

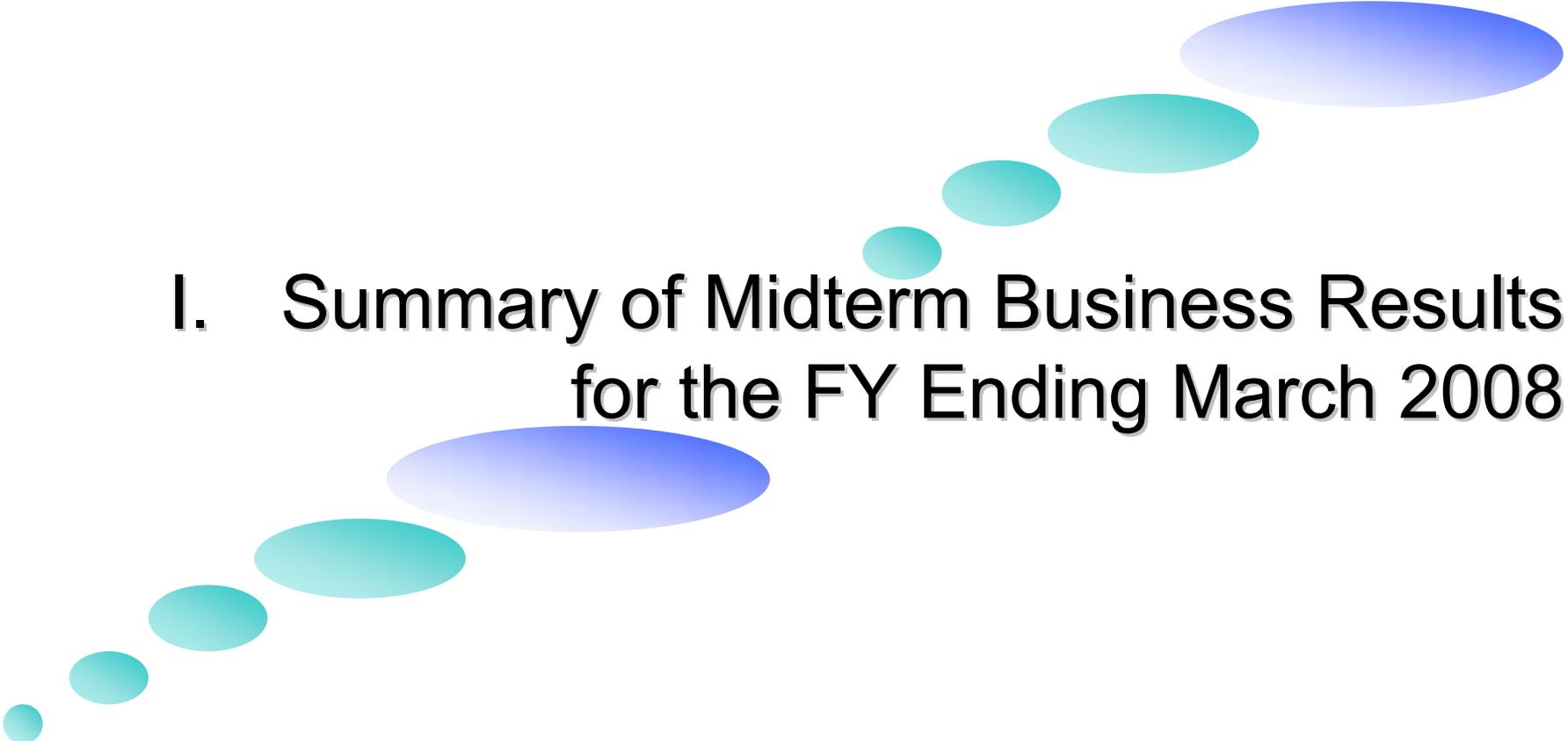
**November 9, 2007**



**Midterm Business Results for the  
Fiscal Year Ending March 2008 and  
Progress of Mid-term Business Strategies IT-2010**

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<b><u>I. Midterm Business Results for the Fiscal Year Ending March 2008 (Consolidated Basis)</u></b>	
Summary of Midterm Business Results for the FY Ending Mar/08	(P4)
Trends in Net Sales and Operating Income	(P5)
Non-operating Income and Expenses	(P6)
Special Credits and Charges	(P7)
Assets, Liabilities, Net Assets	(P8)
Capital Expenditures, Depreciation	(P9)
Results by Business Segment	(P10-18)
Comparison of Results with 1Q Forecast by Business Segment	(P19)
Income Variance Factor Analysis	(P20)
Results of Major Subsidiaries	(P21)
<b><u>II. Business Forecast for the Fiscal Year Ending March 2008 (Consolidated Basis)</u></b>	
Forecast Summary	(P23)
Forecast by Business Segment	(P24)
Comparison of Results with 2H Forecast by Business Segment	(P25)
Trends in Raw Material Prices	(P26)
Forecast of Capital Expenditures, Depreciation, and R&D Expenses	(P27)
<b><u>III. Progress of Mid-term Business Strategies IT-2010</u></b>	(P29-34)
<b>&lt;References&gt;</b> Recent Topics	(P36-40)



# I. Summary of Midterm Business Results for the FY Ending March 2008

# Summary of Midterm Business Results for the FY Ending Mar/08

Unit : Billion ¥

	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes	FYI: Before Revision of Depreciation Rules	
				FY Mar/08 Midterm	Changes
Net Sales	746.2	<b>802.3</b>	+56.1 (+7.5%)	<b>802.3</b>	+56.1 (+7.5%)
Cost of Sales	594.1	<b>642.7</b>	+48.7 (+8.2%)	<b>640.1</b>	+46.0 (+7.7%)
Gross Profit	152.1	<b>159.6</b>	+7.5 (+4.9%)	<b>162.2</b>	+10.1 (+6.6%)
(Gross Profit to Net Sales)	20.4%	<b>19.9%</b>	-0.5 points	<b>20.2%</b>	-0.2 points
Operating Income	42.9	<b>44.0</b>	+1.1 (+2.6%)	<b>46.7</b>	+3.8 (+8.8%)
(Operating Income to Net Sales)	5.7%	<b>5.5%</b>	-0.3 points	<b>5.8%</b>	+0.1 points
Non-operating Income and Expenses, net	▲ 2.4	▲ <b>2.2</b>	+0.2	▲ <b>2.0</b>	+0.4
Ordinary Income	40.5	<b>41.9</b>	+1.4 (+3.4%)	<b>44.6</b>	+4.1 (+10.2%)
Special Credits and Charges, net	▲ 11.1	▲ <b>3.0</b>	+8.1	▲ <b>3.0</b>	+8.1
Income before Income Taxes	29.4	<b>38.9</b>	+9.4 (+32.1%)	<b>41.6</b>	+12.2 (+41.5%)
Midterm Net Income	28.0	<b>23.0</b>	-5.1 (-18.0%)	<b>24.8</b>	-3.2 (-11.6%)

## Exchange Rate

< Yen/US\$>

Midterm 07/3 → Midterm 08/3

Midterm average: 115.4 → 119.3

End of the term: 117.9 → 115.4

< Yen/Euro>

Midterm 07/3 → Midterm 08/3

Midterm average: 146.0 → 162.3

End of the term: 149.8 → 163.4

## Oil Price

<US\$/B> (DUBAI FOB)

Midterm 07/3 → Midterm 08/3

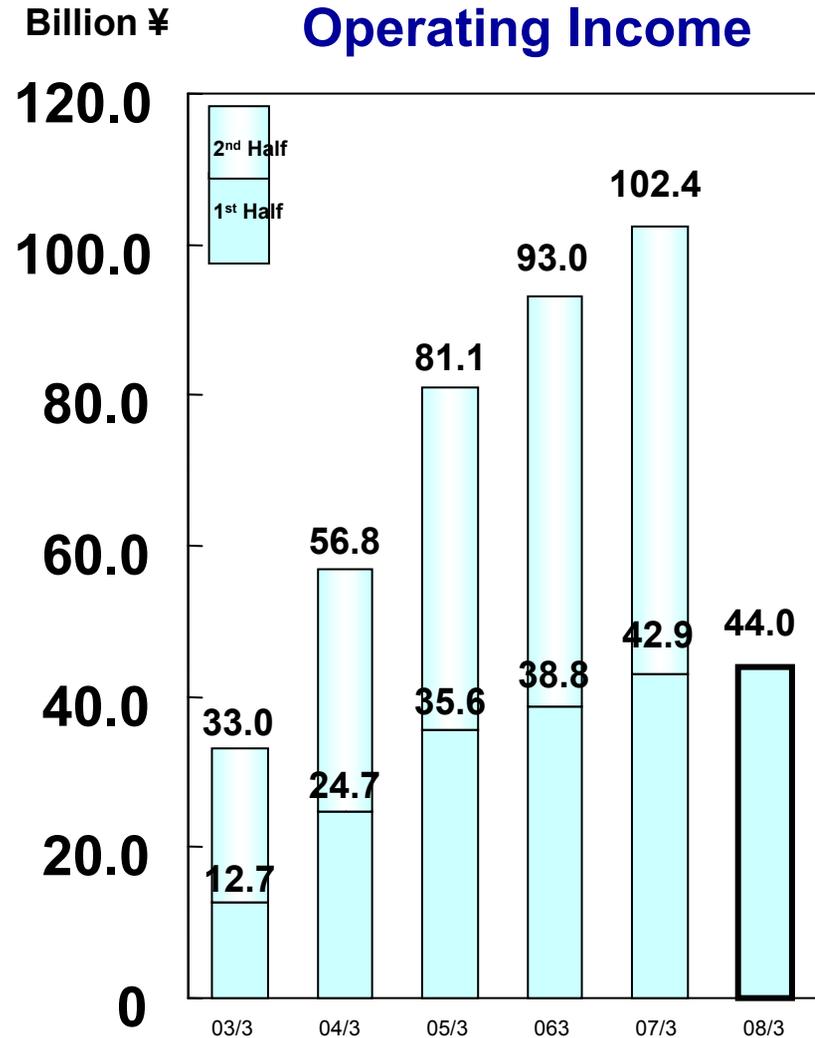
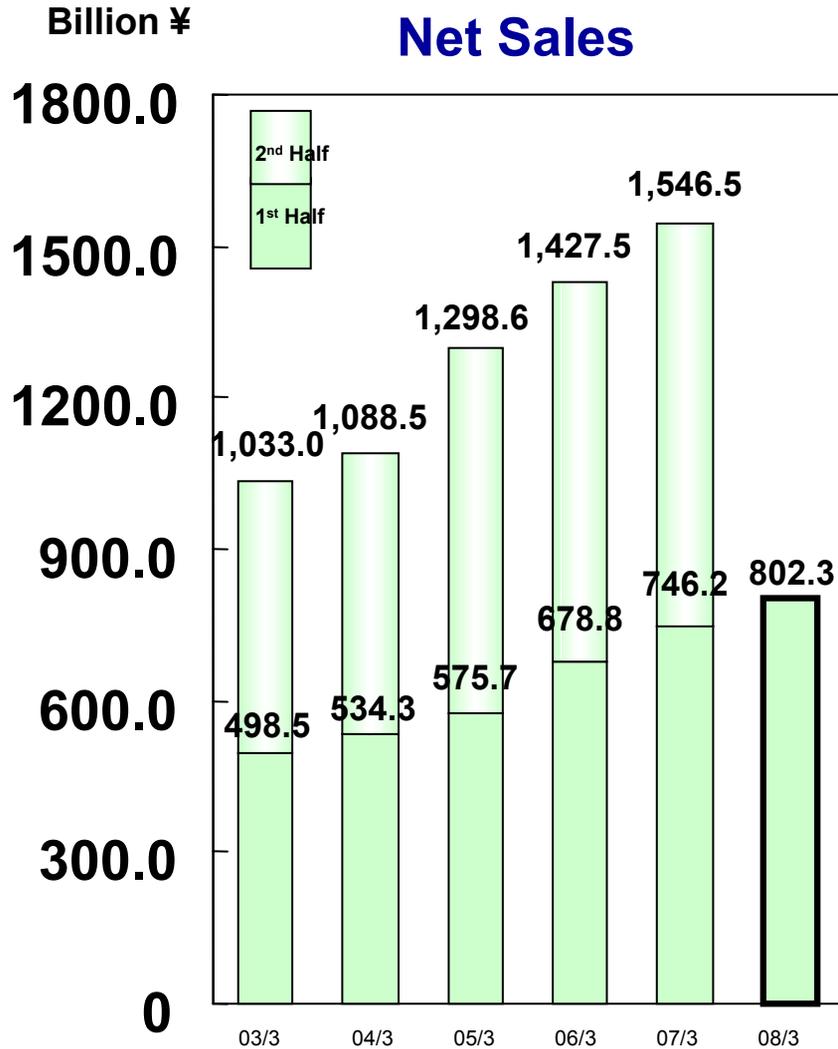
Midterm average: 65.4 → 67.4

