



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

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

- **Summary of Business Results for the 1Q of FY March / 07** (P3)
  - **Results by Business Segment** (P4-11)
  - **Income Variance Factor Analysis** (P12)
  - **Midterm Forecast Summary of FY March / 07** (P13)
  - **Midterm Forecast by Business Segment** (P14-15)
  - **Changing Factors of Business Environment and Countermeasures** (P16)
  - **Trends in Raw Materials Prices** (P17)
  - **Recent Topics** (P18)
- <Reference>** (P19-23)

# Summary of Business Results for the 1Q of FY Mar / 07

	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 ¥

	End of Mar/06	End of Jun/06	Changes
Total Assets	1,537.4	<b>1,521.9</b>	-15.5
Total Liabilities	946.7	<b>932.7</b>	-14.0
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

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.

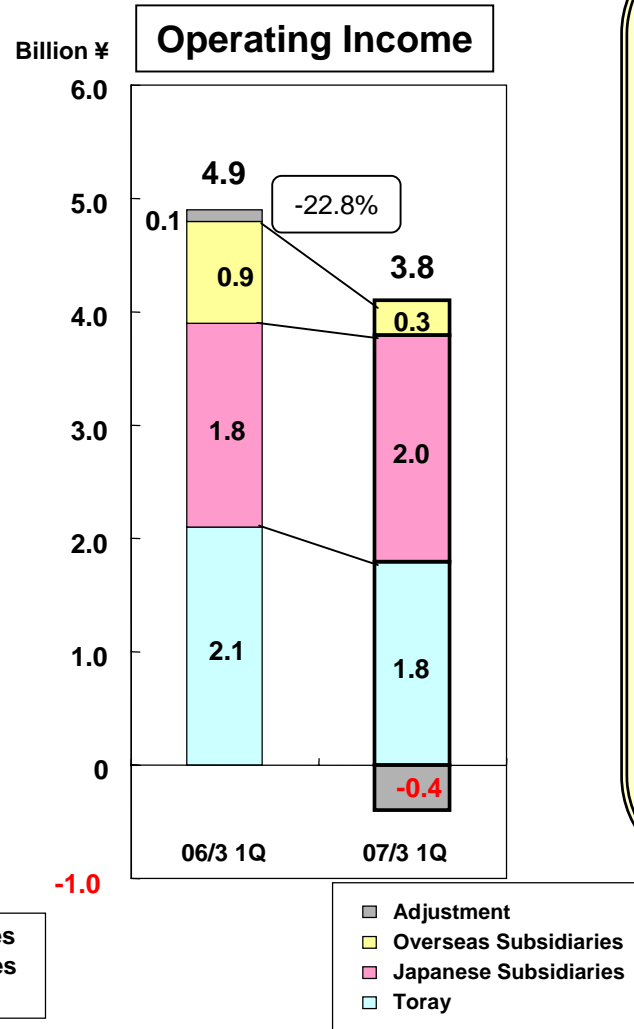
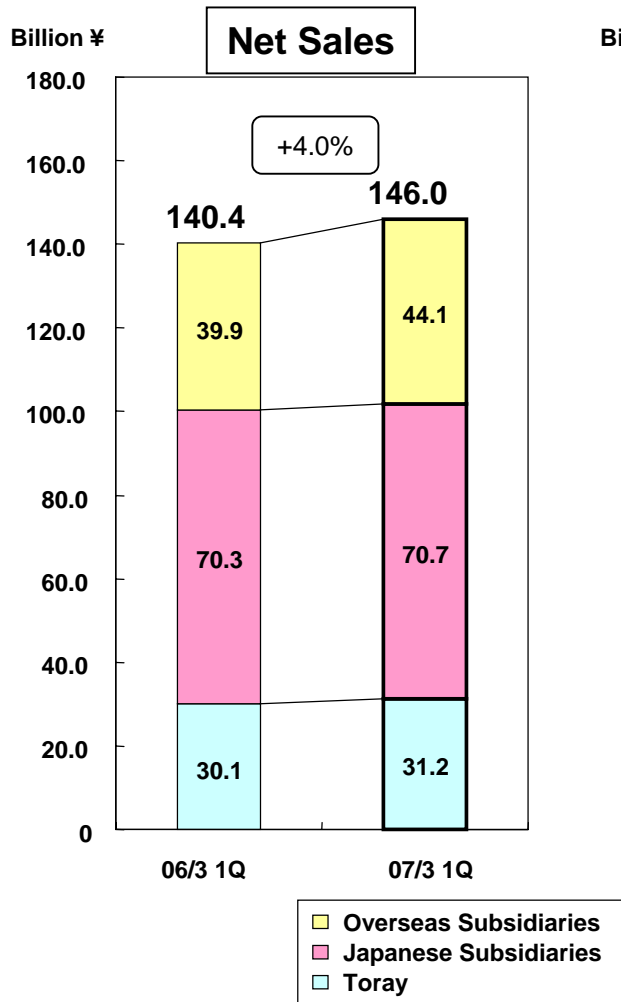
\*Consolidated business results are the sums of Apr – Jun business results in companies whose FY ends on March 31 and Jan – Mar business results in companies whose FY ends on December 31.

# 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 & Textiles)



## Comments

### Toray

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

Sales and income increased through sales expansion at trading subsidiaries.

### Overseas Subsidiaries

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.

