

November 8, 2006



**Midterm Business Results for the
Fiscal Year Ending March 2007**

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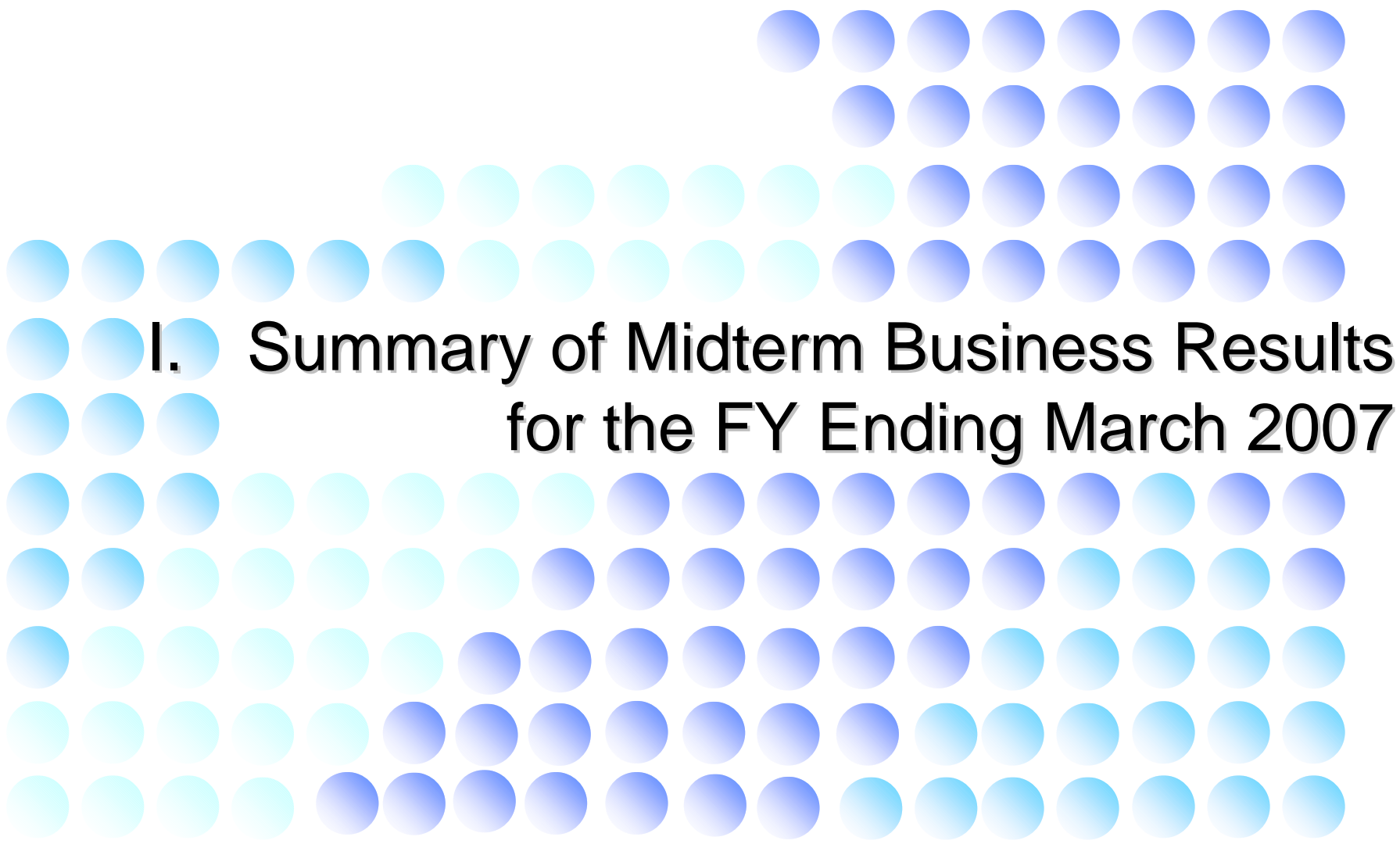
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I. Summary of Midterm Business Results for the FY Ending March 2007

Summary (Profits)

Billion ¥

	FY Mar/06 Midterm	FY Mar/07 Midterm	Changes	
Net Sales	678.8	746.2	+67.4	(+9.9%)
Cost of Sales	536.7	594.1	+57.3	(+10.7%)
Gross Profit	142.1	152.1	+10.1	(+7.1%)
(Gross Profit to Net Sales)	20.9%	20.4%	- 0.5	points
Operating Income	38.8	42.9	+4.1	(+10.5%)
(Operating Income to Net Sales)	5.7%	5.7%	+0.0	point
Non-operating Income and Expenses, net	▲ 2.0	▲ 2.4	- 0.4	(-)
Ordinary Income	36.8	40.5	+3.7	(+10.1%)
Special Credits and Charges, net	▲ 6.0	▲ 11.1	- 5.1	(-)
Income before Income Taxes	30.9	29.4	- 1.4	(-4.6%)
Midterm Net Income	16.8	28.0	+11.3	(+67.5%)
Net Income per Share (Midterm)	11.96yen	20.03yen		
Dividend per Share (Midterm)	4.0yen	5.0yen		

	End of Mar/06	End of Sep/06	Changes
Total Assets	1,537.4	1,561.8	+24.4
Total Liabilities	946.7	957.1	+10.4
Minority Interests in Consolidated Subsidiaries	53.7	-	-
Total Stockholders' Equity	537.0	-	-
Total Net Assets	-	604.7	-
Interest-bearing Debts	484.4	507.4	+23.0

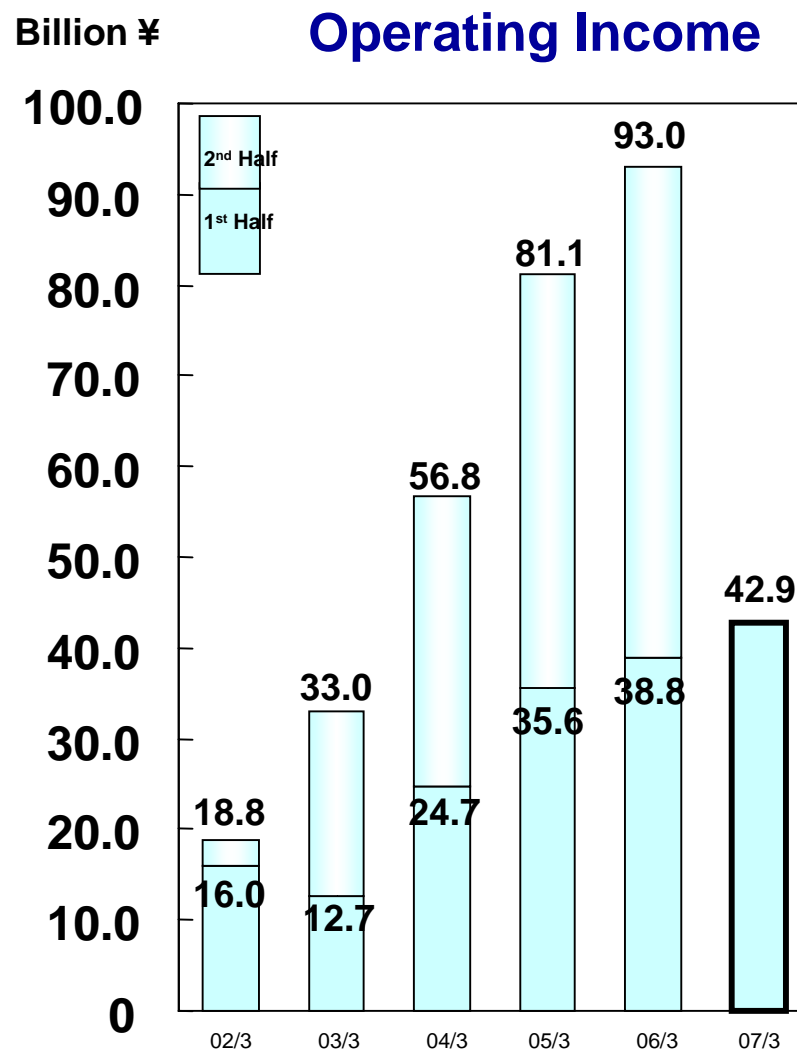
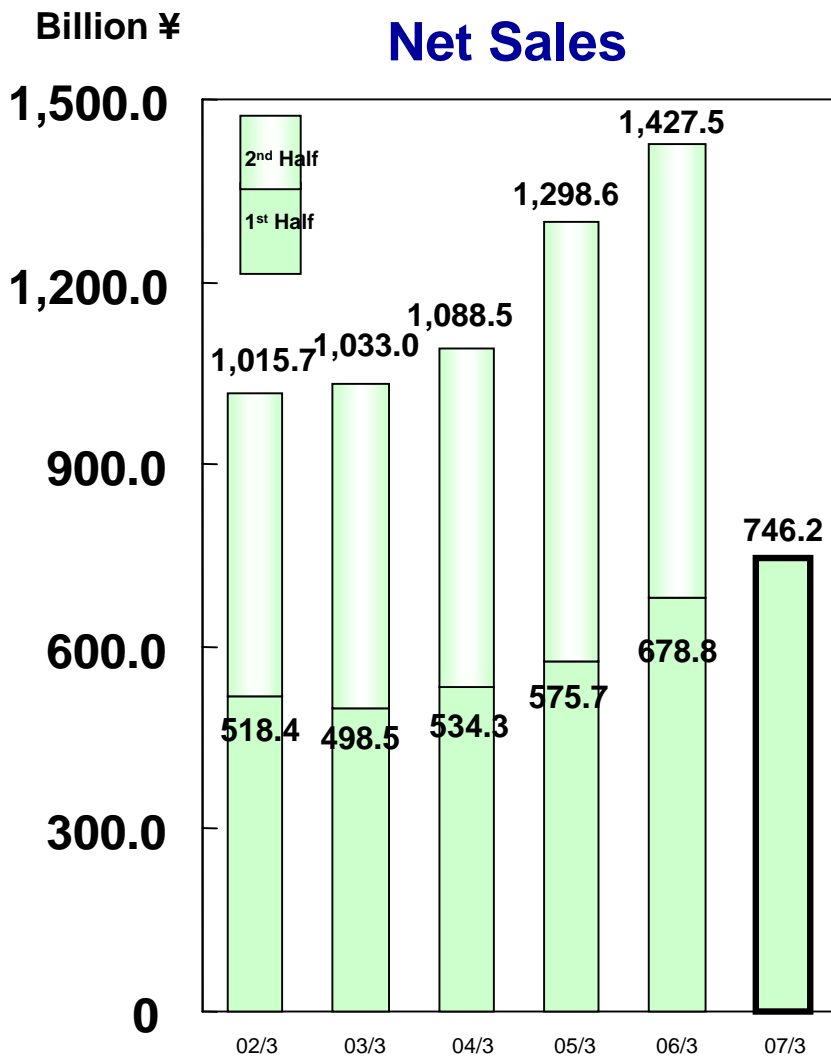
Exchange Rate

< Yen/US\$> Midterm 06/3 → Midterm 07/3
 Midterm average: 109.5 → 115.4
 End of the term: 113.2 → 117.9

< Yen/Euro> Midterm 06/3 → Midterm 07/3
 Midterm average: 135.6 → 146.0
 End of the term: 136.1 → 149.8

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

Trends in Net Sales and Operating Income



Non-operating Income and Expenses

Billion ¥

	FY Mar/06 Midterm	FY Mar/07 Midterm	Changes	Comments
Non-operating Income	6.2	8.8	+2.6	
Interest and Dividend Income	1.4	1.5	+0.2	
Equity in Earnings of Affiliates	2.1	4.0	+1.9	Increase in profit of Japanese affiliated companies, etc.
Others	2.8	3.3	+0.5	
Non-operating Expenses	▲ 8.3	▲ 11.2	-2.9	
Interest Expenses	▲ 3.9	▲ 4.5	-0.6	
Others	▲ 4.4	▲ 6.7	-2.4	Increase in expenses generated by trial operation of new facilities, etc.
Non-operating Income and Expenses, net	▲ 2.0	▲ 2.4	-0.4	
Interest and Dividend Income, Interest Expenses, net	▲ 2.5	▲ 2.9	-0.4	
Other Income and Expenses, net	▲ 1.6	▲ 3.5	-1.9	

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

Special Credits and Charges

Billion ¥

	FY Mar/06 Midterm	FY Mar/07 Midterm	Changes	Comments
Special Credits	2.1	6.4	+4.3	
Gain on Sales of Property, Plant, and Equipment	0.5	0.6	+0.1	
Gain on Sales of Investments in Securities	1.6	5.8	+4.3	Selling of insignificant stocks, etc.
Special Charges	▲ 8.0	▲ 17.5	-9.4	
Loss on Sales or Disposal of Property, Plant and Equipment	▲ 1.4	▲ 1.6	-0.3	
Loss on Impairment of Fixed Assets	▲ 1.7	▲ 12.8	-11.1	Loss on impairment of fixed assets of subsidiaries
Loss on Write-down of Investments in Securities	▲ 0.1	▲ 0.1	-0.0	
Loss on Liquidation and Devaluation of Affiliates	▲ 0.9	▲ 1.4	-0.5	
Special Severance Payments and Other Restructuring Expenses	▲ 0.5	▲ 0.9	-0.3	
Loss on Transition to Defined Contribution Pension Plan	▲ 1.4	-	+1.4	
Amortization of Net Transition Obligation due to the Change in Accounting for Retirement Benefits in the UK	▲ 1.9	▲ 0.6	+1.3	
Others	▲ 0.1	▲ 0.0	+0.1	
Special Credits and Charges, net	▲ 6.0	▲ 11.1	-5.1	

