

Financial Annual Report 2005

April 1, 2004 — March 31, 2005

TORAY
Toray Industries, Inc.

Profile

Toray—The Leader in Advanced Materials

Toray is a leading chemical manufacturer founded in 1926. Throughout its history, the Company has kept itself focused on research and technological development, seeking to contribute to society by creating new value.

The Toray Group is working to expand earnings now and in the future by developing advanced materials based on our core technologies—organic synthetic chemistry, polymer chemistry, and biochemistry—and by expanding our global presence with operations around the world.

At the same time, the Toray Group gives top priority to fulfilling its corporate social responsibilities. We are actively engaged in work to increase safety, prevent accidents, and protect the environment while upholding corporate ethics and complying with all laws and regulations. In this way, we of the Toray Group are committed to achieving sustainable growth while working to improve the global environment.



Contents

- 03 Consolidated Financial Highlights
- 04 To Our Stockholders
- 07 Mid-Term Management Reform Program “Project NT-II”

Toray Business Reports

- 12 Toray at a Glance
- 14 Review of Operations
- 24 Research & Development
- 26 Press Releases

Financial Section

- 28 Six-Year Summary of Selected Financial Data
- 29 Management’s Discussion and Analysis
- 34 Consolidated Balance Sheets
- 36 Consolidated Statements of Income
- 37 Consolidated Statements of Stockholders’ Equity
- 38 Consolidated Statements of Cash Flows
- 39 Notes to Consolidated Financial Statements
- 50 Report of Independent Auditors

Toray Corporate Data

- 52 CSR Activities
- 53 Board of Directors and Corporate Auditors
- 54 Toray Group Worldwide Network
- 56 Investor Information

Cautionary Statement with Respect to Forward-Looking Statements

Descriptions of predicted business results, projections and business plans contained in this annual report are based on forecasts and assumptions regarding the future business environment made at the present time. This annual report is not a guarantee of the Company’s future business performance.

Product names with an asterisk () are trademarks of Toray Industries, Inc., or its subsidiaries or affiliated companies.*

Consolidated Financial Highlights



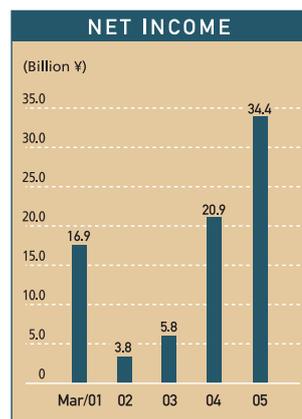
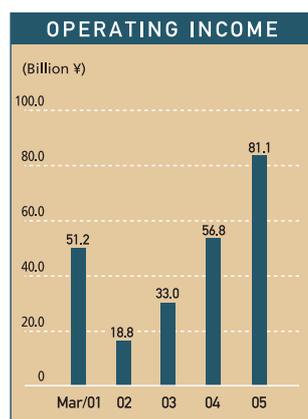
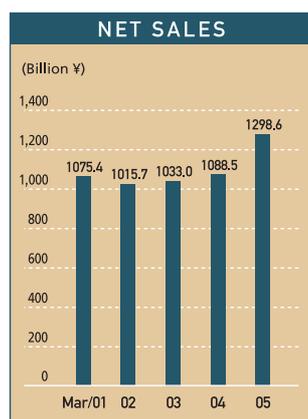
Toray Industries, Inc. and Subsidiaries
Years ended March 31

Millions of yen

Thousands of
U.S. dollars

	2005	2004	2003	2005
For the year:				
Net sales	¥1,298,606	¥1,088,501	¥1,032,991	\$12,136,505
Operating income	81,052	56,792	33,043	757,495
Net income	34,397	20,908	5,790	321,467
Net cash provided by operating activities	133,481	117,610	88,582	1,247,486
Capital expenditures	73,094	48,807	57,249	683,121
Per share of common stock (in yen and U.S. dollars):				
Net income				
Primary	¥24.46	¥14.87	¥ 4.13	\$0.229
Fully diluted	—	—	—	—
Net cash provided by operating activities (primary)	95.30	83.95	63.22	0.891
Cash dividends	7.00	5.50	5.00	0.065
At year-end:				
Total assets	¥1,402,264	¥1,295,314	¥1,300,954	\$13,105,271
Total stockholders' equity	452,519	414,247	390,398	4,229,150

Note: All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at ¥107 to \$1.00, the approximate rate of exchange prevailing on March 31, 2005. Billion is used in the American sense of one thousand million.



■ Cash Flows from Operating Activities
■ Cash Flows from Investing Activities
■ *Free Cash Flows

*Free Cash Flows:
Cash flows from operating activities +
cash flows from investing activities



To Our Stockholders

On behalf of Toray Industries, Inc., I would like to thank our stockholders for their continued support and am pleased to report the results of operations in the fiscal year ended March 31, 2005, as well as future business challenges.

Sadayuki Sakakibara
President, CEO and COO,
Representative Director

Business Environment and Results

During the period under review, in spite of adverse factors such as steep rise in raw materials and fuel prices, the U.S. economy held on to its inherent strengths in the first half, while the Asian economies led by China also expanded briskly. The rate of growth, however, deteriorated in the latter half mainly due to a slowdown in the digital electronics market and the continued high prices of raw materials and fuels. The Japanese economy showed signs of a modest recovery in the first half helped by rising exports and private capital expenditure but slowed down in the latter half due to factors such as supply and demand adjustments in the digital electronics market.

Amid these conditions, the Toray Group worked on the expansion of revenues and profits through corporate structure reinforcement and business structure reform under its Mid-term Management Reform Program “Project NT-II”, which commenced in April 2004.

As a result, consolidated net sales for FY Mar/05 increased 19.3% on a year-on-year basis, to ¥1,298.6 billion. Operating income came to ¥81.1 billion, up 42.7% from the previous year, and ordinary income was ¥76.8 billion, an increase of 48.8%. Net income expanded 64.5% year-on-year to ¥34.4 billion. The figures for net sales, operating income and ordinary income

renewed the record high.

As of March 31, 2005, total assets stood at ¥1,402.3 billion, up ¥107.0 billion from the previous fiscal year. These increases can be principally attributed to Chori Co., Ltd. and Suido Kiko Kaisha, Ltd. which joined the fold as consolidated subsidiaries. Stockholders' equity came to ¥452.5 billion, up ¥38.3 billion from the end of the previous fiscal year. As a result, the equity ratio at the end of the fiscal year was 32.3%, a 0.3 percentage-point increase over the previous year.

Return on assets (ROA) gained 1.6 percentage points year-on-year to 6.0%, and return on equity (ROE) increased 2.7 percentage points to 7.9%.

Free cash flows, cash flows from operating activities and net of cash flows from investment activities for FY Mar/05 were up year-on-year to ¥86.6 billion.

Progress of “Project NT- II”

The Toray Group launched “Project New TORAY21” (“NT21”) management reform program in April 2002, in a bid to achieve early income improvement by dramatically strengthening corporate structure and the Company was able to achieve the targets one year ahead of schedule in FY Mar/04. Building on this success, the Company initiated “Project NT-II (NT-II) as the



second stage of reform in April 2004, with the medium-term management objective of building a dynamic and highly profitable corporate group.

Project NT21 consisted of management reforms to reinforce the corporate structure from the “defensive” perspective. NT-II, on the other hand, seeks to sustain management from the “defensive” perspective through further reinforcement of the corporate structure while simultaneously advancing with an “offensive” management approach of expanding revenues and profits through business structure reform. In order to realize this objective, the Toray Group will be focusing on the following eight projects.

Eight Projects of “NT- II”

The first key is “activating our corporate culture.” NT21 fostered a healthy sense of crisis combined with a new clarity of purpose and direction, and this is now being shared by all employees of the Toray Group. Building on this spirit, the Toray Group has been implementing additional measures to strengthen communication and information sharing, and endeavoring to create a revitalized organization. In the term under review, the Group launched a company-wide activity named “Multi-Communication Campaign” to improve and strengthen the communication and information sharing within the organization. Furthermore, the Group also embarked on revitalization activities such as disseminating the president’s messages using the intranet on a regular basis and rolling out specific measures and actions towards establishing a corporate culture that allows even greater scope for women’s active participation.

The second aspect is “strengthening global competitiveness.” By building on the success of the “strengthening cost competitiveness project” of NT21, the Toray Group undertook extensive measures to achieve further reductions in total costs across the entire Group including gross labor costs, fixed production costs, and procurement and logistics expenses as well as head-office and marketing expenses, and these efforts have been successful.

This project was completed in March 2005 and the Group in April initiated the “self-improvement efforts project,” which aims to eliminate the wastes and losses associated with business operations and reduce costs by employing different approaches.

The third point is “strengthening financial structure.” While continuing with the measures to strengthen financial structure undertaken in NT21, the Group set a new financial goal under NT-II of achieving early reduction of the ratio of interest bearing liabilities to stockholders’ equity (D/E ratio) to 1.0 or lower, in order to realize both increased investment in its advanced materials businesses and further strengthening of the financial structure. Reforms were steadily implemented in the term under review towards achieving these objectives.

The fourth aspect is “promoting marketing innovation.” While promoting various themes such as awareness raising endeavors for sales and marketing staff, promotion of new value creators, target management based on marketing management target indices, and IT buildup, which were introduced under NT21, the Group is striving to strengthen its marketing power by initiating new themes such as further promotion of awareness reforms through marketing self-help analysis and expansion of one-stop-total-service function that consolidates the major customer accounts.

The fifth point is “strengthening profit management by product type.” Under NT21, as part of its measures focused on the core objective of structural reinforcement, the Group sought to cut back on loss-generating businesses and companies or bring them into the black, and was able to improve income by achieving these goals. NT-II takes this approach one step further: each business is expected to improve income by increasing the share of high-margin products, regaining profitability or at the very least cutting losses from unprofitable products included in the portfolios of otherwise profitable businesses. In order to achieve this goal, Toray as well as the affiliated companies within and outside Japan under the Toray Group are ensuring profit management by product type, and have carried out the planned reforms by formulating and steadily implementing concrete measures.

The sixth action is “expanding advanced materials businesses.” Advanced materials development at the Toray Group has to date focused on the core technologies of organic synthetic chemistry, polymer chemistry, and biochemistry. Business expansion has been driven by supplying these products primarily in the three growth areas of IT-related products; life sciences; and environment, safety, and amenity. NT-II calls for an expansion of existing advanced materials businesses inside and outside Japan,

To Our Stockholders

accompanied by rapid development of new advanced materials and related business initiatives using the Toray Group's core technologies as well as sophisticated technologies such as technologies for increasing the limits of performance, nanotechnology, and biotechnology, etc. To this end, concrete measures have been initiated while putting in place a structure that combines the synergies of production, sales, technology and research and allocating management resources for vital areas.

The seventh measure is "expanding global No.1 businesses." Thirty of the Toray Group's businesses have claimed the top share of the global market—in the polyester-cotton blended textiles, man-made suede, polyester film, carbon fiber composite materials, and other businesses. In NT-II, the Toray Group is planning to further expand and reinforce these No.1 businesses by clarifying the strategic positioning of each business and allocating adequate management resources. Under this policy, business strategies that exploit the Group's competitive strengths were formulated and implemented under each project leader in the term under review.

The eighth aspect involves "expanding businesses outside Japan." The Toray Group will strive to implement further structural reform at its businesses in 20 countries and regions worldwide, strengthening them as sources of earnings, while simultaneously pursuing business growth outside Japan through new business initiatives. Project teams have been constituted to promote the various themes such as entering into new businesses in regions that Toray has already been penetrating, business development in regions such as Eastern Europe and Russia that boast of significant economic growth, expansion into fields with high growth rates such as IT applications or automobile applications and promotion of forays into overseas markets by group companies.

In addition to these points, establishing a brand strategy is more essential to remaining victorious amid conditions of global overproduction and to achieving business expansion and earnings growth. To this end, the Group has positioned TOREX* as the Toray Group's core brand, symbolizing the Group's high quality, superior product grades, and advanced materials, and is currently planning for implementation of a global brand strategy.

Strengthening CSR Activity

Toray is stepping up corporate social responsibility (CSR) efforts to promote safety, accident prevention, and environmental preservation and ensure compliance with corporate ethics as well as laws and regulations. Toray established the CSR committee as the crossing structure of the Corporate Ethics Committee and the Global Environment Committee in November 2003 to enhance CSR efforts. The committee published CSR Annual Report 2004 in September 2004, and also set up CSR Guidelines and CSR Action Program for the Toray Group in the end of 2004.

As a part of its social initiatives, Toray established the Toray Science Foundation in 1960 with the goal of contributing to the advancement of science technology. Toray also supports the advancement of arts and culture, medical care, education and sports activities in Japan. In Indonesia, Thailand, and Malaysia, Toray contributes to the advancement of science technology through science foundations in these respective countries.

Toward Global Highly Profitable Corporate Group

All employees of the Toray Group are united in their efforts towards reforms under NT-II, which take the reform efforts of NT21 and advance them even further, and continue to strive for the early achievement of the NT-II target of ¥100 billion in consolidated operating income. Furthermore, through realization of the goals of NT-II, the Toray Group seeks to increase ROA and ROE, and to transform itself into a global, highly profitable corporate group.

Sadayuki Sakakibara



President
CEO and COO
Representative Director
June 2005

Mid-Term Management Reform Program "Project NT-II"



Toray—The Leader in Advanced Materials Working to Be a Dynamic, Highly Profitable Corporate Group

I. Introduction

Toray launched Project New TORAY21 (Project NT21) in April 2002 as a management reform program designed to drive our transformation into a new Toray for the 21st century. Thanks to the combined efforts of the entire Toray Group, we posted consolidated operating income of ¥33.0 billion in FY Mar/03 and ¥56.8 billion in FY Mar/04, thereby achieving our initial Project NT21 three-year profit improvement target one year ahead of schedule.

As the second stage in our corporate reform efforts, we launched Project NT-II as a new mid-term management plan in April 2004 with the goal of building on the results achieved in Project NT21 to transform Toray into a dynamic, highly profitable corporate group.

II. Fundamental Project NT-II Concepts

Project NT21 represented the first stage of our corporate reform efforts, and it placed priority on reinforcing the corporate structure of the Toray Group with the goal of quickly overcoming the challenges we faced in FY Mar/02 and laying the groundwork for restoring Toray to a highly profitable corporate group. Project NT21 was essentially a "defensive" reform program intended to strengthen our corporate structure, and it was based on the fundamental concept of "quickly improving profits by taking radical steps to reinforce our corporate structure based on a shared sense of crisis."

In contrast, Project NT-II seeks to build on the results achieved in Project NT21 to develop a highly profitable business structure through bold reforms and to propel the Toray Group toward the stable profitability that characterizes an outstanding corporate group. In other words, Project NT-II adopts an "offensive" approach of expanding revenues and profits through further business-structure

reforms in combination with a "defensive" approach of continued structural reinforcement. As key components of Project NT-II, we seek to increase profits in existing businesses through comprehensive profit management by product, and to expand and strengthen our 1) advanced materials businesses, 2) global No. 1 businesses, and 3) businesses outside Japan, all of which represent valuable assets that we are proud to have developed throughout our long history.

Project NT-II places priority on pursuing profit-oriented management by increasing profits in existing businesses and expanding and strengthening the three business areas outlined above, as well as on safety, accident prevention, and environmental preservation. We are also working to uphold corporate ethics, comply with laws and regulations, and otherwise fulfill our corporate social responsibilities. We aim to quickly achieve consolidated operating income of ¥100 billion by steadily implementing Project NT-II.

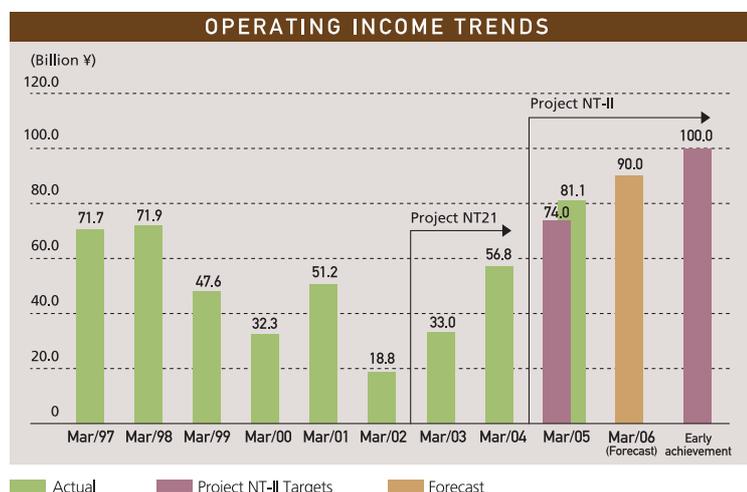


Image of Main Financial Indicators upon Achievement of ¥100 billion in Operating Income

ROA	About 7%
ROE	About 9%
D/E	1.0 or lower

The entire Toray Group is working together to implement Project NT-II. As a result of our efforts, we posted operating income of ¥81.1 billion in FY Mar/05, higher than our target of ¥74 billion for this first year of Project NT-II.

Mid-Term Management Reform Program “Project NT-II”

III. Projects Pursued Under Project NT-II

The Toray Group has developed a project structure for pursuing eight priority management issues on a group-wide basis.

A discussion of our progress in each of these eight projects is provided below.

Management Issues	Projects	Main Themes to be Addressed
Develop innovative attitudes and ideas and reinforce corporate structure	1. Activating the Organization (ACT Project)	Enhance communication and information sharing; promote talented young employees; establish corporate culture that allows women to excel
	2. FY Mar/05: Strengthening Cost Competitiveness (TC Project) FY Mar/06 and beyond: Promoting Self-Improvement Efforts (JD Project)	Steadily implement TC-3 (reduction target: ¥15 billion) Enhance profits by improving efficiency; reduce expenses by improving operational efficiency
	3. Strengthening Financial Structure (FK-II Project)	Strike balance between expanding investment in advanced materials businesses and reinforcing financial structure; quickly achieve D/E ratio of 1.0 or lower
	4. Promoting Marketing Innovation (Marketing Innovation Project)	Develop innovative attitudes and ideas among marketing staff; promote New Value Creator concept; reduce inventory by half (ZH Project); expand one-stop service capabilities
Expand revenues and profits through business-structure reform	5. Improving Profitability by Product (HK Project)	Eliminate gross loss-making products; improve gross margin by 5 percentage points or more over three-year period; maintain or reduce the ratio of operating expenses to net sales
	6. Expanding Advanced Materials Businesses (SZ Project)	Quickly commercialize new advanced materials; strengthen R&D capabilities; expand existing advanced materials; strengthen intellectual property capabilities
	7. Expanding No. 1, Only 1, and First 1 Businesses (No.1 Project)	Concentrate resources in No. 1 businesses; enhance employee awareness (instill self-confidence and pride)
	8. Increasing Profits in Businesses Outside Japan (KP Project)	Enhance profitability of ASEAN businesses; expand businesses in China and South Korea; increase profits in US and European businesses

1. Activating the Organization (ACT Project)

With the aim of keeping the company invigorated and youthful, we are pursuing company-wide campaigns to enhance communication and information sharing, ingite a corporate culture of entrepreneurship, reform our pension and retirement allowance systems, promote talented young employees, and establish a corporate culture that allows women to excel.

Progress in FY Mar/05

1. Launched the Multi-Communication (MC) Campaign as a company-wide campaign in July 2004 with the aim of enhancing communication and information sharing in all directions.
2. Established a Communication Day on which all departments and sections hold a monthly meeting. Meetings must cover safety, business performance, corporate ethics, and legal compliance.
3. Expanded internal intranet information services in October 2004.

2. Promoting Self-Improvement Efforts (JD Project)

The total cost reduction project (TC Project) was a core part of our defensive management approach over the past three years, and we achieved results in excess of our group-wide target. From FY Mar/06 forward, we will continue our ongoing structural reinforcement efforts by promoting self-improvement efforts (JD Project).

TC Project

Toray as well as domestic and overseas subsidiaries sought to reduce overall costs by reviewing and streamlining all cost elements, including personnel and labor costs, fixed manufacturing costs, purchasing and distribution costs, and headquarters costs.

