

November 7, 2003

Toray Announces Consolidated Results for the Six Months Ended September 30, 2003

Tokyo, November 7, 2003 - Toray Industries today announced its consolidated and non-consolidated business results for the six months ended September 30, 2003. The following summary of the business results that Toray submitted to the Tokyo Exchange in unaudited and for reference only. (Code Number: 3402)

Consolidated Financial Highlights

(Millions of yen, except per share data)

	Six months ended September 30			Year ended March 31, 2003
	2003	2002	Change	Millions of yen
	Millions of yen		%	
Net sales	534,346	498,532	7.2	1,032,991
Operating income	24,733	12,651	95.5	33,043
Ordinary income	22,972	7,876	191.7	23,746
Net income	10,947	1,281	754.6	5,790
Depreciation	33,310	37,280	-10.6	74,412
Capital investment	21,885	23,803	-8.1	53,816
Total assets	1,302,296	1,325,745	-1.8	1,300,954
Property, plant and equipment, net	573,438	604,644	-5.2	583,280
Total stockholders' equity	408,229	396,591	2.9	390,398
Per Share of common stock (yen)				
Net Income Primary	¥7.81	¥0.91	758.2	¥4.13
Cash dividends	¥2.50	¥2.50	---	¥5.00
Stockholders' equity	¥291.39	¥283.00	3.0	¥278.65
Ratios (%)				
Operating income to net sales	4.6%	2.5%	---	3.2%
Net income to net sales	2.0%	0.3%	---	0.6%
Equity ratio	31.3%	29.9%	---	30.0%
Return on equity	5.5%	0.6%	---	1.4%

Notes:

1. U.S. dollar amount have been converted from yen at the exchange rate of ¥111=U.S.\$1, the approximate rate of exchange prevailing on September 30, 2003.
2. Yen amounts are rounded to the nearest million.

Consolidated Segment Information

	Sales to outside customers	Inter-segment Sales	Total Sales	Operating Income
Fibers and Textiles	213,381	535	213,916	9,422
Plastics and Chemicals	129,005	13,179	142,184	4,535
IT-related Products	81,766	2,219	83,985	6,698
Housing and Engineering	54,261	17,712	71,973	330
Pharmaceuticals and Medical Products	22,010	1	22,011	694
New Products and other Businesses	33,923	7,741	41,664	2,698
Total	534,346	41,387	575,733	24,377
Elimination and Corporate	---	(41,387)	(41,387)	356
Consolidated Total	534,346	---	534,346	24,733

Consolidated Geographic Segment Information

	Sales of outside customers	Inter-segment Sales	Total Sales	Operating Income
Japan	380,281	33,651	413,932	16,714
Asia	91,509	11,345	102,854	5,184
Europe & U.S.	62,556	2,439	64,995	2,652
Total	534,346	47,435	581,781	24,550
Elimination and Corporate	---	(47,435)	(47,435)	(183)
Consolidated Total	534,346	---	534,346	24,733

Export Sales and Sales by Overseas Subsidiaries

	Export sales and sales by overseas subsidiaries	Percentage of such sales against consolidated net sales
Asia	135,512	25.4%
Other Regions	86,140	16.1%
Total	221,652	41.5%

Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2004

(Millions of yen, million of U.S. dollars)

	Year ending March 31, 2004	
	Million of yen	U.S. Dollars
Net sales	1,080,000	\$9,818
Operating income	54,000	\$491
Ordinary income	50,000	\$455
Net income	19,000	\$173

Non-consolidated Financial Highlights

(Millions of yen, except per share data)

	Six months ended September 30			Year ended March 31, 2003
	2003	2002	Change	Millions of Yen
	Millions of yen		%	
Net sales	222,864	223,442	-0.3	442,586
Operating income	9,271	2,454	227.8	9,674
Ordinary income	12,716	1,287	888.0	10,396
Net income	8,088	1,592	408.0	3,121
Depreciation	14,018	15,668	-10.5	32,121
Capital investment	6,861	8,530	-19.6	20,547
Total assets	873,845	896,921	-2.6	873,637
Property, plant and equipment, net	260,180	273,148	-4.7	267,970
Total stockholders' equity	416,382	412,559	0.9	402,539
Per Share of common stock (yen)				
Net Income Primary	¥5.77	¥1.14	406.1	¥2.23
Cash dividends	¥2.50	¥2.50	---	¥5.00
Stockholders' equity	¥297.21	¥294.40	1.0	¥287.32
Ratios (%)				
Operating income to net sales	4.2%	1.1%	---	2.2%
Net income to net sales	3.6%	0.7%	---	0.7%
Equity ratio	47.6%	46.0%	---	46.1%
Return on equity	4.0%	0.8%	---	0.8%

Notes:

1. U.S. dollar amount have been converted from yen at the exchange rate of ¥111=U.S.\$1, the approximate rate of exchange prevailing on September 30, 2003.
2. Yen amounts are rounded to the nearest million.