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

Assets, Liabilities, Net Assets

Billion ¥

	End of Mar/06	End of Sep/06	Changes	Comments
Total Assets	1,537.4	1,561.8	+24.4	
Current Assets	662.3	686.6	+24.3	Increase of inventories, etc.
Tangible Assets	586.2	594.9	+8.7	
Intangible Assets	11.5	12.3	+0.8	
Investments and Other Assets	277.4	268.1	-9.3	

	End of Mar/06	End of Sep/06	Changes	Comments
Total Liabilities	946.7	957.1	+10.4	
Current Liabilities	537.9	589.3	+51.4	Increase of debts, etc.
Other Liabilities	408.8	367.8	-41.1	Decrease of long-term debt and deferred tax liabilities, etc.
Minority Interests in Consolidated Subsidiaries	53.7	-	-	
Total Stockholders' Equity	537.0	-	-	
Net Assets	-	604.7	-	
Interest-bearing Debts	484.4	507.4	+23.0	Increase of capital expenditures, etc.
D/E ratio *	0.90	0.92	+0.02	

* End Mar/06 : Interest-bearing Debts / Total Stockholders' Equity

End Sep/06 : Interest-bearing Debts / Shareholders' Equity
 (Shareholders' Equity = Net Assets – Minority Interests in Consolidated Subsidiaries)

Capital Expenditures, Depreciation

Billion ¥

	FY Mar/06 Midterm	FY Mar/07 Midterm	Changes	Comments
Capital Expenditures	31.8	51.4	+19.5	Toray : 22.1, Japan : 4.6, Overseas : 24.7
Depreciation -)	30.4	33.4	+3.0	Toray : 13.0, Japan : 4.9, Overseas : 15.6
Transfer, Disposal, etc.	2.4	▲ 9.3	-11.7	
Changes in Tangible Fixed Assets	3.8	8.7		

Major Capital Expenditures :

<Japan>

Toray : Carbon fiber/prepregs production facilities

Operation will start in Jan/07

<Overseas>

SOFICAR : Carbon fiber production facilities (France)

Operation will start in Aug/07

TSI : Film processing facilities (Korea)

Operation started in Mar/06

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

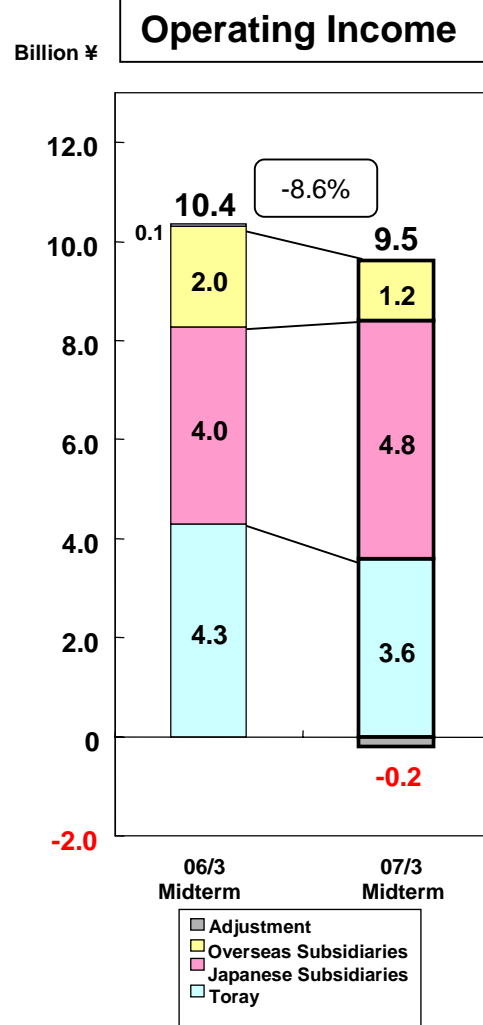
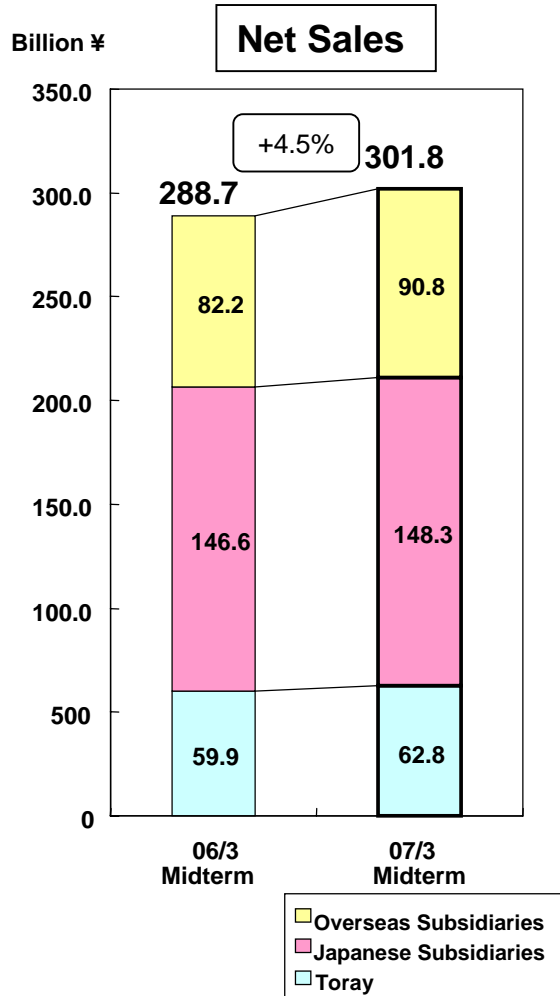
Operation started in Apr/06

Results by Business Segment

Billion ¥

	Net Sales			Operating Income		
	FY Mar/06 Midterm	FY Mar/07 Midterm	Changes	FY Mar/06 Midterm	FY Mar/07 Midterm	Changes
Fibers & Textiles	288.7	301.8	+13.1 (+4.5%)	10.4	9.5	-0.9 (-8.6%)
Plastics & Chemicals	158.8	184.6	+25.8 (+16.2%)	8.6	8.7	+0.0 (+0.5%)
IT-related Products	111.1	127.8	+16.6 (+15.0%)	13.1	14.5	+1.4 (+10.9%)
Carbon Fiber Composite Materials	24.4	31.9	+7.5 (+30.7%)	5.9	8.8	+2.9 (+49.8%)
Environment & Engineering	61.9	67.8	+5.9 (+9.5%)	▲ 1.2	0.1	+1.3 (-)
Life Science & Other Businesses	33.7	32.3	-1.4 (-4.3%)	2.0	2.0	-0.1 (-2.6%)
(Pharmaceuticals & Medical Products Included)	20.3	20.0	-0.3 (-1.6%)	0.6	0.6	-0.0 (-6.3%)
Total	678.8	746.2	+67.4 (+9.9%)	38.8	43.6	+4.7 (+12.2%)
Elimination & Corporate				0.0	▲ 0.7	-0.7
Consolidated	678.8	746.2	+67.4 (+9.9%)	38.8	42.9	+4.1 (+10.5%)

Results by Business Segment (Fibers & Textiles)



Comments

Toray

Textiles businesses were good mainly in exports, however, total income decreased due to the steep rise in raw materials and fuel prices in spite of price raise and shift to high value-added products.

Japanese Subsidiaries

Sales and income increased through sales expansion at trading subsidiaries.

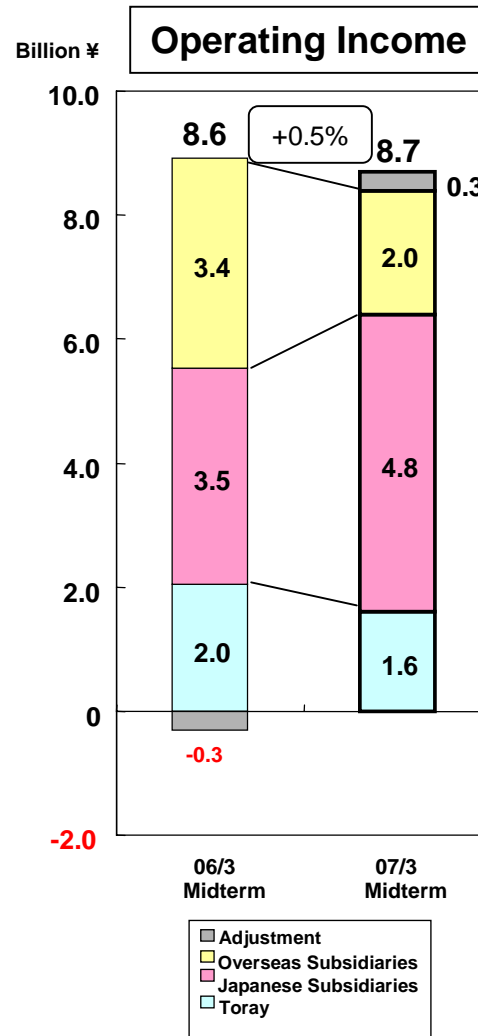
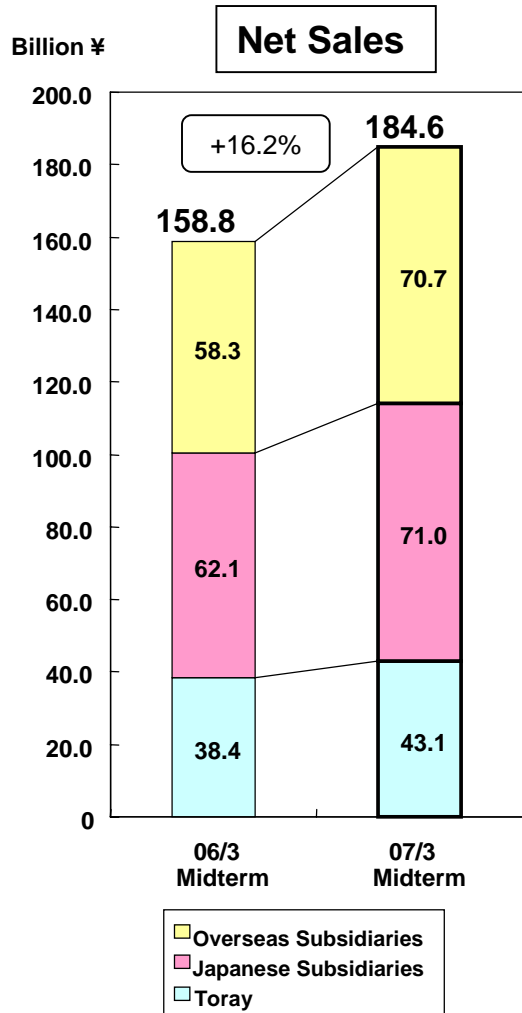
Overseas Subsidiaries

Despite of further improvement in Chinese businesses, sales increased but income decreased due to businesses in Indonesia strongly affected by the steep rise of fuel prices as well as sluggish UK subsidiary, etc.

<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 mainly for automobiles and films 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.

