Medium-term Management Program
“Project IT-II (Innovation TORAY II)”

Toray Industries, Inc.

May 11, 2009
Recognition of the Business Environment and Response to the Deterioration of the Business Environment

[Recognition of the business environment]
- Deepening of a world wide chain reaction of a credit crunch and deterioration of business conditions triggered by the financial market
- Serious global economic downturn

Demand is declining rapidly on a global scale
Toray recognizes that the economy will take certain time to recover

[Response to the deterioration of the business environment]

August 2008 ~
Group-wide Emergency Measures (1st Phase)
①Promote cost reduction
②Maintain and expand the product spread
③Hold down capital expenditures and R&D expenses

December 2008 ~
Group-wide Emergency Measures (2nd Phase)
Strengthen Phase 1 initiatives +
①Optimize inventory levels by reducing production

February 2009 ~
Group-wide Emergency Measures (3rd Phase)
①Zero executive bonus and reduce fixed remuneration for executives by an average of 30%
②Reduce all types of fixed and variable costs
③Maximize earnings through securing demand
④Comprehensively reduce capital expenditures and prioritize boldly R&D themes
⑤Reduce inventories by reducing production

- Freeze the pursuit of “IT-2010” numerical targets for the time being
Basic strategy to overcome the economic crisis and respond to socioeconomic structural changes for the next two years

Medium-term Management Program “Project IT-II (Innovation TORAY II)”

launched in April 2009

[ Basic Principles of “IT-II” ]

1. Total cost reduction

2. Profit maximization by comprehensively “ensuring sales through every possible effort”

3. Optimization of the scale and systems of the businesses in response to structural changes in business environment

4. In-depth reduction of capital expenditures and working capital

5. Promotion of business structure reform to prepare for future growth
1. Total Cost Reduction Project  
   (TC Project: Total Cost Reduction Project)

2. “Action Program for Survival” Project  
   (APS Project: Action Program for Survival)

3. “Action Program for Growth” Project  
   (APG Project: Action Program for Growth)
1. Total Cost Reduction Project (TC Project)

- As a Group, we will reduce all types of costs to bolster our competitiveness in response to the rapid deterioration of the business environment

< Key issues >

- Reduce production fixed costs through all possible measures including scaling down, shutdown and consolidation of production lines
- Comprehensively reduce SGA fixed costs
  (product development costs, labor costs, sales promotion costs, etc.)
- Comprehensively reduce variable costs
  (yield improvement, VA in purchasing, logistic efficiency improvement, etc.)

Cost reduction target (~ FY ending March 2011) : total 100 billion yen

<breakdown: fixed costs; 60 billion yen / variable costs ; 40 billion yen>

(internal management basis in comparison with FY Mar/09 budget)

→ aim for 50 billion yen of cost reduction by FY Mar/10
2. “Action Program for Survival” Project (APS Project)

- We will maximize earnings by comprehensively “ensuring sales through every possible effort” even in the contracted markets
- We will optimize the scale and systems for marketing and sales, production and development functions based on medium-term business forecasts

(Key issues)

- Increase sales volume using optimal pricing strategies (increasing market share in priority fields)
- Establish reasonable forecasts for the scale of businesses in the medium term, and optimize the scale and systems for marketing and sales, production and development functions (including actions on unprofitable and low-profit businesses and companies)
- Review allocation of technology development resources and realize profits ahead of schedule by concentrating the resources on top priority development themes which are expected to make a quick contribution to profit
- Set up and implement specific tasks to achieve group-wide objectives established under the TC Project, etc.

Sales and marketing, production, technology, R&D of each business division will work seamlessly to make snap decisions and promote the project
3. “Action Program for Growth” Project (APG Project)

- We will promote growth strategies to once again consistently grow as a highly profitable business group after overcoming the economic crisis.
- We will provide solutions toward global-scale constraining factors on economic growth (environmental issues, natural resources / energy, aging population with the diminishing number of children, etc.) with Toray products and technologies in order to achieve further growth.