Forecast of Non-consolidated Results for the Fiscal Year Ending March 31, 2004

(Millions of yen, million of U.S. dollars)

	Year ending March 31, 2004	
	Millions of yen	U.S. Dollars
Net sales	450,000	\$4,091
Operating income	22,000	\$200
Ordinary income	28,000	\$255
Net income	15,000	\$136

Management Policies

1. Corporate Mission

Toray's corporate philosophy is "to contribute to society through the creation of new value by innovative ideas, technologies and products." Under this philosophy, Toray established the following corporate missions:

For our customers:

To provide new value to our customers through high-quality products and superior services

For our employees:

To provide our employees with opportunities for self-development in a challenging environment

For our shareholders:

To provide our shareholders with dependable and trustworthy management

For the local community:

To act as a responsible corporate citizen and build a long-lasting, beneficial partnership with the local communities in which we do business

Toray is committed to taking on responsibility and contributing to its customers, employees, shareholders and the local community.

2. Policy on distribution of surplus profits

Toray recognizes that its profit distribution policy is a vital matter for the company, and accordingly is committed to distributing such profits fairly through deliberate consideration of every factor, including business results, financial conditions and a retention of earnings necessary for future investment.

3. Issues to Be Solved and Medium- to Long-term Business Strategy

The Toray Group launched "Project New TORAY 21" ("Project NT21") management reform program in April 2002, in a bid to revitalize itself as a highly profitable business group - a New Toray for the 21st century. This is an action plan to create a business structure in response to the 21st century in the view of the fact that China is emerging as an economic powerhouse, and the world economy continues to suffer from a global oversupply instead of going through cycles as it did in the past.

Toray is working on “Project NT21” by tackling challenges and reform issues in both the near term (the two fiscal years to March 2004) and the longer term (three to five years).

The priority in the near term is to reinforce our corporate structure, and to that end Toray is moving forward with the following seven projects.

Promoting Marketing Innovation

The company strives to have sales and marketing staffs assimilate innovative attitudes and customer-oriented ideas and practices as they concern the creation of value and profit. It also involves setting marketing management target indices that place greater emphasis on the efficiency of personal and capital resources and follow-up on progress, and upgrading internal IT and other systems. In this current year, we are taking strategic steps to slash inventories and establish “TOREX” as the flagship of our global brand.

Rationalizing Global Production

In foundation businesses such as Fibers and Textiles, Plastics and Film, the company has designed program to enhance and strengthen its global production structure, as well as optimize its domestic production scale- ultimate purpose of these steps being to bolster our overall global competitiveness.

Strengthening Cost Competitiveness

Toray has reduced personnel and gross labor costs, fixed production costs, and procurement and logistics expenses as well as head-office and marketing expenses in excess of plan targets, all of which made a substantial contribution to improved earnings. We are working to strengthen the total cost competitiveness of the whole Toray Group, including subsidiaries worldwide.

Re-engineering of the Toray Group’s Business Structure

Based on a management philosophy that focuses on earnings and asset efficiency, we are integrating, consolidating, reorganizing, or selling businesses and companies with poor earnings and growth potential and low strategic priority. We have already finalized the policy for the main Japanese affiliates, and in this first half of fiscal year, we streamlined or restructured its major domestic subsidiaries and affiliates including construction materials, trading and spinning businesses. We are also pushing ahead with strategic M&A and alliances with a global perspective as a means of achieving business and earnings growth.

Further Strengthening the Financial Structure

We intend to reduce consolidated interest-bearing liabilities to around 500 billion yen by end of March 2005 through enhancing profitability, improving efficiency in capital expenditure, and curtailing inventory. In this area the company made solid progress in the current first half, aiming the target for reducing interest-bearing liabilities.

Promoting R&D Innovation

We are changing our R&D policy from independent studies to projects and alliances with universities, research organizations, and other companies worldwide. As part of reform, we opened the New Frontier Research Laboratories in May to place emphasis on 1) strengthening research activity by concentrating on biotechnology- and nanotechnology-related projects, 2) inviting top researchers at home and abroad to participate in biotechnology and nanotechnology studies, and 3) cementing relationships with universities and other organizations worldwide.

