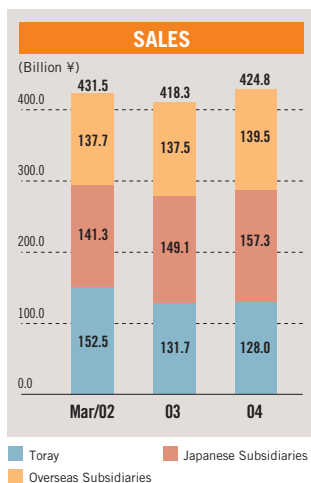




## Fibers and Textiles



The fibers and textiles segment achieved year-on-year growth in both sales and profits. In Japan, nylon fiber sales increased on a shift to high-margin segments and recovery in prices for apparel applications as well as efforts to expand sales for airbags and other industrial applications. Sales of the polyester fiber *Tetoron*<sup>®</sup> increased in apparel applications thanks to efforts to expand sales despite the ongoing slump in consumer demand in Japan, and firm sales for industrial applications. Overseas sales increased in the polyester staple fiber and polyester-rayon blended fabrics businesses in Indonesia, the polyester filament woven fabric business in China, and the polypropylene spunbond business in South Korea.

### Topics for the Fiscal Year ended March 31, 2004

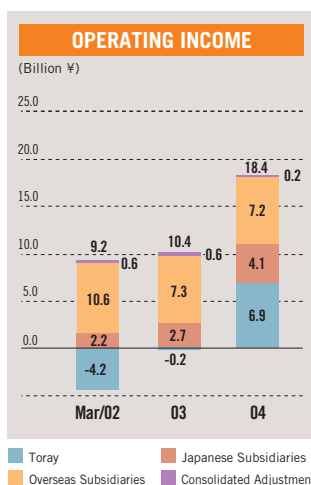
#### Launch of *TOREX*<sup>®</sup> as an integrated global brand in the fibers and textiles segment

Toray launched *TOREX*<sup>®</sup> simultaneously in Japan and China last year as a global prestige brand integrating Toray products selected for their high quality, technological superiority, and advanced materials. The name *TOREX*<sup>®</sup> was chosen to represent an “EXtension” of Toray into the future as an “EXcellent” product brand that continues to provide “EXciting” value to customers. The new brand enables the creation of greater value for materials and components by extending the brand appeal to consumers. We are pushing forward with this brand strategy, especially in Japan and China.

has an annual production capacity of 13,000 tons to expand TSI’s total PP-SB annual production capacity to 45,000 tons.

PP-SB is primarily used for disposable diapers and feminine napkins, which already have high penetration rates in advanced regions such as Japan, North America, and Europe. Growth is expected to continue at an annual rate of 10% or higher through 2010 due to the recent rapid increase in penetration rates in China and Asia. Consumers are seeking higher quality disposable diapers and feminine napkins in terms of a soft texture, lighter weight, and high absorption capacity, and products from this state-of-the-art facility are receiving high praise in the marketplace. TSI is looking to further expand its PP-SB business in Asia with the new facility providing advantages in terms of scale, quality, and product variation.

The Toray Group has a total spunbond production capacity of 53,000 tons annually when combining TSI and Toray’s PET-SB facility in Shiga, making it one of the world’s largest spunbond manufacturers.



*TSI’s PP-SB is widely used by leading diaper and feminine napkin manufacturers both in Japan and overseas.*



*TOREX<sup>®</sup> Promotional TV commercial.*

#### Business Environment and Outlook

In Japan, though underlying demand is largely unchanged, we anticipate growth in demand for high performance fibers and textiles for both apparel and industrial applications. Additionally, we seek to achieve sales and profit growth by reducing unprofitable sales through rigorous product-based profitability management, expanding the New Value Creator concept, and passing on raw material cost increase to selling price.

Overseas, we expect fiber and textile trade to expand, especially in Asia and China, and global industry reorganization to accelerate. We plan to increase sales and profits in China and Southeast Asia, where growth is continuing, expect a man-made suede subsidiary in Europe to recover from FY Mar/06.