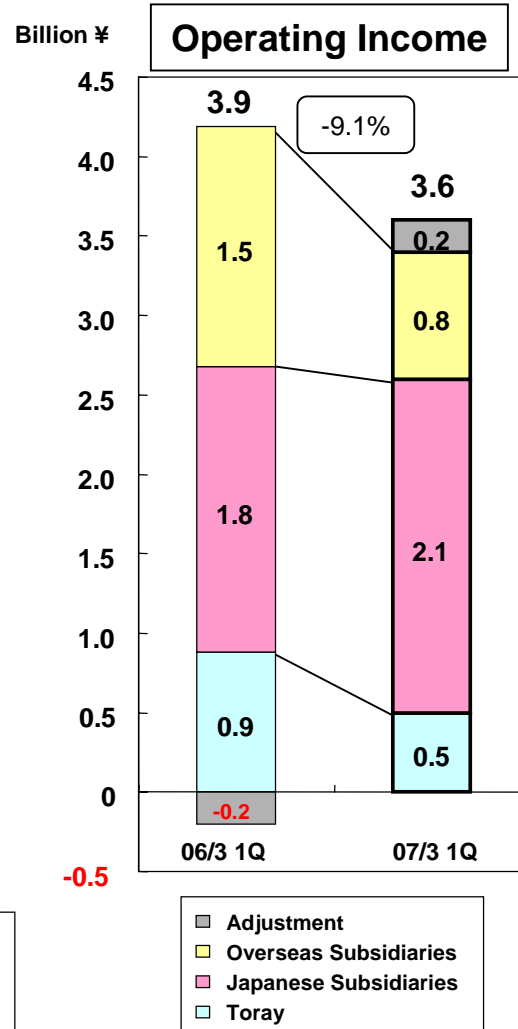
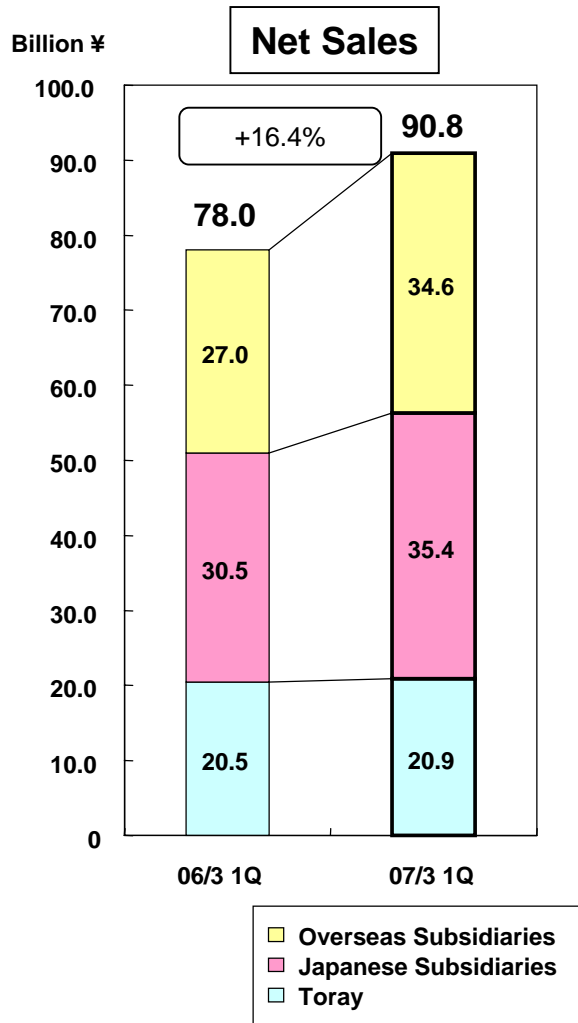
### <Major Subsidiaries >

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 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

Sales and income increased by steady businesses at plastics, films, chemicals, and trading subsidiaries.

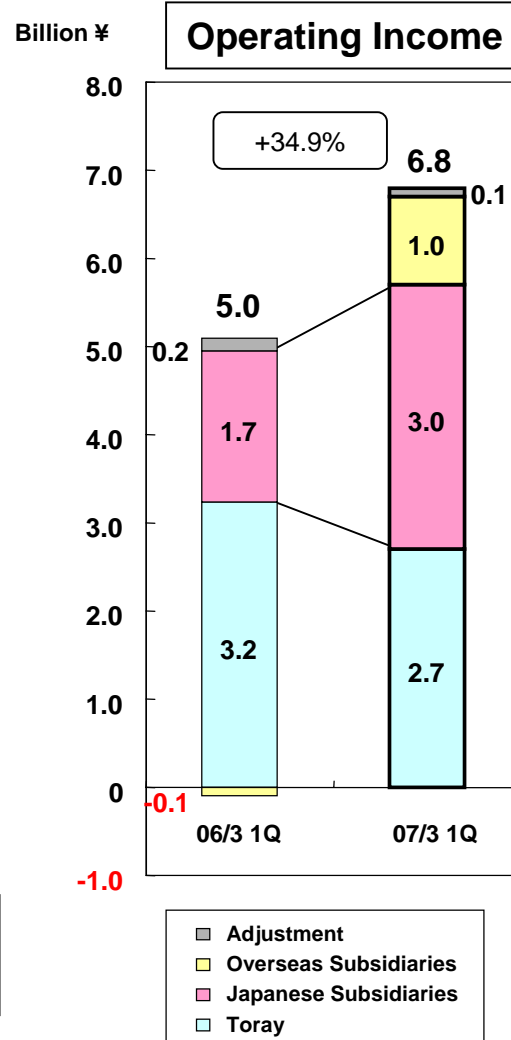
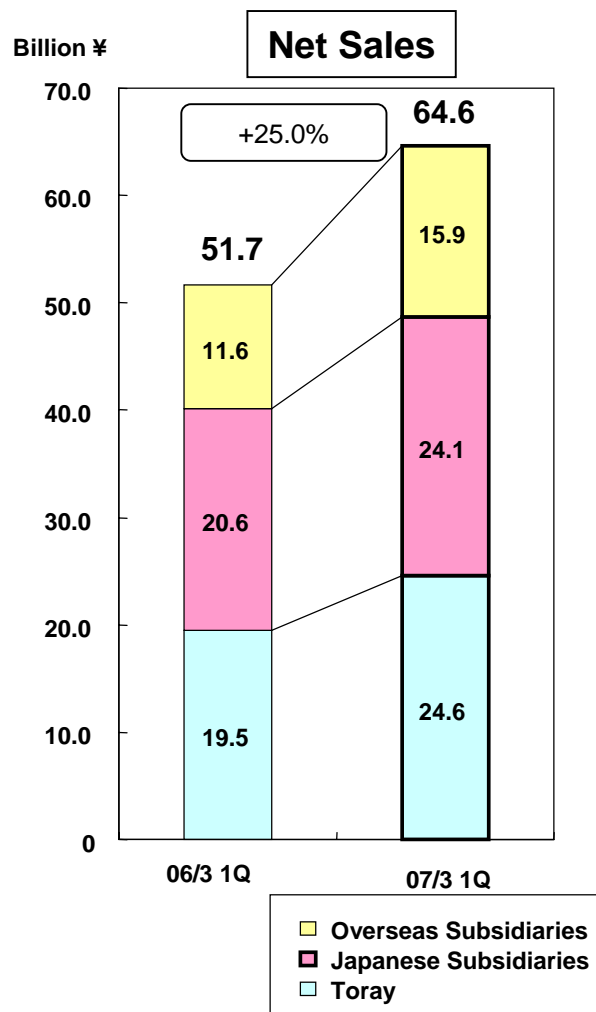
### Overseas Subsidiaries

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.

### <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)



## Comments

### Toray

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

Sales and income increased through sales expansion of FPD-related films, two-layer COF films, and FPD and semiconductor-related equipments, etc.