Net Income per Share (Midterm)	20.03yen	<b>16.43yen</b>
Dividend per Share (Midterm)	5.0yen	<b>5.0yen</b>

	End of Mar/07	End of Sep/07	Changes
Total Assets	1,674.4	<b>1,711.4</b>	+37.0
Total Liabilities	1,024.8	<b>1,043.1</b>	+18.4
Total Net Assets	649.7	<b>668.2</b>	+18.6
Interest-bearing Debts	536.9	<b>593.9</b>	+57.0

\*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/07 Midterm	FY Mar/08 Midterm	Changes	Comments
Non-operating Income	8.8	<b>9.6</b>	+0.8	
Interest and Dividend Income	1.5	<b>2.2</b>	+0.6	
Equity in Earnings of Affiliates	4.0	<b>3.2</b>	-0.8	
Others	3.3	<b>4.3</b>	+1.0	
Non-operating Expenses	▲ 11.2	▲ <b>11.8</b>	-0.6	
Interest Expenses	▲ 4.5	▲ <b>5.4</b>	-1.0	Increase in Japanese and overseas interest rates, etc.
Others	▲ 6.7	▲ <b>6.3</b>	+0.4	
Non-operating Income and Expenses, net	▲ 2.4	▲ <b>2.2</b>	+0.2	
Interest and Dividend Income, Interest Expenses, net	▲ 2.9	▲ <b>3.3</b>	-0.4	
Other Income and Expenses, net	▲ 3.5	▲ <b>2.0</b>	+1.4	

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

# Special Credits and Charges

Billion ¥

	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes	Comments
Special Credits	6.4	<b>4.5</b>	-1.9	
Gain on Sales of Property, Plant and Equipment	0.6	<b>0.3</b>	-0.2	
Gain on Sales of Investment Securities	5.8	<b>1.8</b>	-4.1	
Others	-	<b>2.4</b>	+2.4	Reversal of loss on adjustment of employees' retirement benefits of an overseas subsidiary, etc.
Special Charges	<b>▲ 17.5</b>	<b>▲ 7.5</b>	+9.9	
Loss on Sales and Disposal of Property, Plant and Equipment	<b>▲ 1.6</b>	<b>▲ 1.8</b>	-0.2	
Loss on Impairment of Fixed Assets	<b>▲ 12.8</b>	<b>▲ 4.7</b>	+8.1	Loss on impairment of fixed assets of manufacturing facilities of LCD color filters, etc.
Loss on Write-down of Investment Securities	<b>▲ 0.1</b>	<b>▲ 0.0</b>	+0.1	
Loss on Liquidation and Devaluation of Subsidiaries and Affiliates	<b>▲ 1.4</b>	<b>▲ 0.0</b>	+1.4	
Restructuring Costs	<b>▲ 0.9</b>	<b>▲ 0.7</b>	+0.2	
Loss on Adjustment of Employees' Retirement Benefits of the U.K. Subsidiary	<b>▲ 0.6</b>	-	+0.6	
Others	<b>▲ 0.0</b>	<b>▲ 0.3</b>	-0.3	
Special Credits and Charges, net	<b>▲ 11.1</b>	<b>▲ 3.0</b>	+8.1	

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

# Assets, Liabilities, Net Assets

Billion ¥

	End of Mar/07	End of Sep/07	Changes	Comments
Total Assets	1,674.4	<b>1,711.4</b>	+37.0	
Current Assets	727.5	<b>725.4</b>	-2.1	
Tangible Assets	643.4	<b>670.1</b>	+26.7	Increase of capital expenditures, etc.
Intangible Assets	13.5	<b>15.5</b>	+2.0	
Investments and Other Assets	290.1	<b>300.4</b>	+10.3	

	End of Mar/07	End of Sep/07	Changes	Comments
Total Liabilities	1,024.8	<b>1,043.1</b>	+18.4	
Current Liabilities	541.0	<b>547.4</b>	+6.4	
Other Liabilities	483.8	<b>495.8</b>	+12.0	Increase of long-term debt, etc.
Total Net Assets	649.7	<b>668.2</b>	+18.6	
Interest-bearing Debts	536.9	<b>593.9</b>	+57.0	Increase of capital expenditures, etc.
D/E ratio*	0.91	<b>0.97</b>	+0.06	

\* Interest-bearing Debts / Shareholders' Equity

(Shareholders' Equity = Total Net Assets – Minority Interests in Consolidated Subsidiaries)

# Capital Expenditures, Depreciation

Billion ¥

	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes	Comments
Capital Expenditures	51.4	<b>61.8</b>	+10.4	Toray : 19.5, Japan : 5.7, Overseas : 36.6
Depreciation -)	33.4	<b>42.4</b>	+9.0	Toray : 19.3, Japan : 5.4, Overseas : 17.7
Transfer, Disposal, etc.	▲ 9.3	<b>7.3</b>	+16.6	
Changes in Tangible Assets	8.7	<b>26.7</b>		

## Major Capital Expenditures :

### <Japan>

Toray : Carbon fiber production facilities

Operation will start in Jan/08

### <Overseas>

TSI : Film processing facilities (Korea)

Operation will start in Nov/07

SOFICAR : Carbon fiber production facilities (France)

Operation started in Aug/07

CFA : Carbon fiber production facilities (US)

Operation will start in Dec/08

TPM : ABS resin production facilities (Malaysia)

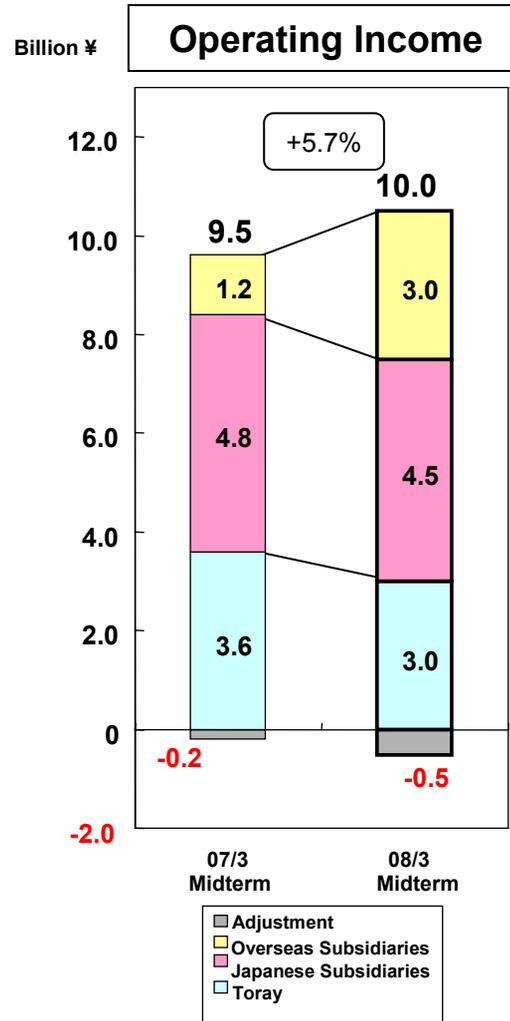
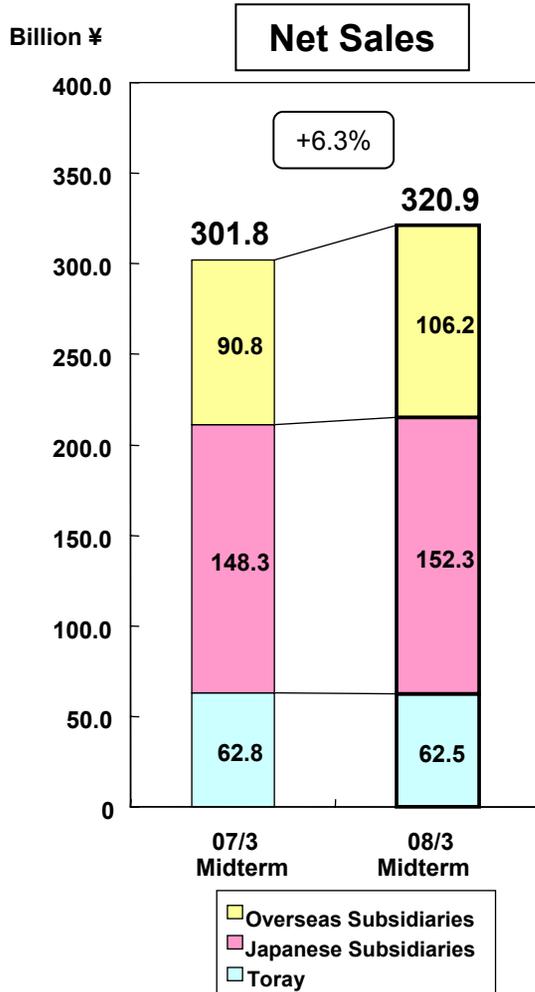
Operation will start in Mar/08

# Results by Business Segment

Unit : Billion ¥

	Net Sales				Operating Income				FYI : Before Revision of Depreciation Rules Operating Income				FYI: Effect of Revision of Depreciation Rules
	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes		FY Mar/07 Midterm	FY Mar/08 Midterm	Changes		FY Mar/07 Midterm	FY Mar/08 Midterm	Changes		FY Mar/08 Midterm
Fibers & Textiles	301.8	<b>320.9</b>	+19.1	(+6.3%)	9.5	<b>10.0</b>	+0.5	(+5.7%)	9.5	<b>11.0</b>	+1.6	(+16.6%)	-1.0
Plastics & Chemicals	184.6	<b>199.4</b>	+14.8	(+8.0%)	8.7	<b>9.0</b>	+0.3	(+3.4%)	8.7	<b>9.6</b>	+1.0	(+11.3%)	-0.7
IT-related Products	127.8	<b>138.7</b>	+11.0	(+8.6%)	14.5	<b>12.8</b>	-1.7	(-12.0%)	14.5	<b>13.3</b>	-1.2	(-8.3%)	-0.5
Carbon Fiber Composite Materials	31.9	<b>39.9</b>	+8.0	(+25.0%)	8.8	<b>8.2</b>	-0.7	(-7.6%)	8.8	<b>8.4</b>	-0.5	(-5.4%)	-0.2
Environment & Engineering	67.8	<b>71.1</b>	+3.3	(+4.9%)	0.1	<b>2.5</b>	+2.3	(+2,034.8%)	0.1	<b>2.5</b>	+2.4	(+2,062.6%)	-0.0
Life Science & Other Businesses	32.3	<b>32.3</b>	-0.0	(-0.1%)	2.0	<b>2.4</b>	+0.5	(+24.6%)	2.0	<b>2.6</b>	+0.6	(+32.2%)	-0.2
(Pharmaceuticals & Medical Products Included)	20.0	<b>22.4</b>	+2.4	(+11.8%)	0.6	<b>0.8</b>	+0.2	(+37.9%)	0.6	<b>1.0</b>	+0.3	(+56.7%)	-0.1
Total	746.2	<b>802.3</b>	+56.1	(+7.5%)	43.6	<b>44.8</b>	+1.2	(+2.8%)	43.6	<b>47.4</b>	+3.9	(+8.9%)	-2.6
Elimination & Corporate					▲ 0.7	▲ 0.8	-0.1		▲ 0.7	▲ 0.8	-0.1		
Consolidated	746.2	<b>802.3</b>	+56.1	(+7.5%)	42.9	<b>44.0</b>	+1.1	(+2.6%)	42.9	<b>46.7</b>	+3.8	(+8.8%)	-2.6

# Results by Business Segment (Fibers & Textiles)



## Comments

### Toray

Though nylon fiber performed strongly in particular for ground fabric of air bags, total sales were almost the same level year-on-year due to partial transfer of commercial right of industrial use to a subsidiary. Income decreased due to the increase of fixed costs stemming from the effect of revision of depreciation rules, etc.

### Japanese Subsidiaries

Sales increased through robust exports of fiber and textiles at trading subsidiaries, however, income decreased due to increase in costs at a trading subsidiary.

### Overseas Subsidiaries

Sales and income increased through improvement of income at subsidiaries in China, Korea, Italy, and Indonesia.