#### Augmenting PP-SB production facility at Toray Saehan Inc.

The state-of-the-art polypropylene spunbond (PP-SB) production facility at Toray Saehan Inc. (TSI) in South Korea commenced operations in November 2003. The facility can produce multi-layer spunbond with high functionality and composite spunbond with different types of polymer such as polyethylene. The new facility

## Plastics and Chemicals

The plastics and chemicals segment achieved year-on-year growth in both sales and profits. In the resins business, sales of the ABS resin *Toyolac*\* increased on healthy demand for automotive and electrical machinery applications in Japan, strong exports of transparent grades, and higher sales overseas due to economic recovery. The nylon resin *Amilan*\* and PBT resin *Toraycon*\* also enjoyed higher sales on an expansion of sales primarily for automotive and electrical machinery applications. In the films business, sales of the mainstay polyester film *Lumirror*\* increased on higher sales for packaging and industrial materials applications overseas and smooth progress in the shift to high value-added products. The polypropylene film *Torayfan*\* also recorded sales growth on higher sales for packaging materials applications overseas. In the chemicals business, sales increased on a recovery in prices in basic materials.

### Topics for the Fiscal Year ended March 31, 2004

#### Establishment of PBT resin joint venture in Malaysia

Toray and leading German chemicals manufacturer BASF Aktiengesellschaft established Toray BASF PBT Resin Sdn. Bhd. in March 2004 as a 50-50 joint venture in Malaysia to produce high-performance polybutylene terephthalate resin (PBT resin). The new company plans to begin producing 60,000 tons of PBT resin annually from early in 2006.

Toray BASF PBT Resin will supply PBT resin with global leading quality and cost competitiveness to both Toray and BASF by introducing the latest polymerization technology from Toray while procuring its main raw materials from a neighboring state-of-the-art BASF subsidiary.

PBT resin has superior physical and chemical properties and is used in electrical and electronic components, precision components for office automation equipment, and automotive electrical components. Applications are expected to expand in the future to include interior and exterior automotive components, general industrial equipment, fibers, and films. In particular, demand in Asia is forecasted to grow at a high annual rate of 10%.

The establishment of Toray BASF PBT Resin makes Toray the first Japanese PBT resin manufacturer to have production facilities located overseas. Toray is actively expanding its overseas compound (resin treatment) facilities and developing an optimal global supply system in an effort to enhance competitiveness and expand its PBT resin business.

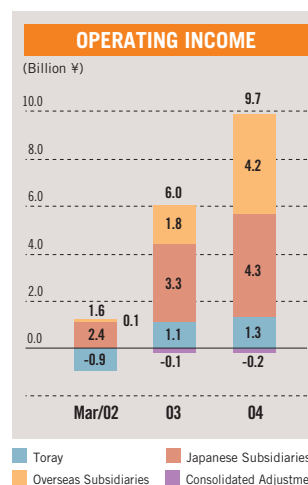
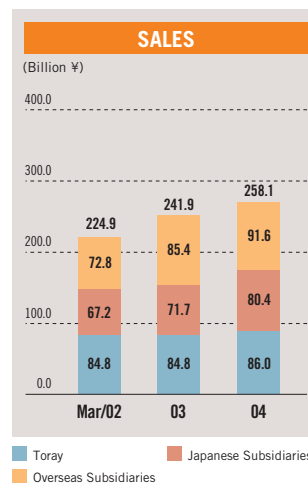


Connectors that use PBT resin.