**Medium-term and long-term growth strategies inherited from “IT-2010”**

<table>
<thead>
<tr>
<th>&lt;Basic strategies&gt;</th>
<th>&lt;Specific Measures&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transforming to a highly profitable business group</td>
<td>Expand Strategically Expanding / Developing Businesses, Advance business structure reform</td>
</tr>
<tr>
<td>Expanding advanced materials in 4 major growing business fields</td>
<td>Expand electro-coating / circuit materials businesses</td>
</tr>
<tr>
<td>Information / Telecommunications / Electronics</td>
<td>Expand carbon fiber composite materials business, Expand A &amp; A Center</td>
</tr>
<tr>
<td>Automobiles / Aircraft</td>
<td>Launch new drugs (Careload®LA, REMITCH®), Expand artificial kidney business</td>
</tr>
<tr>
<td>Life Science</td>
<td>Expand water treatment business globally, Expand bio-polymer products</td>
</tr>
<tr>
<td>Environment / Water-related / Energy</td>
<td></td>
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</tbody>
</table>

**Basic strategies of the Action Program for Growth addressed in “IT-II”**

<Providing solutions to the constraining factors on economic growth with Toray Group products and technologies>

- Preservation of global environment (CO₂ reduction, etc.): Energy conservation, Renewable energies
- Depletion of fossil / energy resources: New energy resources, Non-petrochemical raw materials-based polymers
- Securing of water resources / food stocks: Seawater desalination system, Non-food bio-polymers
- Aging population with the diminishing number of children: QOL improvement with life science business, others
## Solution Proposal to Constraining Factors on Economic Growth

### Constraints

- Preservation of global environment (CO₂ reduction, etc.)
- Depletion of fossil/energy resources
- Securing of water resources/food stocks
- Aging population with the diminishing number of children, others

### Solutions

- **Energy conservation**
  - CFRP for aircraft
  - CFRP for automobiles
  - Special PP film for hybrid cars
  - Energy-saving process with membranes
  - Halogen-free flame retardant resin/film
  - Back sheet of solar cells
  - Electrode substrate of fuel cells
  - Lithium-ion battery manufacturing equipment
  - Electrolyte membrane of fuel cells
- **Renewable energy**
  - Recycled raw material
  - Carbon fiber recycling
  - Polylactic acid
  - Thermoplasticity cellulose fiber
  - Bio-process with membranes
- **New energy resources**
  - RO membrane element and system
  - MBR membrane module
  - High virus-removable hollow-fiber membrane
  - Hybrid seawater desalination/NF membrane
- **Promote recycling**
  - Hollow-fiber membrane module
  - MBR membrane module
  - High virus-removable hollow-fiber membrane
  - Hybrid seawater desalination/NF membrane
- **Non-petrochemical raw material-based polymers**
  - Polyactic acid
  - Thermoplasticity cellulose fiber
  - Bio-process with membranes
- **Water treatment**
  - Hemodialyzer
  - Oral antipruritus drug
  - Urinary incontinence curative drug
- **Downhold of medical expenses**
  - Blood purification device
  - Oral antipruritus drug
  - Chronic hepatitis curative drug
- **QOL improvement**
  - Air filter
  - DNA chip
  - Protein chip
  - Leukocyte removal column
  - Drug delivery system

### Toray Group Products (examples)

- **Latest (~ 2010)**
  - CFRP for aircraft
  - Special PP film for hybrid cars
  - Halogen-free flame retardant resin/film
  - Back sheet of solar cells
  - Electrode substrate of fuel cells
  - Polyactic acid
  - Hollow-fiber membrane module
  - Hemodialyzer
  - Air filter
  - Blood purification device
- **Mid-term (~ 2015)**
  - CFRP for automobiles
  - Energy-saving process with membranes
  - Paint-less, surface-decorating film
  - Solar cells manufacturing equipment
  - Lithium-ion battery manufacturing equipment
  - Electrolyte membrane of fuel cells
  - Thermoplasticity cellulose fiber
  - MBR membrane module
  - Oral antipruritus drug
  - DNA chip
  - Protein chip
  - Leukocyte removal column
- **Long-term (~ 2020)**
  - High-performance heat-transfer element
  - Next generation solar cell
  - Non-food biomass polymer
  - Hybrid seawater desalination/NF membrane
  - Chronic hepatitis curative drug
  - Drug delivery system
Contribution to Global Environmental Issues through Life Cycle Assessment (LCA)

**[LCA: CO₂ reduction effects of whole life cycle]**
- CO₂ emissions during manufacturing process
  (mining natural resources ~ production) and disposal : A
- CO₂ reduction during usage through energy-saving effects, etc. : B
- CO₂ reduction of whole life cycle : B - A