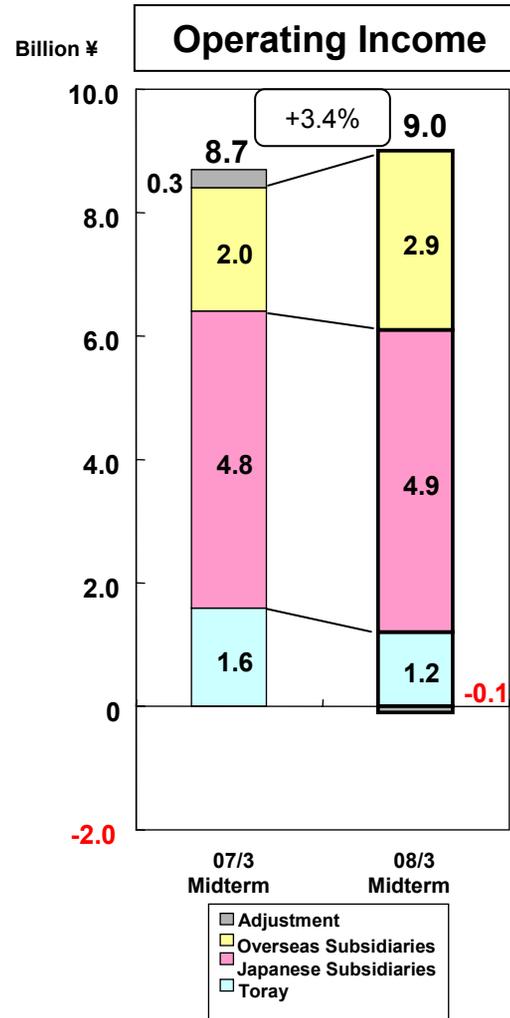
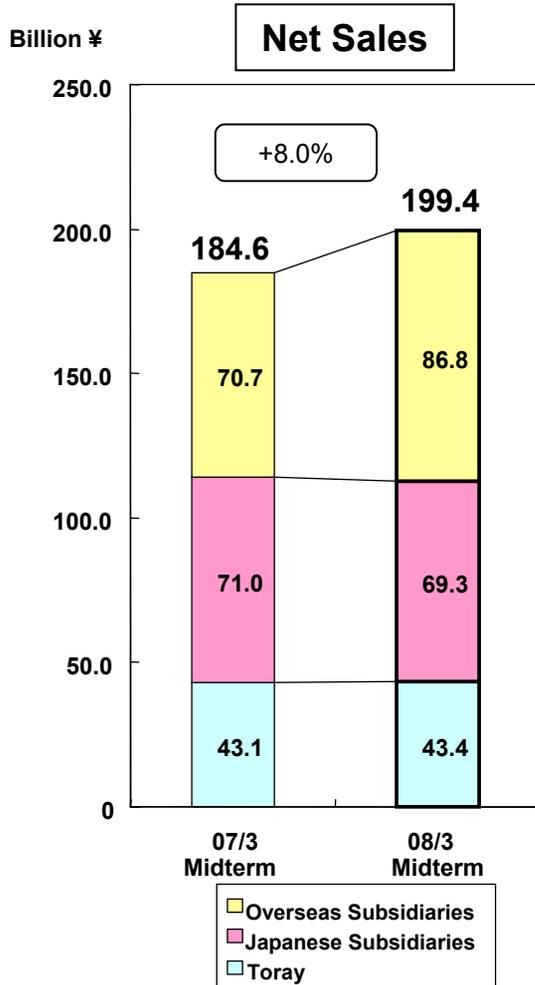
### <Major Subsidiaries >

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

Plastic resins business mainly in automobiles and home appliances were steady. While in films business, conventional-type films were transferred to an overseas subsidiary. In total, sales were almost the same level year-on-year. Income decreased due to the effect of revision of depreciation rules, etc.

### Japanese Subsidiaries

Sales decreased at a trading subsidiary. However, income increased due to steady business at chemical-related subsidiaries.

### Overseas Subsidiaries

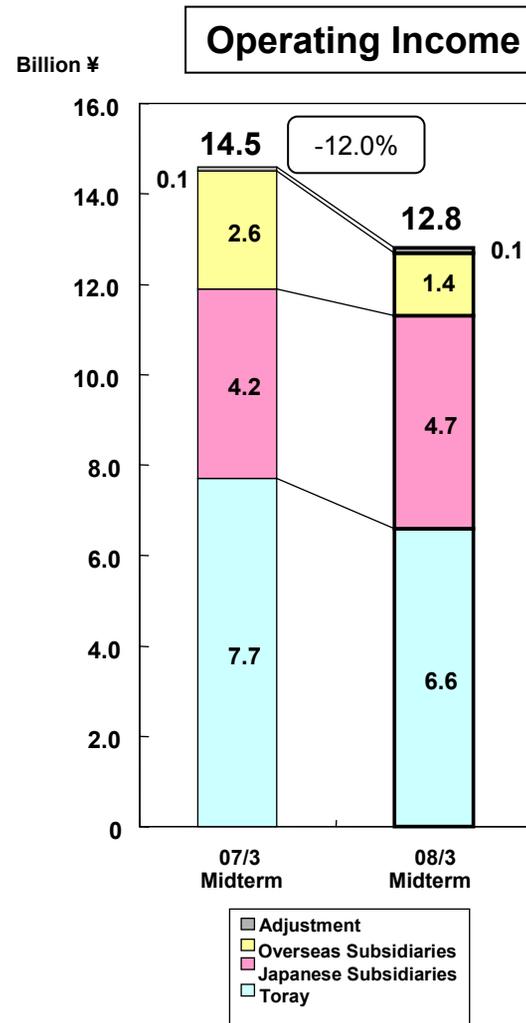
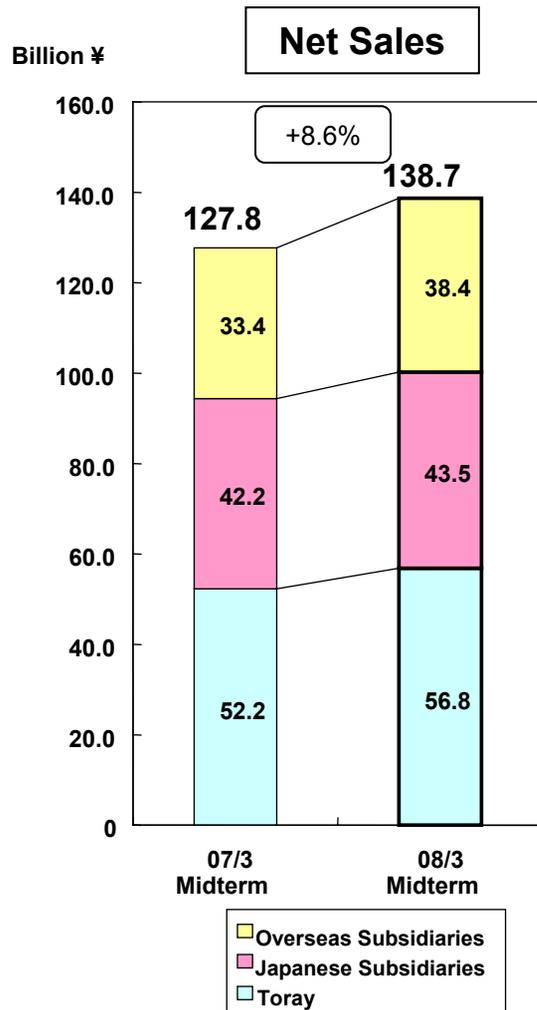
Sales and income increased through sales expansion at plastic resins subsidiaries in China and Malaysia, and sales increase of high value-added products at films subsidiary in US.

### <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

Despite steady businesses in FPD-related films, electronic components-related films, and semiconductor coating materials, total sales increased but income decreased due to price decline of color filters resulting from tough competition in the medium/small size LCD market, sluggish circuit materials and the effect of revision of depreciation rules, etc.

### Japanese Subsidiaries

Sales and income increased through sales growth of LCD slit coaters, etc. at IT-related equipment subsidiary.

### Overseas Subsidiaries

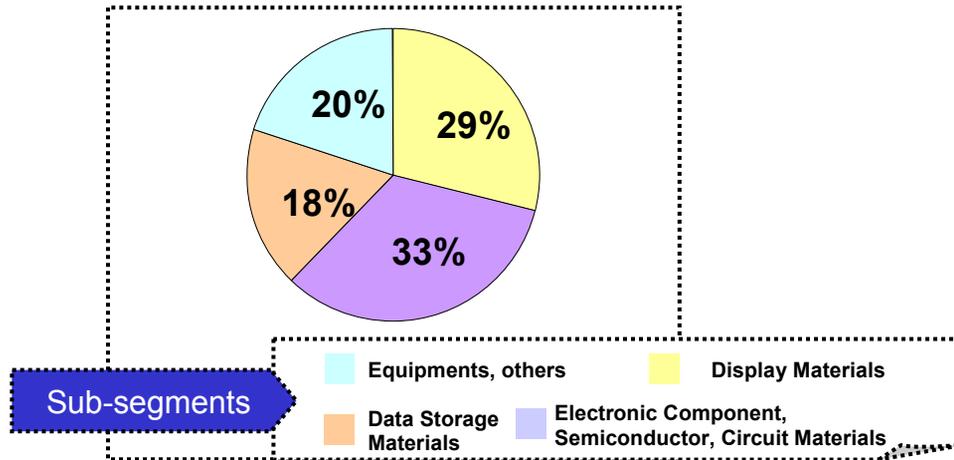
Sales increased through sales expansion of PET films and processed PET films products at Korean subsidiary. However, income decreased due to sluggish circuit materials for FPC and the effect of price decline of TAB, COF tapes at Korean subsidiaries.

### <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 1<sup>st</sup> Half FY Mar/08】



\* above figures are rounded to unit

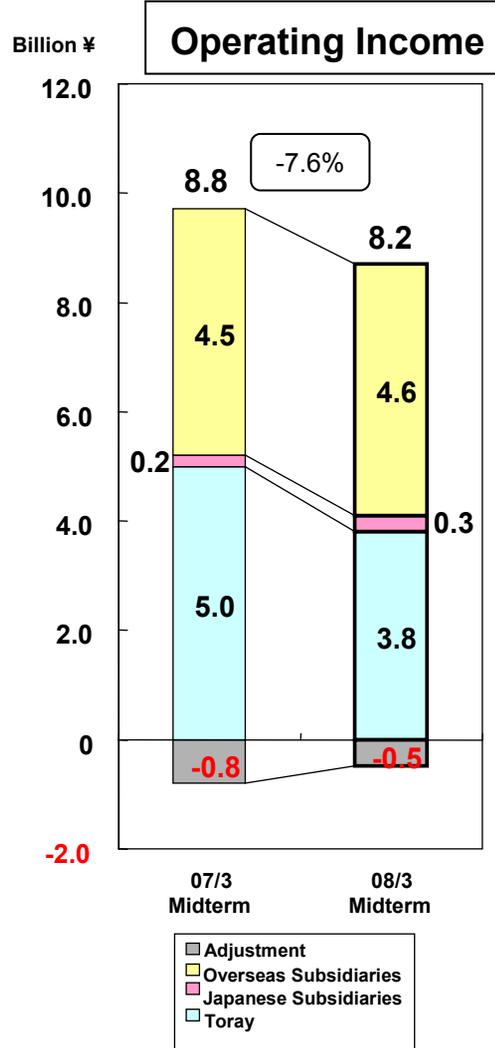
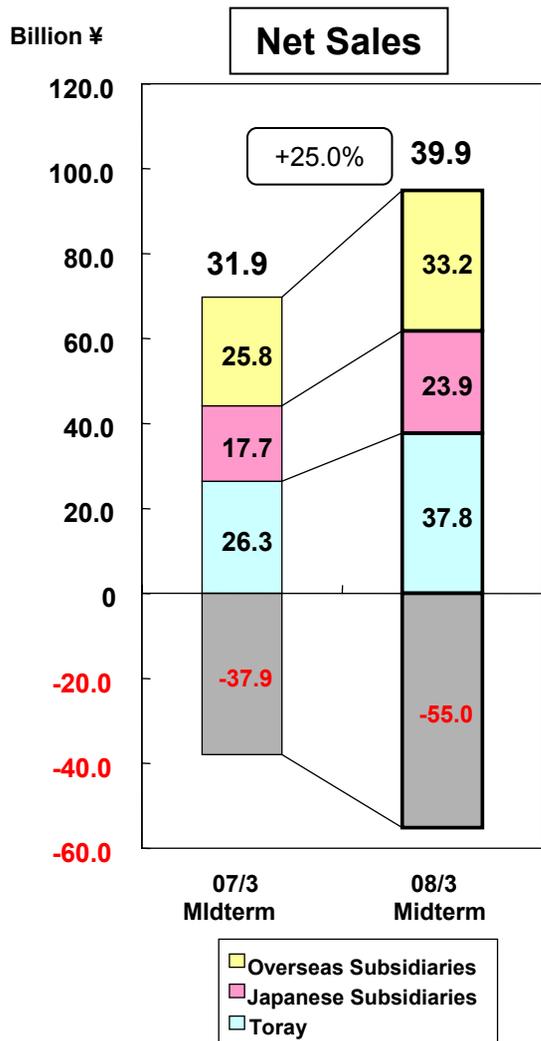
Sub-segments	Products
Display Materials	Optical films, processed optical films, PDP paste materials, color filters, paste materials for color filters, chemicals materials, OLED materials, etc.
Electronic Component, Semiconductor, Circuit Materials	Films for electronic components / circuit materials, 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

【Sales trends by sub-

Unit : Billion ¥

	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes
Display Materials	34.1	39.9	+17%
Electronic Component, Semiconductor, Circuit Materials	41.1	46.4	+13%
Data Storage Materials	26.0	24.6	-5%
Equipments, others	26.6	27.9	+5%
<b>Total of IT-related Products Segment</b>	<b>127.8</b>	<b>138.7</b>	<b>+9%</b>

# Results by Business Segment (Carbon Fiber Composite Materials)



## Comments

### Toray

Sales increased through strong businesses in aircraft, sports, and industrial applications. However, income decreased due to the increase of depreciation cost accompanying the facility at Ehime Plant which started operation in January 2007, etc.