### Overseas Subsidiaries

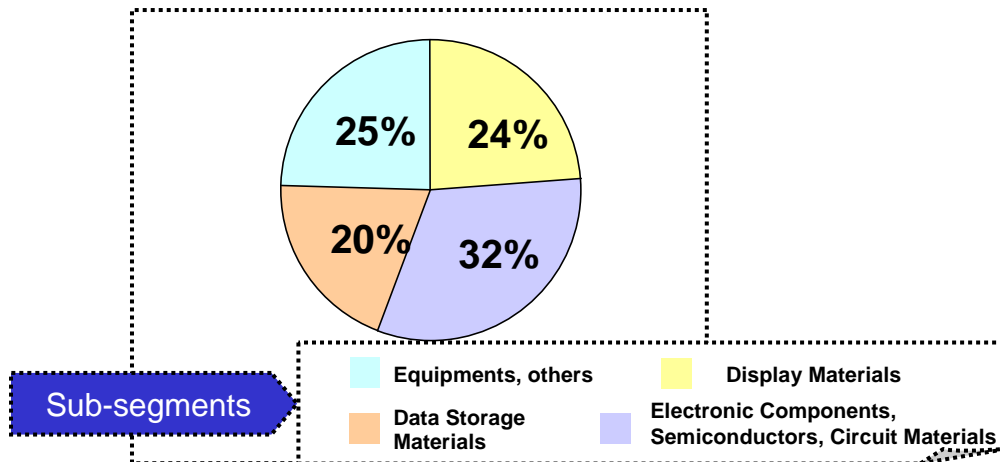
Sales and income increased by sales expansion of FPD-related films at Korean subsidiaries as well as steady businesses at circuit-related Korean subsidiary which were affected by customers' inventory adjustment in 1Q FY Mar/06.

### <Major Subsidiaries>

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

# Details of the Sales of IT-related Products Segment

[Sales ratio by sub-segment in 1Q FY Mar/07]



\* above figures are rounded to unit

[Sales trends by sub-segment]

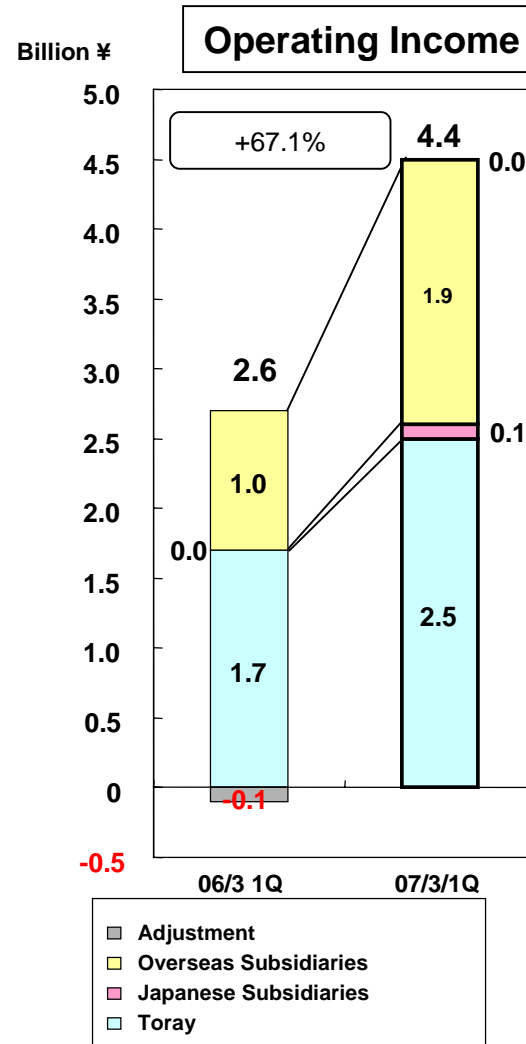
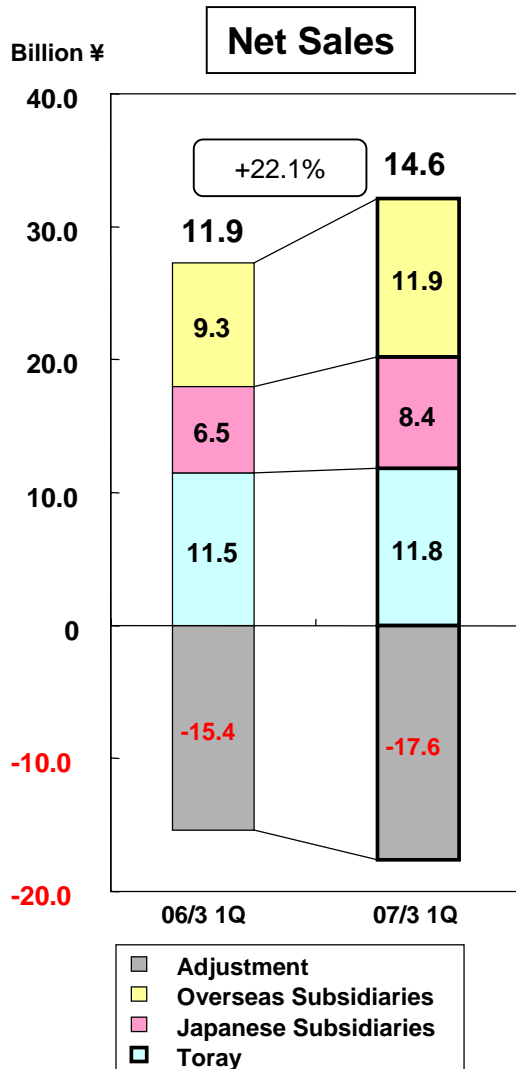
(Billion ¥)

Sub-segment	Total of 1Q		
	1Q FY Mar/06	1Q FY Mar/07	Changes
Display Materials	11.1	15.4	+38%
Electronic Components, Semiconductors, Circuit Materials	14.9	20.5	+37%
Data Storage Materials	13.0	12.9	-1%
Equipments, others	12.6	15.9	+26%
<b>Total of IT-related Products Segment</b>	<b>51.7</b>	<b>64.6</b>	<b>+25%</b>

Sub-segments	Products
Display Materials	Optical films, processed optical films, PDP paste materials, color filters, paste materials for color filters, chemicals materials, OLED materials, etc.
Electronic Components, Semiconductors, Circuit Materials	Films for electronic components / circuit materials, FPC copper clad laminated films, adhesive tapes for TAB, adhesive sheets for semiconductors / electronic components, semiconductor coating materials, CMP pads, two-layer copper clad laminated films, TAB tapes, COF tapes, plastics, plastics products, etc.
Data Storage Materials	Magnetic materials, TTR (Thermal Transfer Ribbon), films for graphic art base, printing plates, etc.
Equipments, others	Slit coaters for LCD, die bonding equipment, inspection equipment, equipment / components for PDP, trading companies, IT support services, services, others



# Results by Business Segment (Carbon Fiber Composite Materials)



## Comments

### Toray

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

Sales increased through steady sales expansion at trading subsidiary.