Overhauling Salary and Pension Structures

We have prepared a system of rewarding high flyers and enabling them to work to their full potential. In April 2003, we started a new wage system for management-level staff. We are also making far-reaching changes to its pension program that is designed to reduce the excessive financial burden on the Company.

As well as implementing these projects, we are tackling medium-term issues and reforms, focusing on the following three themes.

Expansion of Advanced Materials

Toray will re-engineer and strengthen its business structure through supplying advanced materials to industries and applications centering on the three growth areas of It-related products; Life Sciences; Environment, Safety and Amenity.

These advanced materials are developed by nanotechnology and gene-recombination technology, which are based on the company's core technologies - organic synthetic chemistry, polymer chemistry and biochemistry. To prepare for this expansion, Toray acquired PolyTetra-Fluoro Ethylene (PTFE) fibers business, purchased outstanding shares of Suido Kiko, and expanded the carbon fiber facility in Europe in FY2003. And in the current first half, we laid the foundation by establishing the New Frontier Research Laboratories, increasing 3GT fiber production capacity and joining Nippon Shinyaku Co., Ltd. in development of an oral painkiller.

Additionally, we have identified four priority strategic businesses - Carbon Fiber Composite Materials, Electronic and Information-related Materials, Water Treatment Systems, and Pharmaceuticals - and launched a special integrated project structure. We will accelerate growth and expansion of these businesses by giving them priority in allocation of management resources.

Transformation into a “New Value Creator”

We are moving to transform our business activities from merely those of a produce-and-sell 20th-century manufacturer into those of a 21st-century corporate group focused on creating new value for customers - being a “New Value Creator” for the 21st Century. This entails acquiring the ability to create new value by developing new supply chains, and incorporating a wide range of knowledge and know-how to solve customer’s problems. Our businesses are providing solutions and businesses, and we are beginning to see successes. We established business protocol being connected directly with producers and retailers in Japan, the U.S., and Europe by taking advantage of our sewing bases in China. We also worked with customers in joint development of interior component materials of automobiles using polyactic acid fibers derived from corn.

Nurturance and Expansion of Chinese and ASEAN Countries’ Businesses

Toray has established companies to oversee the company’s operations in these growth-promising regions, transferring significant authority to their local presidents. In China, production facilities for polyester filament, polyester filament textiles and polyester film were expanded, and a production facility for air-bag nylon fiber was established. In another step, four companies in Malaysia’s Penfabric Group and three Thai affiliates specializing in fibers and plastics were combined.

Based on the Project New Toray 21, the company aimed at consolidated operating incomes to 22.0 billion yen in FY 2002, 35.0 billion yen in FY 2003 and 50.0 billion yen in FY2004. We forecast that it moves up the implementation of the goals a year earlier over the initial prediction.

By steadily implementing these management reforms and addressing issues in a united effort, the Toray Group intends to act on its steadfast commitment to improving ROA and ROE and transforming itself into a highly profitable global business group.

4. Corporate Governance

Our basic stance on corporate governance is clearly articulated in our Corporate Mission as: “to provide our shareholders with dependable and trustworthy management”, as well as in our Guiding Principle as: “Fairness and Sincerity; Behaving fairly with a strong feeling of responsibility and a high standard of ethics, thereby establishing a trustworthy relationship with society.” We consider this to be one of our most important management policies.

Our Board of Directors has 30 members and the Board of Corporate Auditors has four, of whom two are external auditors. The Toray Group is a manufacturing conglomerate that supplies a wide variety of basic materials to a diverse range of industries, and therefore management needs to make varied judgments and decisions based on specialist knowledge and close liaison with the business field. To ensure that management fulfills its responsibility to our stockholders, we believe that directors who make decisions at board meetings and oversee business operations should be appointed by the general stockholders meetings and be familiar with the company’s businesses. For this reason, we intend to retain the current framework of our Board of Directors and Board of Auditors.

Members of the company’s Board of Auditors attend all important company meetings, including board meetings, as well as hold meetings to interview individual directors and senior managers. Further, it audits each of the company’s business locations, manufacturing bases, and domestic and overseas affiliates to ensure proper oversight of director’s performance. External auditors have no financial interest in (i.e., no business relationship with) the Company, and we have Audit Department to carry out internal audits, including ones of affiliates.

Toray established a Corporate Ethics Committee, which is composed of members of the Board of Directors, Auditors have the option to join as observers, in order to re-address corporate ethics and law compliance. In addition, the company established a Compliance Committee to strengthen those activities through a reworking of the management structure.