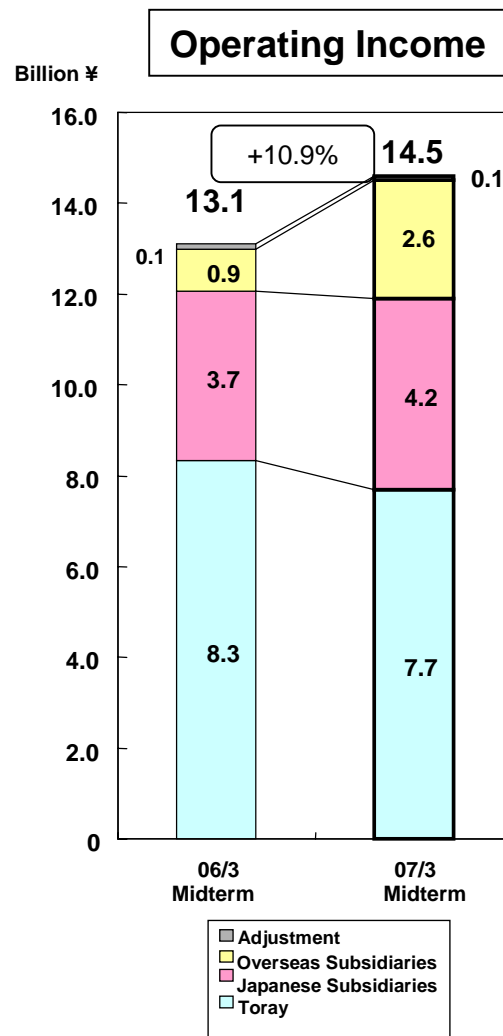
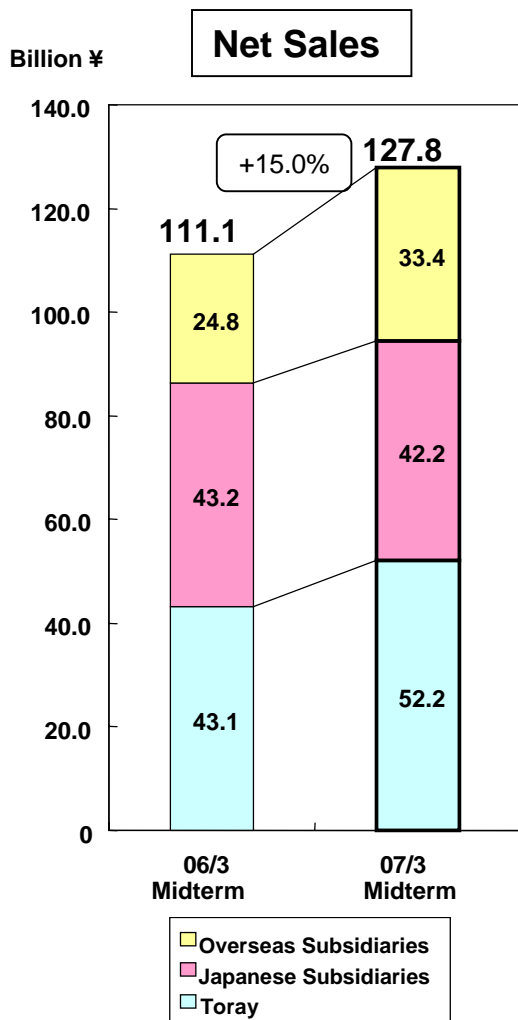
Overseas Subsidiaries

Sales increased through sales expansion of Chinese plastics subsidiary and US film subsidiary while income decreased due to sluggish European film subsidiary and strategic shift of films businesses to IT-related applications at Korean film subsidiary.

<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, PDP-related materials, and semiconductor-related materials. However income decreased due to price decline of color filters resulted from tough market competition as well as the steep rise in raw materials and fuel prices for PET films businesses

Japanese Subsidiaries

Sales and income increased at film processing subsidiary through sales expansion however sales as a total decreased due to weak businesses at trading subsidiaries.

Overseas Subsidiaries

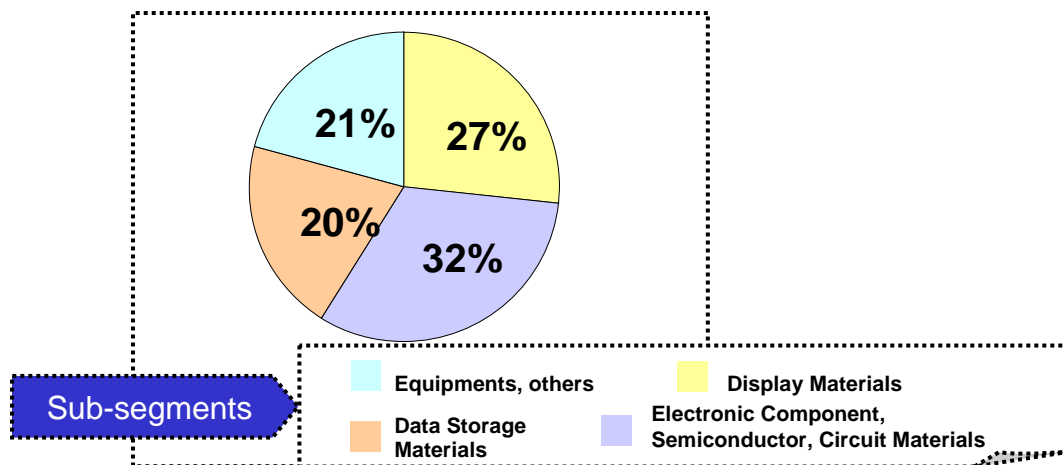
Sales and income increased through sales expansion of FPD/electronic component-related films at Korean subsidiary.

<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 1st Half FY Mar/07]



* above figures are rounded to unit

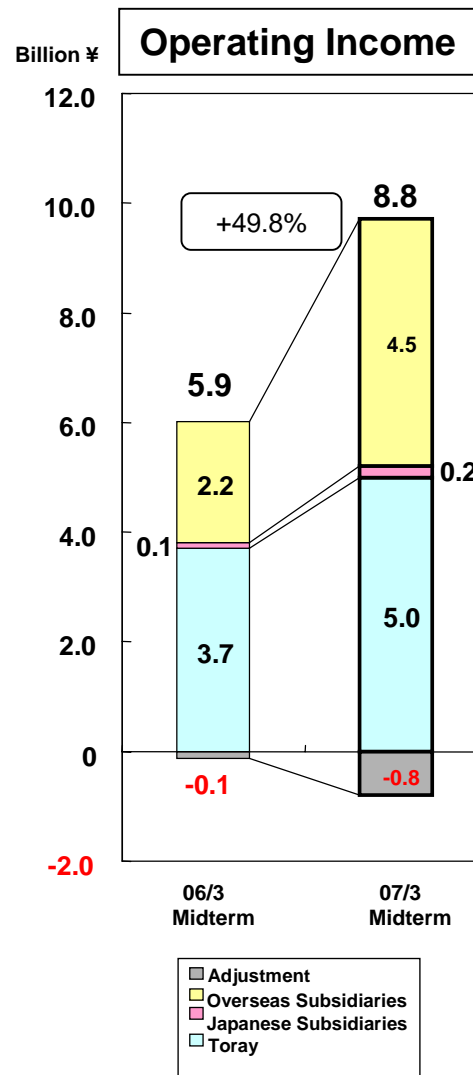
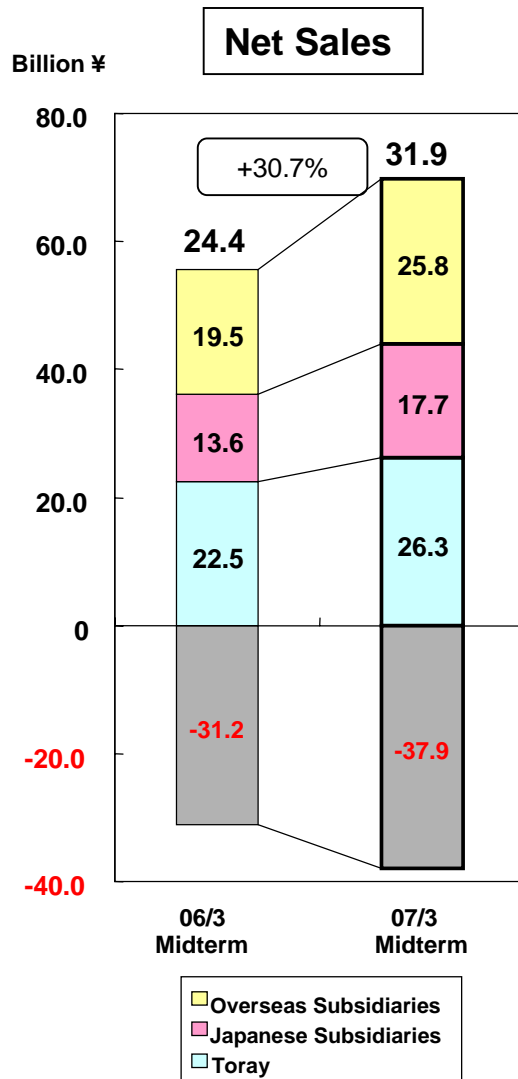
[Sales trends by sub-segment]

Billion ¥

Sub-segment	FY Mar/06 Midterm	FY Mar/07 Midterm	Changes
Display Materials	23.7	34.1	+44%
Electronic Component, Semiconductor, Circuit Materials	33.4	41.1	+23%
Data Storage Materials	26.3	26.0	-1%
Equipments, others	27.8	26.6	-4%
Total of IT-related Products Segment	111.1	127.8	+15%

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 Component, Semiconductor, 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

Sales and income increased through sales expansion of carbon fibers, intermediate materials, and molded products in response to the steadily expanding demand for aircrafts and industrial applications.

Japanese Subsidiaries

Sales and income increased through steady sales expansion at trading subsidiary.

Overseas Subsidiaries

Sales and income increased through steady demand expansion of aircraft and industrial applications as well as capacity increase effect at US subsidiaries which started operation in this January.

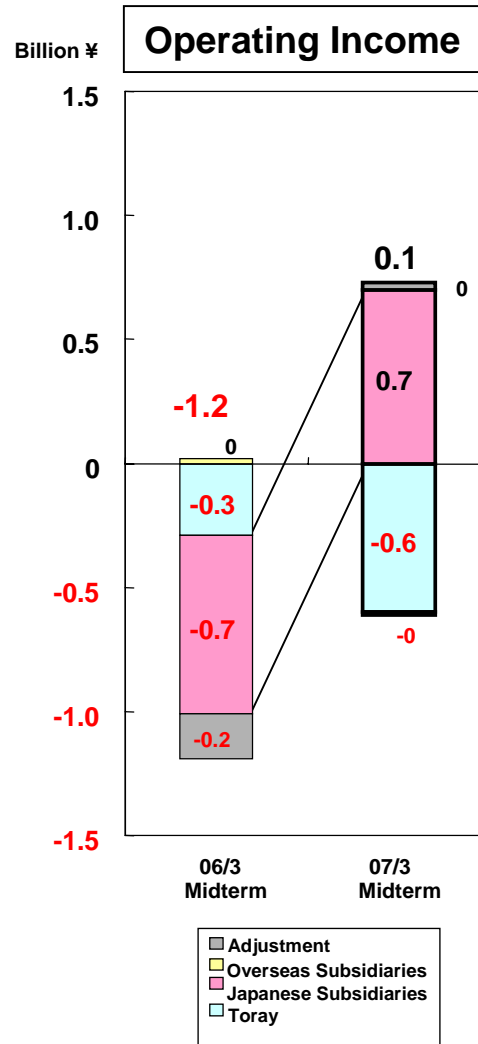
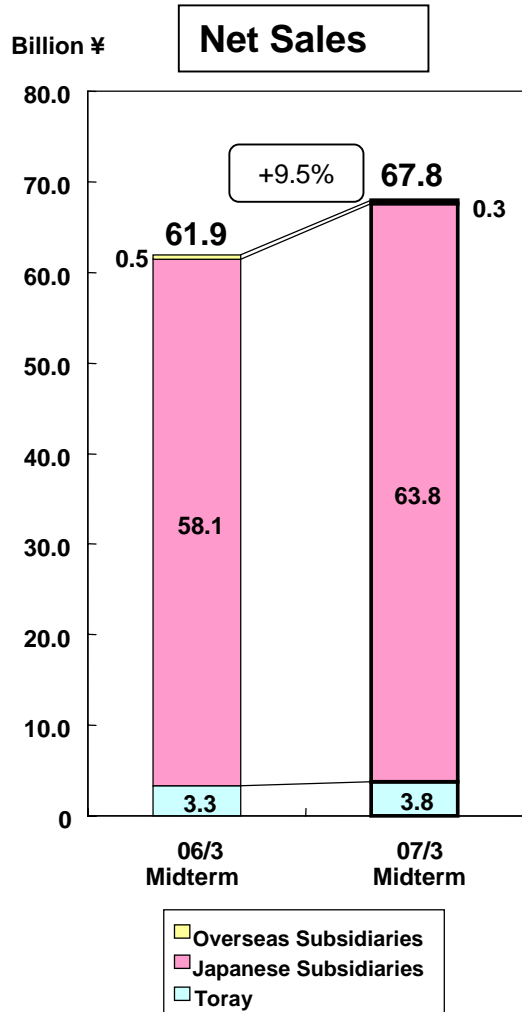
<Major Subsidiaries>

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

Toray

Sales increased through sales expansion of reverse osmosis membranes, etc. in water treatment businesses however income decreased due to increase in development costs, etc.