### Japanese Subsidiaries

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

### Overseas Subsidiaries

Despite the increase in start-up cost at US subsidiary accompanying full-size shipment of materials for B787, total sales and income increased through steady businesses in aircraft and industrial applications in both Europe and US.

### <Major Subsidiaries>

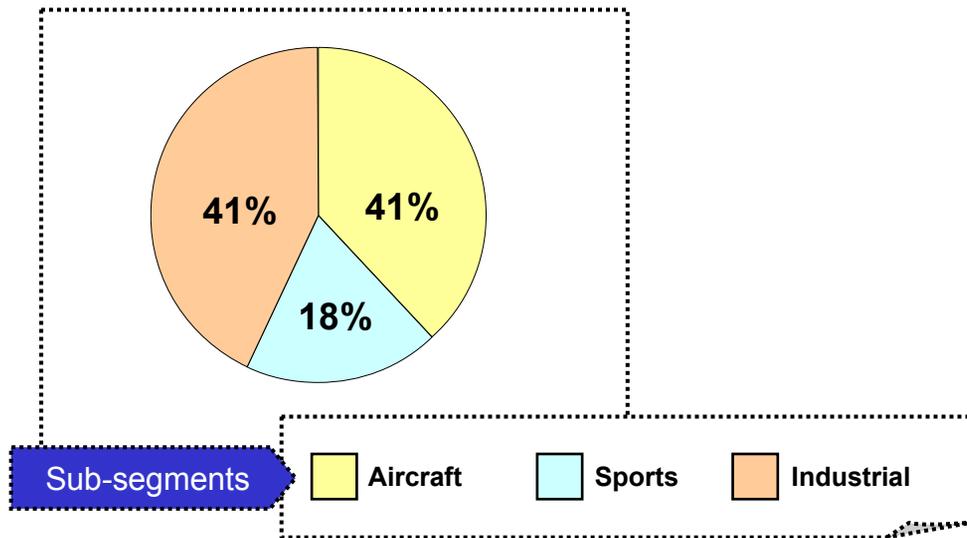
Japan : Toray International, Inc.

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.

# Details of the Sales of Carbon Fiber Composite Materials Segment

【Sales ratio by sub-segment in 1<sup>st</sup> Half FY Mar/08】



Sub-segments	Applications
Aircraft	Commercial Aircraft Satellites, etc.
Sports	Golf Shafts Fishing Rods Bicycles Tennis Rackets, etc.
Industrial	Pressure Vessels / Tanks Automobiles Boats Windmills PC Chassis Civil Engineering / Construction-related applications, etc.

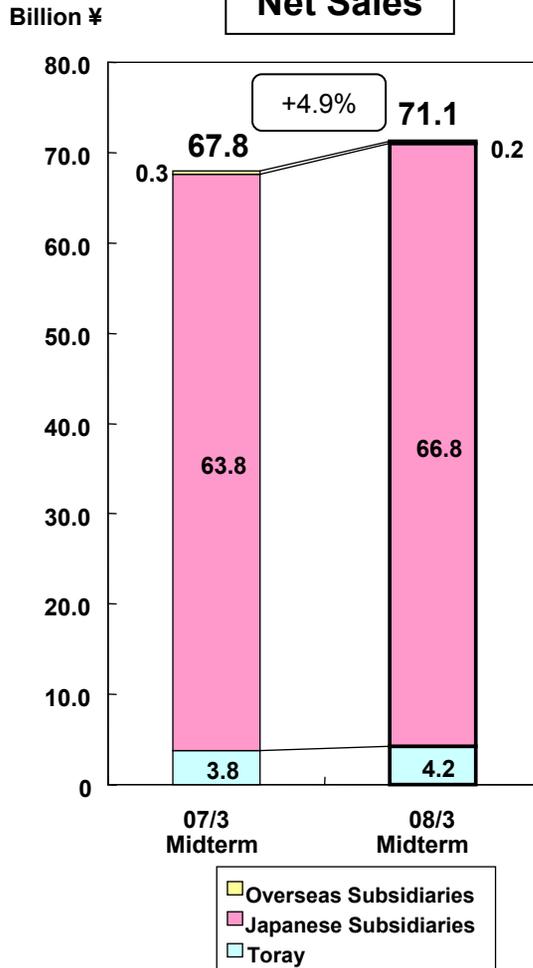
【Sales trends by sub-

Unit : Billion ¥

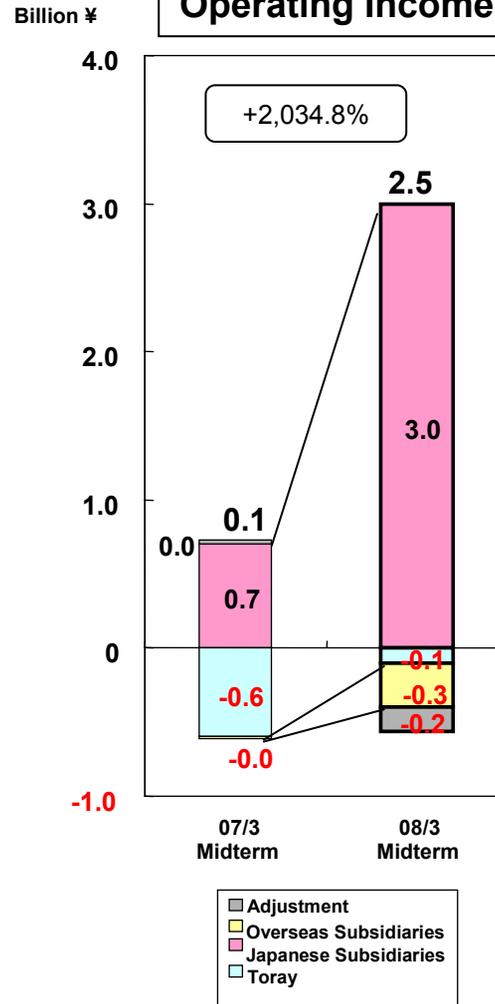
	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes
Aircraft	9.7	16.3	+67%
Sports	6.7	7.3	+9%
Industrial	15.4	16.3	+5%
<b>Total of Carbon Fiber Composite Materials Segment</b>	<b>31.9</b>	<b>39.9</b>	<b>+25%</b>

# Results by Business Segment (Environment & Engineering)

## Net Sales



## Operating Income



## Comments

### Toray

Sales increased and income improved due to sales increase through export of RO membranes.

### Japanese Subsidiaries

Sales and income increased through sales expansion of industrial equipment at engineering subsidiary as well as advancement in corporate-structure reinforcement at building material-related subsidiary and water treatment engineering subsidiary.

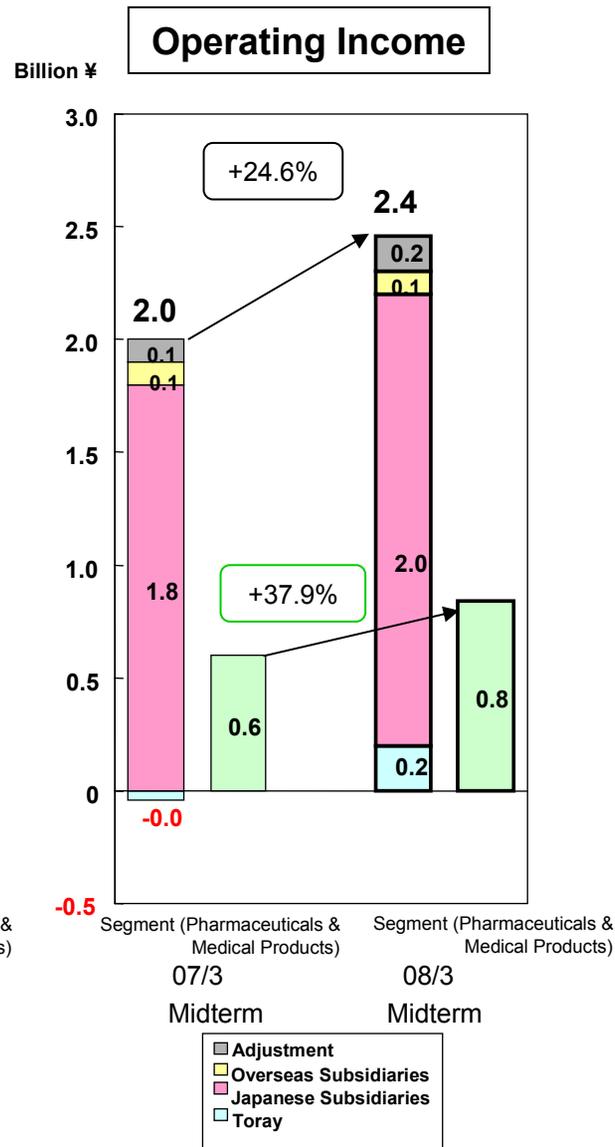
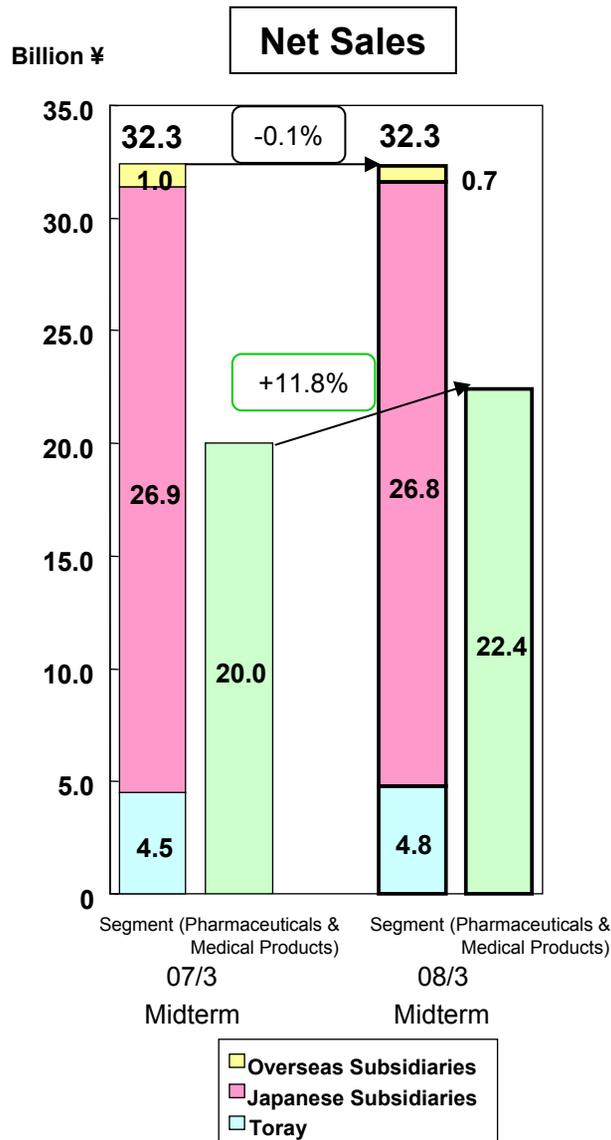
### Overseas Subsidiaries

Income decreased due to increase in start-up cost of the water treatment subsidiary in US which was established last year.

### <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**

**Pharmaceuticals and Medical Products**

In pharmaceuticals and medical products, sales and income increased through sales expansion of Interferon preparation through new indications as well as sales increase of new artificial kidney product.