#### Business Environment and Outlook

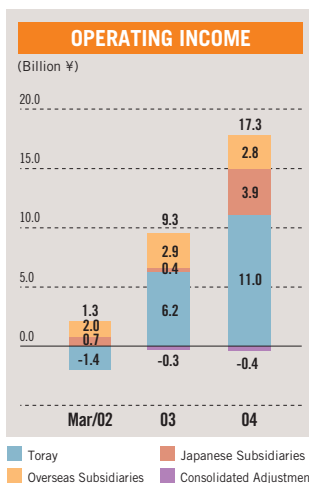
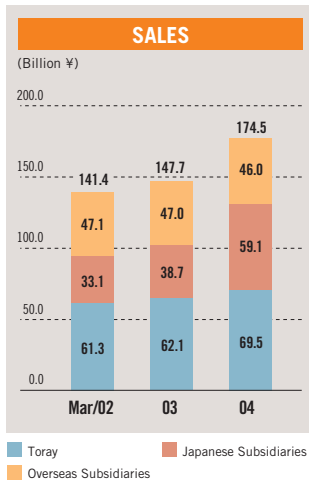
We expect worldwide resin demand to continue growing steadily due to a global increase in the production of automotive and electrical machinery. For Toray's resins business, we target sales and profit growth on further progress in passing on the material cost increase to selling price and the introduction of new products and new items.

We look for stable growth in global demand for films used in industrial and packaging materials and for demand in Asia, especially China, to remain high on an improvement in living standards. In Toray's films business, we seek to shift to high value-added products in Japan while maximizing profits through global operations. At film subsidiaries in Europe and the US, we are working to increase profits by continuing to change their business structure from reliance on magnetic materials applications to packaging and industrial materials applications.





## IT-related Products



The IT-related products segment achieved year-on-year growth in both sales and profits. In the IT-related resins and films business, sales increased as strong demand boosted sales for all applications in Japan, including LCDs, mobile phones, and digital home electronics. In the electronic materials business, sales increased on a strong performance by circuit materials and printing plate materials both in Japan and overseas. In the LCD materials business, sales increased on higher sales of the TFT LCD color filter *Toptical\**, which is used in small and medium-sized displays, mainly for mobile phones, and in LCD televisions. In the IT-related equipment business, sales increased on growth in semiconductor and LCD-related equipment such as liquid crystal coating equipment.

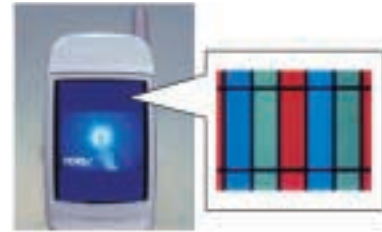
### Topics for the Fiscal Year ended March 31, 2004

#### Growth in LCD color filter business

The Toray Group's LCD color filter business, in addition to strategic alliances with previous customers Toshiba Matsushita Display Technology Co., Ltd. and Seiko Group companies, is supplying color filters on a long-term basis to South Korea's Samsung Group, the world's largest LCD manufacturer, starting in April 2004. In the partnership with the Samsung Group, Toray will supply color filters as well as manufacturing equipment and color filter materials in order for the Samsung Group to internally manufacture large color filters.

In the Toray Group's color filter-related business, we are looking to enhance the solutions provided to companies in this industry and expand this business in the following three ways. First, in terms of color filter sales, we will introduce new products (high resolution, high visibility semi-transparent color filters) in the rapidly growing small and medium-sized filter segment that capitalize on the strengths of Toray's unique materials. Second, we will also pursue outside sales of manufacturing equipment (slit coaters) to enable LCD

manufacturers to produce color filters internally starting with fifth-generation large filters. Third, we will expand sales of color filter materials such as color paste for slit coaters and environmentally-friendly resin black matrix.



TFT LCD Color filter used in mobile phones.

#### Business Environment and Outlook

Going forward, we anticipate continued growth in personal computers, mobile phones and other mobile devices, and digital home electronics. We aim to increase sales and profits by working aggressively to expand sales of products widely used in these applications, including PET films and advanced IT materials, circuit materials, LCD color filters, and IT equipment.

In April 2004, we established the IT Strategic Business Unit in order to redouble our efforts to expand the IT-related products segment and launched coordinated activities encompassing each business division as well as subsidiaries.