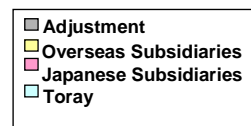
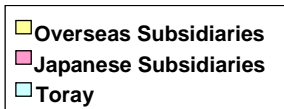
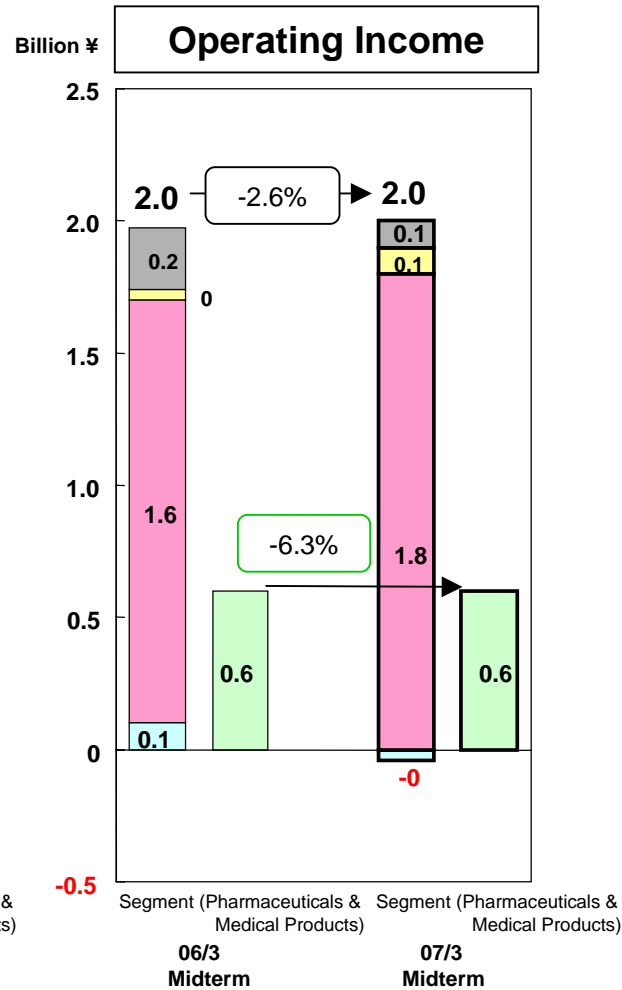
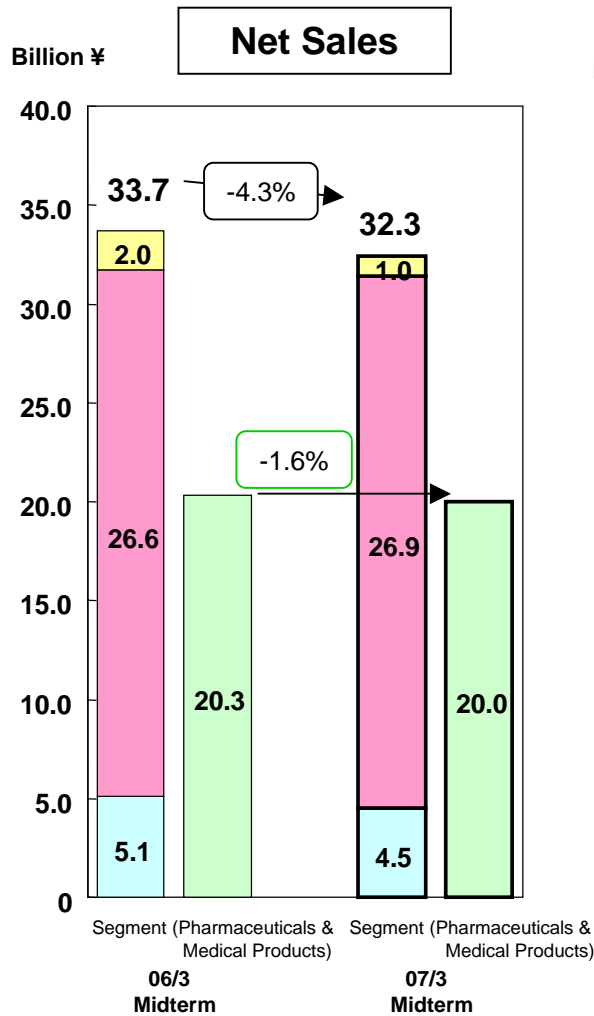
Japanese Subsidiaries

Sales increased and income improved through sales expansion at construction-related subsidiary and engineering-related subsidiary.

<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
In pharmaceuticals businesses, despite of sales volume increase of Feron* with its new indication, sales and income decreased due to price reduction of drugs.

Japanese Subsidiaries
Sales and income increased through sales expansion of artificial kidney, etc.

<Major Subsidiaries>

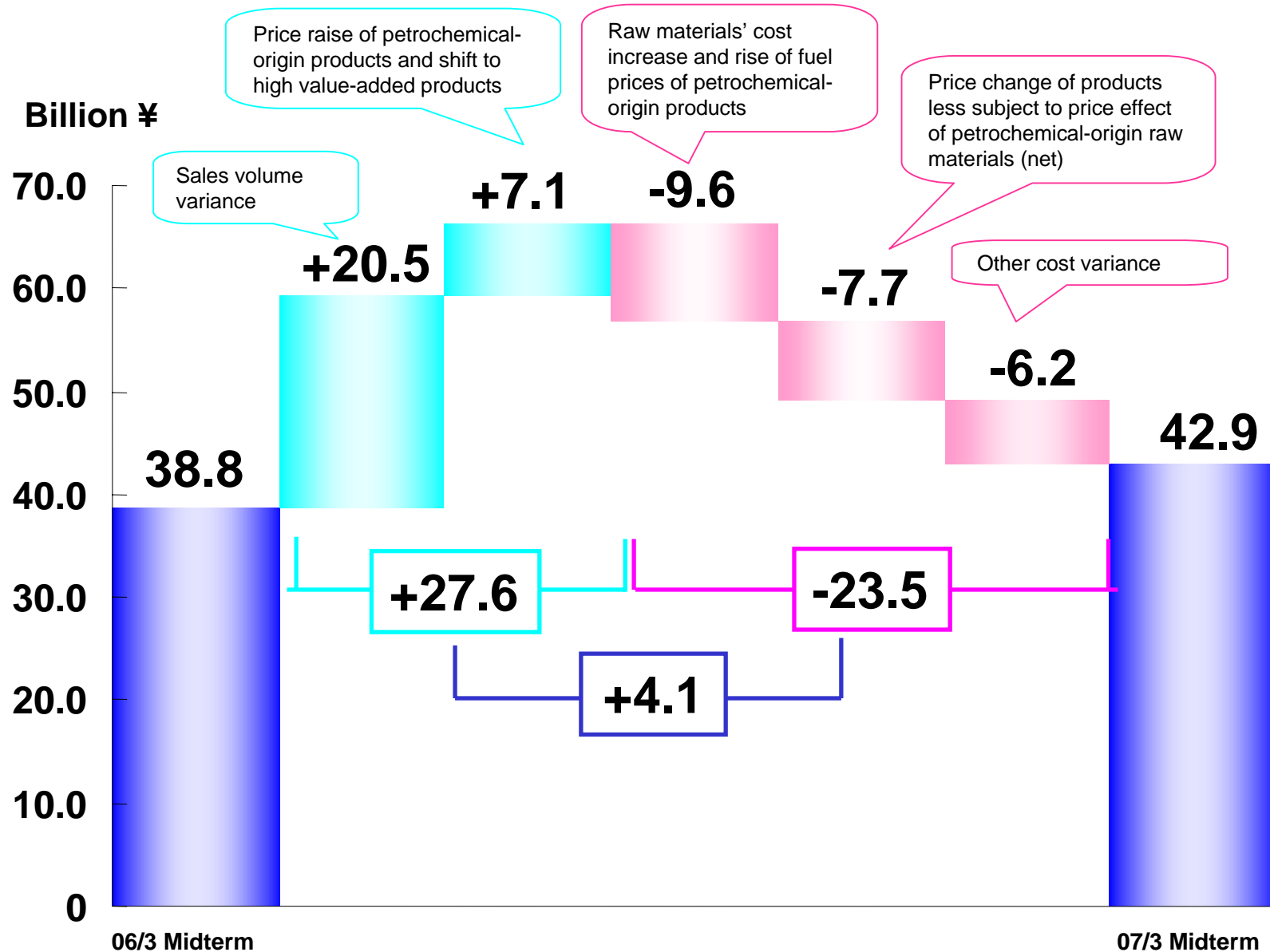
Japan : Toray Medical Co., Ltd., Toray Research Center Inc., Toray Enterprise Corp., etc.

Comparison of Results with 1Q Forecast by Business Segment

Billion ¥

Business Segment	Midterm Net Sales 1Q Forecast → Actual () variance	Midterm Operating Income 1Q Forecast → Actual () variance	Variance Factors
Fibers & Textiles	290.0 → 301.8 (+11.8)	9.0 → 9.5 (+0.5)	<ul style="list-style-type: none"> - Export of textiles was good at Toray and trading subsidiaries - Focused on price raise to offset the steep rise of raw materials and fuel prices and shift to high value-added products
Plastics & Chemicals	175.0 → 184.6 (+9.6)	7.5 → 8.7 (+1.2)	<ul style="list-style-type: none"> - Expanded sales at Japanese trading subsidiaries, Asian plastics and films subsidiaries - Focused on price raise to offset the steep rise of raw materials and fuel prices, and shift to high value-added products
IT-related Products	135.0 → 127.8 (-7.2)	15.5 → 14.5 (-1.0)	<ul style="list-style-type: none"> - Circuit materials slowed down at film processing subsidiaries due to inventory adjustment by customers - Partial sales of IT-related components delay in 2nd half
Carbon Fiber Composite Materials	30.0 → 31.9 (+1.9)	9.5 → 8.8 (-0.7)	<ul style="list-style-type: none"> - Sales were good in all applications including aircraft, industrial and sports - Elimination of unrealized profits increased through enlargement of global operations, etc.
Environment & Engineering	60.0 → 67.8 (+7.8)	0.0 → 0.1 (+0.1)	<ul style="list-style-type: none"> - Sales of condominiums were good at construction subsidiary
Life Science & Other Businesses	35.0 → 32.3 (-2.7)	1.5 → 2.0 (+0.5)	<ul style="list-style-type: none"> - Pharmaceuticals and Medical Products Businesses were steady
Elimination & Corporate		0.0 → ▲ 0.7 (-0.7)	
Consolidated	725.0 → 746.2 (+21.2)	43.0 → 42.9 (-0.1)	

Income Variance Factor Analysis





II. Business Forecast for the FY Ending March 2007 (Consolidated Basis)

Forecast Summary

Billion ¥

		FY Mar/06 Actual	FY Mar/07 Forecast	Changes	
Net Sales	1st Half	678.8	746.2	+67.4	(+9.9%)
	2nd Half	748.7	803.8	+55.1	(+7.4%)
	Total	1,427.5	1,550.0	+122.5	(+8.6%)
Operating Income	1st Half	38.8	42.9	+4.1	(+10.5%)
	2nd Half	54.2	61.1	+6.9	(+12.7%)
	Total	93.0	104.0	+11.0	(+11.8%)
Ordinary Income	1st Half	36.8	40.5	+3.7	(+10.1%)
	2nd Half	50.8	60.5	+9.6	(+19.0%)
	Total	87.7	101.0	+13.4	(+15.2%)
Net Income	1st Half	16.8	28.0	+11.3	(+67.5%)
	2nd Half	30.7	31.0	+0.3	(+1.0%)
	Total	47.4	59.0	+11.6	(+24.4%)

Net Income per Share	1st Half	11.96yen	20.03yen
	2nd Half	21.76yen	22.11yen
	Total	33.72yen	42.14yen
Dividend per Share	1st Half	4.0yen	5.0yen
	2nd Half	4.0yen	5.0yen
	Total	8.0yen	10.0yen
Dividend Payout Ratio	1st Half	33.4%	25.0%
	2nd Half	18.4%	22.6%
	Total	23.7%	23.7%

Percentage of Achievement in Midterm Operating Income to Forecast

	FY Mar/06 Midterm	FY Mar/07 Midterm
Midterm Operating Income Results	38.8	42.9
Operating Income FY Mar/06 Actual FY Mar/07 Forecast	93.0	104.0
Percentage of Achievement	41.7%	41.3%

Expected exchange rate (Oct/06 ~ Mar/07) : 115yen / US\$, 145yen / Euro

Expected oil price (Oct/06 ~ Dec/06) : 62 US\$ / B (Dubai FOB)

(Jan/07 ~ Mar/07) : 65 US\$ / B (Dubai FOB)