**<Major Subsidiaries>**

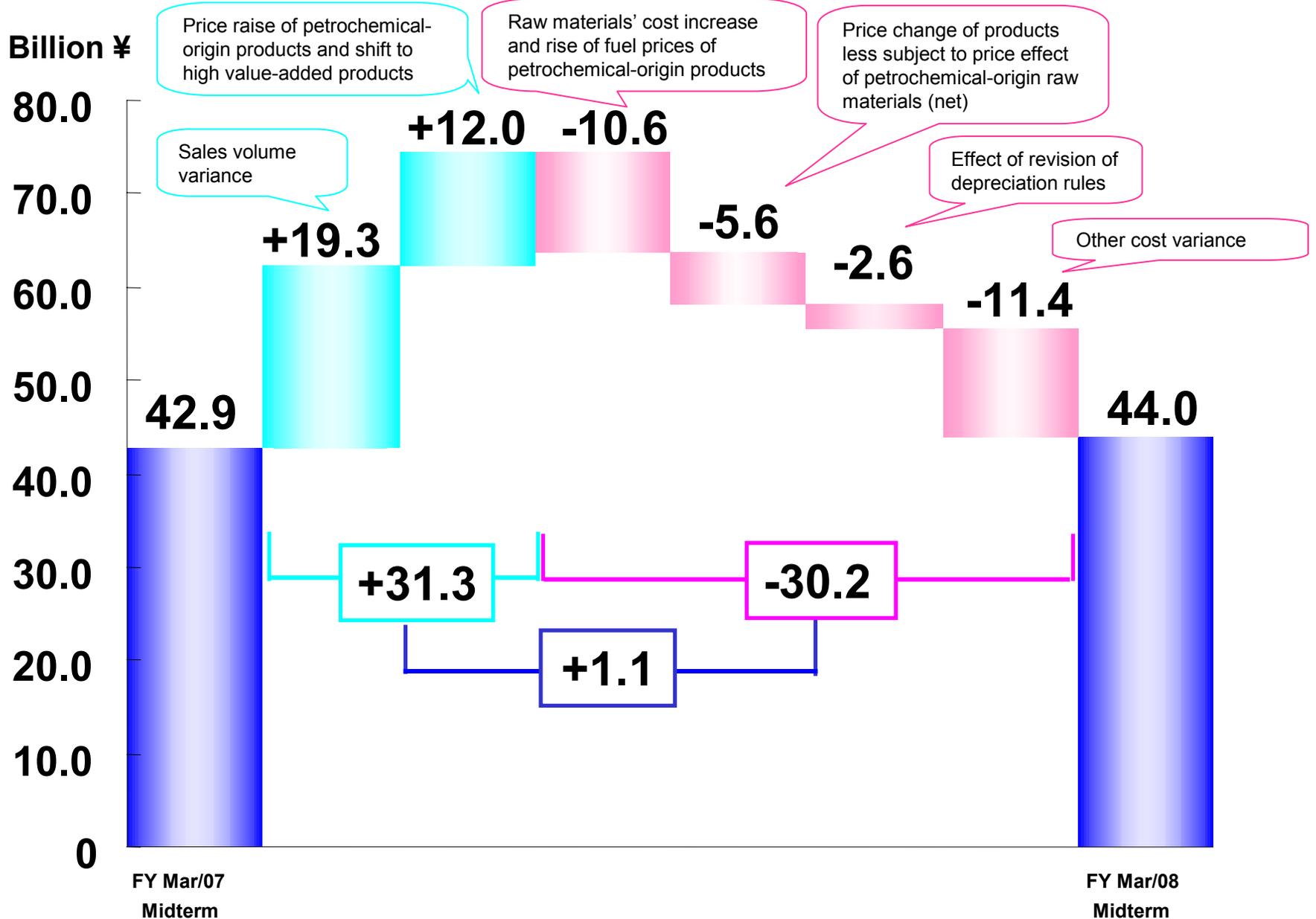
Japan : Toray Medical Co., Ltd., Toray Research Center Inc., Toray Enterprise Corp., etc.

# Comparison of Results with Initial Forecast by Business Segment

Billion ¥

Business Segment	Midterm Net Sales Initial Forecast → Actual ( ) variance	Midterm Operating Income Initial Forecast → Actual ( ) variance	Variance Factors
Fibers & Textiles	300.0 → 320.9 (+20.9)	9.0 → 10.0 (+1.0)	<ul style="list-style-type: none"> <li>• Focus on price pass-through to offset the steep rise in raw materials and fuel prices, and shift to high value-added products</li> <li>• Improvement of income at overseas subsidiaries</li> </ul>
Plastics & Chemicals	190.0 → 199.4 (+9.4)	9.5 → 9.0 (-0.5)	<ul style="list-style-type: none"> <li>• Delay in price pass-through to offset the steep rise in raw materials and fuel prices, and shift to high value-added products</li> </ul>
IT-related Products	140.0 → 138.7 (-1.3)	13.5 → 12.8 (-0.7)	<ul style="list-style-type: none"> <li>• Weak market and sharp price down caused by tough competition of LCD color filters</li> <li>• Weak market and sharp price down caused by tough competition of circuit materials</li> </ul>
Carbon Fiber Composite Materials	40.0 → 39.9 (-0.1)	9.0 → 8.2 (-0.8)	<ul style="list-style-type: none"> <li>• Increase in start-up cost of new production facilities</li> </ul>
Environment & Engineering	70.0 → 71.1 (+1.1)	2.0 → 2.5 (+0.5)	<ul style="list-style-type: none"> <li>• Steady business at engineering subsidiary</li> </ul>
Life Science & Other Businesses	30.0 → 32.3 (+2.3)	2.0 → 2.4 (+0.4)	<ul style="list-style-type: none"> <li>• Steady businesses of pharmaceuticals and medical products</li> </ul>
Elimination & Corporate		▲1.0 → ▲0.8 (+0.2)	
Consolidated	770.0 → 802.3 (+32.3)	44.0 → 44.0 (±0.0)	

# Income Variance Factor Analysis



# Results of Major Subsidiaries

Billion ¥

	Net Sales			Operating Income		
	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes	FY Mar/07 Midterm	FY Mar/08 Midterm	Changes
Toray International Inc.	182.9	<b>204.6</b>	+21.7	2.2	<b>2.9</b>	+0.7
Toray Engineering Co., Ltd.	47.7	<b>54.6</b>	+6.9	2.7	<b>4.7</b>	+2.0
Toray Construction Co., Ltd.	24.3	<b>20.3</b>	-4.0	1.0	<b>0.6</b>	-0.4
Toray Advanced Film Co., Ltd.	21.5	<b>22.4</b>	+1.0	2.5	<b>1.9</b>	-0.6
Toray Medical Co., Ltd.	15.9	<b>17.3</b>	+1.4	0.5	<b>0.5</b>	-0.0
TSI (Korea)	39.3	<b>44.5</b>	+5.2	1.9	<b>2.7</b>	+0.7
TPM (Malaysia)	23.1	<b>29.3</b>	+6.2	1.0	<b>0.8</b>	-0.2

Subsidiaries in Southeast Asia *1	Fibers & Textiles	52.3	<b>59.3</b>	+7.0	0.9	<b>0.9</b>	+0.0
	Plastics & Chemicals	27.4	<b>33.8</b>	+6.5	1.3	<b>0.9</b>	-0.4
	Others	2.8	<b>4.0</b>	+1.2	0.1	<b>▲0.0</b>	-0.1
	Total	82.4	<b>97.2</b>	+14.8	2.2	<b>1.8</b>	-0.4
Subsidiaries in China *2	Fibers & Textiles	31.6	<b>41.1</b>	+9.5	<b>▲0.2</b>	<b>0.5</b>	+0.7
	Plastics & Chemicals	16.4	<b>23.2</b>	+6.7	0.2	<b>0.4</b>	+0.1
	Others	6.0	<b>7.6</b>	+1.6	0.4	<b>0.5</b>	+0.1
	Total	54.1	<b>71.9</b>	+17.8	0.5	<b>1.4</b>	+0.9
Film Subsidiaries (Overseas) *3	Plastics & Chemicals	41.9	<b>44.4</b>	+2.5	0.2	<b>1.0</b>	+0.8
	IT-related Products	19.3	<b>21.9</b>	+2.6	2.1	<b>1.9</b>	-0.2
	Total	61.2	<b>66.3</b>	+5.1	2.3	<b>2.9</b>	+0.6

\*1 : ITS, ETX, ISTEM, ACTEM, CENTEX, Penfibre, PAB-G, TTS, LTX, TTTM, TPM sum total

\*2 : TFNL, TSD, TAK/TAZ, TJQ, TCH, TSL, THK-G, TPHK/TPSZ, RKH/RKZ, TFH/TFZ sum total

\*3: TSI (films/electronic materials), Penfibre (films), TPA, TPEu, TFH/TFZ sum total



## II. Business Forecast for the Fiscal Year Ending March 2008 (Consolidated Basis)

# Forecast Summary

Billion ¥

		After Revision of Depreciation Rules			FYI : Before Revision of Depreciation Rules		
		FY Mar/07 Actual	FY Mar/08 Forecast	Changes	FY Mar/08 Forecast	Changes	
Net Sales	1st Half	746.2	802.3	+56.1 (+7.5%)	802.3	+56.1 (+7.5%)	
	2nd Half	800.2	857.7	+57.4 (+7.2%)	857.7	+57.4 (+7.2%)	
	<b>Total</b>	<b>1,546.5</b>	<b>1,660.0</b>	<b>+113.5 (+7.3%)</b>	<b>1,660.0</b>	<b>+113.5 (+7.3%)</b>	
Operating Income	1st Half	42.9	44.0	+1.1 (+2.6%)	46.7	+3.8 (+8.8%)	
	2nd Half	59.5	64.0	+4.5 (+7.5%)	66.3	+6.8 (+11.4%)	
	<b>Total</b>	<b>102.4</b>	<b>108.0</b>	<b>+5.6 (+5.4%)</b>	<b>113.0</b>	<b>+10.6 (+10.3%)</b>	
Ordinary Income	1st Half	40.5	41.9	+1.4 (+3.4%)	44.6	+4.1 (+10.2%)	
	2nd Half	57.0	59.1	+2.1 (+3.7%)	61.4	+4.3 (+7.6%)	
	<b>Total</b>	<b>97.5</b>	<b>101.0</b>	<b>+3.5 (+3.6%)</b>	<b>106.0</b>	<b>+8.5 (+8.7%)</b>	
Net Income	1st Half	28.0	23.0	- 5.1 (-18.0%)	24.8	- 3.2 (-11.6%)	
	2nd Half	30.5	33.0	+2.5 (+8.1%)	34.2	+3.7 (+12.0%)	
	<b>Total</b>	<b>58.6</b>	<b>56.0</b>	<b>- 2.6 (-4.4%)</b>	<b>59.0</b>	<b>+0.4 (+0.7%)</b>	
Net Income per Share	1st Half	20.0 yen	16.4 yen				
	2nd Half	21.8 yen	23.6 yen				
	<b>Total</b>	<b>41.8 yen</b>	<b>40.0 yen</b>				
Dividend per Share	1st Half	5.0 yen	5.0 yen				
	2nd Half	5.0 yen	5.0 yen				
	<b>Total</b>	<b>10.0 yen</b>	<b>10.0 yen</b>				
Dividend Payout Ratio	1st Half	25.0%	30.4%				
	2nd Half	22.9%	21.2%				
	<b>Total</b>	<b>23.9%</b>	<b>25.0%</b>				
					FY Mar/07 Midterm	FY Mar/08 Midterm	
				Midterm Operating Income Results	42.9	44.0	
				Operating Income FY Mar/07 Actual	102.4	108.0	
				FY Mar/08 Forecast			
				Percentage of Achievement	41.9%	40.8%	

Expected exchange rate (Oct/07 ~ Mar/08)