**CO₂ emissions**

<table>
<thead>
<tr>
<th>Mining ~ Raw materials</th>
<th>Production</th>
<th>Usage</th>
<th>Disposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO₂ reduction with Toray products</td>
<td>A</td>
<td>Total</td>
<td>B</td>
</tr>
</tbody>
</table>

**[CO₂ reduction effects with Toray products (estimation)]**

CO₂ reduction with Toray products
- (10,000 tons)

- 2007: 16 million tons
- 2010: 220 million tons
- around 2015: 20,000 tons
- around 2020: 25,000 tons

- Energy-saving materials (carbon fiber composite materials)
- Water-treatment systems
- Energy-saving processes
- Renewable energies
- New energy resources
- Nonfood biomass polymers
- Others

Significant contribution to the global environment
Relations of “IT-2010” and “IT-II”

“AP-Innovation TORAY 21”

Corporate image of Toray Group in the 21st century
Corporate slogan “Innovation by Chemistry”
“Toward a Global Top Company of Advanced Materials”

Mid-term Business Strategies

“IT-2010”

- Challenges for Further Growth -
Major issues: Five Innovations
Basic Strategies 1. transforming to a highly profitable business group
2. expanding advanced materials in four major growing business fields

Capital expenditures / R&D investment strategies
Eight Projects
1. Business structure innovation
2. Overseas business strengthening
3. Advanced material business expansion
4. R&D capabilities innovation
5. Manufacturing technology innovation
6. Cost innovation
7. Marketing and sales innovation
8. Corporate brand strengthening

Numerical targets around 2010
Net sales 1,800 billion yen
Operating income 150 billion yen
ROA 8%, ROE 11%

“IT-II”

- Overcoming Economic Crisis -

Concentrate on overcoming the economic crisis
Build a foundation for the future growth
Three Projects
1. Total cost reduction
2. Action Program for Survival
3. Action Program for Growth

Numerical target for FY March 2011
Achieve operating income at least equal to the FY March 2009 level
Image of Business Recovery under “IT-II” (consolidated operating income)

Trends in consolidated operating income

Billion yen

<table>
<thead>
<tr>
<th>Quarter</th>
<th>01/3</th>
<th>02/3</th>
<th>03/3</th>
<th>04/3</th>
<th>05/3</th>
<th>06/3</th>
<th>07/3</th>
<th>08/3</th>
<th>09/3</th>
<th>10/3</th>
<th>11/3 (Forecast)</th>
<th>11/3 (Image)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NT-21</td>
<td>51.2</td>
<td>18.8</td>
<td>33.0</td>
<td>56.8</td>
<td>81.1</td>
<td>93.0</td>
<td>102.4</td>
<td>103.4</td>
<td>36.0</td>
<td>15.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT-II</td>
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</tbody>
</table>

(Consolidated operating income)
Reduction of Capital Expenditures

Trends in consolidated capital expenditures and depreciation cost

Billion yen

- NT21
- NT-II
- IT-2010
- IT-II

01/3 02/3 03/3 04/3 05/3 06/3 07/3 08/3 09/3 10/3 11/3

Forecast (Plan)

Toray parent Consolidated subsidiaries Depreciation cost

59.5 65.1 53.8 48.0 69.5 102.9 120.4 148.3 91.3 57.0 ≈60.0
Reduction of Working Capitals (inventories / account receivable, etc.)

Trends in consolidated inventories

Billion yen

- NT21
- NT-Ⅱ
- IT-2010
- IT-Ⅱ

<table>
<thead>
<tr>
<th>Month</th>
<th>01/3</th>
<th>02/3</th>
<th>03/3</th>
<th>04/3</th>
<th>05/3</th>
<th>06/3</th>
<th>07/3</th>
<th>08/3</th>
<th>09/3</th>
<th>10/3</th>
<th>11/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>222.6</td>
<td>222.1</td>
<td>213.0</td>
<td>207.1</td>
<td>233.6</td>
<td>264.3</td>
<td>302.9</td>
<td>328.4</td>
<td>320.0</td>
<td>300.0</td>
<td>260.0</td>
</tr>
</tbody>
</table>

(Plan)

(Forecast)
Improvement of Cash Flows

Trends in consolidated cash flows

Billion yen

Cash flows from investment activities
Cash flows from operating activities
Free cash flows

01/3 02/3 03/3 04/3 05/3 06/3 07/3 08/3 09/3 10/3 11/3
(Forecast) (Image)
Descriptions of predicted business results, projections and business plans contained in this material are based on assumptions and forecasts regarding 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.