### Overseas Subsidiaries

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.

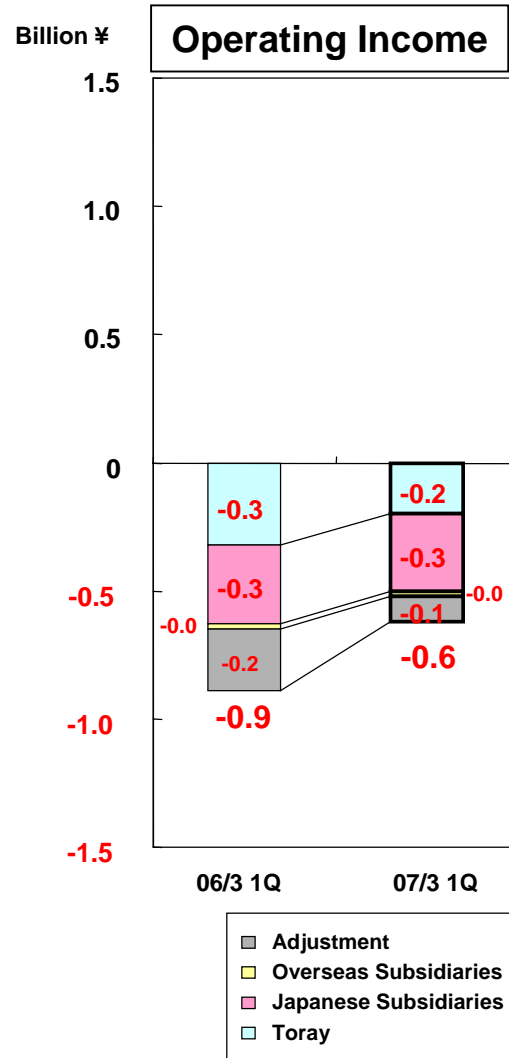
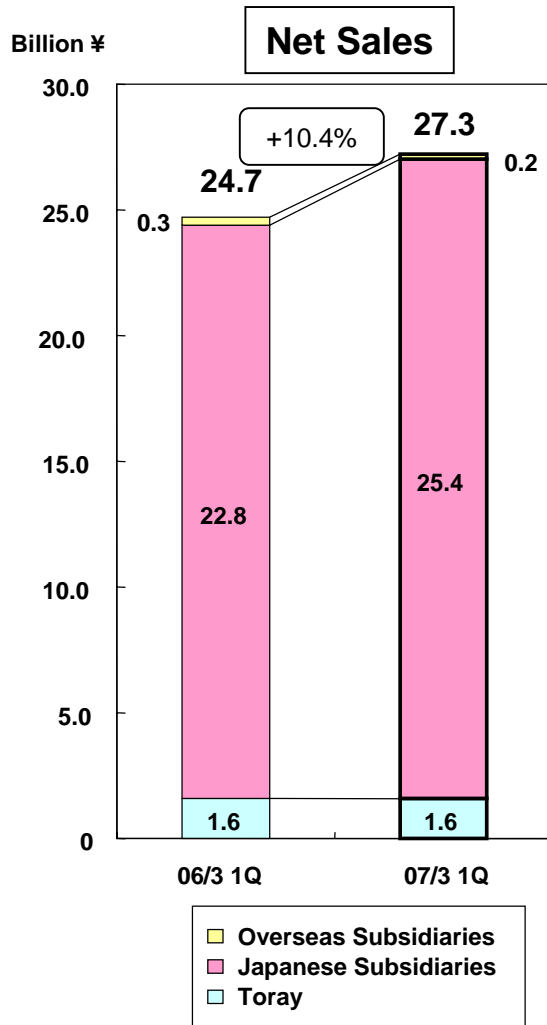
### <Major Subsidiaries>

Japan : Toray International, Inc.

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

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**

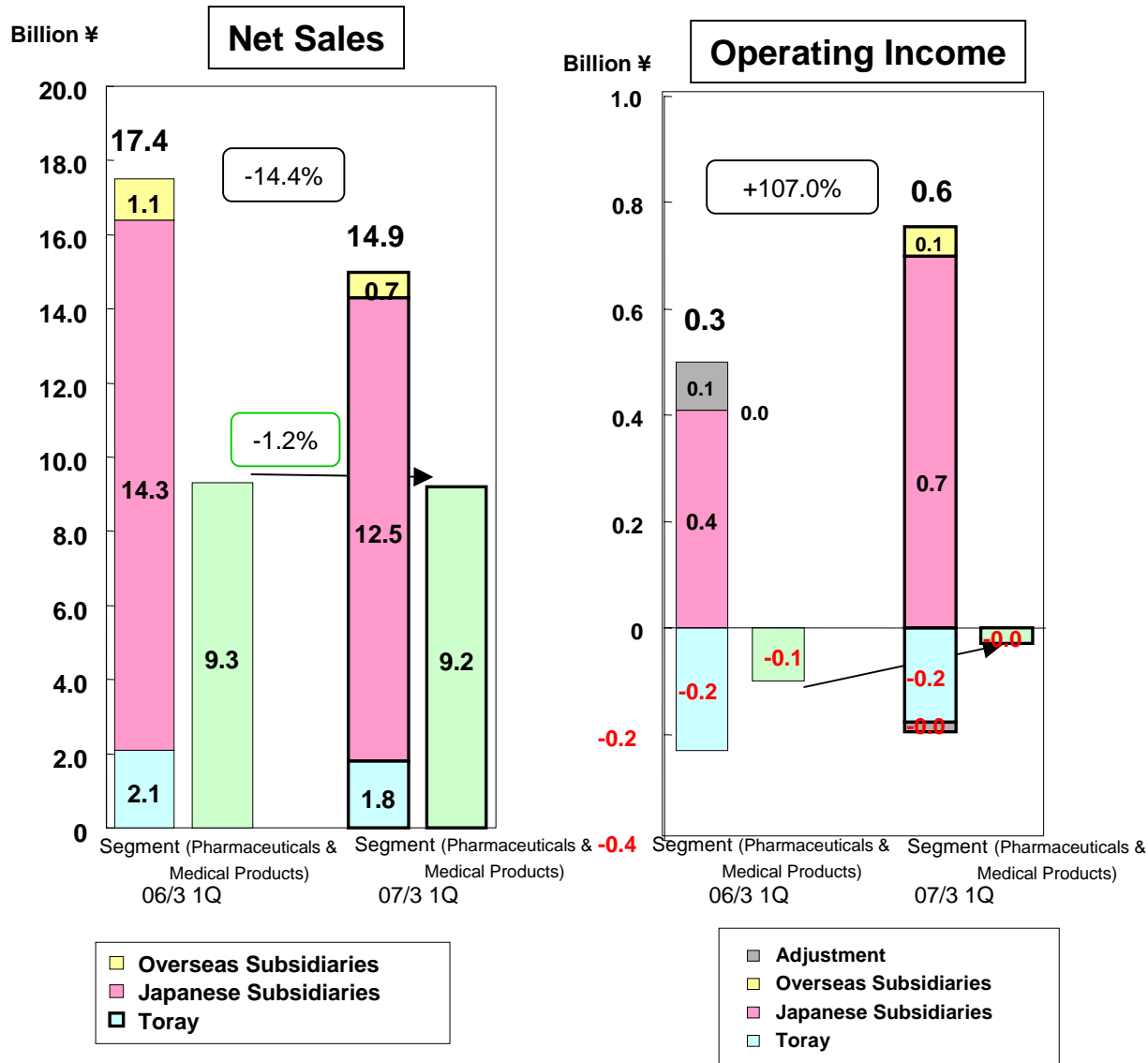
**Japanese Subsidiaries**

Sales increased through sales expansion at Suido Kiko and trading subsidiaries.