115yen / US\$, 155yen / Euro

# Forecast by Business Segment

Billion ¥

		Net Sales				Operating Income			
		FY Mar/07	FY Mar/08	Changes	(%)	FY Mar/07	FY Mar/08	Changes	(%)
Fibers & Textiles	1st Half	301.8	<b>320.9</b>	+19.1	(+6.3%)	9.5	<b>10.0</b>	+0.5	(+5.7%)
	2nd Half	305.9	<b>309.1</b>	+3.1	(+1.0%)	9.8	<b>9.5</b>	-0.3	(-2.8%)
	Total	<b>607.8</b>	<b>630.0</b>	+22.2	(+3.7%)	19.2	<b>19.5</b>	+0.3	(+1.4%)
Plastics & Chemicals	1st Half	184.6	<b>199.4</b>	+14.8	(+8.0%)	8.7	<b>9.0</b>	+0.3	(+3.4%)
	2nd Half	190.7	<b>200.6</b>	+9.9	(+5.2%)	10.6	<b>10.5</b>	-0.0	(-0.2%)
	Total	<b>375.3</b>	<b>400.0</b>	+24.7	(+6.6%)	19.2	<b>19.5</b>	+0.3	(+1.4%)
IT-related Products	1st Half	127.8	<b>138.7</b>	+11.0	(+8.6%)	14.5	<b>12.8</b>	-1.7	(-12.0%)
	2nd Half	136.0	<b>151.3</b>	+15.2	(+11.2%)	18.9	<b>19.2</b>	+0.3	(+1.5%)
	Total	<b>263.8</b>	<b>290.0</b>	+26.2	(+9.9%)	33.5	<b>32.0</b>	-1.5	(-4.4%)
Carbon Fiber Composite Materials	1st Half	31.9	<b>39.9</b>	+8.0	(+25.0%)	8.8	<b>8.2</b>	-0.7	(-7.6%)
	2nd Half	36.7	<b>50.1</b>	+13.4	(+36.6%)	9.2	<b>11.8</b>	+2.6	(+28.0%)
	Total	<b>68.6</b>	<b>90.0</b>	+21.4	(+31.2%)	18.1	<b>20.0</b>	+1.9	(+10.6%)
Environment & Engineering	1st Half	67.8	<b>71.1</b>	+3.3	(+4.9%)	0.1	<b>2.5</b>	+2.3	(+2,034.8%)
	2nd Half	93.5	<b>108.9</b>	+15.4	(+16.5%)	5.8	<b>7.5</b>	+1.7	(+29.2%)
	Total	<b>161.3</b>	<b>180.0</b>	+18.7	(+11.6%)	6.0	<b>10.0</b>	+4.0	(+68.0%)
Life Science & Other Businesses	1st Half	32.3	<b>32.3</b>	-0.0	(-0.1%)	2.0	<b>2.4</b>	+0.5	(+24.6%)
	2nd Half	37.4	<b>37.7</b>	+0.3	(+0.9%)	6.2	<b>6.6</b>	+0.4	(+5.9%)
	Total	<b>69.7</b>	<b>70.0</b>	+0.3	(+0.4%)	8.2	<b>9.0</b>	+0.8	(+10.4%)
(Pharmaceuticals & Medical Products Included)	1st Half	20.0	<b>22.4</b>	+2.4	(+11.8%)	0.6	<b>0.8</b>	+0.2	(+37.9%)
	2nd Half	26.8	<b>27.6</b>	+0.8	(+3.0%)	4.2	<b>4.7</b>	+0.5	(+10.9%)
	Total	<b>46.8</b>	<b>50.0</b>	+3.2	(+6.8%)	4.8	<b>5.5</b>	+0.7	(+14.3%)
Elimination & Corporate	1st Half					▲ 0.7	▲ 0.8	-0.1	(-)
	2nd Half					▲ 1.0	▲ 1.2	-0.2	(-)
	Total					▲ 1.7	▲ 2.0	-0.3	(-)
Consolidated	1st Half	746.2	<b>802.3</b>	+56.1	(+7.5%)	42.9	<b>44.0</b>	+1.1	(+2.6%)
	2nd Half	800.2	<b>857.7</b>	+57.4	(+7.2%)	59.5	<b>64.0</b>	+4.5	(+7.5%)
	Total	<b>1,546.5</b>	<b>1,660.0</b>	+113.5	(+7.3%)	102.4	<b>108.0</b>	+5.6	(+5.4%)

Initial Forecast and Variance			
Net Sales		Operating Income	
Initial Forecast	Variance	Initial Forecast	Variance
300.0	<b>+20.9</b>	9.0	<b>+1.0</b>
320.0	<b>- 10.9</b>	10.0	<b>- 0.5</b>
<b>620.0</b>	<b>+10.0</b>	19.0	<b>+0.5</b>
190.0	<b>+9.4</b>	9.5	<b>- 0.5</b>
210.0	<b>- 9.4</b>	10.0	<b>+0.5</b>
<b>400.0</b>	<b>-</b>	19.5	<b>-</b>
140.0	<b>- 1.3</b>	13.5	<b>- 0.7</b>
160.0	<b>- 8.7</b>	20.5	<b>- 1.3</b>
<b>300.0</b>	<b>- 10.0</b>	34.0	<b>- 2.0</b>
40.0	<b>- 0.1</b>	9.0	<b>- 0.8</b>
50.0	<b>+0.1</b>	11.5	<b>+0.3</b>
<b>90.0</b>	<b>-</b>	20.5	<b>- 0.5</b>
70.0	<b>+1.1</b>	2.0	<b>+0.5</b>
110.0	<b>- 1.1</b>	7.0	<b>+0.5</b>
<b>180.0</b>	<b>-</b>	9.0	<b>+1.0</b>
30.0	<b>+2.3</b>	2.0	<b>+0.4</b>
40.0	<b>- 2.3</b>	6.0	<b>+0.6</b>
<b>70.0</b>	<b>-</b>	8.0	<b>+1.0</b>
20.0	<b>+2.4</b>	0.5	<b>+0.3</b>
30.0	<b>- 2.4</b>	4.0	<b>+0.7</b>
<b>50.0</b>	<b>-</b>	4.5	<b>+1.0</b>
		▲ 1.0	<b>+0.2</b>
		▲ 1.0	<b>- 0.2</b>
		▲ 2.0	<b>-</b>
770.0	<b>+32.3</b>	44.0	<b>-</b>
890.0	<b>- 32.3</b>	64.0	<b>-</b>
<b>1,660.0</b>	<b>-</b>	108.0	<b>-</b>

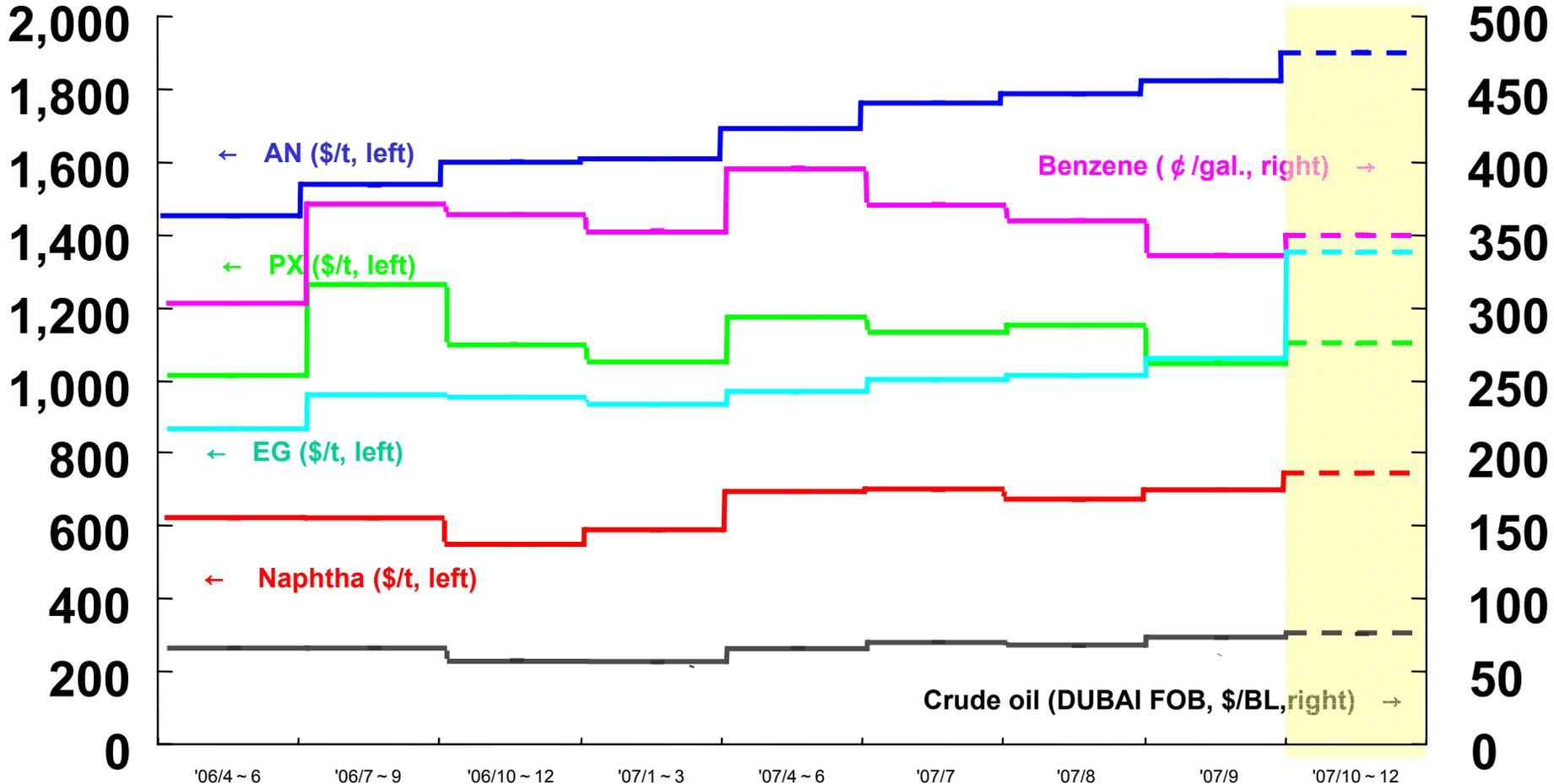
# Comparison of Results with 2H Forecast by Business Segment

Billion ¥

Business Segment	Operating Income 1st Half → 2nd Half ( ) variance	Business Environment	Action Plans for 2nd Half
Fibers & Textiles	10.0 → 9.5 (-0.5)	<ul style="list-style-type: none"> <li>• Continuous high level prices of raw materials and fuels</li> <li>• Weak market conditions in Japan due to weak Japanese retailers business, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Further price pass-through and shift to high value-added products</li> </ul>
Plastics & Chemicals	9.0 → 10.5 (+1.6)	<ul style="list-style-type: none"> <li>• Continuous high level prices of raw materials and fuels</li> <li>• Stable demand in plastic resins for automobiles and electric applications</li> </ul>	<ul style="list-style-type: none"> <li>• Further price pass-through and shift to high value-added products</li> <li>• Expansion of sales of high value-added products at overseas films subsidiaries</li> </ul>
IT-related Products	12.8 → 19.2 (+6.4)	<ul style="list-style-type: none"> <li>• Upward momentum of LCD / PDP panel market</li> <li>• Continuous strong pressure for price reduction</li> <li>• Stable semiconductor market</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of sales of optical films and processed films</li> <li>• Expansion of sales of PDP-related and semiconductor-related materials</li> <li>• Improvement of income in LCD color filters and circuit materials businesses</li> </ul>
Carbon Fiber Composite Materials	8.2 → 11.8 (+3.7)	<ul style="list-style-type: none"> <li>• Ongoing strong demand in all applications</li> <li>• Continuous expansion in aircraft applications</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of sales of aircraft applications</li> <li>• Smooth start-up of new facilities (France, Ehime)</li> </ul>
Environment & Engineering	2.5 → 7.5 (+5.1)	<ul style="list-style-type: none"> <li>• Demand expansion of RO membranes and other water treatment membranes</li> <li>• Stable demand in industrial equipment</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of sales of RO membranes and other water treatment membranes</li> <li>• Continuous efforts in cost reduction and expenses reduction</li> </ul>
Life Science & Other Businesses	2.4 → 6.6 (+4.1)	<ul style="list-style-type: none"> <li>• Ongoing tough competition in pharmaceuticals and medical products</li> </ul>	<ul style="list-style-type: none"> <li>• Steady sales expansion of existing pharmaceuticals</li> <li>• Expansion of sales of new type artificial kidney</li> </ul>
Elimination & Corporate	▲0.8 → ▲1.2 (-0.5)		
Consolidated	44.0 → 64.0 (+20.0)		

# Trends in Raw Materials Prices

Prices of major raw materials are at record high due to the tight supply-demand balance and high prices of crude oil and naphtha.



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

## Capital Expenditures

Billion ¥

	FY Mar/07 Actual	FY Mar/08 Forecast	Changes
Toray	49.8	<b>60.0</b>	+10.2
Consolidated Subsidiaries	70.6	<b>90.0</b>	+19.4
Consolidated Basis	120.4	<b>150.0</b>	+29.6

## R&D Expenses

Billion ¥

	FY Mar/07 Actual	FY Mar/08 Forecast	Changes
Toray	33.8	<b>37.0</b>	+3.2
Consolidated Subsidiaries	8.4	<b>10.0</b>	+1.6
Consolidated Basis	42.3	<b>47.0</b>	+4.7

## Depreciation

Billion ¥

	FY Mar/07 Actual	FY Mar/08 Forecast	Changes	
Toray	29.5	<b>41.0</b>	+11.5	
Consolidated Subsidiaries	41.4	<b>47.0</b>	+5.6	
Consolidated Basis	70.8	<b>88.0</b>	+17.2	
				<FYI>
				FY Mar/08 Forecast (Before Revision)
				37.0
				46.0
				83.0

The background of the slide is a light blue gradient with a complex, semi-transparent overlay of various chemical structures. These structures include rings, chains, and functional groups, with labels such as 'OH', 'COOH', 'OCHO', 'COCl', and 'DM3' scattered throughout. The structures are rendered in a white, wireframe style, giving the impression of a molecular network or a complex chemical reaction scheme.