Toray also insure that the accounting firm that audits the Company allow its employees to work on the company’s account for a limited duration only.

Consolidated Business Results and Financial Condition

1. Overview of the First Half

While the U.S. economy enjoyed a recovery, in part of Europe and Asia the economy slowed down. In Japan, although the capital investment recovered and stock prices rebounded, the overall economy is still in a severe condition due to the sluggish consumer spending.

Under such circumstances, the Toray Group launched its “Project New TORAY 21” (“Project NT21”) management reform program in April 2002, with a focus on enhancing the corporate structure and re-engineering the business structure.

As a result, consolidated net sales for the first half fiscal year increased 7.2% year-on-year to ¥534.3 billion (US\$4.814 billion), while operating income rose 95.5% to ¥24.7 billion (US\$223 million). Ordinary income increased 191.7% to ¥23.0 billion (US\$207 million), and net income rose 754.6% to ¥10.9 billion (US\$98 million). Reflecting the impact of the “Project NT21” management reform program, sales, operating income, ordinary income and net income outpaced the forecast at the beginning of the fiscal year.

Fibers and Textiles

Domestic sales of nylon increased as demand for apparel improved. A shift of sales to value-added products contributed. Sales of Teton* polyester yarn increased as well, reflecting competitors’ withdrawals or cutbacks. Total overseas sales also rose, with particularly sales growth of polyester filament for apparel and non-woven fabrics in Korea and polyester filament textiles in China.

As a result, overall sales of Fibers and Textiles increased to ¥213.4 billion (US\$1.923 billion), while operating income rose to ¥9.4 billion (US\$85 million) from the previous year.

Plastics and Chemicals

Sales of Toyolac*ABS resin increased due to the good demand in domestic automobile, home electronic appliance use, and exports sales of transparent-grade. Backed by the recovery of demand in Asia, sales rose in overseas markets. With higher demand in the automobile and electric sectors, sales of Amilan* nylon resin and Toraycon* PBT resin showed favorable growth as well.

In the Film Business, sales of our mainstay Lumirror* polyester film continued to advance. This expansion reflected demand in overseas packaging and industrial application markets along with a shift to value-added products. Sales of Torayfan*

polypropylene film also rose, principally because of higher demand in packaging-application markets abroad.

Chemicals segment sales increased mainly driven by the exports of Caprolactam, a raw material for nylon.

Total sales of Plastics and Chemicals increased year-on-year to ¥129.0 billion (US\$1.162 billion), while operating income rose to ¥4.5 billion (US\$41 million).

IT-related Products

In Information and Telecommunication (IT) related Products segment, domestic sales of resin and film products increased in line with the global upturn in the liquid crystal display (LCD), cellular phone and digital home electronic appliance sectors. The sales of Electronics and Information-related Materials business also increased, from the sales expansion in electric circuit materials at home and abroad, and printing materials. The total sales of Toptical* color filters used in TFT-LCDs declined due to the decrease in large size applications, though the small- and medium-size LCDs, particularly for cellular phone applications showed a strong growth.

Gains in IT-related products reflected higher sales for semiconductor- and LCD-related devices.

As a result, sales of IT-related Products increased to ¥81.8 billion (US\$737 million) and operating income rose to ¥6.7 billion (US\$60 million).

On the production side, an ultra-high-quality production facility for polyester film came on-stream at the Mishima Plant. A production facility for condenser vapor deposition went into operation at Toray Film Products (Zhongshan) Ltd. (TFZ).

Housing and Engineering

With expansion in the condominium and construction sectors, total sales of our Housing and Engineering segment registered a year-on-year increase of ¥54.3 billion (US\$489 million), while operating income rose to ¥300 million (US\$3 billion).

Pharmaceutical and Medical Products

Sales of Pharmaceutical and Medical Products fell as intense competition led to lower demand for Dorner*, a pharmaceutical for peripheral vascular disorders. Sales of Feron*, a natural interferon-beta preparation, were unchanged from last year's level. Medical product sales were strengthened by brisk demand for

Toraysulfone*, a polysulfone hollow-fiber artificial kidney, and Toraymyxin*, a blood purification device for treating septicemia.

As a result, sales decreased year-on-year to ¥22.0 billion (US\$198 million) and operating income fell to ¥700 million (US\$6 million).