Reductions in Total Costs (Billion ¥)			
Mar/02 → Mar/03 (TC-1)	Mar/03 → Mar/04 (TC-2)	Mar/04 → Mar/05 (TC-3)	Total
+14.0	+12.3	+9.0	+35.3

JD Project

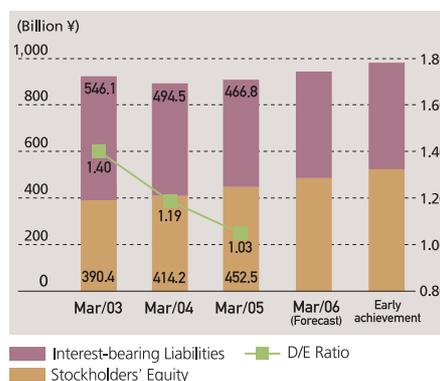
Ongoing Structural Reinforcement through Self-Improvement Efforts

In addition to pursuing cost reductions on a group-wide basis, the Toray Group seeks to enhance cost and operating efficiency by setting tasks from a fresh perspective and decisively eliminating loss and waste.

Self-Improvement Efforts (Billion ¥)
Mar/05 → Mar/06 (JD-1)
+2.0

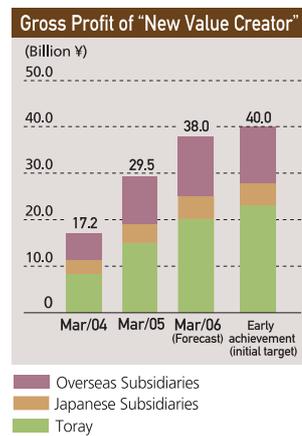
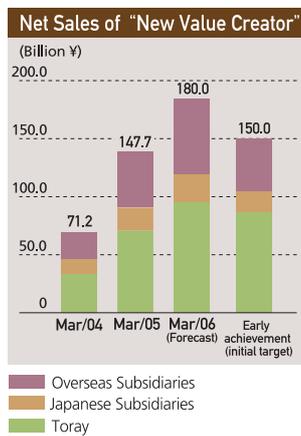
3. Strengthening Financial Structure

In this project we seek to quickly reduce our D/E ratio to 1.0 or lower and maintain it at that level while also striking a balance between actively investing in our advanced materials businesses and strengthening our financial structure. We lowered our D/E ratio to 1.03 at the end of FY Mar/05. Going forward, we will continue to invest in our advanced materials businesses while working steadily to strengthen our financial structure to achieve the Project NT-II target of a D/E ratio of 1.0 or lower.



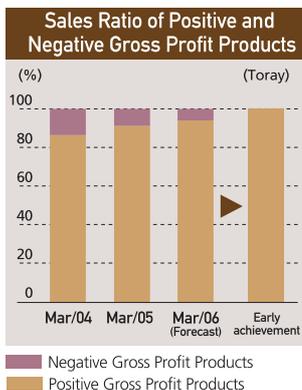
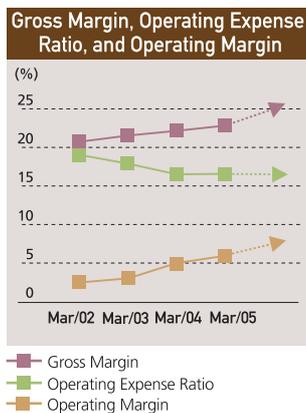
4. Promoting Marketing Innovation

As part of our efforts to promote marketing innovation in Project NT-II, in addition to further developing the themes pursued in Project NT21, we are introducing more in-depth marketing approaches by highlighting self-improvement efforts and strengthening cooperation between each business. Our specific challenges are: 1) developing innovative attitudes and ideas among marketing staff, 2) managing results so as to achieve our marketing objectives, 3) promoting the New Value Creator concept, 4) fully utilizing IT, 5) expanding our one-stop service capabilities, 6) enhancing our global operations, and 7) reducing inventories by half. We are working to develop new materials, products, and sales channels by addressing these issues and pursuing our New Value Creator concept.



5. Improving Profitability by Product

We seek to improve profit margins by 5 percentage points over a three-year period by eliminating gross loss-making products, shifting to high-margin products, and lowering the ratio of operating expenses to net sales. When removing the impact of Chori Co., Ltd. and Suido Kiko Kaisha, Ltd., which became consolidated subsidiaries in the fiscal second half of FY Mar/05, the ratio of operating expenses to net sales improved 1.4 percentage points year-on-year in FY Mar/05.



6. Expanding Advanced Materials Businesses

Toray has developed advanced materials based on its core technologies of organic synthetic chemistry, polymer chemistry, and biochemistry, and we are working to increase profits by supplying these advanced materials for a wide variety of applications, primarily in the three growth areas of IT-related products, life sciences, and environment, safety and amenity. To achieve the Project NT-II consolidated operating income target of ¥100 billion, we need to increase sales in advanced materials businesses to ¥470 billion and consolidated operating income to ¥55 billion. We are therefore allocating more resources to our advanced materials businesses, which now account for about 60% of Toray's capital expenditures on a non-consolidated basis and about 50% on a consolidated basis. As a result, we are transforming our business structure to become the new Toray—The Leader in Advanced Materials. We are jointly pursuing two key efforts to develop advanced materials and to enhance our development capabilities based on a flexible organization integrating production, sales, technology, and research. As part of our advanced materials projects, we are working vigorously to commercialize new advanced materials within one year as per the goal we set in FY Mar/05.



Progress in FY Mar/05

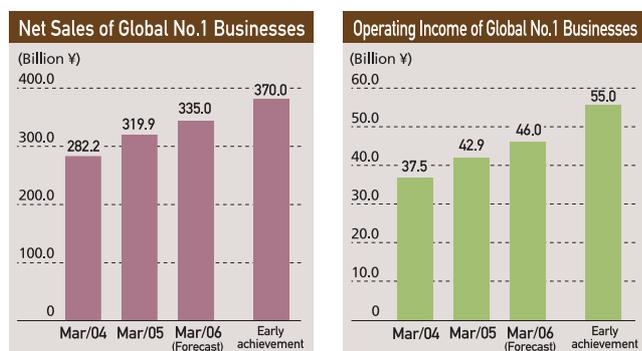
- Consolidated net sales were ¥406.5 billion, ¥36.5 billion ahead of initial target, and consolidated operating income was ¥46.1 billion, ¥4.6 ahead of initial target.
- As part of our advanced materials projects, we launched operations at a prototype development facility and are working steadily toward commercialization of new products.

- Advanced Materials Project**
- Organic EL Materials
 - CMP Polishing Pads
 - Next-Generation Flexible Printed Circuit Boards
 - Flat Panel Display Materials, etc.

Mid-Term Management Reform Program “Project NT-II”

7. Expanding No. 1 Businesses

The Toray Group has 30 Global No. 1 Businesses that enjoy a top market share worldwide, including carbon fiber composite materials, polyester films, man-made suede, and polyester and cotton blended fabrics. In FY Mar/05, we prepared and began executing strategies to expand our No. 1 businesses, and developed strategies to expand businesses with the potential of becoming No. 1 businesses in the future.



Progress in FY Mar/05

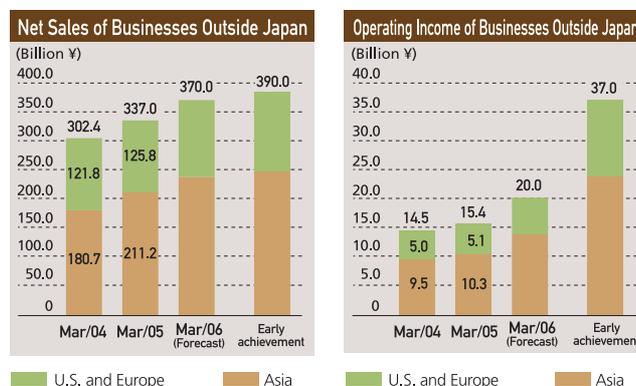
1. Prepared strategies to expand both established and potential No. 1 businesses.
2. Consolidated net sales were ¥319.9 billion, ¥9.9 billion ahead of initial target, and consolidated operating income was ¥42.9 billion, ¥0.1 billion short of initial target.

8. Increasing Profits in Businesses Outside Japan

In businesses outside Japan, we are working to strengthen our profit base through business-structure reform and to expand our operations by developing new businesses. Though the priority projects are generally proceeding in line with expectations, operating income fell short of our targets due to a slump at fiber and textile subsidiaries in Europe and South Korea. Though we expect the business environment to remain challenging, due partly to higher raw material and fuel costs, we are continuing to pursue strategic expansion in each region with the aim of achieving our business targets.

Priority Projects

- Business development in China: Fibers and textiles, resin compounds, non-woven fabrics, water treatment
- Business expansion in South Korea: Electronics and IT-related materials businesses, primarily at Toray Saehan Inc. and STEMCO Ltd.
- Business expansion in Thailand: Automotive-related businesses (air bags, car seats, etc.)
- Business development in Eastern Europe: Automotive-related businesses and electronics and IT-related businesses



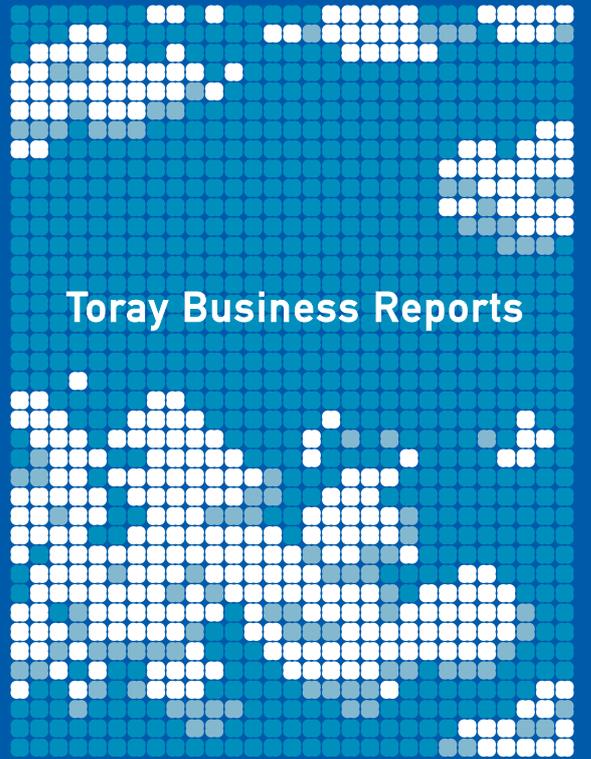
Progress in FY Mar/05

1. Profit growth was limited due to the impact of higher raw material and fuel costs, but we made favorable progress in expanding and developing businesses outside Japan, and we will strive to achieve further growth going forward.
2. Consolidated net sales were ¥337.0 billion, ¥27.0 billion ahead of initial target, and consolidated operating income was ¥15.4 billion, ¥4.6 billion short of initial target.

IV. In Closing

All employees of the Toray Group must work together to implement the reform program outlined in Project NT-II, which represents the next stage of our reform efforts initiated with

Project NT21. We are confident that implementing these reforms will help transform the Toray Group into a prominent and highly profitable global corporate group in the 21st century.



Toray Business Reports

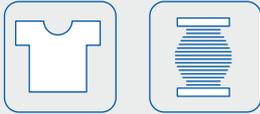
- 12 : Toray at a Glance
- 14 : Review of Operations
- 24 : Research & Development
- 26 : Press Releases

Toray at a Glance

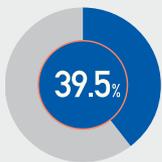
Businesses and Principal Products and Services

Fibers and Textiles

Filament yarns, staple fibers, spun yarns, and woven and knitted fabrics of nylon, polyester, and acrylic, polyphenylene sulfide (PPS) fiber, polytetra fluoro ethylene (PTFE) fiber, polylactic acid (PLA) fiber, 3GT fiber, polyester- and polypropylene-filament non-woven fabrics, man-made suede, apparel products



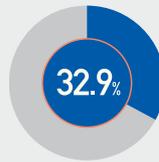
Net Sales



Operating Income



Total Assets



Depreciation & Amortization



Capital Expenditures



Plastics and Chemicals

Except resins and films included under IT-related Products

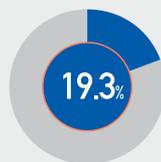


Nylon (PA), acrylonitrile butadiene styrene (ABS), polybutylen terephthalate (PBT), polyphenylene sulfide (PPS), liquid crystal polymer (LCP), and polyacetal (POM) resins and molded products, polyolefin foam, polyester, polypropylene, and para-based aramid films and processed film products. Synthetic gypsum, specialty chemicals for pharmaceuticals and agrochemicals such as rubber and resin additives, aromatic fine chemical products, high-functional catalysts

Net Sales



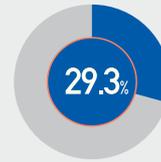
Operating Income



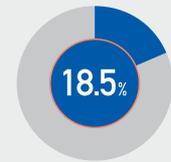
Total Assets



Depreciation & Amortization



Capital Expenditures



IT-related Products

Films and resins for use in IT products, circuit materials, semiconductor packaging materials, printing plates, LCD color filters, optical fiber, electronic components, information-processing services



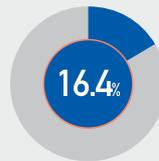
Net Sales



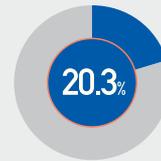
Operating Income



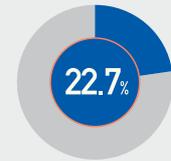
Total Assets

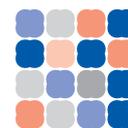


Depreciation & Amortization



Capital Expenditures





Housing and Engineering

Comprehensive engineering, condominiums and homes, environmental equipment, reverse-osmosis membrane elements and water purification systems, housing and construction, civil engineering and construction materials



Net Sales



Operating Income



Total Assets



Depreciation & Amortization



Capital Expenditures



Pharmaceuticals and Medical Products

Pharmaceuticals and medical products



Net Sales



Operating Income



Total Assets



Depreciation & Amortization



Capital Expenditures



New Products and Other Businesses

Carbon fibers and advanced composite materials, optical products, fine ceramics, analysis, physical evaluation, and research services



Net Sales



Operating Income



Total Assets



Depreciation & Amortization



Capital Expenditures



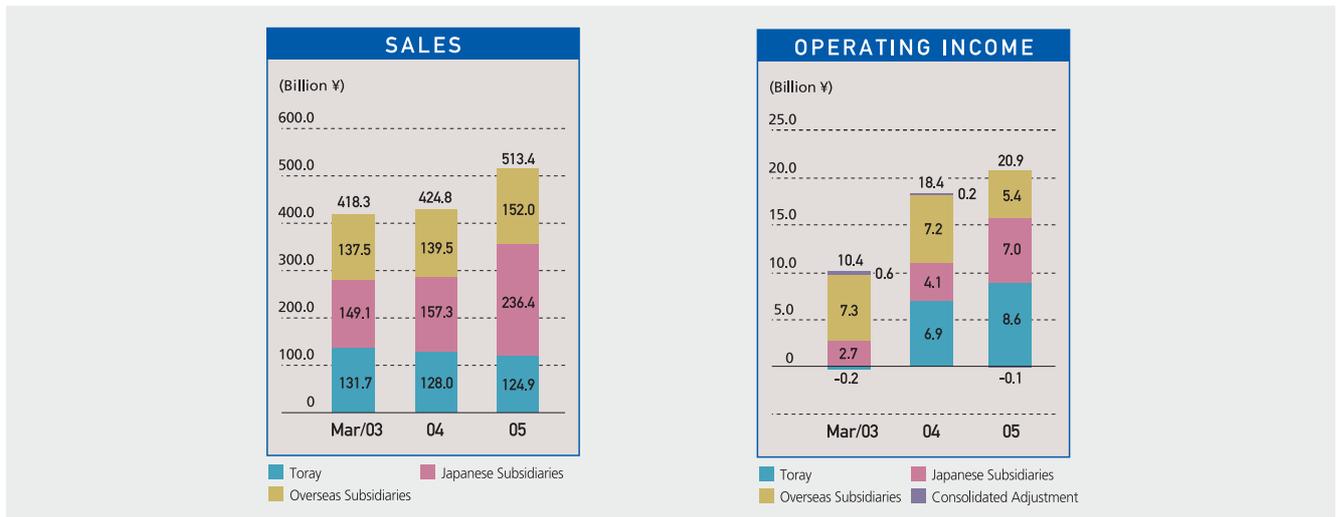
Review of Operations

Fibers and Textiles

Nylon sales in Japan increased thanks to a shift to high-margin products in apparel applications as well as efforts to expand sales for air bags in industrial applications. Overall sales of *Tetoron** polyester fiber increased as robust sales of filament yarn in both apparel and industrial applications compensated for lower sales of staple fiber caused by a downturn in the futon pad market. Moreover, higher sales of *Ecsaine** synthetic suede and apparel products, and sales at Chori Co., Ltd., which became a consolidated subsidiary in the fiscal second half, also contributed to significant sales growth in Japan.

Overseas sales increased as a result of growth in the staple fiber and filament fabric businesses in Thailand, filament fabric business in China, and polypropylene spunbond business in South Korea.

Responding to sharp increases in raw material and fuel prices worldwide, we have also sought to increase sales prices to cover higher costs.



Topics in FY Mar/05

Expanding Nylon 66 production facilities in Thailand

Toray has decided to expand its production facilities for Nylon 66 used in air bags by about 6,000 tons annually at Thai Toray Synthetics Co., Ltd., a manufacturing and sales subsidiary in Thailand that handles synthetic fibers, resins, and films.

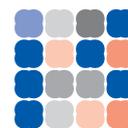
The new facility will double our current production capacity to about 12,000 tons annually, and we aim to launch operations in spring 2006.

The Toray Group's air bag business manufactures filament yarns at the Okazaki Plant in Japan and at Thai Toray Synthetics in Thailand. The expansion will increase the Group's annual production capacity for air bag filament yarn by 40% from its current 14,000 to about 20,000 tons.

The global air bag market is expanding year by year, and we expect demand of yarns to grow at an annual rate of 8% from 2003 to 2010. Heightened safety awareness has also helped drive demand by leading to an increase in the number of cars equipped with side curtain air bags, contributing to a greater number of air bags per car.



Growing demand for air bags

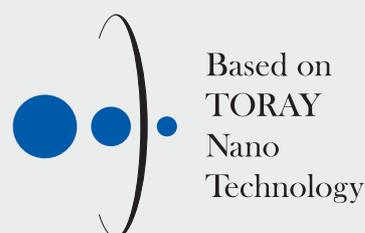


Amid this trend, automobile and auto parts manufacturers have located their Asian production facilities in Thailand, and given that Toray also has a long history of producing filament yarn and fabrics in Thailand, we are expanding our production facilities there to meet growing demand not only locally, but also in other ASEAN countries, the U.S., Europe, and particularly China, which is expected to see the highest growth in demand.

New Textile Processing Technology Based on Nanotechnology

Toray has developed *NanoMATRIX**, a nanoscale processing technology for forming a functional material coating comprised of a nanoscale molecular assembly that can be applied to individual fibers of woven and knitted fabrics. This technology makes it possible to develop new functions, create complex functions, improve existing functions (such as performance and durability), and expand the number of materials to which it can be applied and their applications—all without sacrificing the texture of the fabrics.

To help spread the word about the advantages and functionality of nanotech materials among distributors and consumers, Toray established the Toray Nanotechnology Symbol Mark as a guarantee of the quality of materials that use our nanotechnology to provide sophisticated functions. *NanoMATRIX** is already used in *ROUGE OFF**, a new material that allows the easy removal of lipstick, foundation, or other cosmetic smudges at home, and *Anti-Pollen* NT*, a new material whose properties limit pollen accumulation.



The Toray Nanotechnology Symbol Mark shows an atom passing through a barrier as representative of the wide-ranging ability of nanotechnology to overcome a variety of problems.



Cross-section of a functional material-coated fibers using NanoMATRIX technology*

Business Environment and Outlook in FY Mar/06

In Japan, though underlying demand is largely unchanged, we anticipate growth in demand for automotive and other industrial applications. We are also continuing to expand advanced materials businesses such as 3GT fiber, PLA fiber, and PPS fiber, shifting to high-margin products to expand our New Value Creator concept. After becoming a consolidated subsidiary in the second half of FY Mar/05, we expect Chori to contribute to earnings growth in its first full-year as a consolidated subsidiary, thanks in part to steadily generating synergies with Toray.

Overseas, despite an uncertain business environment, including the impact of quota-free markets, we seek to restructure our China business, expand advanced materials businesses for air bags and other applications, and increase earnings in our ASEAN businesses.