# III. Progress of Mid-term Business Strategies IT-2010

# Road Map to IT-2010 and Targets in IT-2010

April 2002

April 2006

Long-term vision

**AP-New TORAY 21**

**AP-Innovation TORAY 21**

Mid-term Business Strategies

**"NT21"**

「Corporate Structure Reinforcement defensive management postures」

-Breakaway from Crisis -

**"NT- II"**

「Offensive management postures」

-Establish foundation for further growth -

**"IT-2010"**

「Management based on Innovation」

-Challenges for further growth -

**Toward a Global Top Company of Advanced Materials**

Goals in and around 2010

Net sales  
¥1,800 billion

Operating income  
¥150 billion

Operating income to net sales ratio  
8.3%

ROA : 8%

ROE : 11%

2002  
April

2004  
April

2006  
October

Around  
2010

# Five Innovations and Eight Projects

## Five Innovations

## Eight Projects

## Major Issues

### 1. Innovation of business structure

(1) Business structure innovation

Transform to a highly profitable, highly growing business group

(2) Overseas business strengthening

Enhance profitability of overseas business and expand its business

### 2. Innovation of technologies

(3) Advanced material businesses expansion

Promptly commercialize new advanced materials

(4) R&D capabilities innovation

Generate continuously large-scale R&D themes

(5) Manufacturing technology innovation

Generate world-leading quality with world's lowest costs

### 3. Innovation of competitiveness

(6) Cost innovation

Reduce cost for intensified profitability

(7) Marketing and sales innovation

Thoroughly implement customer-oriented, proposal-based marketing and sales

### 4. Innovation of business-awareness

(8) Corporate brand strengthening

Enhance corporate brand value

### 5. CSR Innovation

Promoting CSR line activities, strengthening security trade administration, and establishing and using internal controls systems

# Progress of Eight Projects

Progress of each project has been examined monthly at IT-2010 Promotion Committee (chaired by the president).

Projects	Major Issues	Progress
Business structure innovation	Transform to a highly profitable, highly growing business group	<ul style="list-style-type: none"> <li>•Allocated management resources (human resources and capital investment) to Strategically Expanding Businesses (especially in carbon fibers)</li> </ul>
Overseas business strengthening	Enhance profitability of overseas business and expand its business	<ul style="list-style-type: none"> <li>•Invested proactively in Strategically Expanding Businesses in prioritized countries</li> <li>•Improved income at overseas subsidiaries (China and Indonesia)</li> </ul>
Advanced material businesses expansion	Promptly commercialize new advanced materials	<ul style="list-style-type: none"> <li>•Allocated management resources to four major growing business fields</li> <li>•Followed up quarterly the targets in advanced material businesses expansion project</li> </ul>
R&D capabilities innovation	Generate continuously large-scale R&D themes	<ul style="list-style-type: none"> <li>•Concentrated R&amp;D resources on four major growing business fields</li> <li>•Proceeded steps for commercialization of prioritized themes</li> </ul>
Manufacturing technology innovation	Generate world-leading quality with world's lowest costs	<ul style="list-style-type: none"> <li>•Reinforced operational strength including the introduction of skill master system, and examined proper location production</li> </ul>
Cost innovation	Reduce cost for intensified profitability	<ul style="list-style-type: none"> <li>•Held conferences to respond to major cost issues</li> <li>•Worked on the reduction of distribution costs and value analysis (VA) activities of major purchasing items</li> </ul>
Marketing and sales innovation	Thoroughly implement customer-oriented, proposal-based marketing and sales	<ul style="list-style-type: none"> <li>•Implemented the basics of marketing and sales</li> <li>•Organized workshop for strengthening proposal ability for the implementation of customer-orientated proposal-based marketing and sales</li> </ul>
Corporate brand strengthening	Enhance corporate brand value	<ul style="list-style-type: none"> <li>•Intensified advertising and worked on "Consciousness Innovation" of business-awareness for employees</li> </ul>

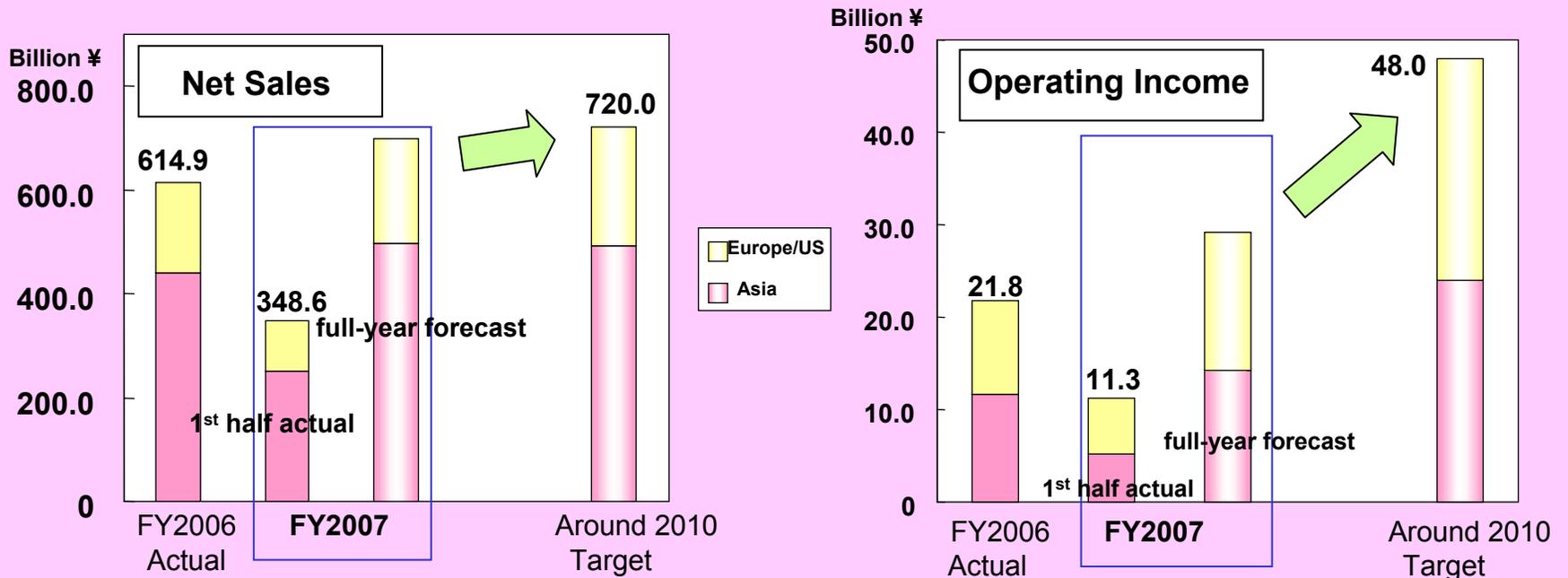
# Overseas Business Strengthening Project

## Issues

- ① Move forward with programs to expand businesses in China, Korea, Europe, and the US.
- ② Reorganize, consolidate, and implement measures to bring unprofitable operations into the black at overseas businesses and subsidiaries
- ③ Expand businesses in new markets and areas

## Progress as of FY Mar/08 midterm

- ① Invested proactively in Strategically Expanding Businesses in Europe/US and Korea :  
Europe/US; carbon fiber composite materials      Korea; IT-related products
- ② Improved income in China : increased operating income in fibers & textiles by 0.9 billion yen year-on-year
- ③ Strengthened competitiveness in fibers & textiles in Indonesia : strengthened cost competitiveness  
(started operation of coal BTG, etc.), restructured businesses      income increased year-on-year



\* Net sales and operating income are the sums of overseas consolidated subsidiaries without elimination

# Advanced Materials Businesses Expansion Project

## Issues

- ① Expand net sales ratio of advanced material businesses (target: net sales ratio of advanced materials to be 50% around 2010)
- ② Further expand business and increase profitability of existing advanced materials in four major growing business fields
- ③ Promptly commercialize of new advanced materials through strengthening of product commercialization capabilities

## Progress as FY Mar/08 midterm

- ① Allocated management resources (capital investment, R&D expenses, human resources) to four major growing business fields

Followed up quarterly the progress of target achievements of business expansion in advanced materials by division and department



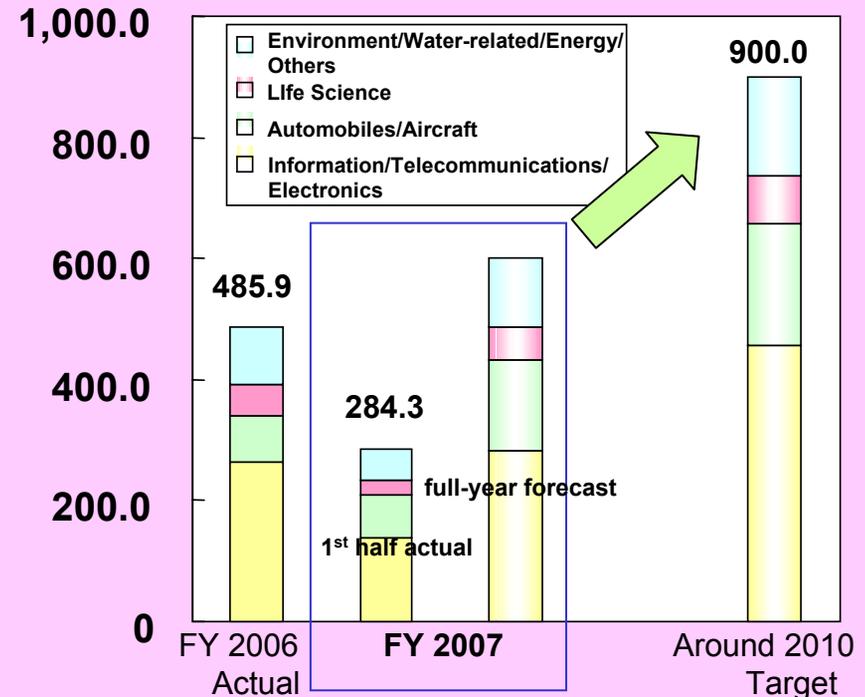
Expansion of advanced materials has been proceeding as planned

Actual sales of FY Mar/08 midterm: 284.3 billion yen  
 Net sales ratio of FY Mar/08 midterm: 35%

(actual sales of FY Mar/07 midterm: 227.2 billion yen  
 net sales ratio of FY Mar/07 midterm: 31%)

## Net Sales

Billion ¥



# Cost Innovation Project

## Issues

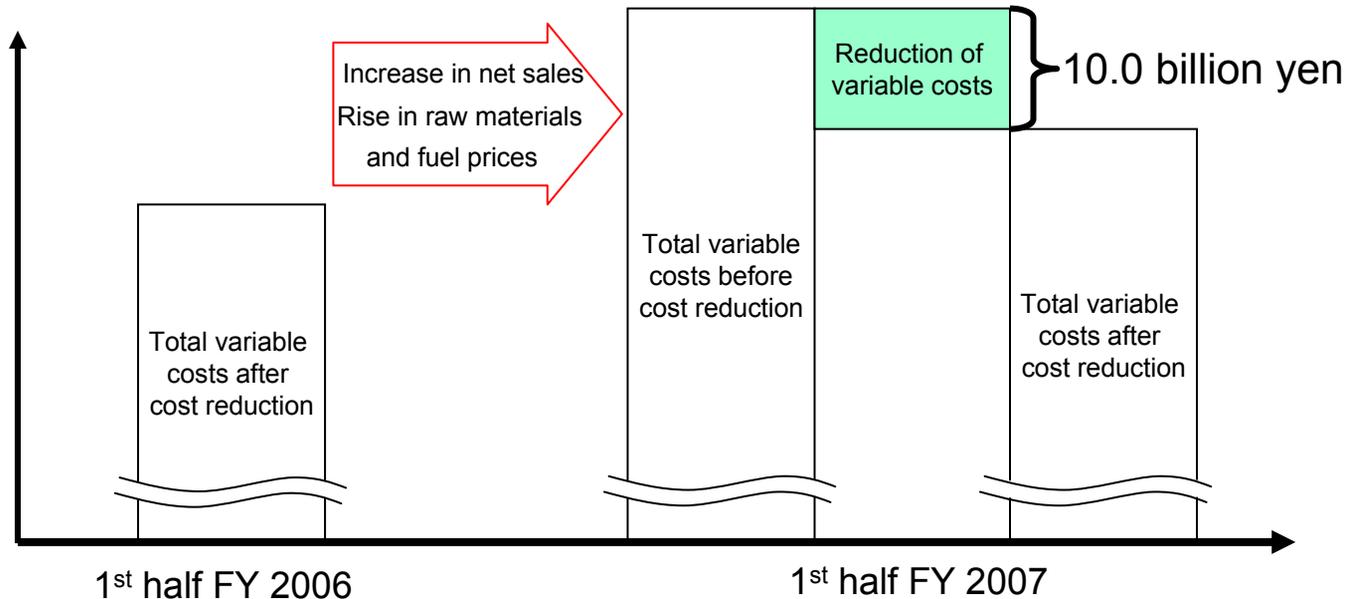
- ① Respond to major cost issues (reduce costs by reviewing manufacturing structure in existing businesses and optimizing fixed costs)
- ② Reduce variable costs (set major targets and reduce 10% in five years from FY 2005)
- ③ Improve efficiency of capital expenditure (reduce capital expenditure through improvement in equipment productivity)