Forecast by Business Segment

Billion ¥

		Net Sales				Operating Income				Comments
		FY Mar/06	FY Mar/07	Changes (%)		FY Mar/06	FY Mar/07	Changes (%)		
Fibers & Textiles	1st Half	288.7	301.8	+13.1	(+4.5%)	10.4	9.5	-0.9	(-8.6%)	In spite of efforts such as raising price and shift to high value-added products in severe business environment, especially the continuing high prices of raw materials and fuels, the decline in operating income in the 1st half is not covered and sales are expected to increase while income is expected to decrease.
	2nd Half	291.8	303.2	+11.4	(+3.9%)	10.3	10.5	+0.2	(+2.0%)	
	Total	580.5	605.0	+24.5	(+4.2%)	20.7	20.0	-0.7	(-3.3%)	
Plastics & Chemicals	1st Half	158.8	184.6	+25.8	(+16.2%)	8.6	8.7	+0.0	(+0.5%)	Despite of continuing high prices of raw materials and fuels, sales and income are expected to increase by expanding plastics for automobiles and films for packaging and industrial applications and processing film products, as well as raising price to offset the steep rise of raw materials and fuel prices.
	2nd Half	179.1	190.4	+11.3	(+6.3%)	9.9	10.8	+1.0	(+9.9%)	
	Total	338.0	375.0	+37.0	(+11.0%)	18.5	19.5	+1.0	(+5.5%)	
IT-related Products	1st Half	111.1	127.8	+16.6	(+15.0%)	13.1	14.5	+1.4	(+10.9%)	Despite of inventory adjustment of LCD panels in the 1st half, sales and income are expected to increase by recovering LCD businesses and sales expansion of steadily enlarging PDP-related component businesses, as well as production/sales increase effects of thick optical PET films which are made by the converted line that started operation from the 2nd half.
	2nd Half	123.9	147.2	+23.4	(+18.9%)	18.2	20.5	+2.3	(+12.7%)	
	Total	235.0	275.0	+40.0	(+17.0%)	31.3	35.0	+3.7	(+11.9%)	
Carbon Fiber Composite Materials	1st Half	24.4	31.9	+7.5	(+30.7%)	5.9	8.8	+2.9	(+49.8%)	Sales and income are expected to increase through active demand in all applications including aircraft, industrial, and sports, as well as production/sales increase effects at US subsidiaries.
	2nd Half	28.3	38.1	+9.8	(+34.6%)	5.9	8.7	+2.7	(+46.3%)	
	Total	52.7	70.0	+17.3	(+32.8%)	11.8	17.5	+5.7	(+48.1%)	
Environment & Engineering	1st Half	61.9	67.8	+5.9	(+9.5%)	▲ 1.2	0.1	+1.3	(-)	Sales and income are expected to increase through sales expansion of reverse osmosis membranes and good businesses at construction-related subsidiary and engineering-related subsidiary.
	2nd Half	92.2	92.2	-0.0	(-0.0%)	6.1	4.9	-1.2	(-19.8%)	
	Total	154.1	160.0	+5.9	(+3.8%)	4.9	5.0	+0.1	(+1.6%)	
Life Science & Other Businesses	1st Half	33.7	32.3	-1.4	(-4.3%)	2.0	2.0	-0.1	(-2.6%)	
	2nd Half	33.4	32.7	-0.7	(-2.0%)	4.4	5.0	+0.6	(+13.5%)	
	Total	67.1	65.0	-2.1	(-3.2%)	6.5	7.0	+0.5	(+8.5%)	
(Pharmaceuticals & Medical Products Included)	1st Half	20.3	20.0	-0.3	(-1.6%)	0.6	0.6	-0.0	(-6.3%)	Sales and income are expected to increase through sales expansion of medical devices, mainly artificial kidneys.
	2nd Half	23.2	25.0	+1.8	(+7.8%)	2.6	3.4	+0.8	(+32.5%)	
	Total	43.5	45.0	+1.5	(+3.4%)	3.2	4.0	+0.8	(+24.7%)	
Total	1st Half	678.8	746.2	+67.4	(+9.9%)	38.8	43.6	+4.7	(+12.2%)	
	2nd Half	748.7	803.8	+55.1	(+7.4%)	54.8	60.4	+5.6	(+10.3%)	
	Total	1,427.5	1,550.0	+122.5	(+8.6%)	93.6	104.0	+10.4	(+11.1%)	
Elimination & Corporate	1st Half					0.0	▲ 0.7	-0.7		
	2nd Half					▲ 0.6	0.7	+1.3		
	Total					▲ 0.6	0.0	+0.6		
Consolidated	1st Half	678.8	746.2	+67.4	(+9.9%)	38.8	42.9	+4.1	(+10.5%)	
	2nd Half	748.7	803.8	+55.1	(+7.4%)	54.2	61.1	+6.9	(+12.7%)	
	Total	1,427.5	1,550.0	+122.5	(+8.6%)	93.0	104.0	+11.0	(+11.8%)	

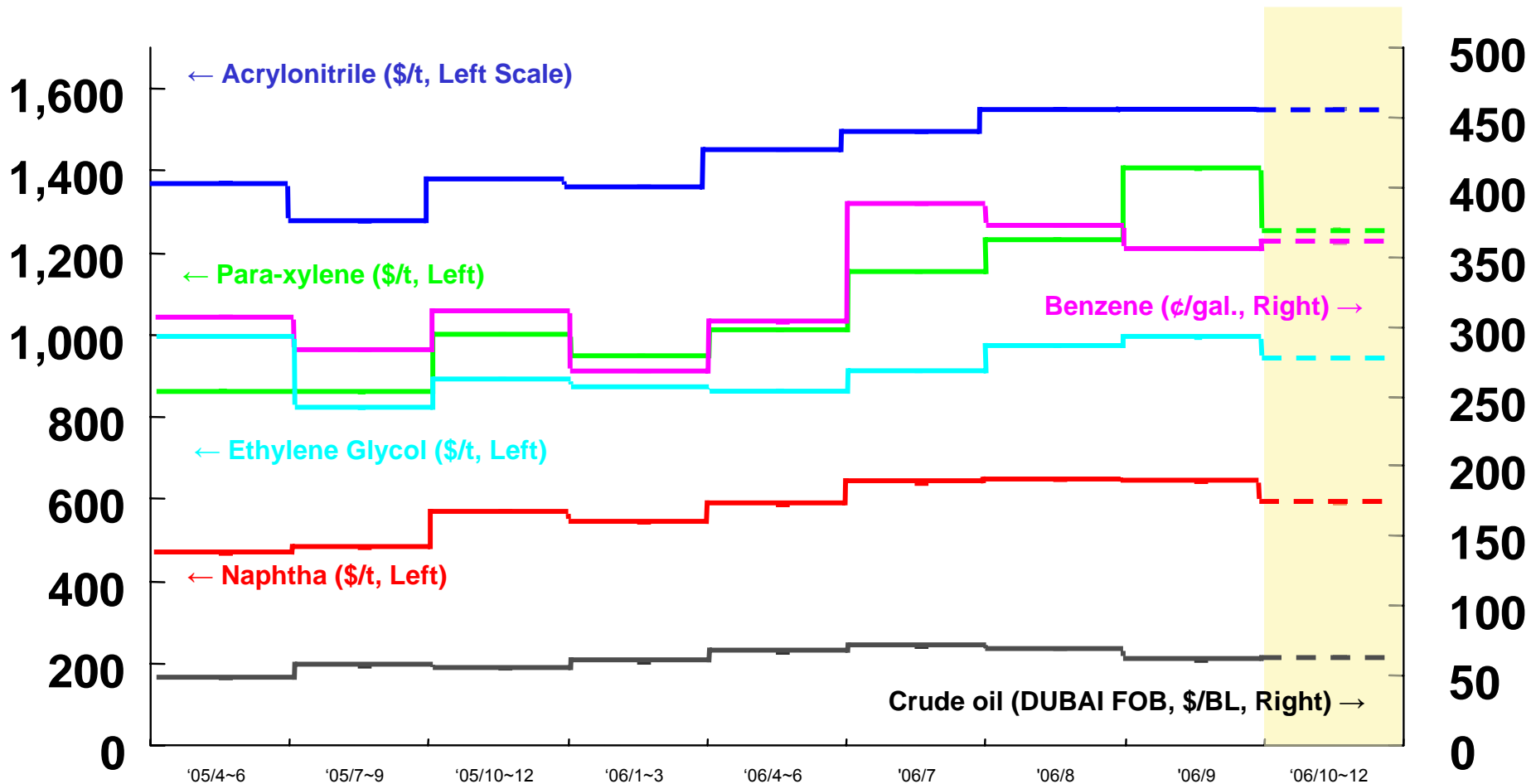
Interim Comparison of Operating Income by Business Segment

Billion ¥

Business Segment	Operating Income 1 st Half → 2 nd Half () variance	Business Environment	Action Plans for FY Mar/07
Fibers & Textiles	9.5 → 10.5 (+1.0)	- Concerns about further price rise of raw materials and fuels	- Additional promotion of price raise to offset the steep rise of raw materials and fuel prices and sales expansion of high value-added products
Plastics & Chemicals	8.7 → 10.8 (+2.1)	- Concerns about further price rise of raw materials and fuels - Concerns about price decrease of thin regular films due to capacity expansion in Asia - Stable demand for plastics mainly in automobiles and electric appliances	- Additional promotion of price raise to offset the steep rise of raw materials and fuel prices and sales expansion of high value-added products - Sales expansion of PET films which are made by a new line started from 1 st half in Malaysia
IT-related Products	14.5 → 20.5 (+6.0)	- Production adjustment of LCD panel is improving - Continuous strong pressure for price reduction - Stable semiconductor market	- Sales expansion of optical films whose machine conversion and production capacity increase finished in the 1 st half - Sales expansion of PDP-related and semiconductor-related materials
Carbon Fiber Composite Materials	8.8 → 8.7 (-0.1)	- Active demand continues in all applications - Expenses will increase for Ehime Plant new line planned to start operation in January 2007	- Steady start-up of new line in Ehime Plant
Environment & Engineering	0.1 → 4.9 (+4.8)	- Large orders for condominiums and constructions are received in the 2 nd half - Business of Suido Kiko is 2 nd half-centric business type	- Thorough management of ordered businesses - Continuous efforts in cost reduction and business expenses reduction
Life Science & Other Businesses	2.0 → 5.0 (+3.0)	- Pharmaceuticals and Medical Products Businesses are 2 nd Half-centric	- Steady sales expansion of existing pharmaceuticals - Expand sales of new type artificial kidney
Elimination & Corporate	▲ 0.7 → 0.7 (+1.4)		
Consolidated	42.9 → 61.1 (+18.2)		

Trends in Raw Materials Prices

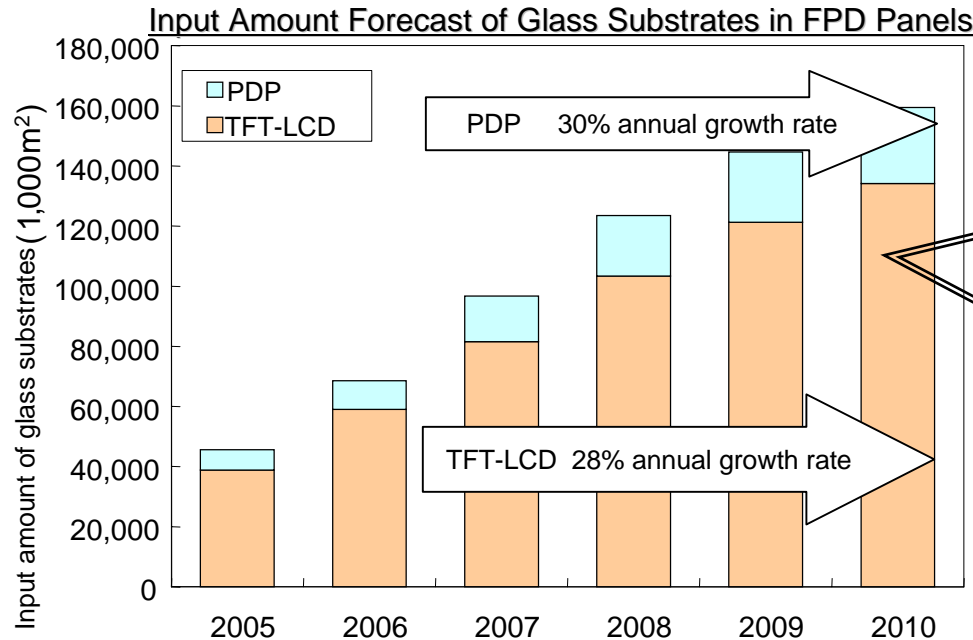
The trend of oil price is declining since August, though prices of major raw materials kept rising until September. While showing a slight down trend since October, the prices are estimated to remain at high levels.



Outlook for IT-related Products Businesses

Despite production adjustment of LCD panels in the 1st half of the current fiscal year, business expansion is expected in the full business year where display materials and electronic component, semiconductor, circuit materials will be growth drivers. Also over the mid-term, we plan to expand existing businesses through demand expansion of electronics devices including FDP panels, electronic components, semiconductors, and electronic circuits, as well as strengthening partnership with customers.