We anticipate a challenging business environment as a result of higher raw material and fuel costs caused by the surge in crude oil prices. However, we are working to minimize this impact by steadily passing on higher costs and shifting to high-margin products, and we target sales and profit growth in the overall fibers and textiles segment.

Review of Operations

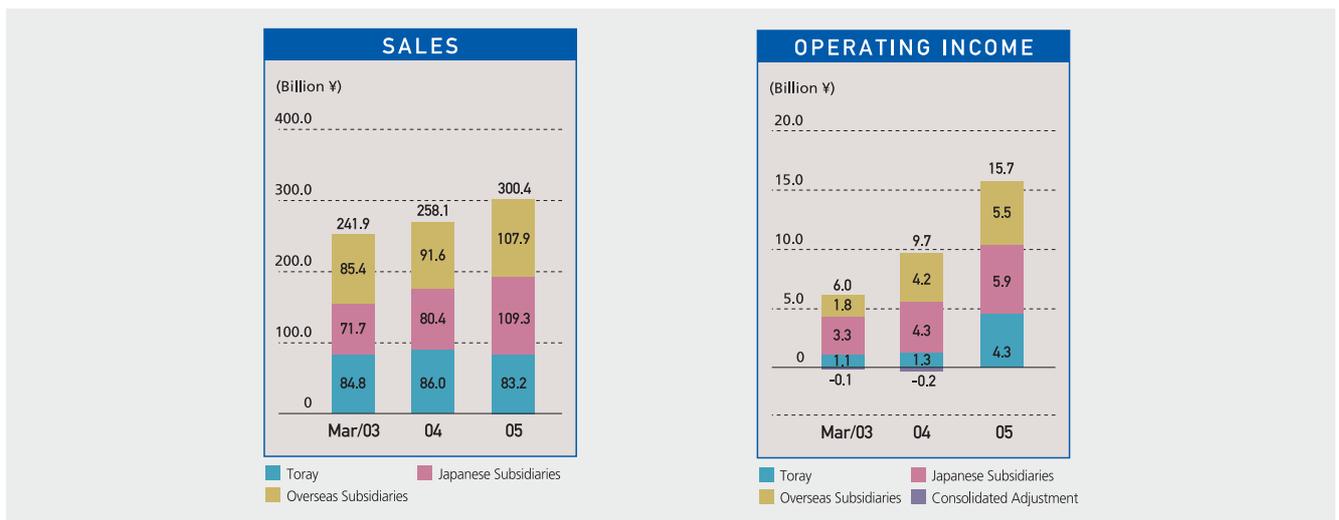
Plastics and Chemicals

Overall sales in the resins business increased as a result of strong growth for *Amilan** nylon resin, *Toraycon** PBT resin, *Torelina** PPS resin, and other engineering plastics used in both automotive and electrical applications, as well as robust sales of *Toyolac** ABS resin both in Japan and overseas.

The films business also reported higher sales thanks to growth in mainstay *Lumirror** polyester film, aided by increased sales for packaging and industrial materials applications both in Japan and overseas and a shift to higher value-added products, and to healthy demand for *Torayfan** polypropylene film for packaging and industrial materials applications in Japan and overseas.

Sales in the chemicals business decreased, due mainly to consolidating the production of caprolactam at the Tokai Plant and to curbing low-margin exports.

Responding to sharp increases in raw material and fuel prices worldwide, we have sought to increase sales prices to cover higher costs.



Topics in FY Mar/05

Plant-based polylactic acid plastics

Amid an increase in the number of countries passing legislation intended to reduce environmental burdens, polylactic acid (PLA), a plant-based biodegradable plastic material, is attracting attention as a substitute for petroleum. Toray positions PLA as an environmentally-friendly advanced material, and we are marketing fiber and plastic products under the *Ecodear** brand name while developing high-performance PLA technologies.

Toray, in cooperation with Fujitsu Ltd. and Fujitsu Laboratories Ltd., developed the world's first large plastic case using PLA resin. This case is used in Fujitsu's FMV-BIBLO NB80K notebook computer released in spring 2005. Additionally, based on our unique film microstructure control technology, we also developed the world's first flexible PLA film for use as wrapping film and other applications.

Ecodear®



Ecodear* logo



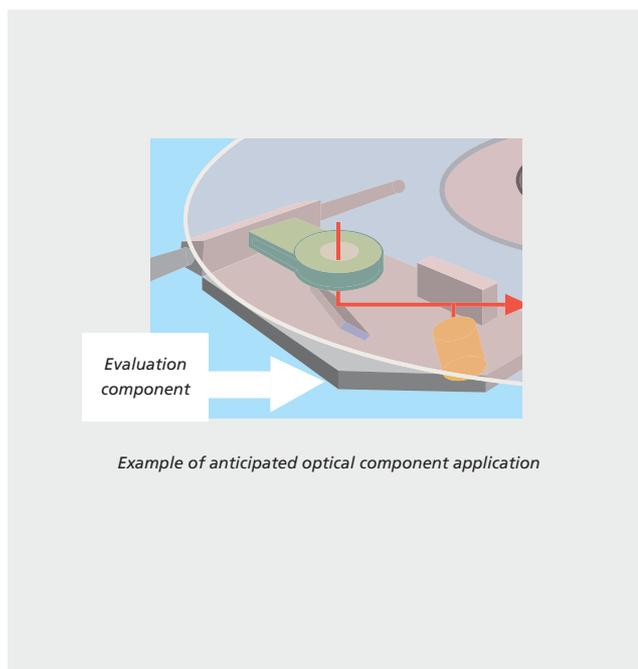
Toray's Ecodear* PLA resin used for case of Fujitsu's FMV-BIBLO notebook computer



Developed high-thermal conductive thermoplasticity plastic

Toray developed a thermoplasticity plastic with the world's highest thermal conductivity at more than 100 times higher than conventional plastics. This high-thermal conductive thermoplasticity plastic is capable of diffusing and releasing heat due to its high thermal conductivity. We anticipate its use in a wide range of products in which conventional plastics cannot be used.

Compared to metals such as aluminum, ceramics, and other materials, this thermoplasticity plastic is lighter in weight, lower in cost, quieter because a cooling fan is not required, and can be molded efficiently into complex shapes. Taking advantage of these features, we expect it to be used as a metal substitute in optical disk pickups, internal cases, and other components in office automation and audio-visual equipment. We also believe it holds promise as a substitute for ceramic components, including fiber optic connectors, thanks to its high dimensional stability. We have developed a pilot production system and started sample testing and market evaluation with the aim of commercializing products within one year, primarily parts and materials used in electrical and electronic equipment and in automobiles.



Business Environment and Outlook in FY Mar/06

We believe worldwide resin demand will continue to expand favorably thanks to an increase in car production volume, an increase in the amount of resin used per car, and to higher global demand for use in electrical machinery. In Toray's resins business, we target sales and profit growth as a result of higher demand as well as our efforts to introduce new products and develop new applications.

Worldwide demand for industrial and packaging films is growing steadily. In Toray's films business, we are working to increase sales and profits on the back of higher global demand as well as growth in capacitor films used in environmentally-friendly hybrid cars and films used in solar batteries.

At overseas film subsidiaries, we are pursuing restructuring and shifting from magnetic recording material applications to packaging and industrial material applications.

Though affected by the rapid increase in raw material and fuel prices, we target sales and profit growth in the overall plastics and chemicals segment as a result of steadily passing on higher costs and shifting to high-margin products.

Review of Operations

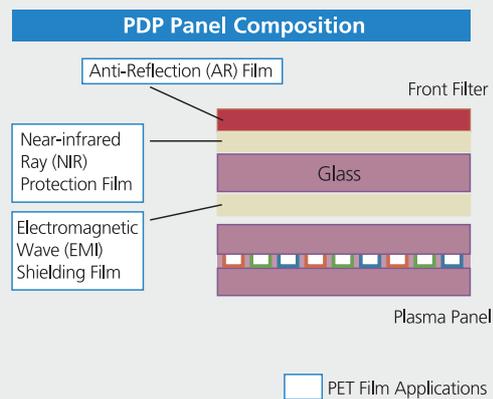
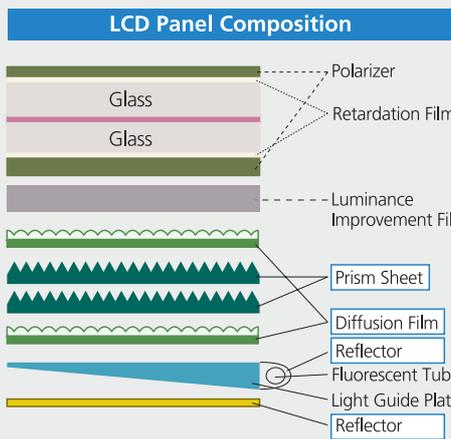
IT-related Products

Though the IT-related resins and films business was affected by an adjustment in supply and demand in the information and communications equipment market during the fiscal second half, sales increased as a result of efforts to expand sales for applications, including LCDs, mobile phones, and digital consumer electronics.

Sales in the electronic materials business increased thanks to growth in circuit materials in South Korea and in PDP-related products.

In the LCD materials business, overall sales increased thanks to continued strong sales of LCD color filters used in high-performance small and medium-sized LCDs used mainly in mobile phones.

Sales in the IT-related equipment business increased, driven mainly by growth in liquid crystal coating equipment.



Toray's Lumirror* PET film is used in a variety of LCD and PDP components, for which demand is expanding. Going forward, we are looking to enhance synergies with our film processing business and to expand and strengthen our LCD film materials business.



Topics in FY Mar/05

Expanding *Metaloyal** production facilities

Toray Advanced Film Co., Ltd. (headquarters: Chuo-ku, Tokyo; president: Yuji Takita) has decided to increase its production capacity by 50% for *Metaloyal**, an electrolytic plated two-layer flexible substrate film used in high-density electronic circuits. The company will build two state-of-the-art plating facilities at its Fukushima Plant in Kagamiishi, Fukushima to expand annual production capacity to 1 million m² by January 2006.

*Metaloyal** is a two-layer flexible substrate film with a 2-18-micron copper layer formed on the surface of polyimide film through electrolytic plating. The copper-plated layer and high adhesion of the base film enable superior fine pitch etching capabilities, flexibility, and heat resistance. Demand is expanding rapidly for use in circuit boards and high-density connector materials installed on semiconductor chips used to drive LCD panels in notebook computers, LCD televisions, and mobile phones.

To meet growing demand, Toray Advanced Film expanded its annual production capacity to 700,000 m² in March 2005 after commencing operations at a third plating facility under construction since last year, but because it will be unable to meet demand as early as 2006, the company has decided to build two additional facilities.



*Metaloyal** used as substrate for LCD drivers

Reorganizing and expanding Asian production of polyester film

Toray's *Lumirror** enjoys the top share of the global market for polyester (PET) film. Growth in the digital consumer electronics and information communications equipment markets has fueled a rapid

increase in demand for thick PET film in Asia. In response, we have developed a plan to expand the capacity of our Asian production facilities located in South Korea, Malaysia, and Japan.

At Toray Saehan Inc. in South Korea, we are converting existing thin film facilities to produce thick film used as an industrial material. At Penfibre Sdn. Bhd. in Malaysia, in addition to increasing the capacity of existing facilities, we are installing new facilities to produce industrial thick film with the aim of launching production at the end of 2006. Further, at the Gifu Plant in Japan, we are converting existing thin film facilities into optical thick film facilities equipped with the latest technology. We are investing a total of about ¥15 billion in an effort to increase our thick film production capacity in Asia from 70,000 tons currently to 110,000 tons in 2006, and to create an optimal industrial film supply system through global operations.

Expanding LCD color filter production facilities

In Toray's LCD color filter business, we are expanding production facilities for high-performance color filters used in small and medium-sized LCDs. To respond to changes in the business environment, we are gradually expanding facilities in three stages at the Shiga Plant in Otsu, Shiga. In the first stage of the expansion, we built new buildings in preparation for the second and third stages, boosted monthly production capacity by 15,000 sheets at a third-generation glass size (500mm×670mm), and launched operations in April 2005.

We have been restructuring our color filter business since 2002 in an effort to shift from large LCD applications to small and medium-sized LCD applications. During this process, we became the only company in this industry to develop a high-definition, high-visibility, transfective color filter suited for low-temperature polysilicon LCDs by using polyimide resin in color paste and black matrix. This new filter produces a bright and clear image both indoors and outdoors using technology that evolved from Toray's conventional polyimide-specific technologies.

We expect the overall market for small and medium-sized LCDs to grow by about 40% from 2005 to 2008 due to the rapid switch to color mobile phones.

Business Environment and Outlook in FY Mar/06

During the first half of 2005, despite an ongoing adjustment in demand for certain IT products, demand for flat panel displays, mobile phones, and other digital products remained strong, and overall demand continued to expand. Capital expenditures by LCD panel manufacturers in 2005 have slowed temporarily after brisk activity in 2004, and we expect demand for LCD color filter manufacturing equipment to decrease. We are working to increase earnings in Toray's IT-related products operations, primarily through growth in the IT-related films, electronic information materials, and LCD color filter and related materials businesses. We anticipate sales and profit growth in the overall IT-related products segment, thanks partly to increased production of two-layer circuit material used in COF applications and color filters used in small and medium-sized LCDs in response to robust growth in demand.

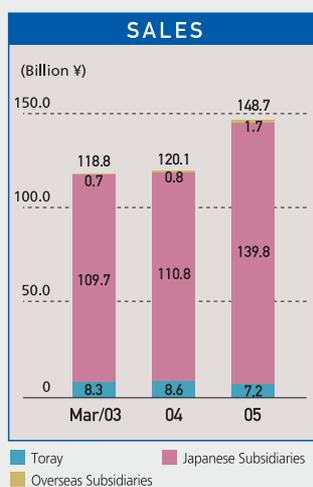
Review of Operations

Housing and Engineering

In the housing and engineering segment, both sales and profits increased year-on-year thanks to strong performance in the condominium business of Toray Construction Co., Ltd. and a contribution from Suido Kiko Kaisha, Ltd., which became a consolidated subsidiary in the fiscal second half.



Romembra* Reverse-osmosis membrane elements



Topics in FY Mar/05

Suido Kiko Kaisha becomes consolidated subsidiary

Toray increased its equity interest in Suido Kiko Kaisha from 20% to 51% in an effort to enhance cooperation in the area of water treatment. We also concluded an agreement to transfer the domestic water treatment systems and facilities businesses of Toray and Toray Engineering Co., Ltd. to Suido Kiko Kaisha.

We are consolidating the water treatment systems and facilities businesses of the Toray Group at Suido Kiko Kaisha so as to fully leverage our collective business and technology assets and expertise. Suido Kiko Kaisha is now positioned as the core water-related engineering business of the Toray Group, and we will strive to expand into new areas of business going forward. We are confident that strengthening cooperation between Toray and Suido Kiko Kaisha is the best strategy for quickly expanding this business, which is the goal of both companies.

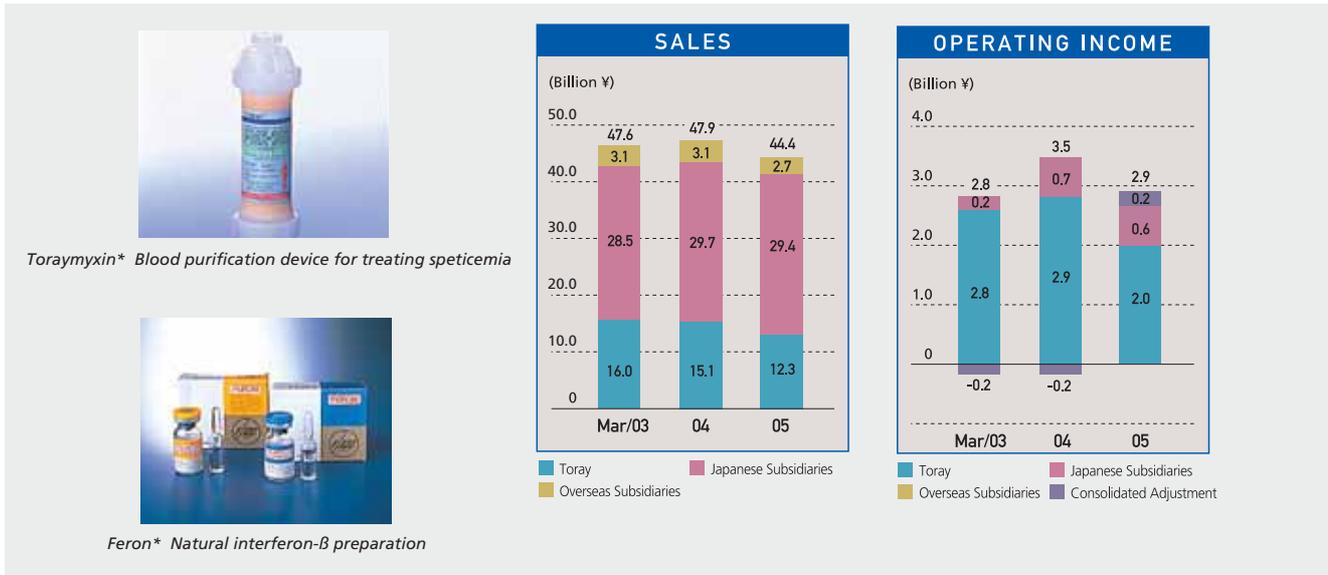
Business Environment and Outlook in FY Mar/06

We seek to increase sales and profits by reinforcing our business structure in this segment and working to expand sales primarily in the condominium business of Toray Construction and the plant engineering business of Toray Engineering.

We endeavor to expand our water treatment business on the back of rising demand resulting from water shortages worldwide and through the synergies generated by making Suido Kiko Kaisha a consolidated subsidiary.

Pharmaceuticals and Medical Products

In the pharmaceuticals business, despite an increase in compensation revenue from the joint development and licensing of marketing rights to new drugs, including a new antipruritic medication, overall sales decreased as a result of lower sales of the natural interferon-β drug *Feron** and cardiovascular drug *Dorner** due to a decline in prices. Sales in the medical products business also decreased as growth for *Toraymyxin**, a device for treating septicemia by removing endotoxins from the blood, was overshadowed by a decline in artificial kidney sales caused by a reduction in reimbursement prices.



Topics in FY Mar/05

Joint development and marketing agreement for frequent urination and incontinence drug

Toray and Takeda Pharmaceutical Co., Ltd. concluded a joint development and marketing agreement for a frequent urination and incontinence drug candidate in FY Mar/05 (Toray's development code is TRK-130, Takeda Pharmaceutical's development code is TAK-363).

Under this agreement, development and marketing of the new drug will be carried out by Takeda Pharmaceutical overseas and by Toray within Japan. The two companies are currently preparing for Phase I trials in the US, but they plan to pursue development in Japan, the US, and Europe in an effort to enhance development efficiency and shorten the time to market.

Frequent urination, incontinence, and other urinary disorders are caused by an overactive bladder that contracts involuntarily. The elderly are more often afflicted by an overactive bladder, and it can seriously impair a person's quality of life by limiting the ability to travel for long periods or to get adequate sleep.

Currently, anticholinergic drugs are primarily used to treat an overactive bladder, but they can produce several known side effects, including dry mouth, a sensation of residual urine, and constipation. Testing to date has confirmed that the new drug has

a new action mechanism to inhibit bladder sensation (inhibit bladder reflex). Moreover, because it shows high selectivity for bladder function, we anticipate a lower frequency of side effects than with anticholinergic drugs. We expect this drug to help significantly improve patients' quality of life as a new frequent urination and incontinence treatment.