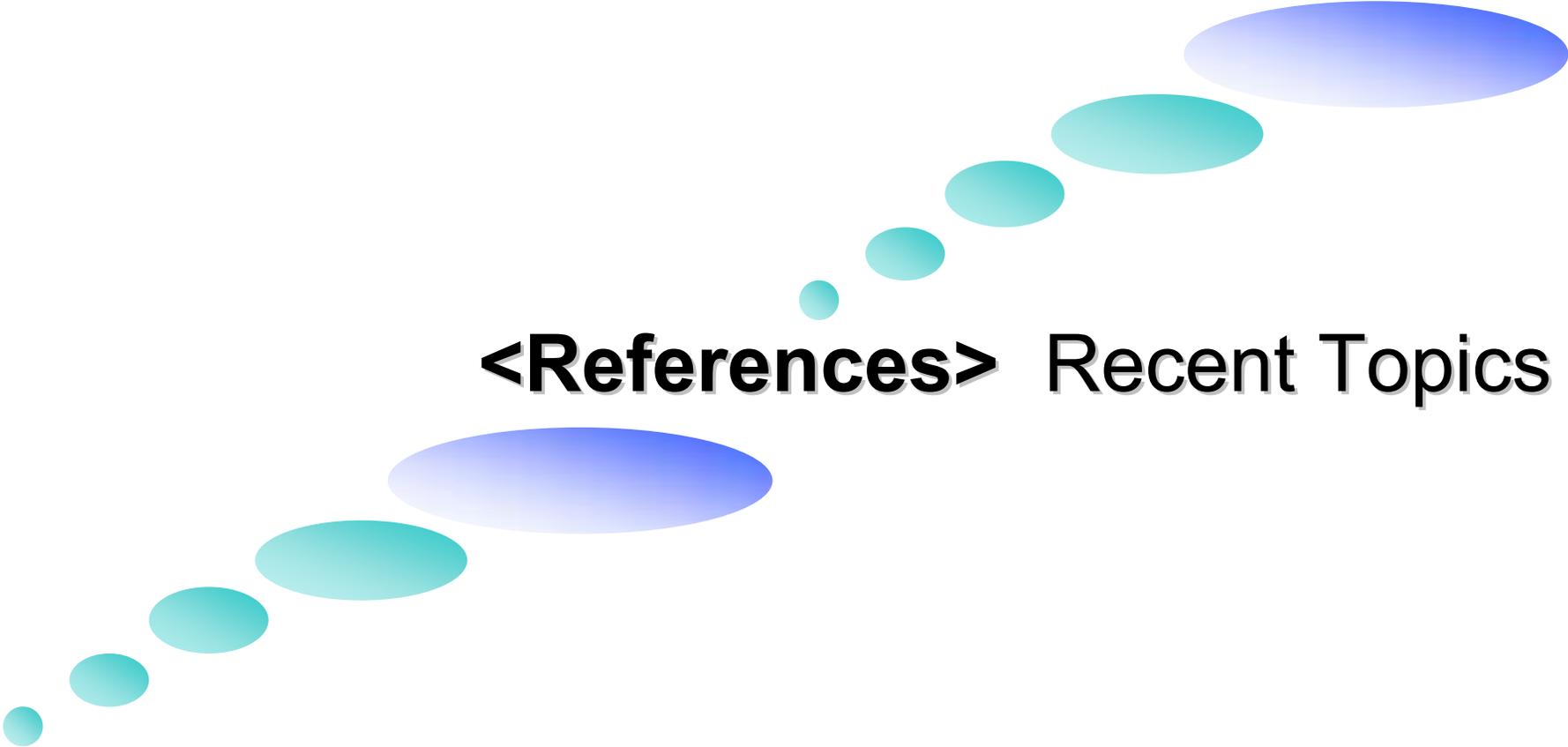
## Progress as of FY Mar/08 midterm

- ① Held conferences to respond to major cost issues (quantitative follow-up on a quarterly basis)
- ② Worked on the reduction of distribution costs by improving transport and storage efficiency and VA\* activities of major purchasing items

<Achievements in reduction of variable costs during the current midterm>

\* Value Analysis





**<References>** Recent Topics

# Achievement in the Development for Hepatitis C Virus

## (HCV) Vaccine – World's first confirmation of its efficacy in experimental mice

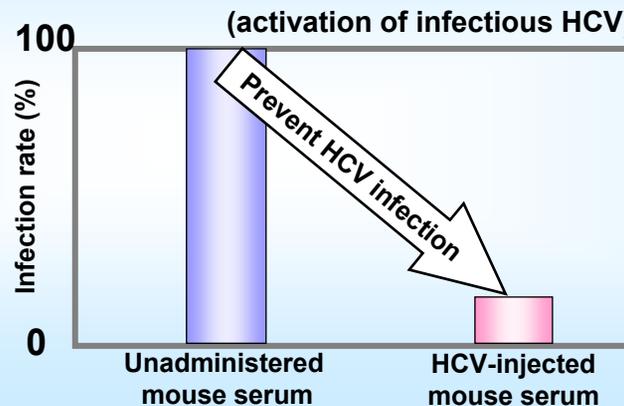
Toray has successfully confirmed for the first time in the world that hepatitis C virus (HCV) particles produced using a novel HCV culture system and then inactivated have the potential for practical use as an HCV vaccine in experiments using mice. The culture system was established through the company's joint research on the development of an HCV vaccine with the National Institute of Infectious Diseases and the Tokyo Metropolitan Institute for Neuroscience, Tokyo Metropolitan Organization for Medical Research.

\* The inability to grow the virus under **in vitro culture conditions** has made it difficult to develop **vaccine for HCV**.

### Latest Achievements

- (1) succeeded in increasing the **efficiency of HCV production** by **10,000 times** compared to that in **conventional cells**
- (2) confirmed that the **HCV infection of cultured human hepatocytes was suppressed by the serum** which was obtained from the mice injected with **inactivated HCV particles**

### Assessment of the vaccine effect using serum



### Joint research

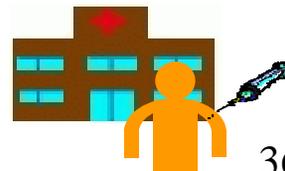
National Institute of Infectious Diseases,  
Tokyo Metropolitan  
Institute for Neuroscience,  
Toray

### Subject of Future Investigation

- (1) **optimize** the HCV particles for a **vaccine**
- (2) establish a **culture method appropriate for industrial production**



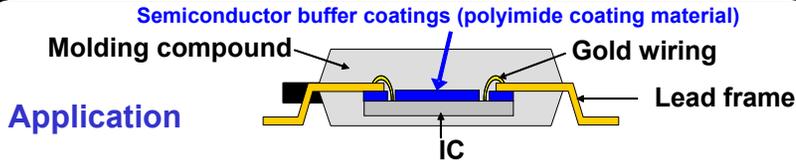
Aim for early commercialization of HCV vaccine



# Increase Production Facility for Positive-tone Photosensitive Polyimide Coating Photoneece\*

Completed construction of the increased facility for additional production of positive-tone photosensitive polyimide coating material Photoneece\* to meet the active demand for semiconductor buffer coatings. With total investment of around one billion yen, the production capacity will expand three times of the existing capacity to 150 tons annually.

## Polyimide coating material



**Function** (1) protect IC chip surface (α ray, impact strength, etc.)  
(2) heat stress buffer of molding compound and IC chip

## Types

	Non-photosensitive	Negative-tone photosensitive	Positive-tone photosensitive
Resolution	~ 30μm	~10μm	~ 5μm
Development	Aqueous alkaline development	Organic solvent development	Aqueous alkaline development

**Demand for positive-tone photosensitive is expanding** due to its superiority in fine processing and eco-friendly aqueous alkaline development

## Toray positive-tone photosensitive polyimide coating material Photoneece\*

**Features** (1) resolution uniformity (world-class level)  
(2) fine processing ability  
(3) coating thickness uniformity  
(4) low cure temperature

## Market share

	Total positive-tone	For 300mm wafer line
Actual	30%	over 50%

Business expansion through capacity increase and development of new products

Targets in 2010	over 50%	over 70%
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**Aim to double total polyimide coating material business** including non-photosensitive/negative-tone photosensitive types to net sales of 10 billion yen scale within five years

## Selected as an Index Component of DJSI World

Toray Industries Inc. is firstly selected as an index component of Dow Jones Sustainability Index World (DJSI World), well-known as an SRI index. In this year's selection, DJSI World 2007/2008, global 318 companies including Toray are selected as index components. In the chemical sector, 9 companies are selected globally and Toray is the only Japanese company in the sector.



**Dow Jones  
Sustainability Indexes**  
Member 2007/08

**DJSI World : Dow Jones Indexes, an index company in United States, and , SAM (Sustainable Asset Management) Group, Swiss SRI research and investment company co-developed the index. By researching and analyzing global 2,500 company regarding economic aspect, environmental aspect, and social aspect every year , Top 10% companies per each sector are selected as index components.**

# Establish “Automotive Center” in Nagoya Plant, Japan

In Nagoya Plant, Toray will create “A&A Center (Automotive & Aircraft Center)”, an integrated technological development base for automobile and aircraft applications. As the first step, Toray will establish “Automotive Center (AMC)” for the development of technologies for automobile applications.

## Automotive and Aircraft Center (A&A center)



Rendering of AMC

Technological development center for automobile applications

“Automotive Center (AMC)”

will be established in June/08

“Advanced Composite Center (tentative name)” is planned to be newly established

“Resin Applications Development Center” (existing)

Toray will reinforce Nagoya Plant as an integrated technological development base for automobile and aircraft application



Sequentially establish production system for plastic resins, carbon fiber composite materials, and high-performance chemical products for automobile and aircraft applications



Sales of the automobile application business:

FY2006 actual: 124 billion yen → FY2015: aim to expand to 350 billion yen

# New Product under Strategic Partnership of UNIQLO and Toray

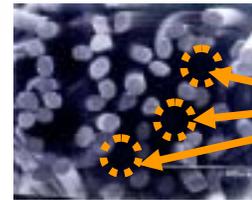
## - The increasingly sophisticated Heat-tech series goes on sale -

Under the strategic partnership formed in June 2006, UNIQLO and Toray have developed their second co-developed product, the Heat-tech series. The collaboration of UNIQLO's marketing power and Toray's functional materials and global operations offer comfortable garment to customers.

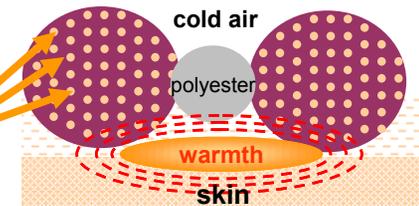


### Women's & Kids' "Heat-tech Moist"

By using micro fine acrylic fiber, we have not only improved the soft feel, but enhanced thermal effect by creating more pockets within the fiber.

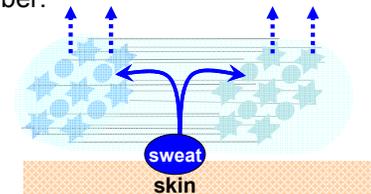


air pocket



### Men's "Heat-tech Plus"

In addition to high thermal effect, Heat-tech Plus adds new function – a rapid absorption, diffusion, and evaporation of perspiration without the body feeling cold – with the star shape formation of the atypical cross section polyester which increases the surface area of the fiber.



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

With all-out efforts, Toray Group further strengthens the development of new materials and products by enhancing flexible production systems for UNIQLO and promoting global supply chains. In addition, both companies enhance mutual relationship by sharing mid-term vision and information, and promoting personnel exchanges.

Descriptions of predicted business results, projections, and business plans for the Fiscal Year ending March 2008 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.