[Expansion of display materials, electronic components, semiconductors, circuit materials]



Demand expansion of FPD panels
+
Strengthening partnership with important customers
↓
Expansion of PDP-related materials, LCD-related materials, FPD-related equipment

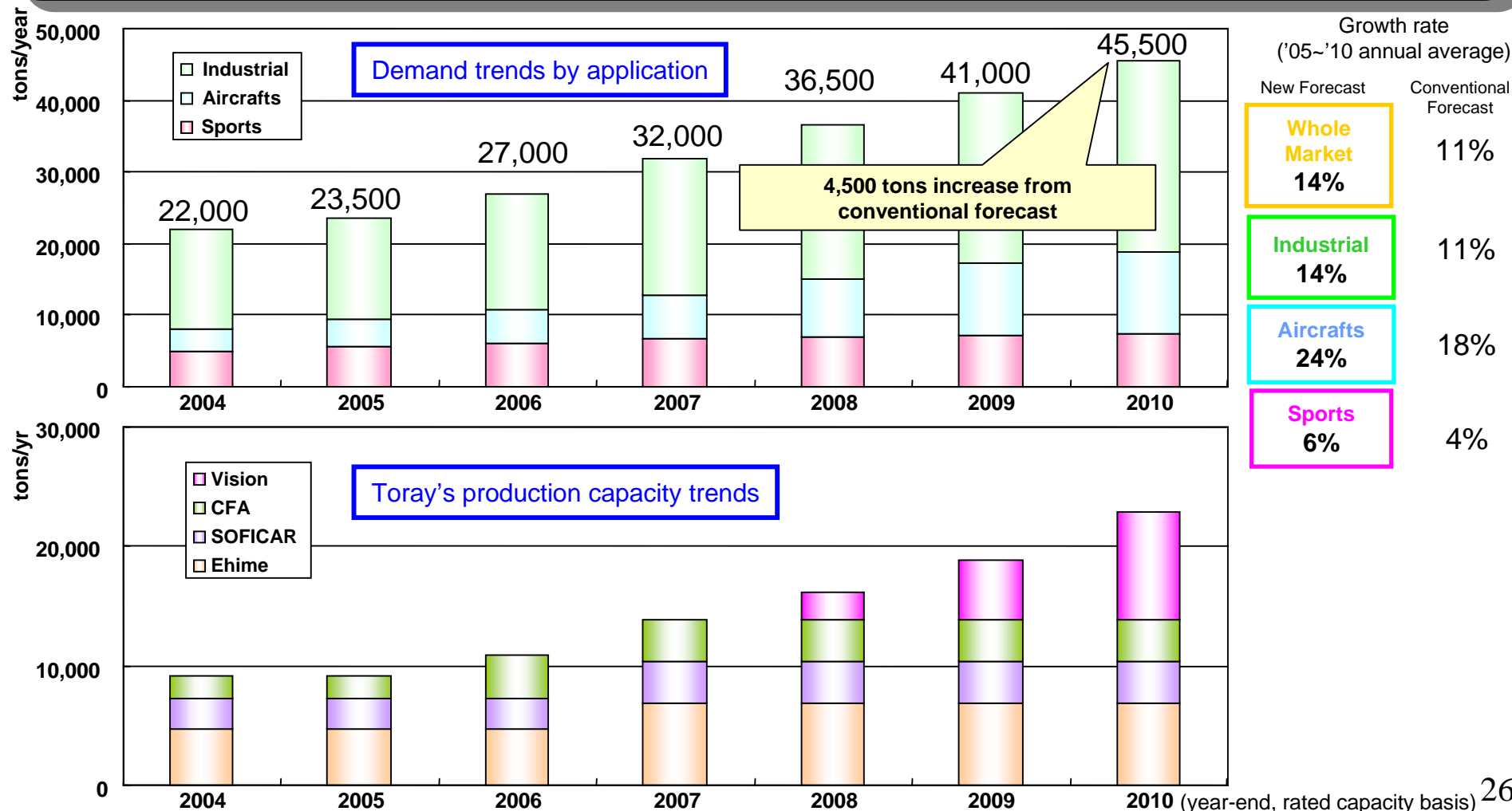
+
Electric components, semiconductors, circuit materials are estimated to expand in accordance with demand expansion and advent of more advanced PCs, cellular phones, digital appliances, etc.

[Expansion of new Advanced Materials Businesses (example of new advanced materials)]

- CMP polishing pads (superior in planarity and dramatic reduction of micro scratches of the wafer surface)
- High-density flexible circuit board (wiring density is 12 μm pitch which is the world top-level)
- Function-integrated film for LCD backlight unit (integrates functions of diffusers and beads sheets), others

Trends in Demand for Carbon Fibers by Application and Toray's Production Capacity

Demand for carbon fibers is expanding through further demand expansion in aircraft applications mainly for order increase of B787, alternative energy to oil-related applications (CNG tanks, windmill blades, etc.), demand increase in automobile applications, and drastic increase in bicycle applications, etc., and the annual growth rate of carbon fibers is expected to exceed conventional forecast. Toray will aggressively continue capital investment in response to the demand expansion and promote profit increase.



Forecast of Capital Expenditures, Depreciation, R&D Expenses

Capital Expenditures

Billion ¥

	FY Mar/06 Actual	FY Mar/07 Forecast	Changes
Toray	42.8	53.0	+10.2
Consolidated Subsidiaries	60.1	67.0	+6.9
Consolidated Basis	102.9	120.0	+17.1

R&D Expenses

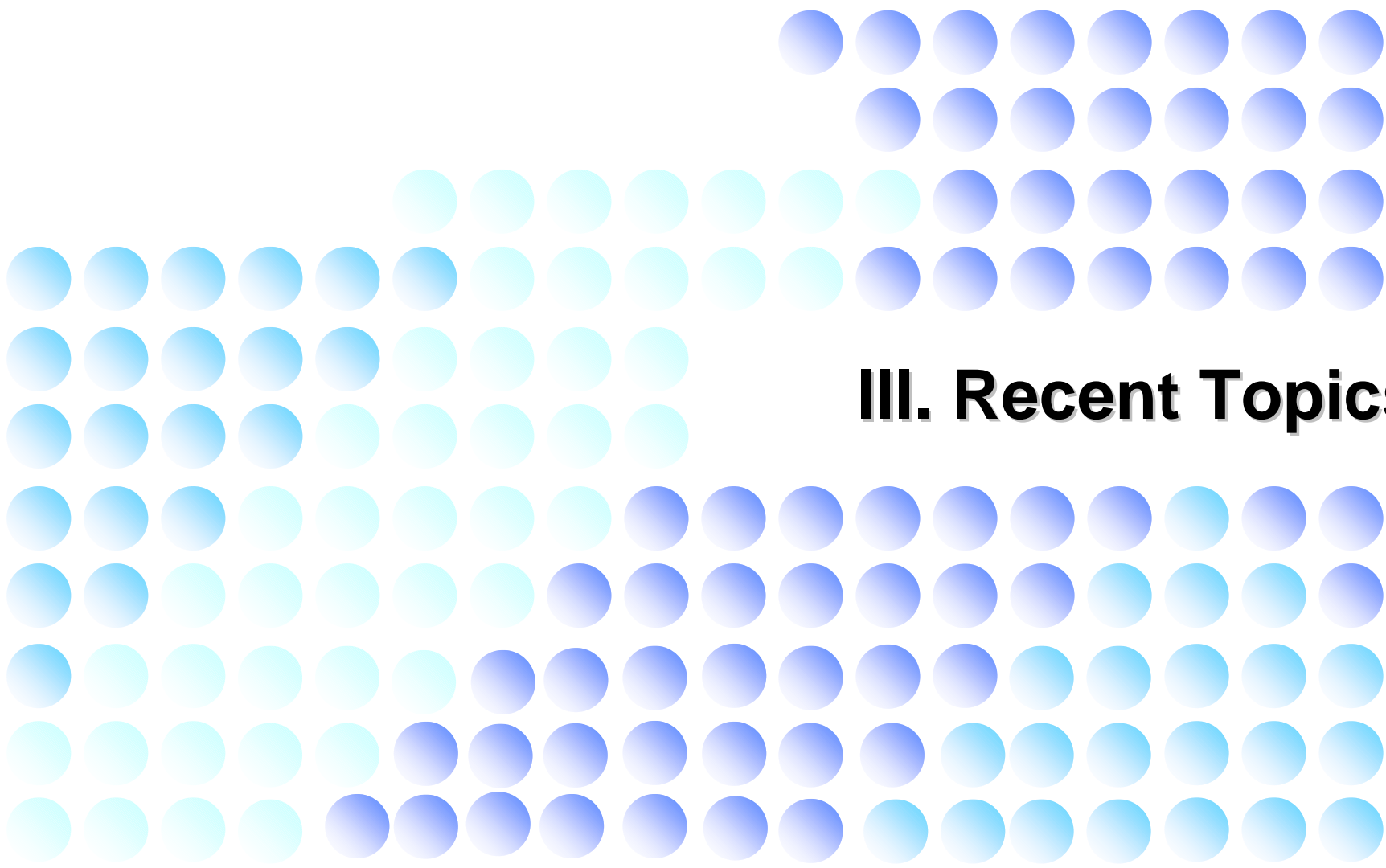
Billion ¥

	FY Mar/06 Actual	FY Mar/07 Forecast	Changes
Toray	32.6	34.0	+1.4
Consolidated Subsidiaries	7.1	8.0	+0.9
Consolidated Basis	39.7	42.0	+2.3

Depreciation

Billion ¥

	FY Mar/06 Actual	FY Mar/07 Forecast	Changes
Toray	26.1	32.0	+5.9
Consolidated Subsidiaries	36.7	42.0	+5.3
Consolidated Basis	62.9	74.0	+11.1



III. Recent Topics

Recent Topics (06/8~06/9)

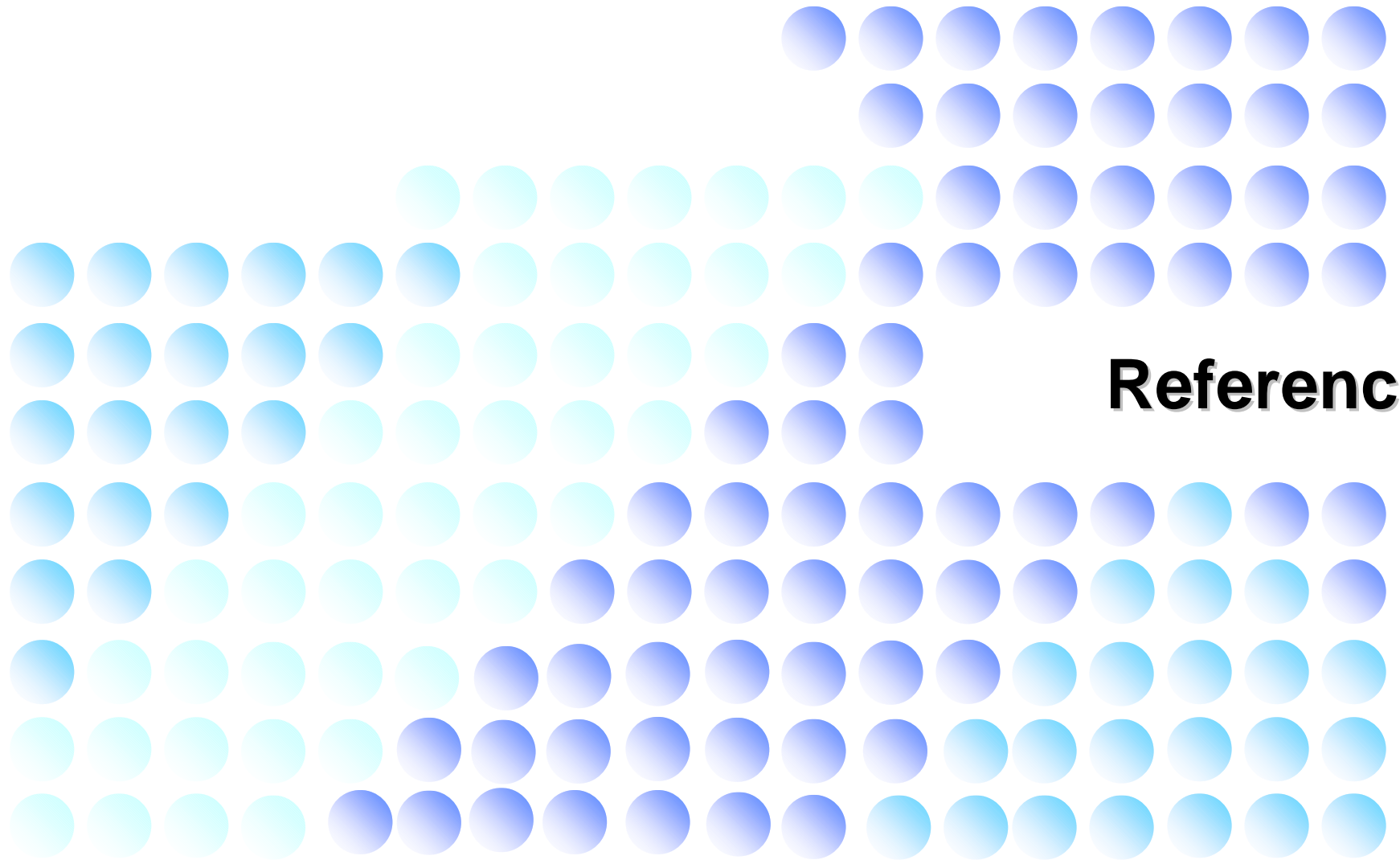
	Topics	NT-II Issues			
		Expanding Advanced Materials Businesses	Expanding Global No.1 Businesses	Expanding Businesses Outside Japan	Business Structure Reform, NVC
Aug	<p>Establish new company for high-functional polypropylene spunbond in China Decided to establish production and sales company of high-functional polypropylene spunbond and its processed products. Establish in the Nantong Economic & Technological Development Zone, Nantong Jiangsu in October 2006, the new company whose tentative name is Toray Polytech (Nantong) Co., Ltd. (TPN) is planned to start operation in February 2008 with production capacity of annual 18,000 tons.</p>			○	
Sep	<p>Concluded an agreement of co-development and commercialization of [TRK-820], antipruritus drug in hemodialysis patients Toray with Japan Tobacco, Torii Pharmaceuticals agreed with co-development and commercialization of [TRK-820] in Japan, an antipruritus drug in hemodialysis patients which is under co-development in Japan at Toray Pharmaceutical Research Laboratories.</p>	○			
Sep	<p>Developed function-integrated film for LCD backlight unit Developed first in the world an innovative optical PET film for liquid crystal display (LCD) backlight unit, combining multiple optical functions. This development integrates functions of multiple films including diffuser that diffuses the light from backlight unit over the entire display as well as light-collimating beads sheet and prism sheet into one film. Toray plans to commercialize this film starting from the end of this fiscal year as an advanced film material that contributes to reduce the weight and the number of parts of LCDs mainly for backlight units in large-size LCD televisions.</p>	○	○		
Sep	<p>Developed metal-free metallic film with easy moldability Developed first in the world a metal-free metallic film with easy moldability by utilizing Toray's unique nano-multilayer technologies and polymeric design technologies. This metallic film with easy moldability was realized through high-accuracy laminating of 800 or more layers of heterogeneous polymers. With its superior properties of heat resistance, chemical resistance, good printing capabilities, and surface nature, this new film has potential in development of wide range of various industrial applications especially for automobiles, home appliances, and building materials.</p>	○	○		