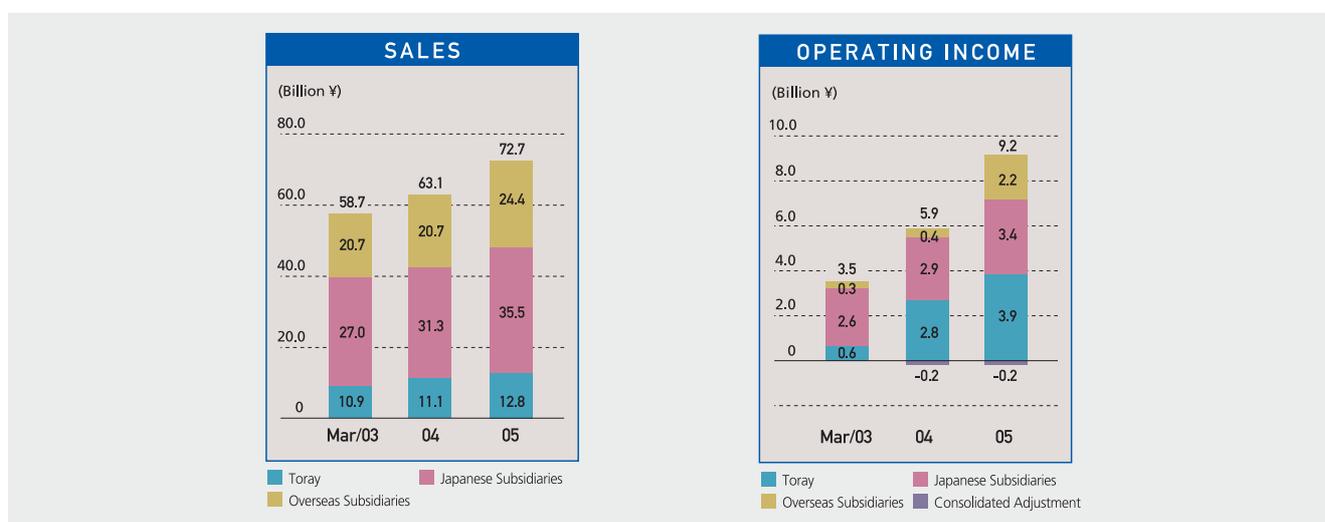
Business Environment and Outlook in FY Mar/06

Though we expect both the pharmaceuticals and medical products businesses to be affected by intensifying competition, we look for increased production of a new dry type of artificial kidney to minimize any decline in earnings. We consider our life sciences business to be a strategic growth area and are working to develop DNA chips, protein analysis chips, and other products by combining nanotechnology and biotechnology. We anticipate sales and profit growth for these biotechnology tools going forward.

Review of Operations

New Products and Other Businesses

Sales in the mainstay carbon fiber composite materials business increased as a result of higher sales for aircraft applications and favorable growth in demand for industrial applications, including CNG tanks for natural gas-powered automobiles, turbine blades for wind power generation, and products used in civil engineering and construction. Overall sales in the new products and other businesses segment increased as a result.



Topics in FY Mar/05

Reached an agreement with Boeing to supply carbon fiber composite materials

Toray reached an agreement with The Boeing Company of the U.S. for the supply of carbon fiber composite materials to be used in the primary structural elements of the B787, a next-generation medium-size aircraft scheduled to enter service in 2008. Based on the agreement, Toray is to supply carbon fiber composite materials to Boeing from 2004 through 2021, a total of 18 years.

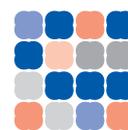
During the period, Toray will provide Boeing with carbon fiber prepreg, a sheet made from epoxy resin pregated in carbon fiber. The total value of the supply is estimated to reach approximately 3 billion U.S. dollars. This figure will increase still further if another composite materials get approval from Boeing.

Boeing selected Toray as the sole supplier of carbon fiber reinforced plastics for the primary structures of the B787 aircraft. In 1982, Boeing adopted Toray's carbon fiber *Torayca** for the secondary structural elements of its B757 and B767, and since 1992

has been using *Torayca** prepreg for the primary structural elements of B777. These have been decisive factors in Boeing's project that Boeing's high evaluation for the superior performance of *Torayca** carbon fiber and *Torayca** prepreg, as well as the two companies' long reliable business relationship.



Boeing 787



Expanding carbon fiber and prepreg production facilities at the Ehime Plant

Toray has decided to augment its *Torayca** PAN-based carbon fiber production facilities in Japan. At the Ehime Plant, we plan to add two integrated production lines for carbon fiber precursor polymerization, spinning, and carbonization (total of 2,200 tons per year), and one production line for prepreg (5.8 million m² per year). These facilities are scheduled to come online in January 2007.

We are expanding our production facilities to accommodate growing demand for carbon fiber, including for general industrial applications, starting with the supply of *Torayca** carbon fiber composite materials for Boeing's new B787 passenger aircraft, which is scheduled to enter service in 2008. Toray is the only authorized supplier of *Torayca** prepreg for the B787, and we will launch full-scale supply from our U.S. production facilities in 2006. We decided to augment our capacity to supply carbon fiber and prepreg to be able to accommodate orders for the B787 (which are exceeding initial expectations) and increases in B777 production. This expansion will allow us to establish a dual-source supply structure with production facilities in Japan and the US and provide a stable supply of material to Boeing as well as to heavy industry manufacturers in Japan that supply main structural components for the B787.



*Torayca** PAN-based carbon fiber



Carbon fiber composite material (prepreg)

Business Environment and Outlook in FY Mar/06

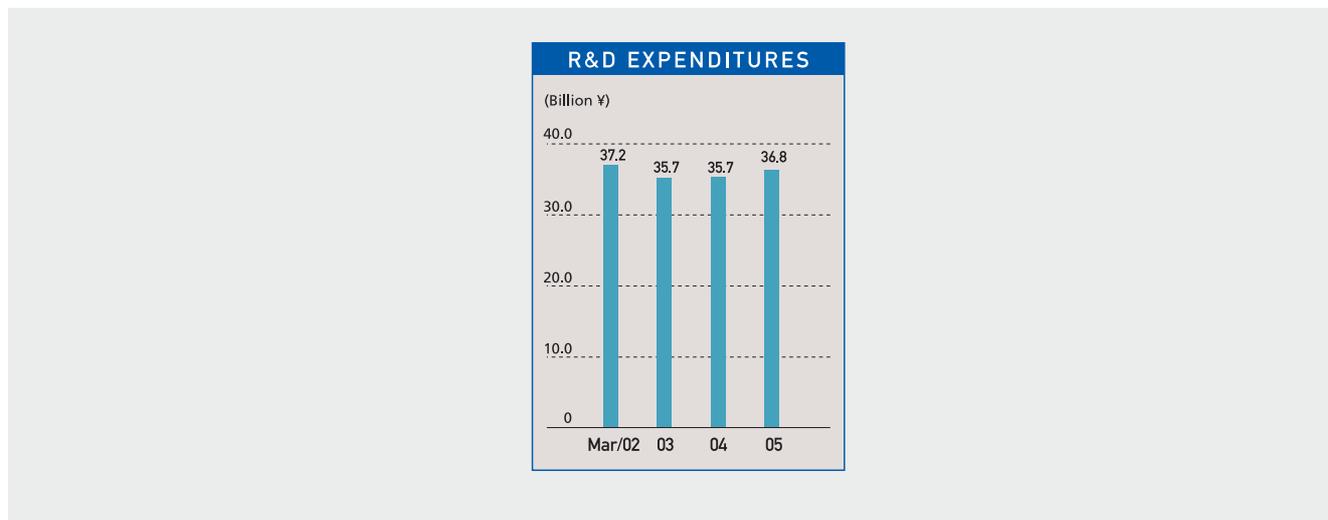
Demand is robust thanks to continued growth in aircraft and general industrial applications. For aircraft applications, in addition to favorable production of current models, including the Boeing 777 and the Airbus A320 and A340, Airbus S.A.S. plans to boost production of the A380, which is scheduled to enter service in 2006. Moreover, demand is rising for general industrial applications, including CNG tanks, turbine blades for wind power generation, and breathing equipment for firefighters. We target sales and profit growth, aided by a contribution from Société des Fibres de Carbone S.A., a French subsidiary that began increasing production in October 2004.

Research & Development

Consolidated R&D expenditures totaled ¥36.8 billion and represented 2.8% of sales in FY Mar/05. R&D expenditures at Toray Industries totaled ¥30.1 billion, 6.3% of its sales.

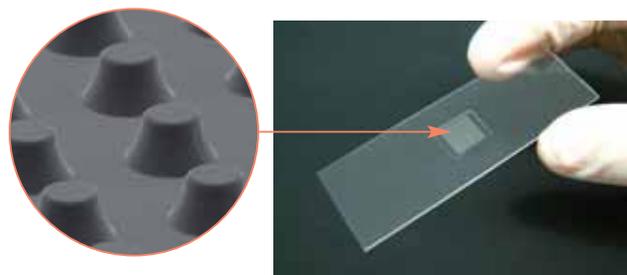
Toray has to date supplied a number of advanced materials to the world, and we are committed to continuing to develop and supply advanced materials in IT-related products, life sciences, and environment, safety and amenity—all three growth areas. We believe these efforts are central to the identity of the Toray Group.

During FY Mar/05, we launched our new Project NT-II management reform program and adopted an “offensive” management approach based on business-structure reform. Over the past year in R&D, we have focused on three elements in working to expand our range of offerings in advanced materials (the “SZ Project”—from *sentan zairyo*, the Japanese word for advanced materials): First, we sought to shorten time to market for new products resulting from our R&D efforts through commercialization projects entailing the emplacement of the requisite organizational, human, and manufacturing infrastructure and partnerships with other leading companies. Second, we sought to enhance our R&D project development capabilities (ability to come up with new ideas for large-scale R&D programs) by drawing on our ability to keep our ears to the ground (at our overseas operational bases as well), combine people and technologies from different fields, and undertake quality planning. And third, we sought to generate unique technologies, for example by working more closely with venture companies and innovatively combining elemental technologies. These efforts laid the groundwork for our “offensive” management approach based on the creation of new advanced materials.

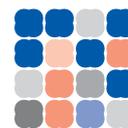


Next-generation DNA chip substrate with high sensitivity and fast detection

Toray has successfully developed the world’s first high-performance DNA chip substrate with a detection sensitivity up to 100 times greater and a detection speed shortened to one-tenth those of conventional DNA chip substrates. This DNA chip substrate holds promise for use in next-generation DNA chips for a wide range of applications, including genome drug discovery, in addition to DNA chips used in testing and diagnostic applications. It represents part of the research results at the New Frontiers Research Laboratories established in 2004, and we are now in the



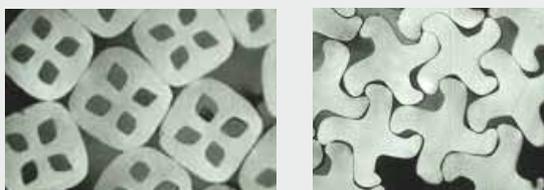
Highly sensitive, high-speed detection DNA chip



process of exploring the conditions and equipment that will be necessary for its manufacture. We are working to develop a business model that includes alliances with research organizations that will bring this DNA chip substrate to de-facto global-standard status and, at the same time, we aim to market DNA chips loaded with Toray-developed content within two years.

World's first cellulose fiber using environmentally-friendly manufacturing process

Toray is the first in the world to successfully manufacture cellulose fiber using low environmental-impact manufacturing processes. Cellulose fiber derived from natural materials has superior moisture-absorption properties, texture, and dyeability, but until now could only be manufactured through a solution spinning process using an environmentally detrimental organic solvent. Based on research done in cooperation with the New Energy and Industrial Technology Development Organization (NEDO) and the Nishio Laboratory at Kyoto University, Toray was able to manufacture cellulose fiber using a melt spinning method without organic solvents, which is the manufacturing method usually used for polyester, nylon, and other fibers. Toray has been developing this melt spinning technology for many years, and its application makes it easy to manufacture composite fibers combining modified cross-section fibers and different polymers. We position cellulose fiber manufactured with the melt spinning method as a next-generation, environmentally-friendly material, and we hope to extend its use to a wide range of products.



New cellulose fiber enables a variety of cross section shapes that were previously impossible

Accelerated development of practical carbon fiber applications in car bodies

Toray is a leading global supplier of carbon fiber reinforced plastics (CFRP), and we were the first in the world to develop a high-speed molding technology that enables their use in the mass production of car bodies and other products. We significantly advanced the mass production of cars that use CFRP by shortening molding times to less than ten minutes, or roughly one-fifteenth the time previously required, by dramatically improving the processing attributes of resin combined with carbon fiber. CFRP is attracting interest as a leading candidate for a next-generation car material satisfying both safety and lightweight requirements thanks to its excellent weight and strength characteristics compared to high-tensile steel, which has an inherent maximum strength as a metal. A lack of mass-production technology and high costs, however, were a major hindrance to commercialization CFRP products. Our shortening of CFRP molding times provides an extremely effective solution to both problems, and, as a result, we expect the practical use of CFRP in car bodies to accelerate. This technology was developed as part of a national project—called the R&D of Carbon Fiber-Reinforced Composite Materials to Reduce Automobile Weight—commissioned by NEDO and undertaken jointly with Nissan Motor Co., Ltd. beginning in FY Mar/04.



Prototype of car body material using new molding method

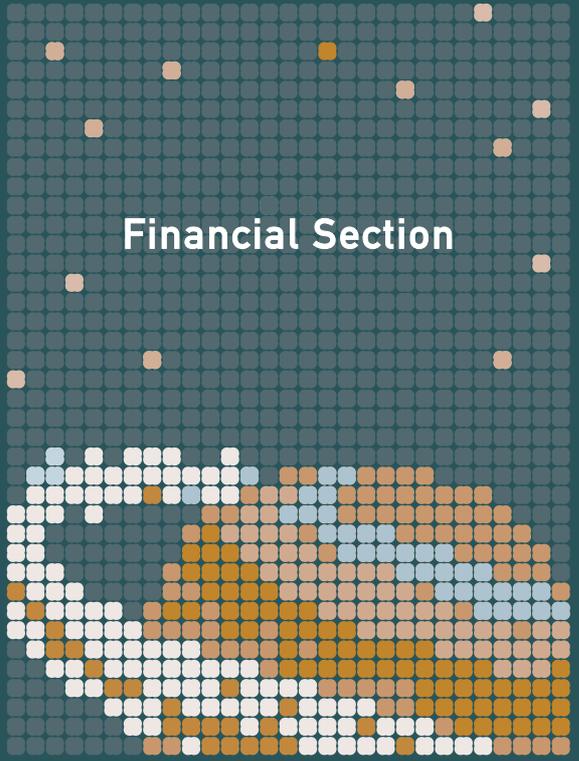
Main Press Releases from April 2004 to March 2005

2004

April	Augmenting carbon fiber composite material production capacity in the US to meet growing mid- to long-term demand
May	Reorganizing film business in Japan to enhance the overall capabilities of the film processing business (establishment of Toray Advanced Film Co., Ltd.) Building third plant at Matsushita Plasma Display Panel Co., Ltd. in Amagasaki, Hyogo Prefecture (joint announcement with Matsushita Electric Industrial Co., Ltd.) Concluded a basic agreement with Boeing Company of the US to supply carbon fiber composite materials on a long-term basis Consolidating production of caprolactam, a raw material in nylon, and strengthening the structure of this business
June	Augmenting production capacity for <i>Metaloyal</i> *, a two-layer substrate film for use in high-density FPC boards, in response to growing demand for flat-panel displays (Toray Advanced Film Co., Ltd.) Launched Toray Synthetic Textile Cluster to reinforce the world's strongest synthetic textile business Commercializing environmentally friendly carpet that uses <i>Ecodear</i> * polylactic acid fiber
July	Started releasing new <i>TOREX</i> * commercials Developed world's first flexible polylactic acid film Augmenting production capacity for 3GT (polytrimethylene terephthalate) fiber (composite thread), which has superior softness, stretchability, and durability Augmenting polypropylene film (OPP film) production capacity in response to growing demand for film capacitors Started purchase of common stock in Chori Co., Ltd. through tender offer Reorganizing and expanding polyester film production in Asia in response to the growing market for digital consumer electronics and other products Made Suido Kiko Kaisha, Ltd. a consolidated subsidiary through the acquisition of additional stock
August	Completed purchase of common stock in Chori Co., Ltd. through tender offer
September	Developed next-generation DNA chip substrate Opened antenna shop in Mitsukoshi, Ltd.'s main store for Toray's <i>TOREX</i> * brand of fiber and textile products
October	Strengthening research and development in China Published CSR Annual Report 2004 Developed new nanotechnology-based textile processing technology Established Plastics Ecology & Recycling Department Releasing futon mattress that uses <i>Ecodear</i> * polylactic acid fiber (joint announcement with Nishikawa Living Inc.)
November	Launching new polysulfone membrane artificial kidney business
December	Releasing <i>Sotake Filluna</i> * an ecological material that uses bamboo as a raw material Licensed manufacturing technology for white polyester film used in liquid crystal reflectors to DuPont Teijin Films Developed thermoplastic with world's highest thermal conductivity

2005

January	Launching water treatment engineering business in China (capital participation in Wuzhou Fujikasui Engineering Co. Ltd. through Suido Kiko Kaisha, Ltd.) Applying plant-derived material in large-size laptop plastic chassis (joint announcement with Fujitsu Ltd. and Fujitsu Laboratories Ltd.) Augmenting production capacity for polyester film used in capacitors at Yihua Toray Polyester Film Co., Ltd. Took measures to deal with dioxin emissions in excess of standards for the wastewater at the Tokai Plant
February	Augmenting airbag nylon production capacity in Thailand Augmenting production capacity for <i>Metaloyal</i> *, a two-layer substrate film for use in high-density FPC boards (Toray Advanced Film Co., Ltd.) Established basic technology for zero-emission membrane bioreactor, the ultimate membrane-based wastewater treatment method Launched recycling of used household air-conditioner fans (joint announcement with Mitsubishi Electric Corp.) Developed world's first cellulose fiber using melt-spinning method Developed world's first ultrasensitive polymer protein-analysis chip Adopting Toray Nanotechnology Symbol Mark to certify high-performance, high-quality nanotechnology materials
March	Agreed to jointly develop and market new antipruritus drug to hemodialysis patients in Japan (joint announcement with Japan Tobacco Inc. and Torii Pharmaceutical Co., Ltd.) Enhancing resin technology development in the ASEAN region Augmenting LCD color filter production capacity Discovered soil pollution through survey at Nagoya Plant and established action program Agreed to jointly develop and market new antipruritus drug to atopic dermatitis patients in Japan (joint announcement with Maruho Co., Ltd.)



Financial Section

- 28 : Six-Year Summary of Selected Financial Data
- 29 : Management's Discussion and Analysis
- 34 : Consolidated Balance Sheets
- 36 : Consolidated Statements of Income
- 37 : Consolidated Statements of Stockholders' Equity
- 38 : Consolidated Statements of Cash Flows
- 39 : Notes to Consolidated Financial Statements
- 50 : Report of Independent Auditors

Management's Discussion and Analysis



Overview

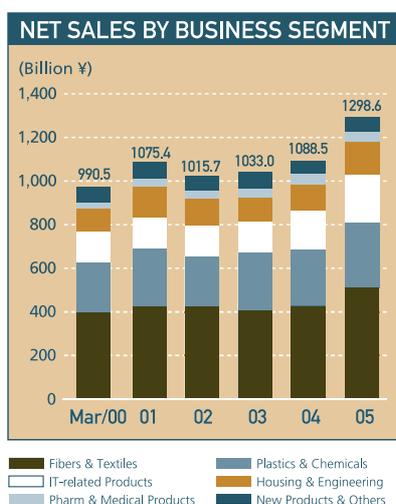
During the first half of the fiscal year ended March 31, 2005 (FY Mar/05), though raw material and fuel prices increased sharply, the US economy was steady and conditions in Asia were generally firm with continued growth in China. During the fiscal second half, however, growth slowed due to a downturn in the digital products market and the impact of higher raw material and fuel prices. The Japanese economy showed modest recovery in the first half of the year, aided by higher exports and private-sector capital expenditures, but activity slowed during the second half due to an adjustment in the supply and demand of digital products and other factors.

In this business climate, Toray ("the Company") and its Group Companies sought to expand its business and increase earnings by strengthening the overall group and reforming its business structure under Project NT-II, the mid-term management plan launched in April 2004. As a result of these efforts, both consolidated net sales and income increased year-on-year, and the Toray Group achieved record high net sales, operating income, and income before special credits and charges.

Income Analysis

Net Sales

Consolidated net sales rose ¥210.1 billion, or 19.3%, year-on-year to ¥1,298.6 billion in FY Mar/05. Sales increased in the fibers and textiles, plastics and chemicals, IT-related products, housing and engineering, and new products and other businesses segments, but



decreased in the pharmaceuticals and medical products segment.