**<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**

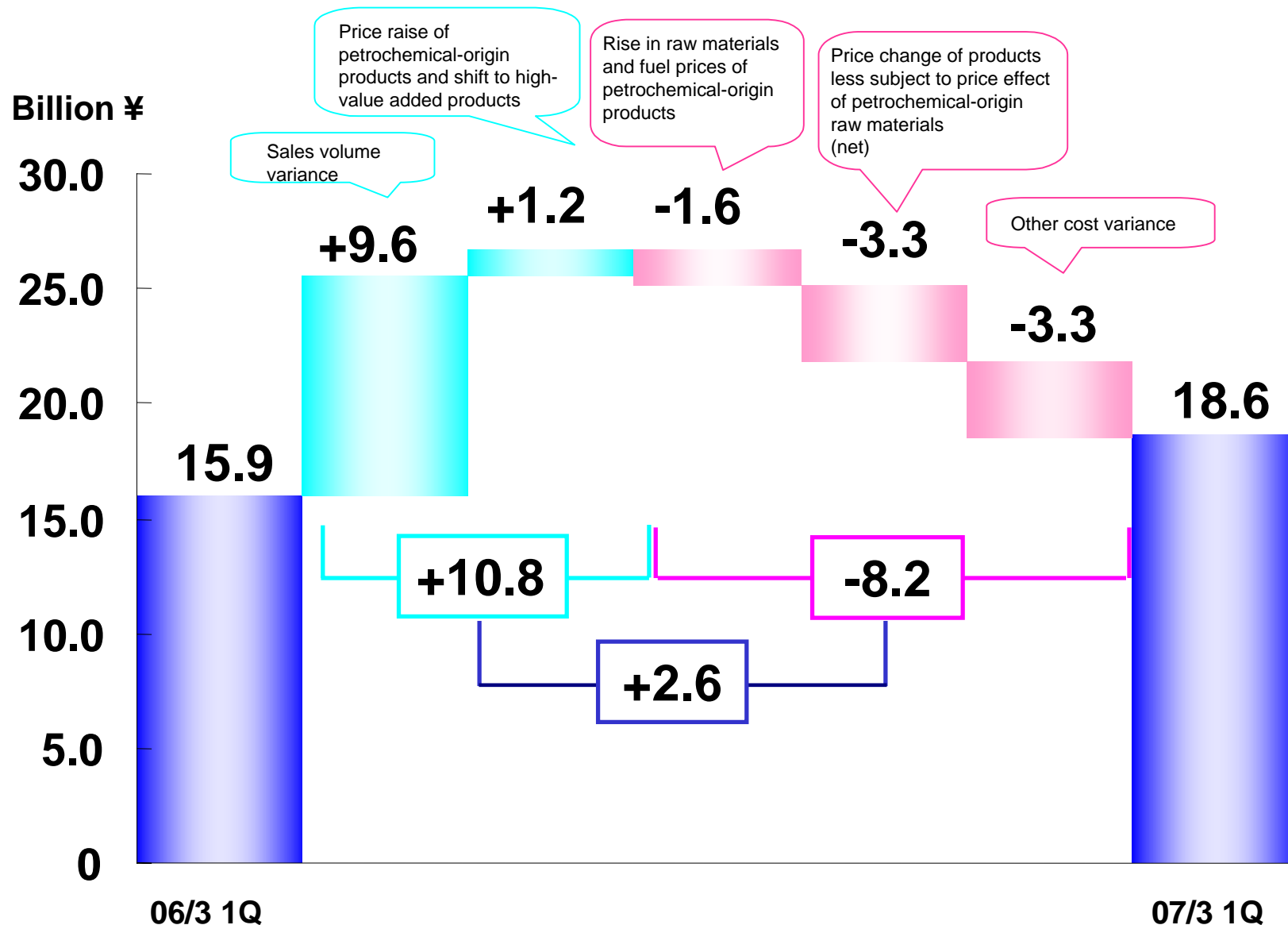
**Toray**  
Sales decreased due to price reduction of drugs in pharmaceuticals businesses, etc.

**Japanese Subsidiaries**  
Sales decreased due to decline of spot trading at trading subsidiary, etc. while income increased by sales expansion of artificial kidney, etc.

**<Major Subsidiaries>**

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

# Income Variance Factor Analysis



# Midterm Forecast Summary of FY Mar / 07

Unit : Billion ¥

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

Unit : 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

Unit : 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%)	

# Changing Factors of Business Environment and Countermeasures

Toray will steadily carry out the following countermeasures to respond to changing factors of business environment which may occur from the 2Q and onward.

## <Business Segment>

Fibers & Textiles  
Plastics & Chemicals

## <Changing Factors of Business Environment>

Concerns about unforeseen rise in raw materials and fuel prices after July

## <Countermeasures>

- Pass on the cost hike to sales prices
- Shift to high value-added products
- Thoroughgo cost reduction