New Products and Other Businesses

Total sales of Advanced Composite Materials were up, reflecting a steady increase centering on industrial applications including civil engineering, windmill blades for wind-power generation and CNG tanks for natural gas vehicles.

Total sales and operating income of the New Products and Other Business segment rose year-on-year to ¥33.9 billion (US\$305 million) and ¥2.7 billion (US\$24 million), respectively.

Recent Investments

Toray signed a master agreement — encompassing brands, technology licenses and PLA chip supply — with US-based Cargill Dow LLC to manufacture and sell INGENIO fiber products made from Cargill Dow's corn-based polylactic acid (PLA). We also established the New Frontiers Research Laboratories in Kamakura for research in biotechnology, nanotechnology and joint projects.

2. Dividends

Reflecting business performance for the first half of FY 2004 and the forecast for FY 2004, the interim dividend for the first half was set at ¥2.5 per share.

3. Finance and Cash Flows for FY 2003

As of September 30, 2003, Toray's assets came to ¥1,302.3 billion (US\$11.732 billion), down ¥2.4 billion (US\$22 million) from a year ago, principally because of reduced property, plants and equipments. With increased investments, current assets rose to ¥3.8 billion (US\$34 million). Liabilities stood at ¥858.1 billion (US\$7.731 billion), a ¥18.2 billion (US\$164 million) reduction from the previous year due to a lower balance of interest-bearing debt. Capital rose to ¥408.2 billion (US\$3.677 billion), a year-on-year increase of ¥17.8 billion (US\$160 million) that reflected a higher earned surplus and a revaluation of securities investments. As a result, Toray's equity ratio as of September 30, 2003 reached 31.3%, a 1.3 point increase over the previous year.

Free cash flows, cash flows from operating activities and net of cash flows from investment activities for FY 2004 were up year-on-year to ¥20.1 billion (US\$181 million). Cash flows, as well as changes in the balances of cash and cash equivalents, for the first half of FY 2004 are as follows:

	Billion yen
Cash flows from operating activities	45.0 (US\$ 405 million)
Cash flows from investment activities	-24.9 (US\$ -224 million)
Balance (Free cash flows)	20.1 (US\$181 million)
Cash flows from financing activities	-20.4 (US\$ -184 million)
Translation gains/losses	0.0
Change in cash and cash equivalents during the first half	- 0.3 (US\$ -3 million)
Cash and cash equivalents at beginning of the first half	55.7 (US\$502 million)
Effect of changes in consolidated subsidiaries	0.1 (US\$1 million)
Cash and cash equivalents at end of the first half	55.5 (US\$500 million)

Index of Cash Flows:

	Year ended March 31				Six months ended September 30, 2003
	2000	2001	2002	2003	
Stockholder's equity / Total assets (%)	28.3	29.1	29.8	30.0	31.3
Market capitalization / Total assets (%)	37.7	48.4	35.6	28.3	43.1
Interest-bearing debt / Operating Cash flow (years)	10.8	5.4	8.5	6.2	-
Operating cash flow/Interest paid (times)	3.3	5.8	4.5	10.6	11.8

Note)

- 1) All indices are computed based on consolidated data.
- 2) Market capitalization equals the stock price at the end of the period multiplied by the number of shares outstanding at the end of the period (excluding treasury stock).
- 3) Operating cash flow is stated in the consolidated statements of cash flows. Interest-bearing debt is all debt included in the consolidated balance sheets on which is paid.
- 4) Interest-bearing debt/Operating cash flow is not calculated for the interim period.

4. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2004

We expect inconsistent growth in the Asian economy, while the U.S. economy should continue to expand. The outlook for the Japanese economy is uncertain, with domestic demand remaining sluggish due to structural deflation and a severe employment condition and income environment. The appreciation of the yen and an increase in raw material prices are also concerned.

Faced with these challenges, the Toray Group will take further steps to strengthen its new profit-generating structure by enhancing the corporate structure and re-engineering the business structure in line with "Project NT21". Bolstered by these moves, the company forecasts net sales of ¥1,080 billion (US\$9.818 billion), operating income of ¥54 billion (US\$491 million), ordinary income of ¥50 billion (US\$455 million) and net income of ¥19 billion (US\$173 million) for FY 2004 (April 2003 – March 2004). The estimated exchange rate for the second half of FY 2004 is ¥110 = US\$1.

Notes:

- 1) U.S. dollar amounts have been converted from yen at the exchange rate of ¥111 = US\$1, the approximate rate of exchange prevailing on September 30, 2003.
- 2) Product names with (*) abbreviation are trademarks of Toray Industries, Inc.

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