Sales by Business Segment

Fibers and Textiles

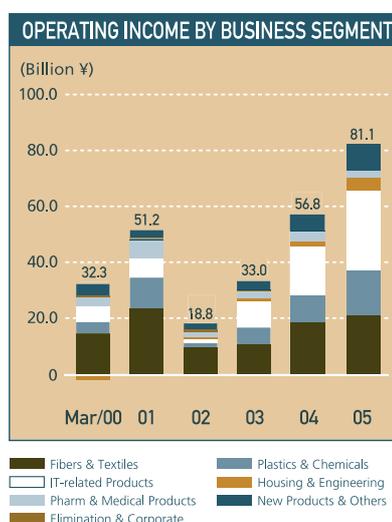
Total segment sales grew ¥88.6 billion, or 20.9%, to ¥513.4 billion. Nylon fiber sales in Japan increased due to a shift to high-margin products in apparel applications as well as efforts to expand sales for air bags in industrial applications. Overall sales of *Tetoron** polyester fiber increased as robust sales of filament yarn in both apparel and industrial applications compensated for lower sales of staple fiber caused by a downturn in the futon pad market. Moreover, higher sales of *Ecsaine** synthetic suede and apparel products, and sales at Chori Co., Ltd., which became a consolidated subsidiary in the fiscal second half, also contributed to significant sales growth in Japan.

Overseas sales increased as a result of growth in the staple fiber and filament fabric businesses in Thailand, filament fabric business in China, and polypropylene spunbond business in South Korea.

In response to the sharp increase in raw material and fuel prices worldwide, we sought to increase sales prices to cover higher costs.

Plastics and Chemicals

Total segment sales grew ¥42.3 billion, or 16.4%, to ¥300.4 billion. Overall sales in the resins business increased as a result of strong growth for *Amilan** nylon resin, *Toraycon** PBT resin, *Torelina** PPS resin, and other engineering plastics used in both automotive and electrical machinery applications, as well as robust sales of



Management's Discussion and Analysis

*Toyolac** ABS resin both in Japan and overseas.

The films business also reported higher sales thanks to growth in mainstay *Lumirror** polyester film, aided by increased sales for packaging and industrial materials applications both in Japan and overseas and a shift to higher value-added products, and to healthy demand for *Torayfan** polypropylene film for packaging and industrial materials applications in Japan and overseas.

Sales in the chemicals business decreased, due mainly to consolidating the production of caprolactam at the Tokai Plant and curbing low-margin exports.

In response to the sharp increase in raw material and fuel prices worldwide, we sought to increase sales prices to cover higher costs.

Chori also contributed to higher sales as a result of becoming a consolidated subsidiary in the fiscal second half.

■ IT-related Products

Total segment sales grew ¥44.6 billion, or 25.6%, to ¥219.1 billion.

Though the IT-related resins and films business was affected by an adjustment in supply and demand in the information and telecommunications market during the fiscal second half, sales increased as a result of efforts to expand sales for several applications, including LCDs, mobile phones, and digital consumer electronics.

Sales in the electronic materials business increased due to growth in circuit materials in South Korea and in materials used in plasma displays.

In the LCD materials business, overall sales increased thanks to continued strong sales of LCD color filters used in high-performance small and medium-sized LCDs used mainly in mobile phones.

Sales in the IT-related equipment business increased, driven mainly by growth in liquid crystal coating equipment.

■ Housing and Engineering

Total segment sales grew ¥28.5 billion, or 23.8%, to ¥148.7 billion.

Higher sales can be attributed to a strong performance in the condominium business and a contribution from Suido Kiko Kaisha, Ltd., which became a consolidated subsidiary in the fiscal second half.

■ Pharmaceuticals and Medical Products

Total segment sales fell ¥3.5 billion, or 7.4%, to ¥44.4 billion.

In the pharmaceuticals business, despite an increase in compensation revenue from the joint development and licensing of marketing rights to new drugs, including a new antipruritic medication, overall sales decreased due to a decline in prices for existing drugs such as the natural interferon-beta drug *Feron** and cardiovascular drug *Dorner**. Sales in the medical products business also decreased as growth for *Toraymyxin**, a device for treating septicemia by removing endotoxins from the blood, was overshadowed by a decline in artificial kidney sales caused by a reduction in reimbursement prices.

■ New Products and Other Businesses

Total segment sales grew ¥9.6 billion, or 15.2%, to ¥72.7 billion.

Sales in the carbon fiber composite materials business increased as a result of higher sales for aircraft applications and favorable growth in demand for industrial applications, including CNG tanks for natural gas automobiles, turbine blades for wind power generation, and civil engineering and construction.



Sales by Geographic Segment

■ Japan

Sales at the Company and consolidated subsidiaries in Japan grew ¥175.6 billion, or 22.3%, to ¥961.6 billion, as a result of higher sales primarily in the IT-related products segment and the fibers and textiles segment and a contribution from making Chori and Suido Kiko Kaisha consolidated subsidiaries in the fiscal second half. Japan's share of consolidated net sales increased from 72.2% to 74.0%

■ Asia

Sales at consolidated subsidiaries in China, Indonesia, Thailand, Malaysia, South Korea, and the rest of Asia ex-Japan rose ¥30.5 billion, or 16.9%, to ¥211.2 billion. Growth can be attributed mainly to strong performances in the fibers and textiles business in Southeast Asia and China and in the resins business in Southeast Asia. Asia's share of consolidated net sales decreased from 16.6% to 16.3%.

■ North America, Europe, and Other Areas

Sales at consolidated subsidiaries in the US, UK, France, Italy, the Czech Republic, and other countries in North America, Europe, and other areas grew ¥4.0 billion, or 3.3%, to ¥125.8 billion. Despite lower sales in the fibers and textiles business in Europe, overall sales increased on favorable growth in the carbon fiber composite materials business in Europe and the US. These regions' share of consolidated net sales decreased from 11.2% to 9.7%.

Export Sales and Sales by Overseas Subsidiaries

Overseas sales—comprised of exports from Japan and sales at overseas subsidiaries—grew ¥96.8 billion, or 21.8%, to ¥540.0 billion. Sales in Asia increased, due mainly to higher exports from Japan and to making Chori a consolidated subsidiary in the fiscal second half. Sales in North America, Europe, and other areas also increased as a result of higher exports from Japan, a boost from making Chori a consolidated subsidiary, and sales growth in the carbon fiber composite materials business in Europe and the US. Overseas sales accounted for 41.6% of consolidated net sales, an

increase of 0.9 percentage points. Of this, sales in Asia totaled ¥357.0 billion and accounted for 27.5% of consolidated net sales, and sales in North America, Europe, and other areas totaled ¥183.0 billion and accounted for 14.1% of consolidated net sales.

Costs and Expenses

The ratio of total costs and expenses to net sales stood at 93.8%, down 1.0 percentage point from 94.8% in the previous fiscal year.

Consolidated net sales rose 19.3% while the cost of sales was up 20.3%. As a result, the cost of sales ratio increased by 0.6 percentage points to 78.8%.

Selling, general and administrative expenses increased ¥11.9 billion, or 8.2%, to ¥157.0 billion. The ratio of selling, general and administrative expenses to net sales declined 1.2 percentage points to 12.1%.

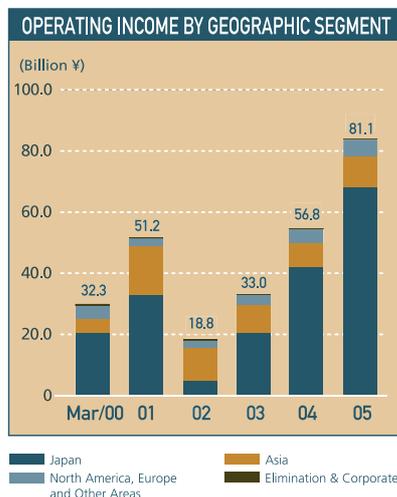
Research and development expenses rose ¥1.1 billion, or 2.9%, to ¥36.8 billion.

Amortization of cost in excess of net assets acquired increased ¥0.07 billion to ¥0.1 billion.

Operating Income and Net Income

Operating income grew ¥24.3 billion, or 42.7%, year-on-year to ¥81.1 billion. Operating income to net sales rose 1.0 percentage point to 6.2%.

Operating income increased in the fibers and textiles, plastics and chemicals, IT-related products, housing and engineering, and new products and other businesses segments, but decreased in the pharmaceuticals and medical products segment. Fibers and textiles grew ¥2.5 billion, or 13.6%, to ¥20.9 billion, due mainly to progress in increasing sales prices to cover higher raw material and fuel costs and to a shift to high-margin products. Plastics and chemicals rose ¥6.0 billion, or 61.8%, to ¥15.7 billion, as a result of higher sales for automotive and electrical machinery applications in the resins business and for industrial materials applications in the films business, progress in increasing sales prices to cover higher raw material and fuel costs, and a shift to high-margin products. IT-related products increased ¥11.0 billion, or 63.2%, to



Management's Discussion and Analysis

¥28.3 billion, thanks to strong gains for IT-related resins and films, circuit materials, LCD color filters, liquid crystal coating equipment, and other products. Housing and engineering jumped ¥2.6 billion, or 153.3%, to ¥4.3 billion, as a result of higher sales and structural improvement. Pharmaceuticals and medical products fell ¥0.7 billion, or 18.7%, to ¥2.9 billion, due mainly to reductions in pharmaceutical prices and in reimbursement prices for medical products. New products and other businesses gained ¥3.3 billion, or 57.0%, to ¥9.2 billion, as a result of favorable growth in the carbon fiber composite materials business.

By geographic segment, operating income increased in all segments. In Japan, operating income climbed ¥23.6 billion, or 55.9%, to ¥65.8 billion, due mainly to profit growth in fibers and textiles, plastics and chemicals, and IT-related products. In Asia, operating income increased ¥0.8 billion, or 8.5%, to ¥10.3 billion, due mainly to strong performances in the FPC materials business in South Korea and the resins business in Southeast Asia. In North America, Europe, and other areas, though profits declined in the fibers and textiles business in Europe, overall operating income edged up ¥0.1 billion, or 1.9%, to ¥5.1 billion, as a result of growth in the carbon fiber composite materials business in Europe and the US.

Net other income (expenses) improved ¥0.9 billion, or 18.1%, to ¥4.3 billion in expenses. Interest and dividend income rose ¥0.3 billion to ¥1.7 billion and interest expenses declined ¥0.4 billion to ¥7.1 billion. This resulted in net financial expenses improving ¥0.7 billion to ¥5.4 billion. Other income (expenses), other, net improved ¥0.2 billion to ¥4.5 billion in expenses. Equity in earnings of affiliates was unchanged at ¥5.7 billion.

Net special credits (charges) worsened ¥17.0 billion to ¥23.7 billion in charges. This can be attributed to the loss on write-down

of property, plant and equipment rising ¥9.0 billion to ¥13.0 billion due to an increase in write-down at overseas consolidated subsidiaries.

As a result, income before income taxes grew ¥8.2 billion to ¥53.1 billion. After income taxes and minority interests in net income of consolidated subsidiaries, net income rose ¥13.5 billion to ¥34.4 billion.

Net income per share increased ¥9.59 to ¥24.46. The year-end cash dividend was raised to ¥3.50 per share in consideration of earnings results in FY Mar/05 and earnings prospects in FY Mar/06. Adding this to the interim cash dividend brings the annual cash dividend to ¥7.00 per share, a ¥1.50 per share increase over the previous fiscal year.

Financial Position

Assets

Total assets increased ¥107.0 billion, or 8.3%, year-on-year to ¥1,402.3 billion at the end of FY Mar/05. This can be attributed to increases in trade receivables and inventories, due mainly to making Chori and Suido Kiko Kaisha consolidated subsidiaries, and to an increase in marketable equity securities, due mainly to a higher market value of stocks of listed companies. Overseas assets accounted for 26.1% of total assets, down 0.6 percentage points.

Current Assets

Current assets grew ¥95.3 billion, or 17.4%, to ¥644.4 billion.

Liquid assets, which include cash, time deposits and short-term investment securities, increased ¥20.2 billion, or 25.6%, to ¥98.9 billion. Trade receivables, representing the total of notes and accounts receivable, rose ¥39.4 billion, or 18.2%, to ¥256.2 billion. Inventories increased ¥26.5 billion, or 12.8%, to ¥233.6 billion.



Property, Plant and Equipment

Property, plant and equipment, net of depreciation, decreased ¥11.4 billion, or 2.1%, to ¥532.0 billion. Capital expenditures increased ¥24.3 billion, or 49.8%, to ¥73.1 billion, based on the policy of investing selectively in prospective growth areas while streamlining and modernizing production facilities to enhance production efficiency.

In the fibers and textiles segment, capital expenditures totaled ¥22.9 billion and included additional polyester filament fabric and nylon filament fabric production facilities at Toray Sakai Weaving & Dyeing (Nantong) Co., Ltd., and nylon filament production facilities at Toray Fibers (Nantong) Co., Ltd. In the plastics and chemicals segment, capital expenditures totaled ¥13.7 billion and included additional polyolefin film production facilities at Toray Advanced Film Co., Ltd. In the IT-related products segment, capital expenditures totaled ¥16.9 billion and included additional color filter production facilities at the Company and additional TAB/COF tape production facilities at STEMCO, Ltd. Capital expenditures totaled ¥4.3 billion in the housing and engineering segment and ¥5.1 billion in the pharmaceuticals and medical products segment. In the new products and other businesses segment, capital expenditures totaled ¥11.3 billion and included additional carbon fiber production facilities at Société des Fibres de Carbone S.A.

Liabilities

Total liabilities rose ¥52.7 billion, or 6.3%, to ¥896.4 billion, due mainly to an increase in trade payables as a result of making Chori and Suido Kiko Kaisha consolidated subsidiaries.

Total interest-bearing liabilities—comprised of bank loans, long-term debt due within one year, commercial paper, and long-term debt—were reduced by ¥27.7 billion, or 5.6%, to ¥466.8 billion, as a result of steady debt reduction to achieve the Project NT-II financial target of a debt/equity ratio of 1.0 or lower.

Stockholders' Equity

Stockholders' equity increased ¥38.3 billion, or 9.2%, to ¥452.5 billion. This can be attributed to net income of ¥34.4 billion, dividends applicable to the previous fiscal year of ¥9.1 billion, an

increase of ¥9.1 billion in unrealized gains on securities, and a decrease of ¥4.3 billion in foreign currency translation adjustment (deduction item). As a result, stockholders' equity per share increased ¥27.40 to ¥323.04, the equity ratio rose 0.3 percentage points to 32.3%, and the debt/equity ratio improved 0.16 points to 1.03.

Cash Flows

In FY Mar/05, net cash provided by operating activities exceeded net cash used in investing activities by ¥86.6 billion, due mainly to income before income taxes of ¥53.1 billion. Financing activities used net cash of ¥67.1 billion as a result of efforts to reduce interest-bearing liabilities to strengthen the Company's financial position. This resulted in cash and cash equivalents increasing ¥20.0 billion to ¥98.7 billion at the end of FY Mar/05.

Cash Flows from Operating Activities

Net cash provided by operating activities increased ¥15.9 billion to ¥133.5 billion in FY Mar/05. This reflects income before income taxes of ¥53.1 billion, depreciation and amortization of ¥64.4 billion, a decrease in trade receivables of ¥17.7 billion, an increase in trade payables and accrued liabilities of ¥18.8 billion, an increase in inventories of ¥12.8 billion, and income taxes paid of ¥9.3 billion.

Cash Flows from Investing Activities

Net cash used in investing activities increased ¥0.2 billion to ¥46.9 billion. This reflects proceeds from sales and disposal of non-current assets of ¥8.2 billion, proceeds from acquisition of shares of newly consolidated subsidiaries of ¥9.1 billion, and capital expenditures of ¥65.6 billion.

Cash Flows from Financing Activities

Net cash used in financing activities increased ¥20.4 billion to ¥67.1 billion. This can be attributed to a decrease in short-term debt of ¥41.9 billion and to repayments of long-term debt exceeding proceeds from long-term debt by ¥14.2 billion.



Consolidated Balance Sheets

Toray Industries, Inc. and Subsidiaries
March 31, 2005, 2004 and 2003

Assets	Millions of yen			Thousands of U.S. dollars (Note2)
	2005	2004	2003	2005
Current assets:				
Cash	¥ 83,353	¥ 73,135	¥ 46,101	\$ 779,000
Time deposits	14,428	5,567	8,968	134,841
Short-term investment securities (Note 6)	1,088	5	1,037	10,168
Trade receivables (Note 4):				
Notes receivable	41,698	32,737	34,174	389,701
Accounts receivable	214,469	184,021	172,096	2,004,383
Inventories (Note 3)	233,562	207,068	212,981	2,182,822
Deferred tax assets (Note 9)	15,814	13,803	12,542	147,794
Prepaid expenses and other current assets	43,214	36,881	39,223	403,870
Allowance for doubtful accounts	(3,237)	(4,127)	(5,473)	(30,252)
Total current assets	644,389	549,090	521,649	6,022,327
Property, plant and equipment (Notes 5 and 12):				
Land	78,954	82,692	83,733	737,888
Buildings	406,712	403,087	397,582	3,801,047
Machinery and equipment	1,307,157	1,309,316	1,318,592	12,216,421
Construction in progress	30,855	23,420	29,566	288,364
	1,823,678	1,818,515	1,829,473	17,043,720
Accumulated depreciation	(1,291,713)	(1,275,200)	(1,246,193)	(12,072,084)
	531,965	543,315	583,280	4,971,636
Investments, long-term loans and other assets:				
Affiliates	64,486	61,882	59,802	602,673
Marketable equity securities (Notes 5 and 6)	102,023	82,283	47,760	953,486
Other securities (Note 6)	6,287	4,541	5,614	58,757
Long-term loans receivable	3,010	5,887	5,920	28,131
Deferred tax assets (Note 9)	22,500	24,092	50,258	210,280
Other	27,232	19,466	22,582	254,504
Allowance for doubtful accounts	(10,438)	(4,887)	(5,008)	(97,551)
	215,100	193,264	186,928	2,010,280
Intangible assets	10,810	9,645	9,097	101,028
	¥1,402,264	¥1,295,314	¥1,300,954	\$13,105,271

See accompanying notes to consolidated financial statements.