## Housing and Engineering

The housing and engineering segment achieved year-on-year growth in both sales and profits, with sales totaling ¥120.1 billion and operating income ¥1.7 billion. Growth can be attributed to efforts to expand sales in the condominium and construction businesses.

Topics for the Fiscal Year ended March 31, 2004

### Orders received for low-fouling reverse osmosis membrane from Singapore, Spain, and Sulaibiya, Kuwait

Toray has developed a low-fouling reverse osmosis (RO) membrane that has superior anti-fouling properties (improves contamination resistance) for organic matter and microbes without losing the high desalination properties and permeability of conventional reverse osmosis membranes. The new product was first adopted at a high-quality water treatment plant (NEWater plant) in Seletar, Singapore and at an industrial waste water recycling plant in Spain. These were followed by an order from a membrane water treatment plant in Sulaibiya, Kuwait that produces the world's top water volume at 310,000 tons per day. Sewage and wastewater reclamation holds great promise alongside seawater desalination and advanced treatment of river water and groundwater as a means for solving water shortages in the 21st century. Going forward, Toray plans to aggressively expand use of its low-fouling reverse osmosis membrane element in sewage recycling and reclaimed water production around the world as well as in industrial waste water recycling.

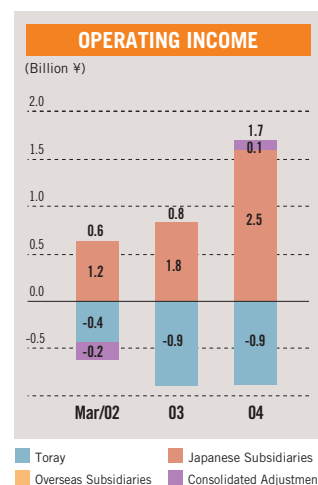
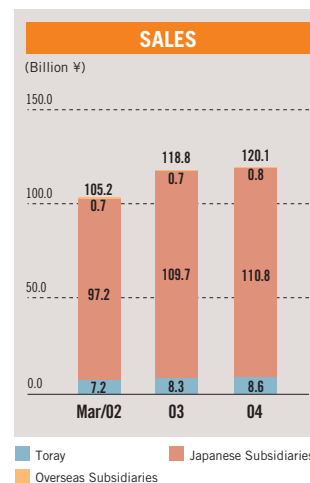
### Business Environment and Outlook

Though we expect competition in the construction and housing sectors to remain harsh, we are working to increase sales and profits in this segment by shifting toward high-margin businesses and reinforcing the business structure. In the water treatment business,

demand is expanding as a result of water shortages worldwide. We also aim to continue growing sales in the RO business both in Japan and overseas while working to acquire large orders in the systems and plant business.

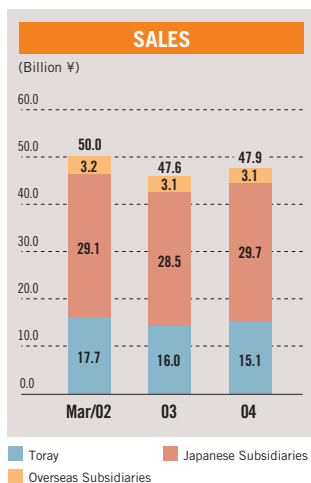


Low-fouling reverse osmosis membrane.





## Pharmaceuticals and Medical Products



The pharmaceuticals and medical products segment achieved year-on-year growth in both sales and profits. Though sales in the pharmaceuticals business decreased, due partly to the impact of competition from the products of other companies, sales in the medical products business increased on growth for *Toraysulfone*\*, a polysulfone based artificial kidney, and *Toraymyxin*\*, a blood purification device for treating severe septicemia.

### Topics for the Fiscal Year ended March 31, 2004

#### Joint development of new oral controlled-release painkiller

Toray and Nippon Shinyaku Co., Ltd. have agreed to jointly develop and commercialize in Japan a new oral controlled-release painkiller that uses tramadol hydrochloride as the active component (Toray's development code is TRK-091).