IT-related Products

Concerns about temporary production adjustment of digital-related products

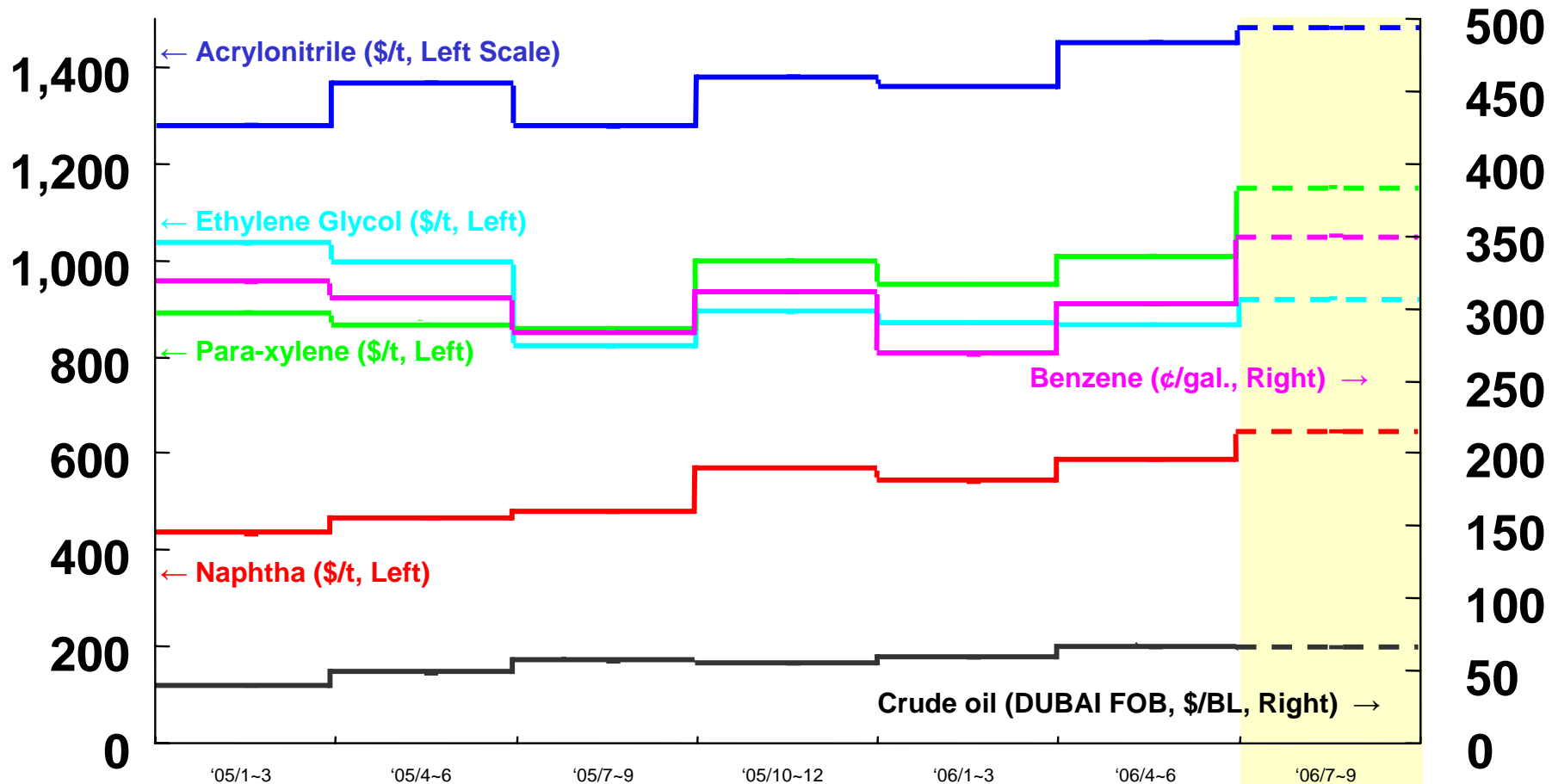
Concerns about further price decline of FPD-related materials from tough competition in the market

- Promote business alliance with mighty partners
- Sequentially develop high-functional, high value-added products to maintain sales prices
- Expand processed products
- Thoroughgo cost reduction



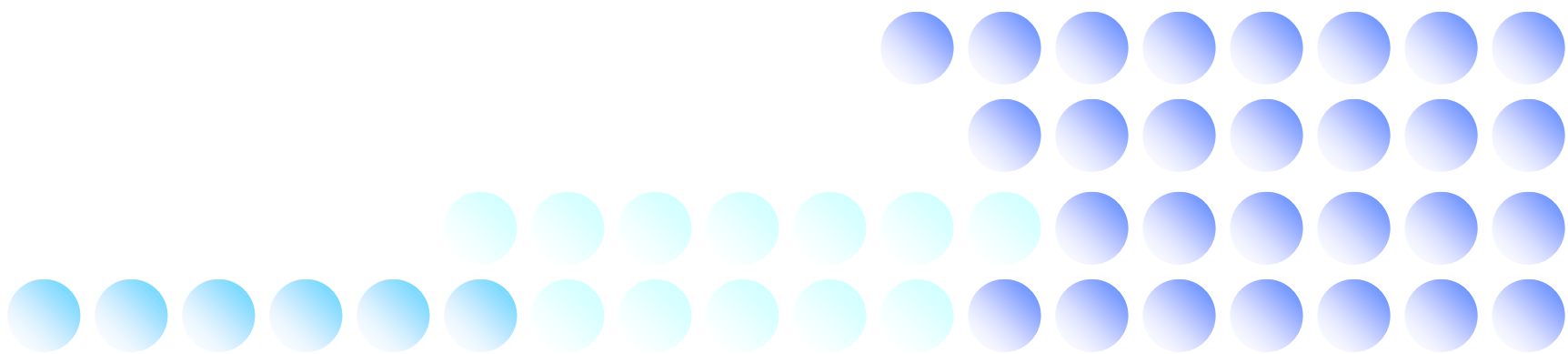
# Trends in Raw Materials Prices

Prices of major raw materials rose in April – June and are estimated to remain at high levels from July and onwards.