Liabilities, Minority Interests and Stockholders' Equity	Millions of yen			Thousands of U.S. dollars (Note2)
	2005	2004	2003	2005
Current liabilities:				
Bank loans (Note 5)	¥ 138,220	¥ 131,145	¥ 159,859	\$ 1,291,776
Long-term debt due within one year (Note 5)	49,703	59,549	59,253	464,514
Commercial paper	—	21,000	18,000	—
Trade payables (Note 4):				
Notes payable	63,603	35,644	39,255	594,421
Accounts payable	149,898	112,552	104,420	1,400,916
Income taxes payable (Note 9)	10,011	5,641	5,785	93,561
Accrued liabilities	46,999	44,396	41,481	439,243
Other current liabilities	65,279	62,947	54,511	610,083
Total current liabilities	523,713	472,874	482,564	4,894,514
Long-term debt (Note 5)	278,902	282,833	308,987	2,606,561
Deferred tax liabilities (Note 9)	2,826	1,430	1,520	26,411
Reserve for employees' retirement benefits (Note 8)	74,664	72,487	73,620	697,794
Customers' guarantee deposits and other liabilities	16,312	14,046	9,614	152,449
	896,417	843,670	876,305	8,377,729
Commitments and contingent liabilities (Note 11)				
Minority interests in consolidated subsidiaries	53,328	37,397	34,251	498,392
Stockholders' equity (Note 10):				
Common stock:				
Authorized—4,000,000,000 shares				
Issued—1,401,481,403 shares	96,937	96,937	96,937	905,953
Capital surplus	85,800	85,792	85,792	801,869
Retained earnings	270,489	245,267	231,371	2,527,935
Unrealized gain on securities	38,785	29,731	10,481	362,477
Foreign currency translation adjustment	(39,031)	(43,326)	(34,062)	(364,776)
	452,980	414,401	390,519	4,233,458
Treasury stock, at cost	(461)	(154)	(121)	(4,308)
Total stockholders' equity	452,519	414,247	390,398	4,229,150
	¥1,402,264	¥1,295,314	¥1,300,954	\$13,105,271

Consolidated Statements of Income

Toray Industries, Inc. and Subsidiaries
Years ended March 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note2)
	2005	2004	2003	2005
Net sales (Note 4)	¥1,298,606	¥1,088,501	¥1,032,991	\$12,136,505
Costs and expenses:				
Cost of sales (Notes 4, 8 and 12)	1,023,665	850,881	814,518	9,566,963
Selling, general and administrative expenses (Notes 8 and 12)	157,011	145,071	149,391	1,467,393
Research and development expenses (Notes 8 and 12)	36,783	35,730	35,654	343,766
Amortization of cost in excess of net assets acquired	95	27	385	888
	1,217,554	1,031,709	999,948	11,379,010
Operating income	81,052	56,792	33,043	757,495
Other income (expenses):				
Interest expenses	(7,080)	(7,505)	(9,935)	(66,168)
Interest and dividend income	1,676	1,395	1,859	15,664
Equity in earnings of affiliates	5,697	5,697	4,844	53,243
Other, net	(4,545)	(4,777)	(6,065)	(42,477)
	(4,252)	(5,190)	(9,297)	(39,738)
Income before special credits (charges)	76,800	51,602	23,746	717,757
Special credits (charges):				
Loss on sales or disposal of property, plant and equipment, net	(2,348)	(558)	(4,030)	(21,944)
Loss on write-down of property, plant and equipment	(13,013)	(4,045)	(8,988)	(121,617)
Gain on sales and loss on write-down of investments in securities, net	190	858	(7,572)	1,776
Special severance payments and other restructuring expenses	(6,050)	(2,748)	(5,554)	(56,542)
Environmental treatment expenses	(1,698)	—	—	(15,869)
Gain on contribution of securities to retirement benefit trust (Note 1)	—	—	15,305	—
Gain on return of employees' pension fund representative service (Note 1)	—	—	18,551	—
Loss on write-off of loans	—	—	(4,011)	—
Other, net	(769)	(233)	(4,967)	(7,187)
	(23,688)	(6,726)	(1,266)	(221,383)
Income before income taxes	53,112	44,876	22,480	496,374
Income taxes (Note 9):				
Current	13,043	9,127	9,419	121,897
Deferred	1,890	11,629	4,083	17,664
	14,933	20,756	13,502	139,561
Income from consolidated operations	38,179	24,120	8,978	356,813
Minority interests in net income of consolidated subsidiaries	(3,782)	(3,212)	(3,188)	(35,346)
Net income	34,397	20,908	5,790	321,467

	Yen			U.S. dollars (Note2)
Net income per share (Note 1):				
Primary	¥24.46	¥14.87	¥4.13	\$0.229
Fully diluted	—	—	—	—

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity



Toray Industries, Inc. and Subsidiaries
Years ended March 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note2)
	2005	2004	2003	2005
Common stock:				
Balance at beginning of year	¥ 96,937	¥ 96,937	¥ 96,937	\$ 905,953
Balance at end of year	¥ 96,937	¥ 96,937	¥ 96,937	\$ 905,953
Capital surplus:				
Balance at beginning of year	¥ 85,792	¥ 85,792	¥ 85,792	\$ 801,794
Gain on sales of treasury stock	8	—	—	75
Balance at end of year	¥ 85,800	¥ 85,792	¥ 85,792	\$ 801,869
Retained earnings:				
Balance at beginning of year	¥245,267	¥231,371	¥232,594	\$2,292,215
Net income	34,397	20,908	5,790	321,467
Cash dividends	(9,106)	(7,005)	(7,007)	(85,103)
Bonuses to directors and corporate auditors	(69)	(7)	(6)	(644)
Balance at end of year	¥270,489	¥245,267	¥231,371	\$2,527,935
Treasury stock, at cost	¥ (461)	¥ (154)	¥ (121)	\$ (4,308)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Toray Industries, Inc. and Subsidiaries
Years ended March 31, 2005, 2004 and 2003

Millions of yen

Thousands of
U.S. dollars (Note2)

	2005	2004	2003	2005
Cash flows from operating activities:				
Income before income taxes	¥53,112	¥44,876	¥22,480	\$496,374
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	64,383	68,221	75,544	601,710
Interest and dividend income	(1,676)	(1,395)	(1,859)	(15,664)
Equity in earnings of affiliates	(5,697)	(5,697)	(4,844)	(53,243)
Interest expenses	7,080	7,505	9,935	66,168
Loss on sales or disposal of property, plant and equipment, net	2,348	558	4,030	21,944
(Gain) loss on sales or write-down of investments in securities, net	(128)	(826)	7,773	(1,196)
Loss on write-down of property, plant and equipment	13,013	4,045	8,988	121,617
Decrease in reserve for employees' retirement benefits	(4,556)	(995)	(35,500)	(42,579)
Decrease (increase) in trade receivables	17,669	(11,908)	(9,512)	165,131
(Increase) decrease in inventories	(12,830)	3,395	5,133	(119,907)
Increase in trade payables and accrued liabilities	18,779	8,701	14,808	175,505
Other, net	(9,121)	12,912	4,199	(85,243)
Subtotal	142,376	129,392	101,175	1,330,617
Interest and dividend income received	6,608	4,547	3,659	61,757
Interest expenses paid	(6,179)	(7,123)	(8,358)	(57,748)
Income taxes paid	(9,324)	(9,206)	(7,894)	(87,140)
Net cash provided by operating activities	133,481	117,610	88,582	1,247,486
Cash flows from investing activities:				
Capital expenditures	(65,617)	(51,453)	(60,607)	(613,243)
Purchase of investments in securities	(2,432)	(4,052)	(4,579)	(22,729)
Proceeds from sales and disposal of noncurrent assets	8,168	6,806	17,053	76,336
Acquisition of the shares of newly consolidated subsidiaries	9,083	375	—	84,888
Other, net	3,878	1,637	(3,762)	36,243
Net cash used in investing activities	(46,920)	(46,687)	(51,895)	(438,505)
Cash flows from financing activities:				
Decrease in short-term debt	(41,904)	(21,852)	(3,695)	(391,626)
Proceeds from long-term debt	51,042	44,175	61,201	477,028
Repayments of long-term debt	(65,214)	(61,596)	(80,744)	(609,477)
Cash dividends paid	(10,920)	(8,226)	(8,548)	(102,056)
Other, net	(73)	814	(107)	(682)
Net cash used in financing activities	(67,069)	(46,685)	(31,893)	(626,813)
Effect of exchange rate changes on cash and cash equivalents	375	(1,308)	(602)	3,505
Net increase in cash and cash equivalents	19,867	22,930	4,192	185,673
Cash and cash equivalents at beginning of year	78,702	55,677	51,485	735,532
Beginning of term balance of cash and cash equivalents at subsidiaries not previously included in consolidated financial statements	170	95	—	1,589
Cash and cash equivalents at end of year	¥98,739	¥78,702	¥55,677	\$922,794

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements



Toray Industries, Inc. and Subsidiaries
Years ended March 31, 2005, 2004 and 2003

1. Significant Accounting Policies

a) Basis of Presenting Consolidated Financial Statements

Toray Industries, Inc. (the "Company") and its subsidiaries in Japan have prepared their financial statements in accordance with accounting principles and practices generally accepted in Japan.

Overseas subsidiaries have prepared their financial statements in accordance with accounting practices prevailing in their respective domicile countries.

Certain items presented in the original consolidated financial statements in Japanese have been reclassified for the convenience of readers outside Japan.

b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and substantially all of its subsidiaries.

Assets and liabilities in consolidated subsidiaries are revalued to fair market value when the majority interest in the subsidiaries is purchased.

Investments in unconsolidated subsidiaries and affiliated companies are accounted for by the equity method.

All intercompany accounts and transactions are eliminated in consolidation. The excess of acquisition costs over net assets acquired is amortized generally over five years on a straight-line basis.

c) Cash and Cash Equivalents

Cash and cash equivalents for the fiscal years ended March 31, 2005 and 2004 include cash, short-term time deposits which may be withdrawn on demand without diminution of principal and highly liquid investments with original maturities of three months or less.

Cash and cash equivalents consisted of:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Cash	¥83,353	¥73,135	\$779,000
Time deposits	14,428	5,567	134,841
Less—Time deposits with maturities of over 3 months	(104)	—	(972)
Short-term investment securities and others with maturities of 3 months or less	1,062	—	9,925
Cash and cash equivalents	¥98,739	¥78,702	\$922,794

d) Financial Instruments

Derivatives:

All derivatives are stated at fair value, with changes in fair value included in net income or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments" (see Hedge Accounting below).

Securities:

Held-to-maturity debt securities that the Company and its subsidiaries have the intent to hold to maturity, are stated at cost after accounting for premium or discount on acquisition, which are amortized over the period to maturity.

Other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in stockholders' equity at a net-of-tax amount.

Other securities for which market quotations are unavailable are stated at cost, except as stated in the paragraph below.

In cases where the fair value of held-to-maturity debt securities or other securities has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to fair value and the resulting losses are included in net income or loss for the period.

Hedge Accounting:

Gains or losses arising from changes in fair value of derivatives designated as "hedging instruments" are deferred as an asset or liability and included in net income or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Company and its subsidiaries are principally interest rate swaps and forward exchange contracts. The related hedged items are trade accounts receivable and payable, long-term bank loans and debt securities issued by the Company and its subsidiaries.

The Company and its subsidiaries have a policy to utilize the above hedging instruments in order to reduce their exposure to the risk of interest rate and foreign currency fluctuations. Thus, their purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Company and its subsidiaries evaluate the effectiveness of hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

e) Allowance for Doubtful Accounts

In the Company and its domestic subsidiaries, an allowance for doubtful accounts, including receivables and loans, is determined from the amounts considered unlikely to be recovered, estimated from past actual bad debt ratio records for general receivables and from studying the probability of recovery in individual cases where there is concern over claims.

Notes to Consolidated Financial Statements

f) Inventories

Finished goods and work in process are generally stated at average cost.

Raw materials and supplies are generally stated at the lower of average cost or current replacement cost.

g) Property, Plant and Equipment

Property, plant and equipment are stated at cost.

Depreciation for property, plant and equipment of the Company and its domestic subsidiaries is principally computed by the declining balance method, and depreciation for those of overseas subsidiaries is principally computed by the straight-line method at rates based on estimated useful lives that are as follows:

Buildings	3–60 years
Machinery and equipment	3–15 years

h) Leases

In the Company and its domestic subsidiaries, finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees are accounted for by a method similar to that applicable to ordinary operating leases.

i) Income Taxes

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants taxes and enterprise taxes. Deferred income taxes are determined using the asset and liability approach, where deferred tax assets and liabilities are recognized for temporary differences between the tax basis of assets and liabilities and their reported amount in the financial statements. The Company also provides for the anticipated tax effect of future remittances of retained earnings from overseas subsidiaries and affiliated companies.

j) Retirement Benefits

The Company and its domestic subsidiaries have two retirement plans in effect (an unfunded lump-sum benefit plan and a funded contributory pension plan) covering all eligible employees.

Under the terms of the unfunded lump-sum benefit plan, eligible employees are entitled under most circumstances, upon mandatory retirement or earlier voluntary severance, to indemnities based on compensation at the time of severance and years of service.

The Company's funded pension plan covers all eligible employees. In general, the plan provides for pension payments for life commencing from age 60.

The reserve for retirement benefits represents the estimated present value of projected benefit obligations in excess of the fair

value of the plan assets except that, as permitted under the standard, unrecognized actuarial differences and unrecognized prior service cost are amortized on a straight-line basis over a period of 15 years.

In the fiscal year ended March 31, 2003, the Company contributed marketable equity securities to retirement benefit trust. Such contribution to the plan was measured at fair value in the amount of ¥21,131 million, and the difference between the fair value and the book value was recorded as a "gain on contribution of securities to retirement benefit trust" in the amount of ¥15,305 million on the basis that it is an irrevocable transfer to the plan.

Following the enforcement of the Corporate Pension Law on Defined Benefits Payment, on January 30, 2003, the Ministry of Health, Labor and Welfare granted permission for the Company and certain of its domestic subsidiaries to be exempted from the future obligation of payment with respect to the portion of the pension funds managed by the Company and certain of its domestic subsidiaries on behalf of the Government. Accordingly, by applying the temporary measure provided for in clause No. 47-2 of the "Guidelines on the Accounting Treatment of Retirement Benefits (Interim Report)" (Report No. 13 issued by Accounting Committee of the Japanese Institute of Certified Public Accountants), the Company and certain of its domestic subsidiaries treated both the exemption from the projected benefit obligations and the plan assets account equivalent to the portion deemed returnable as having become null and void as of the date the above permission was granted. The amount affected by this treatment is recorded as a "gain on return of employees' pension fund representative service" of ¥18,551 million. The equivalent amount of pension assets deemed returnable amounts to ¥43,146 million measured as of March 31, 2003.

On April 1, 2004, the Company and certain of its domestic subsidiaries obtained approval from the Ministry of Health, Labor and Welfare for exemption from the prior benefit obligation related to the substitutional portion of the government welfare pension program.

Allowance for retirement benefits for directors and corporate auditors ("officers") of the Company and certain of its domestic subsidiaries is provided based on the companies' pertinent rules and is calculated as the estimated amount which would be payable if all officers were to retire at the balance sheet date. Any amounts payable to officers upon retirement are subject to approval at the annual stockholders' meeting. The amount is included in "customers' guarantee deposits and other liabilities" on the consolidated balance sheets.

k) Appropriation of Retained Earnings

Cash dividends and bonuses to directors and corporate auditors are recorded in the fiscal year when the proposed appropriation of retained earnings is approved by the Board of Directors and/or stockholders.

l) Foreign Currency Transactions

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net income or loss for the period.

m) Translation of Foreign Currency Financial Statements

Translation of foreign currency financial statements of overseas subsidiaries into Japanese yen for consolidation purposes is made by using the current exchange rates prevailing at their balance sheet dates, with the exception that the translation of stockholders' equity is made by using historical rates. Revenue and expense accounts are principally translated at the average exchange rates during the year.

Differences in yen amounts arising from the use of different rates are presented as "foreign currency translation adjustment" in stockholders' equity except for the portion belonging to minority stockholders, which is included in "minority interests in consolidated subsidiaries".

n) Net Income per Share

The computation of net income per share of common stock shown in the consolidated statements of income is based on the average number of shares of common stock outstanding for the year.

Diluted net income per share is computed to reflect the dilutive effect on net income assuming potential issues of new shares of common stock upon the conversion of convertible debt securities with the related reduction of interest expenses.

Effective from the fiscal year ended March 31, 2003, the Company adopted "Accounting Standard for Earnings per Share" (Accounting Standard No.2) and "Implementation Guidance on Accounting Standard for Earnings per Share" (Accounting Implementation Guidance No.4). The effect of the adoption of these accounting standard and guidance on net income and stockholders' equity per share was immaterial.

o) Treasury Stock and Reduction of Legal Reserves

Effective from the fiscal year ended March 31, 2003, the Company adopted "Accounting Standard for Treasury Stock and Reduction of Legal Reserves" (Accounting Standard No.1). The adoption of the standard had no material impact on net income.

2. U.S. Dollar Amounts

The Company and its domestic consolidated subsidiaries maintain their accounting records in yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetic results of translating yen into U.S. dollars at the rate of ¥107 to \$1.00, the approximate exchange rate

prevailing on March 31, 2005. The inclusion of such U.S. dollar amounts is solely for the convenience of readers outside Japan and is not intended to imply that yen amounts and assets and liabilities that originated in yen have been or could be readily converted, realized or settled in U.S. dollars at this or at any other rate.

3. Inventories

At March 31, 2005 and 2004, inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Finished goods and work in process	¥187,356	¥165,729	\$1,750,990
Raw materials and supplies	46,206	41,339	431,832
	¥233,562	¥207,068	\$2,182,822

4. Account Balances and Transactions with Affiliates

Account balances due to/from unconsolidated subsidiaries and affiliated companies at March 31, 2005 and 2004 and transactions for the years then ended with unconsolidated subsidiaries and affiliated companies were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Trade receivables	¥ 6,739	¥ 9,424	\$ 62,981
Trade payables	3,336	4,396	31,178
Sales	¥31,178	¥40,047	\$291,383
Purchases	25,096	25,084	234,542

Notes to Consolidated Financial Statements

5. Bank Loans and Long-Term Debt

Bank loans at March 31, 2005 and 2004 represented bank overdrafts and short-term notes. The Company is not required to pay commitment fees on unused balances of the bank overdraft agreements.

Long-term debt at March 31, 2005 and 2004 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Loans principally from banks and insurance companies with interest rates primarily from 0.2180% to 6.1700%, maturing serially through 2022:			
Collateralized	¥ 366	¥ 806	\$ 3,420
Unsecured	187,364	180,690	1,751,065
Medium-term notes of a consolidated subsidiary with an interest rate of LIBOR+0.35% due 2005	375	386	3,505
Mortgage bonds with an interest rate of 2.3% due 2006	500	500	4,673
Yen notes with an interest rate of 2.40% due 2009	20,000	20,000	186,916
Yen notes with an interest rate of 2.03% due 2008	10,000	10,000	93,458
Yen notes with an interest rate of 2.00% due 2013	10,000	10,000	93,458
Yen notes with an interest rate of 1.95% due 2009	10,000	10,000	93,458
Yen notes with an interest rate of 1.94% due 2010	10,000	10,000	93,458
Yen notes with an interest rate of 1.93% due 2009	10,000	10,000	93,458
Yen notes with an interest rate of 1.925% due 2005	20,000	20,000	186,916
Yen notes with an interest rate of 1.61% due 2013	10,000	10,000	93,458
Yen notes with an interest rate of 1.48% due 2011	20,000	20,000	186,916
Yen notes with an interest rate of 1.40% due 2004	—	10,000	—
Yen notes with an interest rate of 1.05% due 2004	—	10,000	—
Yen notes with an interest rate of 0.60% due 2006	20,000	20,000	186,916
	328,605	342,382	3,071,075
Less amounts due within one year	49,703	59,549	464,514
	¥278,902	¥282,833	\$2,606,561

At March 31, 2005, assets pledged as collateral for short-term bank loans and collateralized loans and certain mortgage bonds of subsidiaries were as follows:

	Millions of yen	Thousands of U.S. dollars
Investments in securities at carrying value	¥ 141	\$ 1,318
Property, plant and equipment, at cost, less accumulated depreciation	9,802	91,607
	¥9,943	\$92,925

The annual maturities of long-term debt were as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31:		
2006	¥ 49,703	\$ 464,514
2007	43,098	402,785
2008	50,994	476,580
2009	34,532	322,729
2010	42,921	401,131
2011 and thereafter	107,357	1,003,336
	¥328,605	\$3,071,075

6. Securities

At March 31, 2005 and 2004, the carrying amount and aggregate fair value of the securities classified as held-to-maturity debt securities and other securities for which market quotations were available were as follows:

	Millions of yen							
	2005				2004			
	Cost	Unrealized gains	Unrealized losses	Fair value	Cost	Unrealized gains	Unrealized losses	Fair value
Held-to-maturity debt securities	¥ 40	¥ —	¥ —	¥ 40	¥ 45	¥ —	¥ —	¥ 45
Other securities	36,302	65,941	260	101,983	32,040	50,566	368	82,238

	Thousands of U.S. dollars			
	2005			
	Cost	Unrealized gains	Unrealized losses	Fair value
Held-to-maturity debt securities	\$ 374	\$ —	\$ —	\$ 374
Other securities	339,271	616,271	2,430	953,112

At March 31, 2005 and 2004, the carrying amount of the securities classified as held-to-maturity debt securities and other securities for which market quotations were unavailable were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Held-to-maturity debt securities	¥ 30	¥ 34	\$ 280
Other securities	7,338	4,488	68,579

The difference between the above fair value, carrying amount and the amounts shown in the accompanying consolidated balance sheets principally consisted of subscription certificates.