Recent Topics (06/10)

	Topics	NT-II Issues			
		Expanding Advanced Materials Businesses	Expanding Global No.1 Businesses	Expanding Businesses Outside Japan	Business Structure Reform, NVC
Oct	<p>Developed an environmental-conscious textile using Toray Foresse*, a cellulose fiber developed first in the world by utilizing melt spinning method</p> <p>Succeeded in the development of a textile with texture beyond existing cellulose fibers using Foresse*, a new cellulose-type fiber developed first in the world by utilizing melt spinning method. Foresse* is environmentally friendly as it is made of non-petrochemical origin, plant-based cellulose material and produced by melt spinning method which does not require organic solvents.</p>	○			
Oct	<p>Decided to start production of two-layer copper clad laminates film for high-density flexible printed circuit boards in Korea</p> <p>Decided to start production of substrate material for high-density flexible printed circuit boards in Korea. Toray Saehan Inc., one of our Korean subsidiaries, will build a new facility for manufacturing Metaloyal*, two-layer copper clad laminates film for high-density flexible printed circuit boards with total investment of 3 billion yen. The new facility with annual production capacity of 700,000m2 in standard COF's equipment is scheduled to start operation from October, 2007. Toray plans to triple the Group's sales of Metaloyal* to 18 billion yen by fiscal year 2011.</p>	○		○	
Oct	<p>Increase production facility of photosensitive paste materials for plasma display panels</p> <p>Decided to increase production facility of photosensitive paste materials for plasma display panels (PDP). In order to respond to the world's largest PDP production plant (presently under construction at Amagasaki, Hyogo Prefecture) of Matsushita PDP Company Ltd., a joint venture with Toray and Matsushita Electric Industrial Co., Toray will add a 205 tons/month production facility at its Shiga Plant (Otsu, Shiga Prefecture) and increase capacity from the current 2,700 tons/year (225 tons/month) to 5,160 tons/year (430 tons/month). First stage of operation is planned to start from July 2007 and full production in February 2008.</p>	○			
Oct	<p>Developed world's highest level of proteomics technology and discovered new cancer markers</p> <p>Resolved the unknown relevance of trace quantity of proteins in the blood with cancer through technological integration of Toray's proteomics technology which is world's highest level in detecting proteins in the blood and the advanced medical / analysis technologies developed by Kyoto University, Graduate School of Medicine. Furthermore, discovered a "urinary bladder cancer marker protein" first in the world from patient's urine which will be effective in early diagnosis for this cancer.</p>	○			

Recent Topics (06/10)

	Topics	NT-II Issues			
		Expanding Advanced Materials Businesses	Expanding Global No.1 Businesses	Expanding Businesses Outside Japan	Business Structure Reform, NVC
Oct	<p>Increase production capacity of high-performance plastics PPS resin and LCP resin</p> <p>Decided to increase production capacity of high-performance plastics Torelina*, polyphenylene sulfide (PPS) resin, and Siveras*, liquid crystal polyester (LCP) resin and started construction of facilities. Toray will increase a 2,500t/yr PPS resin polymerization facility at Tokai Plant (Tokai City, Aichi Prefecture) and a 1,000t/yr LCP resin polymerization facility at Ehime Plant (Masaki-cho, Ehime Prefecture). Total capital investment will be about 4 billion yen and the operation is planned to start from December 2007. With the capacity increase, total capacity of Toray PPS resin will expand to annual 11,500 tons and that of LCP resin will double to annual 2,000 tons.</p>	○			



Reference

Establish New Company for High-functional Polypropylene Spunbond in China

Decided to establish production and sales company of high-functional polypropylene (PP) spunbond and its processed products. Establish in the Nantong Economic & Technological Development Zone, Nantong Jiangsu in December 2006, the new company whose tentative name is Toray Polytech (Nantong) Co., Ltd. (TPN), is planned to start operation in February 2008 with production capacity of annual 18,000 tons.

Features

- Production with **most advanced machinery**
- Local production of **high-functional** PP spunbond to cover the insufficient Chinese domestic products
- Develop businesses in **Nantong district**, one of Toray's operating base in China

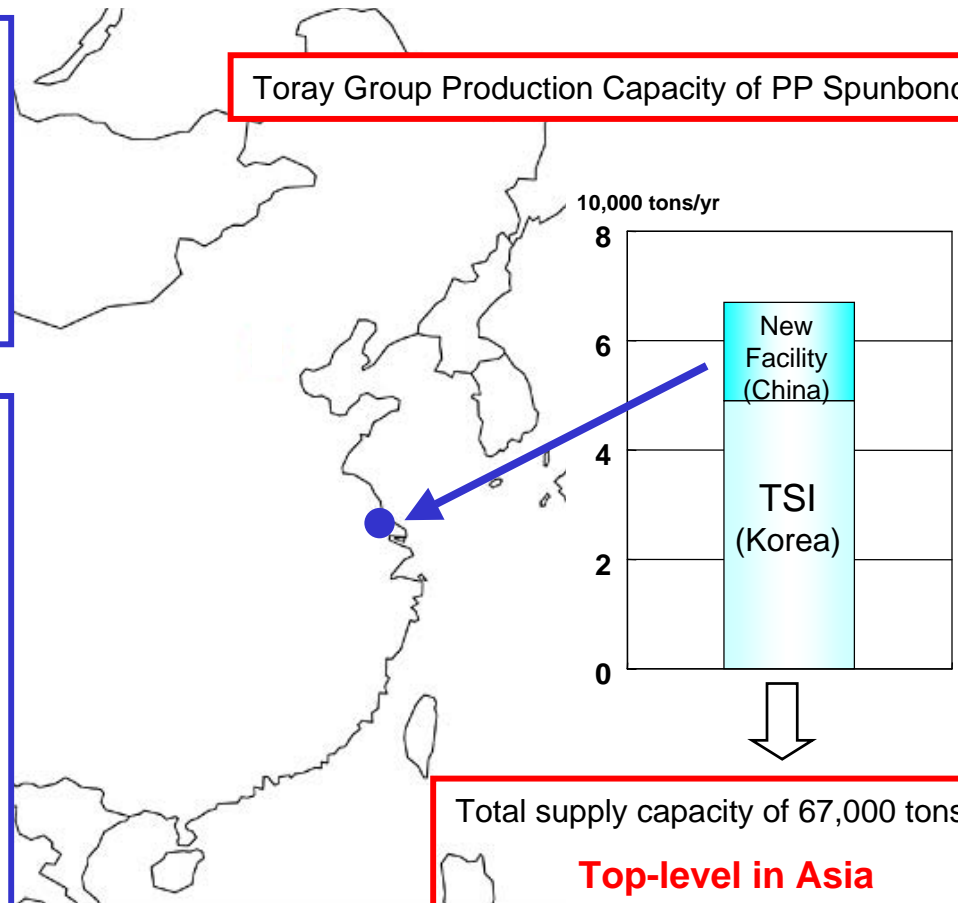
Applications

- **Sanitary articles** including disposable diapers, etc.



- **Medical** applications including surgical gowns, covering cloths, etc.
- Other applications for industrial, agricultural materials

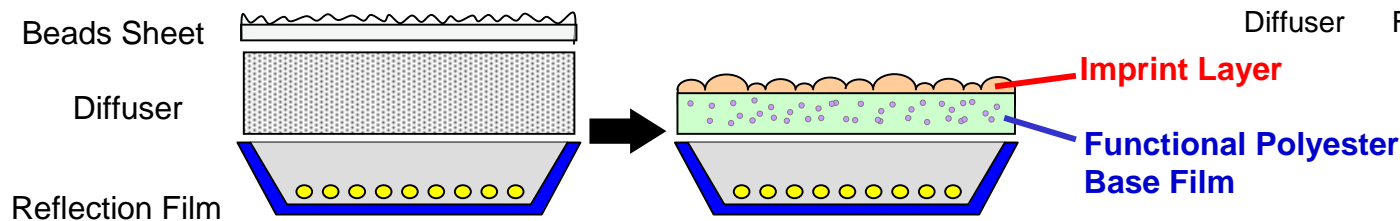
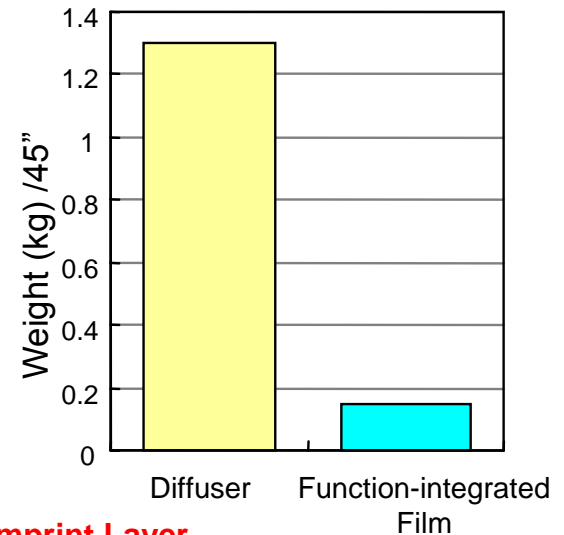
Toray Group Production Capacity of PP Spunbond



Developed Function-integrated Film for LCD Backlight Unit

Developed first in the world an innovative optical PET film for liquid crystal display (LCD) backlight unit, combining multiple optical functions. This development integrates functions of multiple films including diffuser that diffuses the light from backlight unit over the entire display as well as light-collimating beads sheet and prism sheet into one film. Toray plans to commercialize this film starting from the end of this fiscal year as an advanced film material that contributes to reduce the weight and the number of parts of LCDs mainly for backlight units in large-size LCD televisions.

	Diffuser + Beads Sheet (isotropic diffuseness)	Function-integrated Film (anisotropic diffuseness)
Brightness	△	○
Surface Uniformity	○	○
Thinness	×	○
Lightweight	×	○



Main target is backlight unit application for large-size LCD televisions.

Developed Metal-free Metallic Film with Easy Moldability

Developed first in the world a metal-free metallic film with easy moldability by utilizing Toray's unique nano-multilayer technologies and polymeric design technologies. This metallic film with easy moldability was realized through high-accuracy laminating of 800 or more layers of heterogeneous polymers. With its superior properties of heat resistance, chemical resistance, good printing capabilities, and surface nature, this new film has potential in development of wide range of various industrial applications especially for automobiles, home appliances, and building materials.