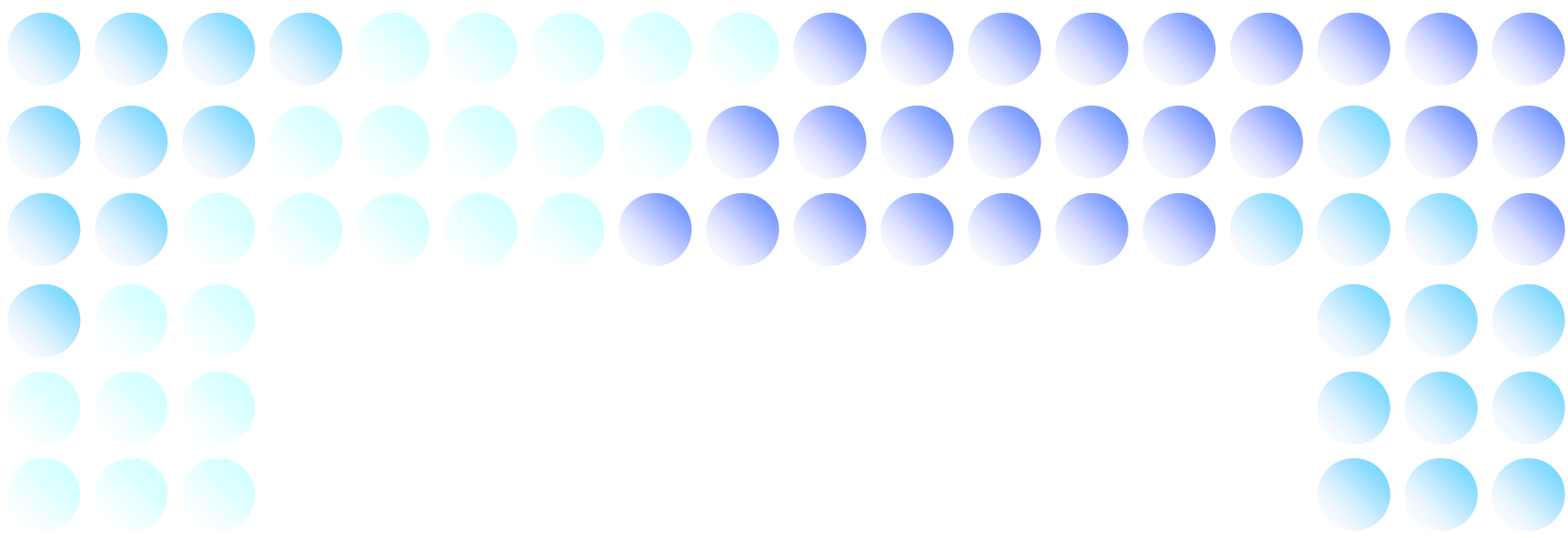


# Recent Topics (06/5~06/7)

	Topics	NT-II Issues			
		Expanding Advanced Materials Businesses	Expanding Global No.1 Businesses	Expanding Businesses Outside Japan	Business Structure Reform, NVC
May	<p><b>Established a new plastics compounding base in north China</b> Nippon Pigment Co., Ltd., Toyota Tsusho Corp. and Toray Industries (China) Co., Ltd. established a joint venture, Tianjin Pigment Engineering Plastics Co., Ltd., which will be a new compounding base of engineering plastics and high-functional ABS resin products in north China. Toray Group will keep up with business expansions of Japanese automobiles / auto parts manufacturers as well as electrical and electronic parts manufacturers there.</p>			○	
Jun.	<p><b>Developed innovative mass production technology of carbon fiber composite materials</b> Developed first in the world of new mass production technology to manufacture complex shaped industrial products using carbon fiber reinforced plastics (CFRP). Realized flexibility in design and mass productivity through drastic improvement of manufacturing system from CFRP material design to manufacturing methods. This will enable use of CFRP in mass production of notebook computer cases, automobile parts, and others.</p>	○	○		
Jun.	<p><b>Formed the UNIQLO-Toray strategic partnership</b> Based on the agreement in March this year to develop a strategic partnership, UNIQLO and Toray has signed an agreement covering mid- and long-term comprehensive procurement and supply. Toray is expected to supply UNIQLO with materials and products in excess of 200 billion yen over the 5-year period through 2010. Concurrently, UNIQLO and Toray set up a project team namely the Next Generation Material Development Project to develop a new, groundbreaking material that the market has never seen even seen before.</p>				○
Jul.	<p><b>Developed high boron rejection reverse osmosis (RO) membranes for seawater desalination system</b> Quantified pore diagram distribution at subnanometer-scale (1/10 of nanometer) of RO membranes for seawater desalination system and verified first in the world the correlation between boron (said to be harmful to human) removal ratio and pore diagram distribution. Based on this information and by utilizing our unique molecular design technologies, Toray has succeeded in the development of "high boron rejection RO membranes" which enables pore diagram control at subnanometer level.</p>	○			



## References



# Established a new Plastics Compounding Base In North China

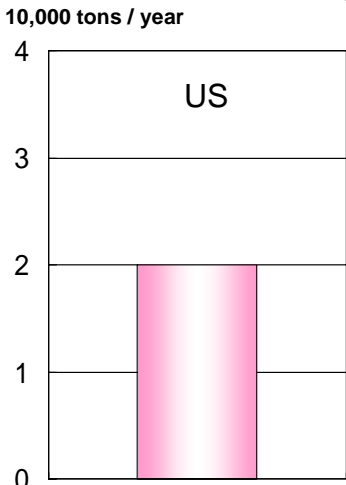
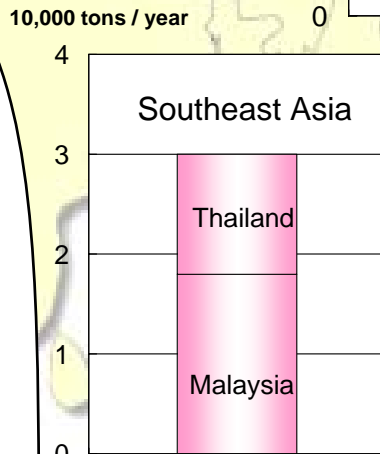
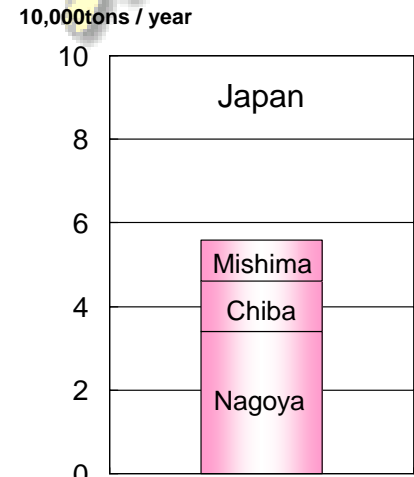
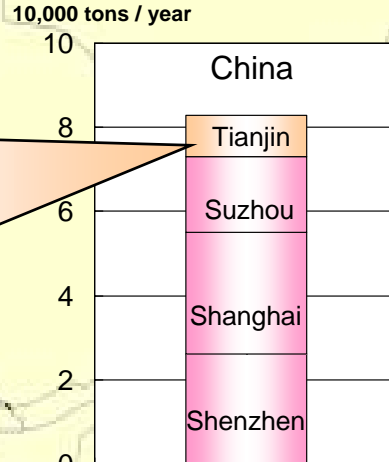
Nippon Pigment Co., Ltd., Toyota Tsusho Corp. and Toray Industries (China) Co., Ltd. established a joint venture, Tianjin Pigment Engineering Plastics Co., Ltd., which will be a new compounding base of engineering plastics and high-functional ABS resin products in north China. Toray Group will keep up with business expansions of Japanese automobiles / auto parts manufacturers as well as electrical and electronic parts manufacturers there.

Tianjin Pigment Engineering Plastics Co., Ltd.