The carrying values of the securities by contractual maturities for securities classified as held-to-maturity debt securities and other securities at March 31, 2005 and 2004 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2005		2004		2005	
	Held-to-maturity debt securities	Other securities	Held-to-maturity debt securities	Other securities	Held-to-maturity debt securities	Other securities
Due within one year	¥ 4	¥ —	¥39	¥ —	\$ 37	\$ —
Due over one year	66	20	40	20	617	187

7. Derivatives

The Company and its subsidiaries had the following derivatives contracts outstanding at March 31, 2005 and 2004:

	Millions of yen					
	2005			2004		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts:						
Buying U.S. dollar	¥ —	¥ —	¥ —	¥1,702	¥1,696	¥ (6)
Buying Japanese yen	201	212	11	—	—	—
Selling U.S. dollar	5,926	5,954	(28)	605	570	35
Selling euro	532	532	0	1,039	991	48
Selling British pound	—	—	—	29	28	1
Interest rate swaps:						
Fixed-rate payment, floating-rate receipt	13,000	(216)	(216)	—	—	—

	Thousands of U.S. dollars		
	2005		
	Contract amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts:			
Buying Japanese yen	\$ 1,878	\$ 1,981	\$ 103
Selling U.S. dollar	55,383	55,645	(262)
Selling euro	4,972	4,972	0
Interest rate swaps:			
Fixed-rate payment, floating-rate receipt	121,495	(2,019)	(2,019)

Notes to Consolidated Financial Statements

8. Retirement Benefit Plan

The reserve for employees' retirement benefits as of March 31, 2005 and 2004 was analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Projected benefit obligations	¥303,362	¥269,287	\$2,835,159
Plan assets	168,475	164,033	1,574,533
	134,887	105,254	1,260,626
Unrecognized actuarial differences	63,046	35,484	589,215
Unrecognized prior service cost	(2,793)	(2,677)	(26,103)
	74,634	72,447	697,514
Prepaid pension cost	30	40	280
	¥ 74,664	¥ 72,487	\$ 697,794

Net pension expense related to the employees' retirement benefits for the years ended March 31, 2005 and 2004 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Service cost	¥ 7,540	¥ 7,132	\$ 70,467
Interest cost	7,521	7,571	70,290
Expected return on plan assets	(4,835)	(3,871)	(45,187)
Amortization of actuarial differences	3,115	4,891	29,112
Amortization of prior service cost	(236)	(219)	(2,205)
Net pension expense	¥13,105	¥15,504	\$122,477

Assumptions used in calculation of the above information were as follows:

	2005	2004
Method of attributing the projected benefits to periods of services	straight-line basis	straight-line basis
Discount rate	primarily 2.0%	primarily 3.0%
Expected rate of return on plan assets	primarily 3.0%	primarily 3.0%
Amortization period of prior service cost	primarily 15 years	primarily 15 years
Amortization period of actuarial differences	primarily 15 years	primarily 15 years

9. Income Taxes

The statutory tax rate for the fiscal year ended March 31, 2004 was 42.3%. Due to the revision of local tax law effective on April 1, 2004, the statutory tax rate used for calculating deferred tax assets and liabilities in the fiscal years ended March 31, 2005 and 2004 was changed to 40.7%.

At March 31, 2005 and 2004, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Deferred tax assets:			
Inventories	¥ —	¥ 3,402	\$ —
Accrued bonuses	6,074	5,209	56,766
Reserve for employees' retirement benefits	30,132	29,052	281,607
Tax loss carryforwards	26,431	20,785	247,019
Unrealized earnings	11,084	10,506	103,589
Other	23,857	24,669	222,963
	97,578	93,623	911,944
Valuation allowance	(14,234)	(16,350)	(133,028)
Total deferred tax assets	83,344	77,273	778,916
Deferred tax liabilities:			
Reserve for advanced depreciation	13,398	13,319	125,215
Depreciation	2,425	2,664	22,664
Undistributed earnings of foreign subsidiaries and affiliates	4,639	3,745	43,355
Unrealized gain on securities	26,726	20,401	249,776
Other	941	1,113	8,794
Total deferred tax liabilities	48,129	41,242	449,804
Net deferred tax assets	¥35,215	¥36,031	\$329,112

At March 31, 2005 and 2004, deferred tax assets and liabilities were classified as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Deferred tax assets - current	¥15,814	¥13,803	\$147,794
Deferred tax assets - non-current	22,500	24,092	210,280
Deferred tax liabilities - current	273	434	2,551
Deferred tax liabilities - non-current	2,826	1,430	26,411

The reconciliation of the statutory tax rate and the effective income tax rate for the years ended March 31, 2005 and 2004 was as follows:

	2005	2004
Statutory tax rate	40.7%	42.3%
Increase (decrease) in taxes resulting from:		
Permanent differences	(1.7)	1.6
Gains and losses of subsidiaries not utilizing deferred tax accounting	(7.5)	5.7
Equity in earnings of affiliates	(4.4)	(5.4)
Adjustment of deferred tax assets and liabilities due to tax rate change	—	1.3
Other	1.0	0.8
Effective income tax rate	28.1%	46.3%

Notes to Consolidated Financial Statements

10. Stockholders' Equity

The Japanese Commercial Code requires that at least 50% of the paid-in capital of new share issues be transferred to common stock. Capital surplus consists of capital reserve recorded pursuant to the Japanese Commercial Code and other capital surplus. Capital reserve consists of proceeds on issuance of shares of common stock of the Company that were not recorded as common stock. Capital reserve may be transferred to other capital surplus to the extent that the sum of capital reserve and earned reserve (collectively, "legal reserve") does not fall below 25% of common stock. However, capital reserve may not be transferred to retained earnings.

Retained earnings consists of earned reserve recorded pursuant to the Japanese Commercial Code, voluntary reserves and unappropriated retained earnings. The Japanese Commercial Code requires all the companies to appropriate as an earned reserve an amount equivalent to at least 10% of cash payments for appropriation of retained earnings until the legal reserve equals

25% of common stock. Earned reserve may be transferred to unappropriated retained earnings to the extent that the legal reserve does not fall below 25% of common stock.

Legal reserve may be transferred to common stock through suitable directors' action or offset against deficit through suitable stockholders' action.

Under the amended Japanese Commercial Code, the Company is allowed to acquire its own shares to the extent that the aggregate cost of treasury stocks does not exceed the maximum amount available for dividends. Treasury stocks are stated at cost in the stockholders' equity in the accompanying consolidated balance sheets. Net gain on resale of treasury stocks is presented under capital surplus in the stockholders' equity in the accompanying consolidated balance sheets.

At the June 2005 annual stockholders' meeting, stockholders approved the payment of cash dividends of ¥3.50 per share, aggregating ¥4,903 million (\$45,822 thousand).

11. Commitments and Contingent Liabilities

At March 31, 2005, commitment line of credit was as follows:

	Millions of yen	Thousands of U.S. dollars
Total commitment line of credit	¥4,430	\$41,402
Outstanding borrowings	2,759	25,785
Balance	¥1,671	\$15,617

This commitment does not necessarily imply that the Company will extend borrowings to the maximum limit.

At March 31, 2005 and 2004, contingent liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
As guarantors of loans to:			
Affiliates	¥10,011	¥10,567	\$93,561
Others	4,634	3,012	43,308
	¥14,645	¥13,579	\$136,869
Obligations of guarantee	¥28	¥41	\$262
Notes discounted	¥270	¥—	\$2,523
Export bills discounted	2,063	—	19,280
Buyback obligations associated with securitization of receivables	¥11,307	¥7,352	\$105,673

12. Leases

Finance leases

The Group holds certain machinery, equipment and vehicles and other assets (fixtures and tools) by leases. Total lease payments under these leases were ¥2,943 million (\$27,505 thousand) and ¥2,828 million for the fiscal years ended March 31, 2005 and 2004, respectively.

Pro forma information relating to acquisition costs, accumulated depreciation and future minimum lease payments for property held under finance leases which do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the fiscal years ended March 31, 2005 and 2004 was as follows:

	Millions of yen		
	Machinery, equipment and vehicles	Other (fixtures and tools)	Total
Year ended March 31, 2005:			
Acquisition costs	¥3,832	¥11,828	¥15,660
Accumulated depreciation	1,310	5,187	6,497
Net leased property	¥2,522	¥6,641	¥9,163

	Millions of yen		
	Machinery, equipment and vehicles	Other (fixtures and tools)	Total
Year ended March 31, 2004:			
Acquisition costs	¥2,201	¥10,533	¥12,734
Accumulated depreciation	1,162	5,655	6,817
Net leased property	¥1,039	¥4,878	¥5,917

	Thousands of U.S. dollars		
	Machinery, equipment and vehicles	Other (fixtures and tools)	Total
Year ended March 31, 2005:			
Acquisition costs	\$35,813	\$110,542	\$146,355
Accumulated depreciation	12,243	48,477	60,720
Net leased property	\$23,570	\$62,065	\$85,635

Future minimum lease payments under finance leases as of March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Due within one year	¥2,795	¥2,415	\$26,121
Due over one year	6,368	3,502	59,514
Total	¥9,163	¥5,917	\$85,635

The acquisition costs and future minimum lease payments under finance leases include the imputed interest expense portion.

Operating leases

Future minimum lease payments under noncancellable operating leases as of March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Due within one year	¥939	¥1,039	\$8,776
Due over one year	5,923	7,054	55,355
Total	¥6,862	¥8,093	\$64,131

Notes to Consolidated Financial Statements

13. Segment Information

Results by Business Segment

The Company and its subsidiaries operate principally in six business segments: Fibers and Textiles, Plastics and Chemicals, IT-related (information technology-related) Products, Housing and Engineering, Pharmaceuticals and Medical Products, and New Products and Other Businesses.

Operations in the Fibers and Textiles segment involve the production and sale of nylon, polyester, acrylic fiber and textile products and synthetic suede. Operations in the Plastics and Chemicals segment involve the production and sale of nylon and ABS resins, polyester and polypropylene films, raw materials for synthetic fibers and fine chemicals (except films and plastic products included in IT-related Products stated below). Operations in the IT-related Products segment involve the production and sale

of films and plastic products for information and telecommunication related products, electronic circuits and semiconductor related materials, color filters for LCDs and related materials and equipment, materials for plasma display panels and graphic materials and related equipment. Operations in the Housing and Engineering segment involve construction and plant engineering services and the manufacturing of industrial equipment and machinery and environmental equipment. Operations in the Pharmaceuticals and Medical Products segment involve the production and sale of interferon- β , beraprost sodium drugs, and artificial kidneys. Operations in the New Products and Other Businesses segment involve the production and sale of carbon fibers and advanced composite materials as well as the provision of services such as analysis and research.

	Millions of yen								
Year ended March 31, 2005:	Fibers and Textiles	Plastics and Chemicals	IT- related Products	Housing and Engineering	Pharmaceuticals and Medical Products	New Products and Other Businesses	Total	Elimination and corporate	Consolidated total
Sales to outside customers	¥513,354	¥300,404	¥219,142	¥148,661	¥44,356	¥72,689	¥1,298,606	¥—	¥1,298,606
Intersegment sales	830	28,421	5,129	40,696	2	17,650	92,728	(92,728)	—
Total sales	¥514,184	¥328,825	¥224,271	¥189,357	¥44,358	¥90,339	¥1,391,334	¥(92,728)	¥1,298,606
Operating income	¥20,872	¥15,658	¥28,280	¥4,294	¥2,852	¥9,212	¥81,168	¥(116)	¥81,052
Assets	¥480,112	¥383,932	¥239,398	¥160,064	¥62,263	¥132,244	¥1,458,013	¥(55,749)	¥1,402,264
Depreciation and amortization	22,446	19,033	13,177	2,571	2,162	5,652	65,041	(753)	64,288
Capital expenditures	22,922	13,701	16,877	4,340	5,105	11,290	74,235	(1,141)	73,094

Year ended

March 31, 2004:

Sales to outside customers	¥424,755	¥258,093	¥174,538	¥120,123	¥47,875	¥63,117	¥1,088,501	¥—	¥1,088,501
Intersegment sales	1,358	27,460	4,462	38,988	2	16,179	88,449	(88,449)	—
Total sales	¥426,113	¥285,553	¥179,000	¥159,111	¥47,877	¥79,296	¥1,176,950	¥(88,449)	¥1,088,501
Operating income	¥18,371	¥9,676	¥17,326	¥1,695	¥3,510	¥5,868	¥56,446	¥346	¥56,792
Assets	¥442,598	¥348,520	¥219,133	¥155,682	¥67,546	¥117,683	¥1,351,162	¥(55,848)	¥1,295,314
Depreciation and amortization	22,688	21,609	13,721	2,376	2,734	5,822	68,950	(718)	68,232
Capital expenditures	20,143	11,197	6,829	1,676	2,554	6,900	49,299	(492)	48,807

Thousands of U.S. dollars

Year ended March 31, 2005:	Fibers and Textiles	Plastics and Chemicals	IT- related Products	Housing and Engineering	Pharmaceuticals and Medical Products	New Products and Other Businesses	Total	Elimination and corporate	Consolidated total
Sales to outside customers	\$4,797,701	\$2,807,514	\$2,048,056	\$1,389,355	\$414,542	\$679,337	\$12,136,505	\$—	\$12,136,505
Intersegment sales	7,757	265,617	47,935	380,336	19	164,953	866,617	(866,617)	—
Total sales	\$4,805,458	\$3,073,131	\$2,095,991	\$1,769,691	\$414,561	\$844,290	\$13,003,122	\$(866,617)	\$12,136,505
Operating income	\$195,065	\$146,336	\$264,299	\$40,131	\$26,654	\$86,094	\$758,579	\$(1,084)	\$757,495
Assets	\$4,487,028	\$3,588,150	\$2,237,365	\$1,495,925	\$581,897	\$1,235,925	\$13,626,290	\$(521,019)	\$13,105,271
Depreciation and amortization	209,776	177,879	123,149	24,028	20,206	52,822	607,860	(7,038)	600,822
Capital expenditures	214,224	128,047	157,729	40,561	47,710	105,514	693,785	(10,664)	683,121

Results by Geographic Segment

Year ended March 31, 2005:	Millions of yen					
	Japan	Asia	North America, Europe and other areas	Total	Elimination and corporate	Consolidated total
Sales to outside customers	¥ 961,633	¥ 211,192	¥ 125,781	¥1,298,606	¥ —	¥1,298,606
Intersegment sales	81,145	34,161	4,975	120,281	(120,281)	—
Total sales	¥1,042,778	¥ 245,353	¥ 130,756	¥1,418,887	¥(120,281)	¥1,298,606
Operating income	¥ 65,793	¥ 10,269	¥ 5,103	¥ 81,165	¥ (113)	¥ 81,052
Assets	¥1,055,154	¥ 225,510	¥ 146,550	¥1,427,214	¥ (24,950)	¥1,402,264
Year ended March 31, 2004:						
Sales to outside customers	¥ 786,063	¥180,676	¥121,762	¥1,088,501	¥ —	¥1,088,501
Intersegment sales	67,606	22,402	5,068	95,076	(95,076)	—
Total sales	¥ 853,669	¥203,078	¥126,830	¥1,183,577	¥(95,076)	¥1,088,501
Operating income	¥ 42,202	¥ 9,462	¥ 5,010	¥ 56,674	¥ 118	¥ 56,792
Assets	¥ 963,366	¥211,161	¥140,484	¥1,315,011	¥(19,697)	¥1,295,314

Year ended March 31, 2005:	Thousands of U.S. dollars					
	Japan	Asia	North America, Europe and other areas	Total	Elimination and corporate	Consolidated total
Sales to outside customers	\$8,987,225	\$1,973,757	\$1,175,523	\$12,136,505	\$ —	\$12,136,505
Intersegment sales	758,364	319,262	46,495	1,124,121	(1,124,121)	—
Total sales	\$9,745,589	\$2,293,019	\$1,222,018	\$13,260,626	\$(1,124,121)	\$12,136,505
Operating income	\$ 614,888	\$ 95,972	\$ 47,691	\$ 758,551	\$ (1,056)	\$ 757,495
Assets	\$9,861,253	\$2,107,570	\$1,369,626	\$13,338,449	\$ (233,178)	\$13,105,271

Major countries in the categories Asia and North America, Europe and other areas were as follows:

Asia: China, Indonesia, Thailand, Malaysia, South Korea

North America, Europe and other areas: U.S.A., U.K., France, Italy, Czech Republic

Export Sales and Sales by Overseas Subsidiaries

Year ended March 31, 2005:	Millions of yen		
	Asia	North America, Europe and other areas	Total
Export sales and sales by overseas subsidiaries	¥357,048	¥182,988	¥540,036
Percentage of such sales against consolidated net sales	27.5%	14.1%	41.6%

Year ended March 31, 2004:			
Export sales and sales by overseas subsidiaries	¥274,372	¥168,901	¥443,273
Percentage of such sales against consolidated net sales	25.2%	15.5%	40.7%

Year ended March 31, 2005:	Thousands of U.S. dollars		
	Asia	North America, Europe and other areas	Total
Export sales and sales by overseas subsidiaries	\$3,336,897	\$1,710,168	\$5,047,065

Major countries in the categories Asia and North America, Europe and other areas were as follows:

Asia: China, Indonesia, Thailand, Malaysia, South Korea

North America, Europe and other areas: U.S.A., U.K., France, Italy

14. Directors' Interests

None of the Company's directors held a material interest in any contract significant to the Company or its affiliates at any time during the three years in the period ended March 31, 2005.

Furthermore, none of the directors or members of their families held interests of 5% or more in shares of the Company at any time during the three years in the period ended March 31, 2005.

Report of Independent Auditors

ChuoAoyama PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS 

Kasumigaseki Bldg. 32nd Floor
3-2-5, Kasumigaseki, Chiyoda-ku,
Tokyo 100-6088, Japan

Report of Independent Auditors

To the Board of Directors and Stockholders of Toray Industries, Inc.

We have audited the accompanying consolidated balance sheets of Toray Industries, Inc. and its subsidiaries as of March 31, 2005, 2004 and 2003, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

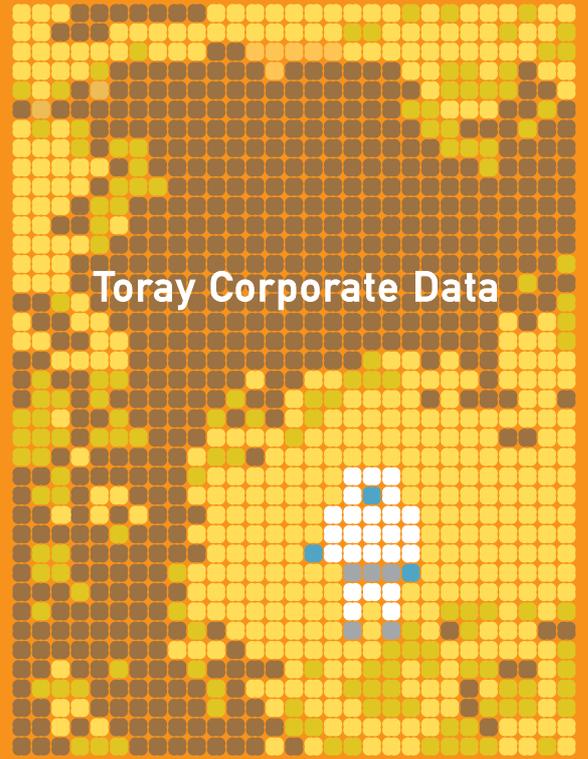
We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Toray Industries, Inc. and its subsidiaries as of March 31, 2005, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in *Japan*.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 2 to the accompanying consolidated financial statements.

ChuoAoyama PricewaterhouseCoopers

ChuoAoyama PricewaterhouseCoopers
Tokyo, Japan
June 28, 2005



Toray Corporate Data

52 : CSR Activities

53 : Board of Directors and Corporate Auditors

54 : Toray Group Worldwide Network

56 : Investor Information

CSR Activities

The Toray Group is guided by its Corporate Philosophy of “contributing to society through the creation of new value by innovative ideas, technologies, and products,” and we consider social contributions to be a key reason for our existence and a duty of our management. On the basis of this Management Philosophy, we supply products to help reduce energy and resource consumption, promote recycling, and prevent global warming with a view to preserving and improving the global environment, and we prioritize investment in our research and technological capabilities in order to develop process technologies for minimizing the burden on the global environment.

In addition to our environmental preservation and improvement efforts, we have striven to fulfill our social responsibilities while conducting our corporate activities. To more actively pursue these initiatives, we established the CSR Committee in 2003 and commenced full-scale corporate social responsibility (CSR) activities in 2004.

Toray started publishing an annual environmental report in 1999. In September 2004, we relaunched it as our CSR Annual Report and

broadened its scope beyond our environmental preservation and improvement activities to include corporate ethics and legal compliance, customer and supplier communication, contributions to society, furthering the protection of human rights, and employee training. In addition, we established CSR Guidelines in December 2004 to serve as a code of conduct for fulfilling the social responsibilities of the Toray Group. We also drafted CSR Action Programs to give specifics to the implementation of our CSR Guidelines.

Going forward, we intend to steadily implement these CSR Action Programs with a view to conducting sustainable business activities globally and to actively contributing to the creation of an environmentally sustainable society.

Visit our website to view our CSR Annual Report and CSR Guidelines.

<http://www.toray.com/environment/index.html>

CSR Guidelines

1. Basic policy and Enhance corporate governance and management transparency

Sincerely pursue CSR activities to help create a sustainable society by fulfilling our Corporate Philosophy, Corporate Missions, and Guiding Principles, and strive to enhance corporate governance and management transparency.

