	<b>9.0</b>	-1.4 (-13.0%)	Sales are estimated to stay flat and income to decrease due to increase of raw materials' cost and rise of fuel prices.
Plastics & Chemicals	158.8	<b>175.0</b>	+16.2 (+10.2%)	8.6	<b>7.5</b>	-1.1 (-13.0%)	Sales are estimated to increase by steady plastics businesses for automobiles and films businesses for industrial use, however, income is estimated to decrease due to increase of raw materials' cost and rise of fuel prices.
IT-related Products	111.1	<b>135.0</b>	+23.9 (+21.5%)	13.1	<b>15.5</b>	+2.4 (+18.3%)	Sales and income are estimated to increase by prospective expansion in IT-related films / plastics and PDP-related materials, etc.
Carbon Fiber Composite Materials	24.4	<b>30.0</b>	+5.6 (+22.9%)	5.9	<b>9.5</b>	+3.6 (+61.0%)	Sales and income are estimated to increase by good businesses in all applications and efficacy of capacity increase at US subsidiary.
Environment & Engineering	61.9	<b>60.0</b>	-1.9 (-3.1%)	▲ 1.2	<b>0.0</b>	+1.2 (-)	Sales are estimated to decrease while income is estimated to improve through reinforcement of corporate structure.
Life Science & Other Businesses	33.7	<b>35.0</b>	+1.3 (+3.7%)	2.0	<b>1.5</b>	-0.5 (-25.6%)	Sales and income are estimated to decrease due to price reduction of drugs in the pharmaceuticals and medical products businesses.
(Pharmaceuticals & Medical Products Included)	20.3	<b>20.0</b>	-0.3 (-1.6%)	0.6	<b>0.5</b>	-0.1 (-22.8%)	
Total	678.8	<b>725.0</b>	+46.2 (+6.8%)	38.8	<b>43.0</b>	+4.2 (+10.8%)	
Elimination & Corporate				0.0	<b>0.0</b>	-0.0	
Consolidated	678.8	<b>725.0</b>	+46.2 (+6.8%)	38.8	<b>43.0</b>	+4.2 (+10.7%)	

Descriptions of forecasted business results, estimates, expectations, and business plans for the midterm of Fiscal Year ending March 2007 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.