Production capacity : 10,000 tons / year  
Supply start : 2<sup>nd</sup> half, 2006

Established three production bases in northern, eastern, and southern China

Toray Group Global Supply System of Plastic Compound Products



# Development of Innovative Mass Production Technology for Carbon Fiber Reinforced Plastics

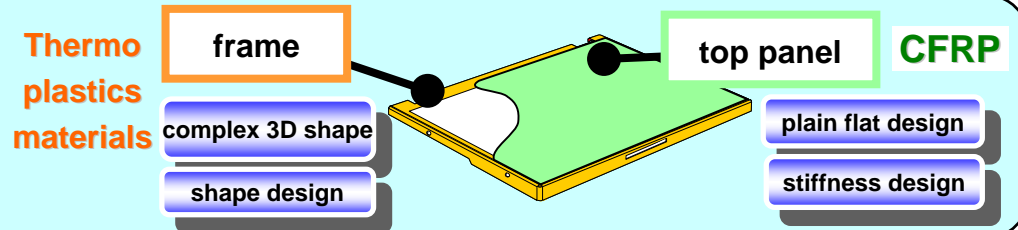
A new mass production technology to manufacture complex-shaped industrial products using carbon fiber reinforced plastics (CFRPs) has been successfully developed for the first time in the world. Drastic improvement of whole process from the material design to manufacturing methods has realized flexibility in design and mass productivity. This technology will enable expansion of CFRP applications to mass productions such as laptop computer cases, automobile parts, etc.

It was difficult for conventional CFRP molding process to attain mass production of complex-shaped products.

**Toray's three innovative technologies enables mass production of complex shaped industrial products**

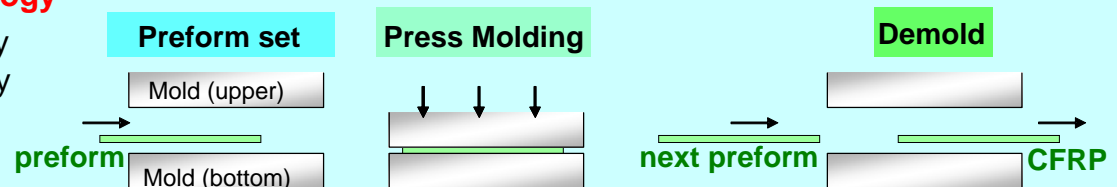
## 1. Innovation of material designing technology

Optimal design for each unit by each shape and function. → Application of long fiber reinforced CFRP for strength and stiffness requirement. Application of short fiber reinforced CFRP for complex-shaped parts.



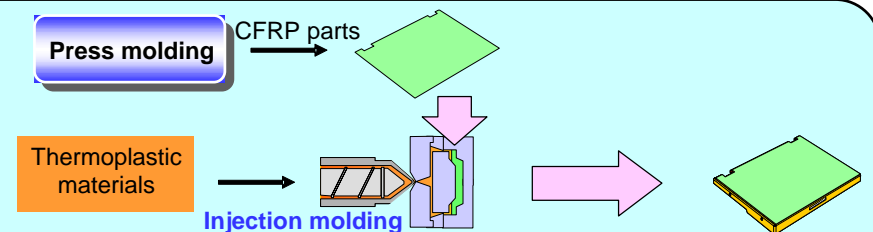
## 2. Innovation of material and molding technology

Press molding technology combined with newly developed ultra-quick cure thermosetting epoxy resin which cured **ten times faster than conventional resin** → significantly short molding time **within 3 minutes**



## 3. Innovation of material assembly technology

CFRP hybrid technology by thermal adhesion of CFRP and thermoplastics → succeeded in fabrication of laptop computer cases **within one minute**



# Formed the UNIQLO-Toray Strategic Partnership

UNIQLO and Toray have signed an agreement covering mid- and long-term comprehensive procurement and supply, based on the agreement in March this year to develop a strategic partnership. Toray is expected to supply UNIQLO with materials and products in excess of 200 billion yen over the 5-year period through 2010. Concurrently, UNIQLO and Toray set up a project team namely the Next Generation Material Development Project to develop a new, groundbreaking material that the market has never ever seen before.

**Seamless product development system** that unifies all the stages from material selection through final product sale

**Co-development and planning of New materials and products**

Healthy Beauty

Ecology

Innovation

Super natural

Next Generation Material

Development Project

Function & comfort



Mr. Yanai, Chairman & CEO of UNIQLO CO., LTD. and President Sakakibara

**Supply of materials and products : excess of 200 billion yen**  
(over the 5-year period through 2010)



# Developed High Boron Rejection Reverse Osmosis (RO) Membranes for Seawater Desalination System

Quantified pore diagram distribution at subnanometer-scale (1/10 of nanometer) of RO membranes for seawater desalination system and verified first in the world the correlation between boron (said to be harmful to human) removal ratio and pore diagram distribution. Based on this information and by utilizing our unique molecular design technologies, Toray has succeeded in the development of “high boron rejection RO membranes” which enables pore diagram control at subnanometer level.

## Boron

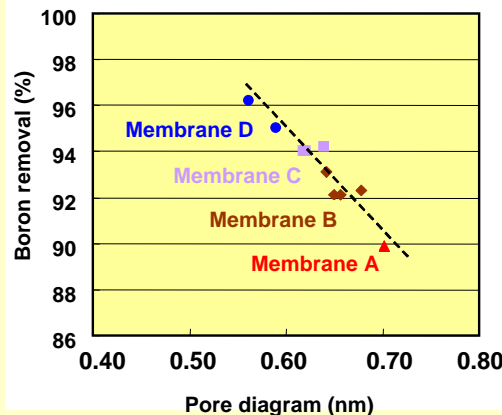
- **High level of boron exists in seawater** than normal river water
- **Kills citrus trees and causes infertility with its toxicity characteristics**

Removal by RO membranes for seawater desalination system

Existing RO membranes can remove almost all elements at high rates **except for boron as it's molecular size is very small**

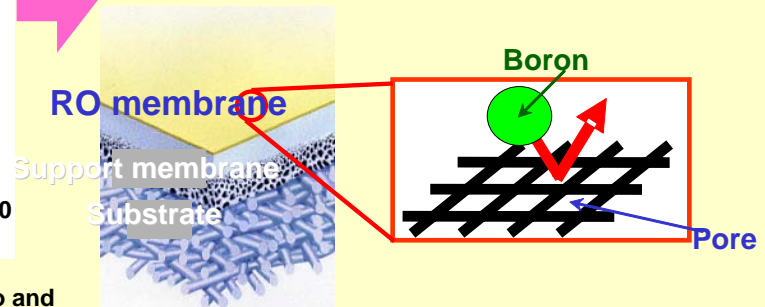
## High-performance RO membrane

Through collaborative work with **Toray Research Center**, verified first in the world the correlation between **boron removal ratio and pore diagram distribution** inside the RO membrane



Correlation between boron removal ratio and pore diagram

Developed new and advanced high-performance RO membrane (**20% reduction of boron level**) through polymeric molecular design of appropriate pore diagram



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.