Issues of conventional metallic luster materials

- As conventional materials contain metal elements, they can hardly transmit electromagnetic waves
- Moldability is unsatisfactory
- Heavy metals are sometimes used in plating which is a typical decorating method

Characteristics of newly developed "metal-free metallic film with easy moldability"

- High-accuracy laminating of **several hundreds to several thousands layers** utilizing Toray's unique **nano-multilayer technologies**
- Interlayer-adhesiveness and **moldability** with the new polymer
- **Low environmental burden** metallic materials

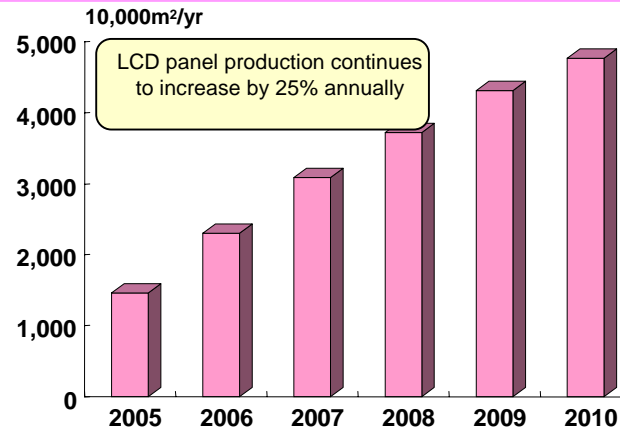


Application to **cellular phones, home appliances, and automobiles** will become possible with its **electromagnetic-wave transmissive, moldable, and low environmental burden properties.**

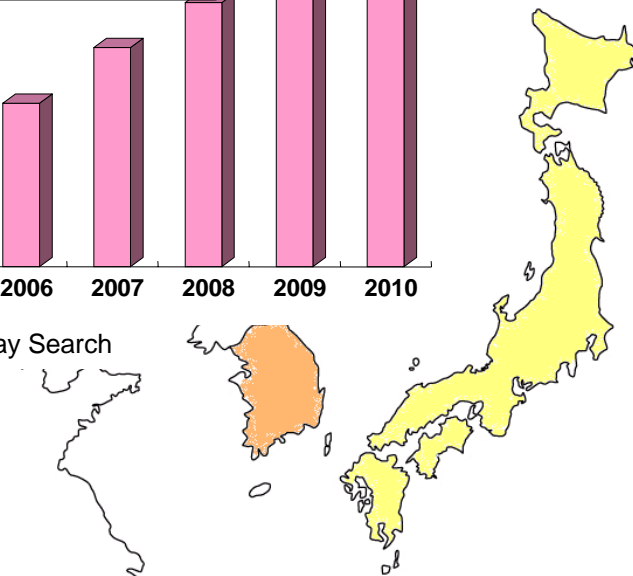
Decided to Start Production of Two-layer Copper Clad Laminates Film for High-density Flexible Printed Circuit Boards in Korea

Decided to start production of substrate material for high-density flexible printed circuit boards in Korea. Toray Saehan Inc., one of our Korean subsidiaries, will build a new facility for manufacturing Metaloyal*, two-layer copper clad laminates film for high-density flexible printed circuit boards with total investment of 3 billion yen. The new facility with annual production capacity of 700,000m² in standard COF's equipment is scheduled to start operation from October, 2007. Toray plans to triple the Group's sales of Metaloyal* to 18 billion yen by fiscal year 2011.

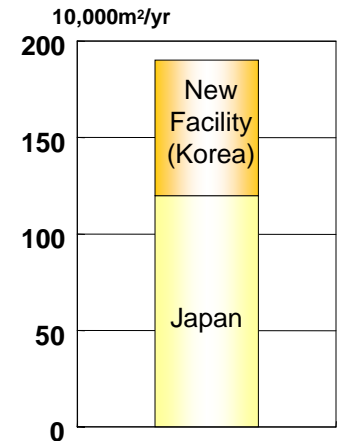
Input Amount of Glass Substrates in TFT LCD Production Lines Area in Korea



Ref.; Display Search



Production capacity of Metaloyal*



Production of **large-size LCD panels** is expanding in Korea

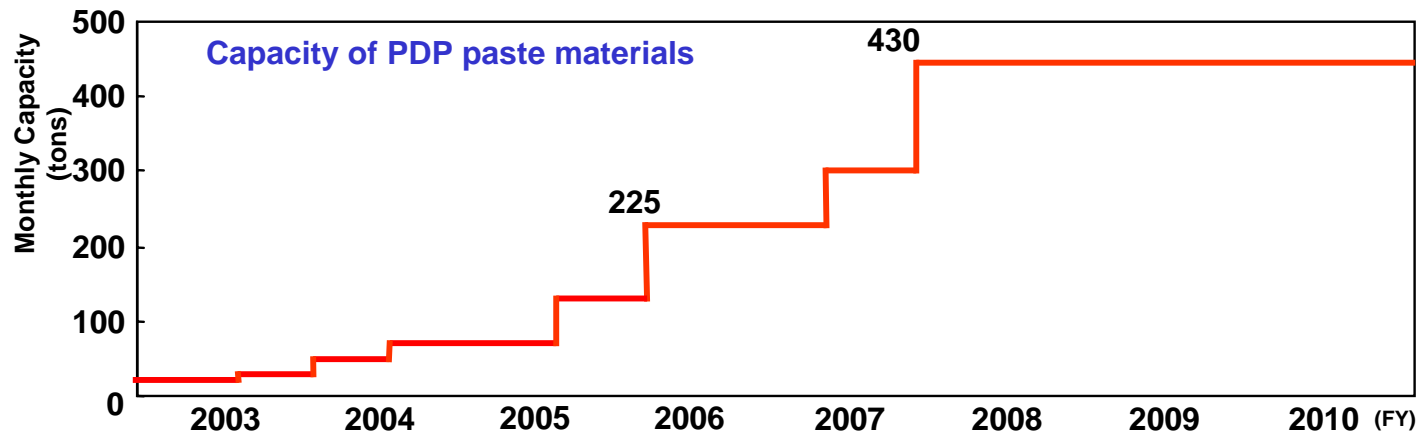
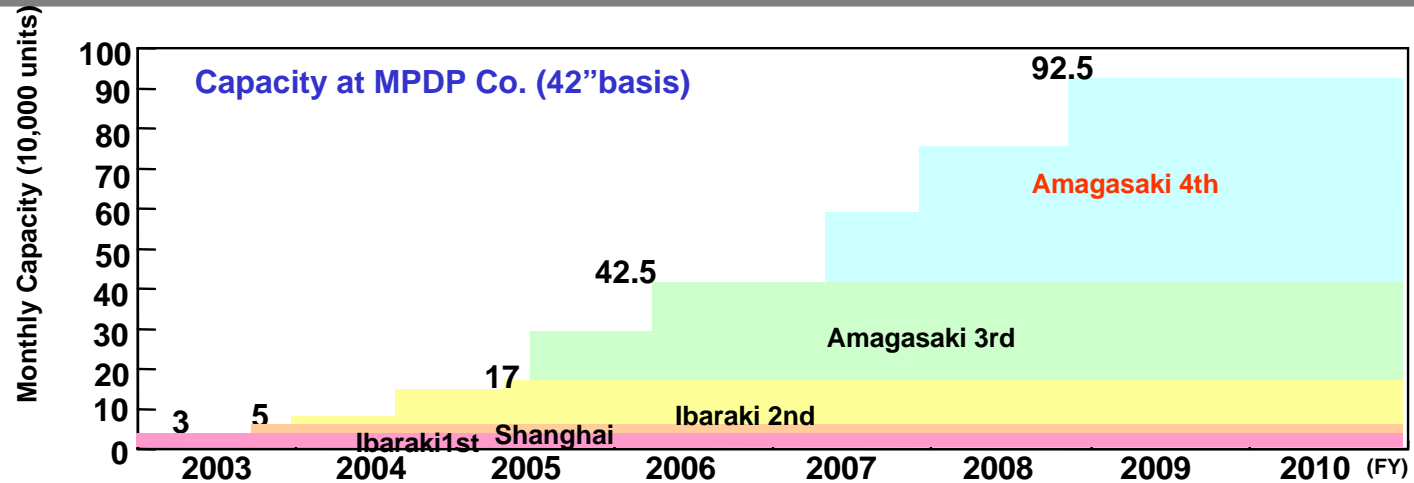
Demand for **two-layer copper clad laminates film** is increasing drastically in Korean market

Quick response to customers will become possible through **local production**

World market share of Metaloyal*
 Aim for **over 50%** in FY 2011 from that of **about 15%** in FY 2005

Increase Production Facility of Photosensitive Paste Materials for Plasma Display Panels

Decided to increase production facility of photosensitive paste materials for plasma display panels (PDP). In order to respond to the world's largest PDP production plant (presently under construction at Amagasaki, Hyogo Prefecture) of Matsushita PDP Company Ltd., a joint venture with Toray and Matsushita Electric Industrial Co., Toray will add a 205 tons/month production facility at its Shiga Plant (Otsu, Shiga Prefecture) and increase capacity from the current 2,700 tons/year (225 tons/month) to 5,160 tons/year (430 tons/month). First stage of operation is planned to start from July 2007 and full production in February 2008.



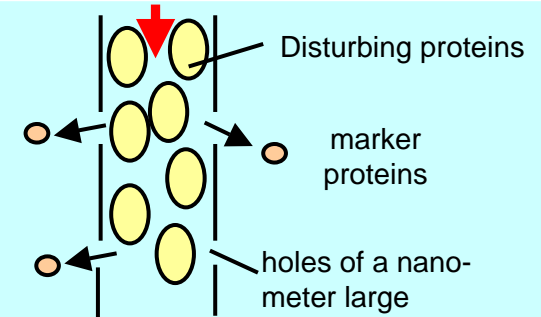
Developed World's Highest Level of Proteomics Technology and Discovered New Cancer Markers

Resolved the unknown relevance of trace quantity of proteins in the blood with cancer through technological integration of Toray's proteomics technology which is world's highest level in detecting proteins in the blood and the advanced medical / analysis technologies developed by Kyoto University, Graduate School of Medicine. Furthermore, discovered a "urinary bladder cancer marker protein" first in the world from patient's urine which will be effective in early diagnosis for this cancer.

Only 1% of protein in the blood could be **marker protein** which is the cause of disease or disease indicator

Separates disturbing proteins in short time and selectively collect **marker proteins** by using Toray's **protein separation device** utilizing **hollow-fiber membranes** with holes of **a few nano-meters large**

Remaining 99% are **disturbing elements in proteomic analysis**, and thus, development of the disturbing protein depletion technology from blood is a critical issue



- Discovered that more than **70 protein species** are **detected specifically to cancer** which the relationship with cancer were unknown up to now.
- Discovered first in the world the early state of **urinary bladder cancer could be distinguishable with more than 60% of probability** by examining proteins existing in the urine of urinary bladder cancer patients.

The highly sensitive, highly accurate **bio-tool** to measure these **marker proteins** is under development with which **examination / diagnosis of cancer** will become possible.

(research and development use planned to be completed in 2 years, and clinical practice in 5 years)

Increase Production Capacity of High-performance 'TORAY' Innovation by Chemistry

Plastics PPS Resin and LCP Resin

Decided to increase production capacity of high-performance plastics Torelina*, polyphenylene sulfide (PPS) resin, and Siveras*, liquid crystal polyester (LCP) resin and started construction of facilities. Toray will increase a 2,500t/yr PPS resin polymerization facility at Tokai Plant (Tokai City, Aichi Prefecture) and a 1,000t/yr LCP resin polymerization facility at Ehime Plant (Masaki-cho, Ehime Prefecture). Total capital investment will be about 4 billion yen and the operation is planned to start from December 2007. With the capacity increase, total capacity of Toray PPS resin will expand to annual 11,500 tons and that of LCP resin will double to annual 2,000 tons.

PPS Resin

World market demand: 40,000 tons
(market annual growth rate: 7%)

Major applications of Toray PPS resin

Resins: Electric / electronic components, automotive electric components

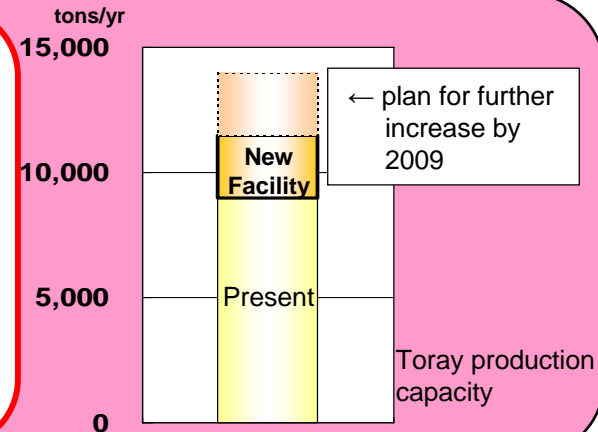
Films: Capacitor for cellular phones, high-performance films for FPDs

Fibers: Filters for thermal plants, binding fibers for motors, others



Features of Toray PPS businesses

Toray is a comprehensive PPS resin manufacturer covering not only resin compounding but also films and fibers



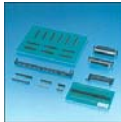
LCP Resin

World market demand: 20,000 tons
(market annual growth rate: 10%)

Major applications of Toray LCP resin

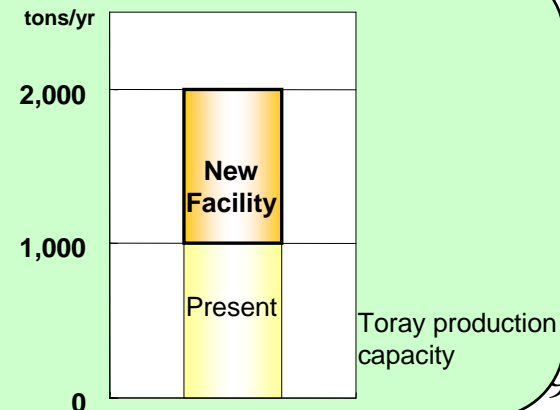
Electronic components: fine-pitch connectors, sensors, HDD components, CD pick-up parts, others

Automobile components: electric control parts, others



Features of Toray LCD businesses

Toray specializes in markets which require good flowability, a characteristic of Toray LCD resin, and keep high market share in fine-pitch connector market used in cellular phones, etc. where Toray is "niche top"



Descriptions of predicted business results, projections, and business plans for the 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.