2. Uphold corporate ethics and comply with laws and regulations

Earn the trust of society by all executives and employees upholding our Corporate Ethics and Compliance Code of Conduct and acting with fairness, high ethical standards, and sense of responsibility.

3. Emphasize safety, accident prevention, and environmental preservation

Give safety, accident prevention, and environmental preservation top priority above all other management issues, and work to ensure the safety and health of society and employees while protecting the environment in all of our business activities, from procuring raw materials to manufacturing, supplying, and disposing of products.

4. Ensure product safety and quality

Recognize the importance of product safety and quality assurance in supplying safe and highly reliable products, and strive to enhance management systems and disclose appropriate information.

5. Perform risk management

Seek to reduce potential risk, develop a system capable of responding quickly to unexpected circumstances and disclosing accurate information, and work to inform all employees about this system.

6. Promote dialogue with stakeholders

Encourage a dialogue and cooperation with employees, shareholders, investors, business partners, consumers, local communities, non-profit organizations, government and administrative agencies, mass media, analysts, and other parties.

7. Step up environmental and recycling efforts

Pursue research and technological development related to environmentally friendly products and recycling, and contribute to improving the global environment by developing and expanding environmental, safety, and amenity businesses.

8. Secure and train personnel and promote human rights

Secure and train personnel and diversify employment while striving to protect employee jobs, respect human rights, and continuously improve workplace environments.

9. Cooperate with suppliers in their environmental and social initiatives

Cooperate with suppliers in promoting CSR activities, including environmental consideration, compliance with laws and regulations, and promotion of human rights.

10. Pursue social initiatives

Voluntarily conduct promotional programs for science and technology, arts and culture, social welfare, sports, and other activities by allocating an appropriate amount of resources as a good corporate citizen.

Board of Directors and Corporate Auditors



President and Chief Executive Officer and Chief Operating Officer and Representative Director

Sadayuki Sakakibara

Executive Vice Presidents and Representative Directors

Kazuo Tomiita

Akikazu Shimomura

Hiroaki Kobayashi

Senior Managing Director and Representative Director

Satoru Masuzaki

Senior Managing Directors

Motoo Yoshikawa

Chiaki Tanaka

Managing Directors

Osamu Nakatani

Masayoshi Kamiura

Junichi Fujikawa

Eizo Tanaka

Akihiro Nikkaku

Kouzo Nagai

Ginjiro Ishii

Directors

Hiroshi Miyazaki

Norihiko Saitou

Hitoshi Morino

Kazuhiro Maruyama

Munehiro Se

Shinichi Koizumi

Hideyasu Okawara

Kazushi Hashimoto

Ken Nishikawa

Akira Karasawa

Toshiyuki Takeda

Kenichiro Oka

Kiyoshi Fukuchi

Akira Uchida

Yoshiyuki Inamoto

Koichi Abe

Corporate Auditors

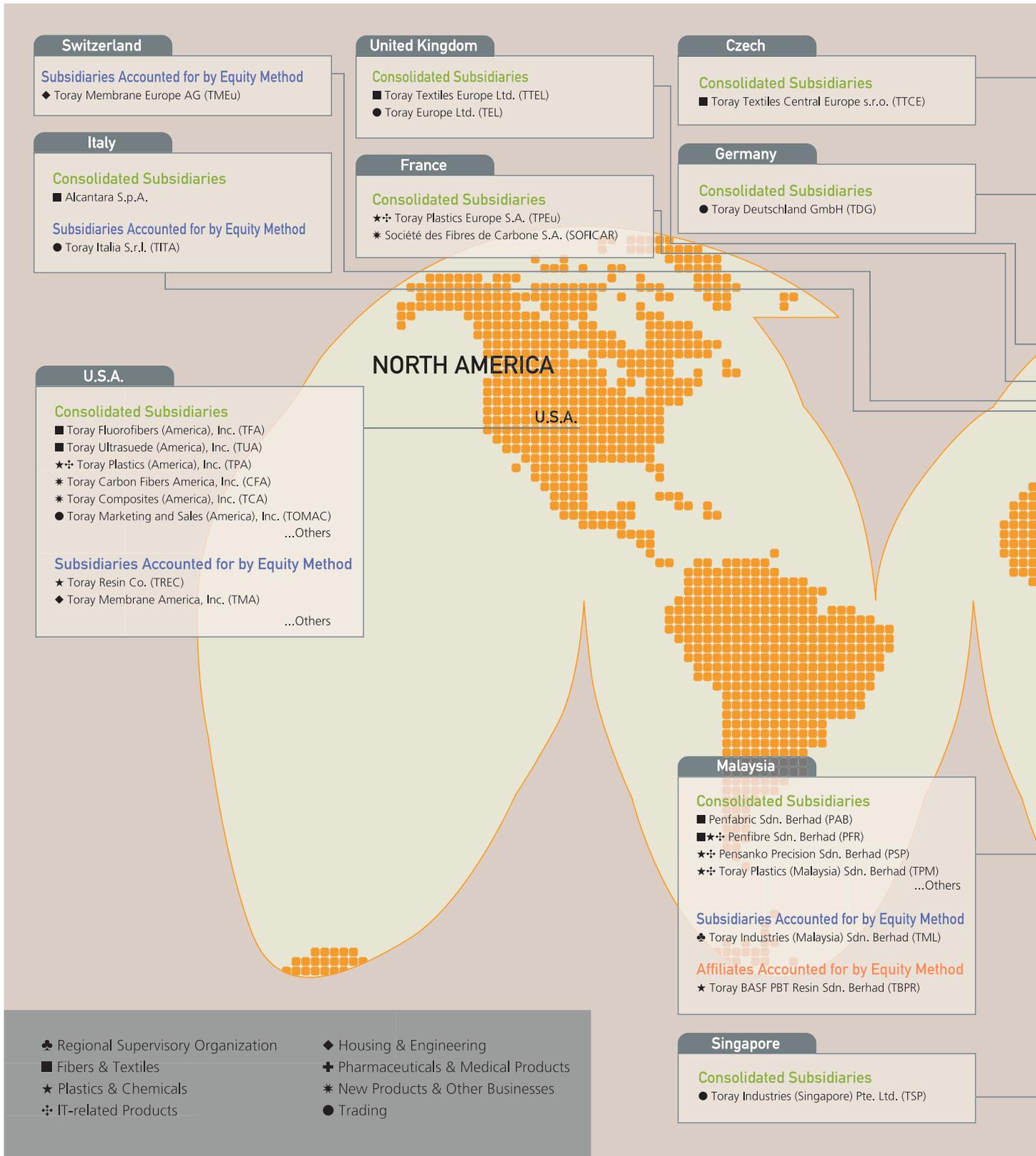
Shinsuke Imamura

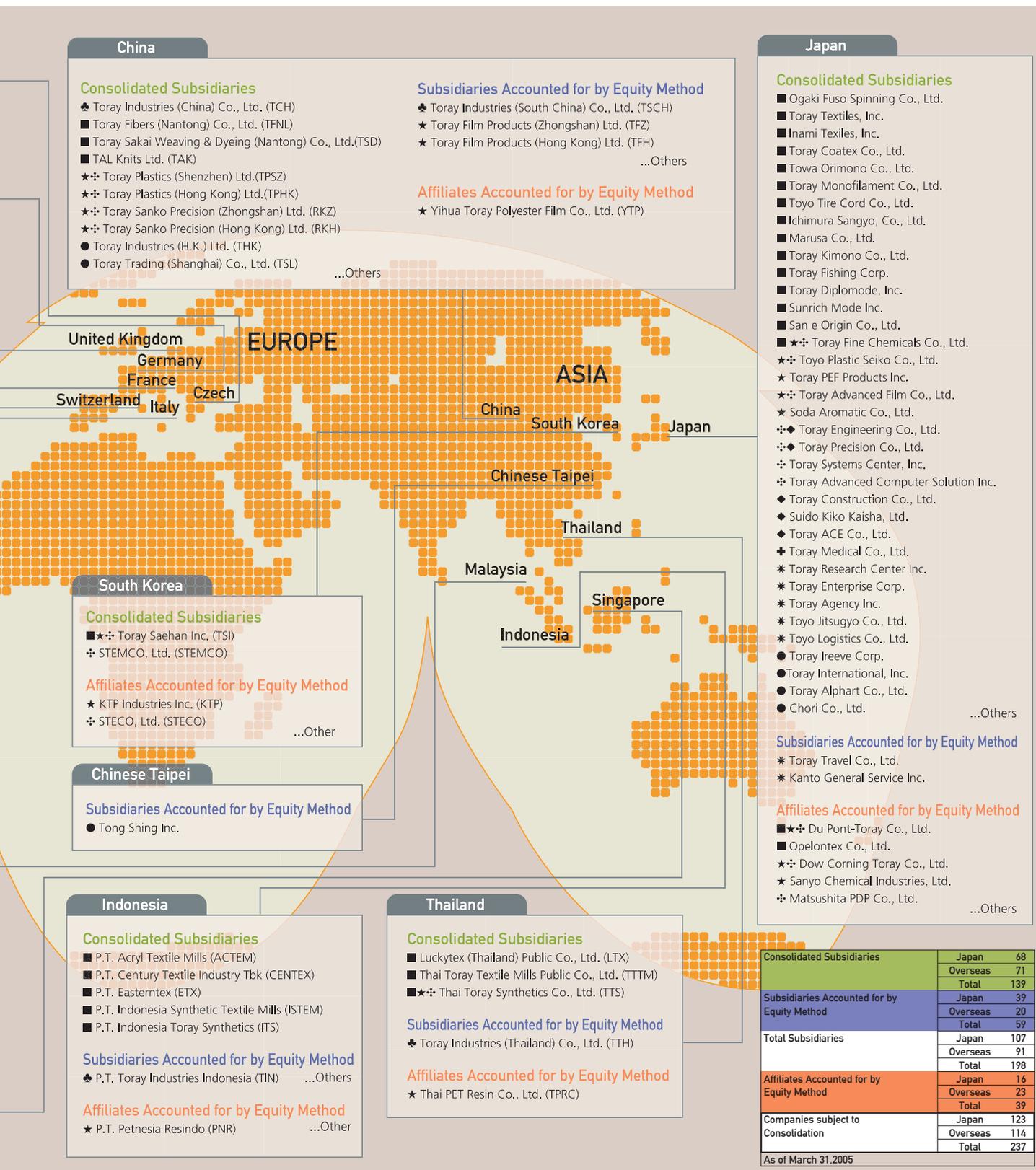
Motonori Nishida

Keno Yamamoto

Ichiro Sakai

Toray Group Worldwide Network





Investor Information (As of March 31, 2005)

Common Stock Price Range	2005		2004	
	High	Low	High	Low
First quarter	¥528	¥453	¥292	¥258
Second quarter	557	480	449	276
Third quarter	526	441	481	396
Fourth quarter	502	466	492	391

Cash Dividends per Share	2005	2004
Total for the year	¥7.00	¥5.50
Interim	3.50	2.50

Composition of Stockholders	Percent of total	Thousands of shares
The Master Trust Bank of Japan, Ltd.	8.15%	114,267
Japan Trustee Services Bank, Ltd. (Trust Account)	7.73	108,335
Nippon Life Insurance Co.	4.90	68,736
Mitsui Mutual Life Insurance Co.	3.42	47,948
Sumitomo Mitsui Banking Corporation	2.14	30,022
The Dai-ichi Mutual Life Insurance Co.	1.89	26,471
Japan Trustee Services Bank, Ltd. (Trust 4 Account)	1.77	24,741
Mitsui Sumitomo Insurance Co., Ltd.	1.26	17,620
State Street Bank and Trust Company 505103	1.23	17,215
The Chuo Mitsui Trust and Banking Company, Limited	1.08	15,179

Common Stock:

Authorized: 4,000,000,000 shares

Issued: 1,401,481,403 shares

Number of Stockholders: 151,739

Listings:

Common stock is listed on the Tokyo Stock Exchange, the Osaka Securities Exchange, and three other domestic stock exchanges. Overseas listings are on exchanges in London, Luxembourg, Frankfurt, Düsseldorf, and Paris.

Transfer Agent:

The Chuo Mitsui Trust and Banking Co., Ltd.

33-1, Shiba 3-chome, Minato-ku,

Tokyo 105-0014, Japan

Toray Industries, Inc.

Head Office

Nihonbashi Mitsui Tower
1-1, Nihonbashi-Muromachi 2-chome,
Chuo-ku, Tokyo 103-8666, Japan
Telephone: 81 (3) 3245-5111
Facsimile: 81 (3) 3245-5054
URL: <http://www.toray.com>

2nd Head Office Building

8-1, Mihama 1-chome,
Urayasu, Chiba 279-8555, Japan
Telephone: 81 (47) 350-6001
Facsimile: 81 (47) 350-6075

Osaka Head Office

Nakanoshima-Mitsui Building,
3-3, Nakanoshima 3-chome,
Kita-ku, Osaka 530-8222, Japan
Telephone: 81 (6) 6445-4101
Facsimile: 81 (6) 7688-3774

Overseas Offices

New York

Toray Industries (America), Inc. (TAM)
461 Fifth Ave, 9th Fl., New York,
NY 10017, U.S.A.
Telephone: 1 (212) 697-8150
Facsimile: 1 (212) 972-4279

London

Toray Industries, Inc. Europe Office (TEU)
3rd Fl., 7 Old Park Lane, London W1K 1AD,
England, U.K.
Telephone: 44 (20) 7663-7760
Facsimile: 44 (20) 7663-7770

Beijing

Toray Industries, Inc. Beijing Office
Beijing Fortune Bldg., No.917,
5,Dong San Huan Bei-Lu,
Chao Yang District, Beijing 100004, China
Telephone: 86 (10) 6590-8961~3
Facsimile: 86 (10) 6590-8964

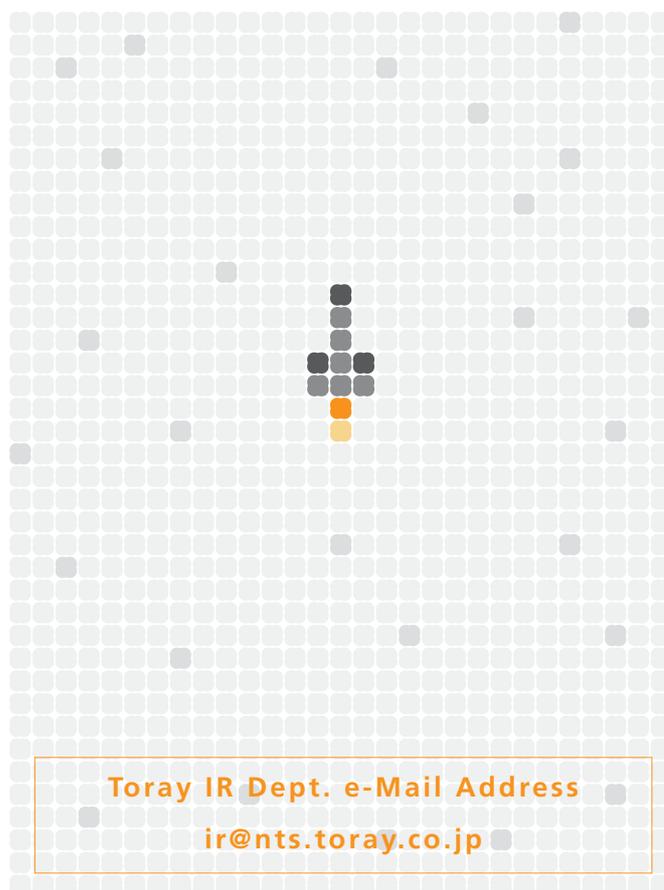
Seoul

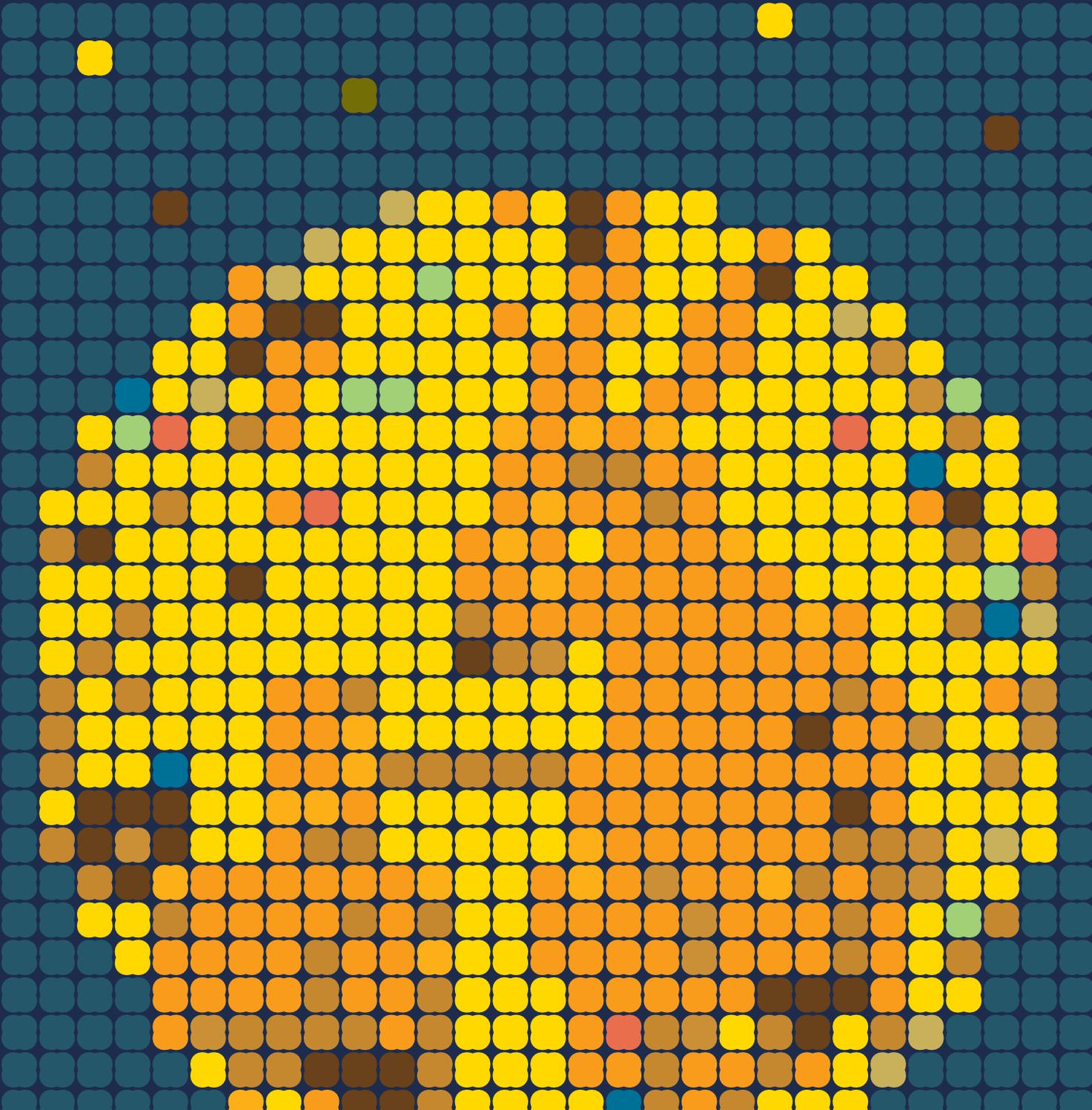
Toray Industries, Inc. Seoul Office
6th Fl., Kolon Bldg., 45 Mugyo-Dong,
Chung-Ku, Seoul, Korea
Telephone: 82 (2) 776-2949, 753-5511
Facsimile: 82 (2) 752-2974

Established: January 1926

Number of Employees

Parent company	6,638
Japanese subsidiaries	9,574
Overseas subsidiaries	17,495
Total	33,707





Toray Industries, Inc.

Nihonbashi Mitsui Tower
1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku.
Tokyo 103-8666, Japan
Telephone: 81 (3) 3245-5111
Facsimile: 81 (3) 3245-5054

<http://www.toray.com>

Contact IR Dept.
Telephone: 81 (3) 3245-5113
Facsimile: 81 (3) 3245-5459

Issued: September 2005
Next scheduled issue: August 2006

The MS-SRI, the Morningstar
Socially Responsible Investment
Index, tracks the share
performance of 150 selected
Japanese companies based on
their commitment to CSR



This document is printed on 100% recycled paper using Toray
Waterless Plates, planographic printing plates requiring no
dampening water containing isopropyl alcohol or alkaline
developers, and low volatile-organic-compound-emission soy ink.