Tramadol hydrochloride is positioned as a moderate analgesic that fills a niche between products now available. Given the growing tendency at Japanese medical institutions to emphasize a patient's quality of life, the new product is expected to meet the need for a controlled-release painkiller that can be safely used for an extended period of time.

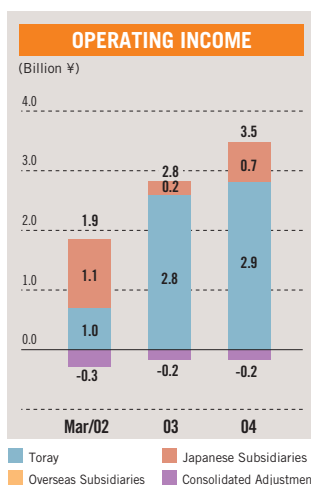
In line with its policy to pursue strategic growth in the life sciences, Toray is focusing R&D activities on drug discovery and other areas intended to help develop the pharmaceuticals and medical products segment into a core business in the 21st century. TRK-091 is expected to follow TRK-820, which is being developed as an antipruritic drug for dialysis patients, as the next new drug to reach the stage of commercialization.

#### Business Environment and Outlook

Though we anticipate lower prices as a result of reductions in drug prices and reimbursement prices, we are pursuing a differentiation strategy in the pharmaceuticals business in an effort to increase market share. In the medical products business, we plan to boost overall profits by expanding sales, especially of artificial kidneys, and reinforcing the business structure.



*Dorner*\* is an orally administrable prostacyclin derivative that is effective for treating chronic arterial occlusion and primary pulmonary hypertension thanks to its antiplatelet and vasodilating actions.



## New Products and Other Businesses

The new products and other businesses segment achieved year-on-year growth in both sales and profits. In the carbon fiber composite materials business, sales and profits increased thanks to favorable sales growth for industrial applications such as civil engineering and construction, turbine blades for wind power generation, and CNG tanks for natural gas automobiles, and to a recovery in demand for aircraft applications.

Topics for the Fiscal Year ended March 31, 2004

### Status of CFRP automotive applications

Toray has worked to develop carbon fiber reinforced plastic (CFRP) components in an effort to expand the number of applications for carbon fiber and make further inroads into automotive applications, for which large demand is expected in the future. The automotive CFRP component business commenced full-scale operations as a result of car manufacturers adopting CFRP components in mass-produced car models. Car applications include propeller shafts, which transfer power from the engine to the drive wheels, exterior shell components such as the hood and trunk, and secondary structural components such as spoilers, which improve a car's aerodynamic properties.

The first worldwide use of a CFRP propeller shaft was by a Japanese car manufacturer in November 1999, and since that time, they have been adopted by three Japanese car manufacturers for mainstay car models. We also anticipate use in new car models of car manufacturers in Europe.

Propeller shafts, exterior shell components, and structural components are currently undergoing technological assessment for use in mass-produced car models by a total of about 10 car manufacturers in Japan and overseas. We therefore see the potential for CFRP to spread rapidly as a standard

automotive material in the near future.

Going forward, we are looking to further develop composite material design techniques based on our longstanding expertise as the world's largest manufacturer of carbon fiber, resin molding techniques that utilize polymer chemistry, a core technology of Toray, and surface finishing techniques suited to automotive materials. We are also working to promote CFRP as a next-generation automotive material by actively pursuing carbon fiber recycling.

### Business Environment and Outlook

In the carbon fiber composite materials business, industrial application demand is steadily expanding, especially in Europe and Asia. At the same time, demand for new aircraft applications is also expected to enter a growth period with the Airbus A380 entering service in 2006 and the Boeing 7E7 entering service in 2008. Amid improvement in the supply and demand balance, we seek to achieve sales and profit growth by increasing sales for industrial and aircraft applications, expanding composites, and quickly restoring prices to an appropriate level.



Boeing 7E7 entering service in 2008.

