

'TORAY'

2002

(Consolidated Basis)

Semiannual Report

For the six months ended September 30, 2002

Toray Industries, Inc.

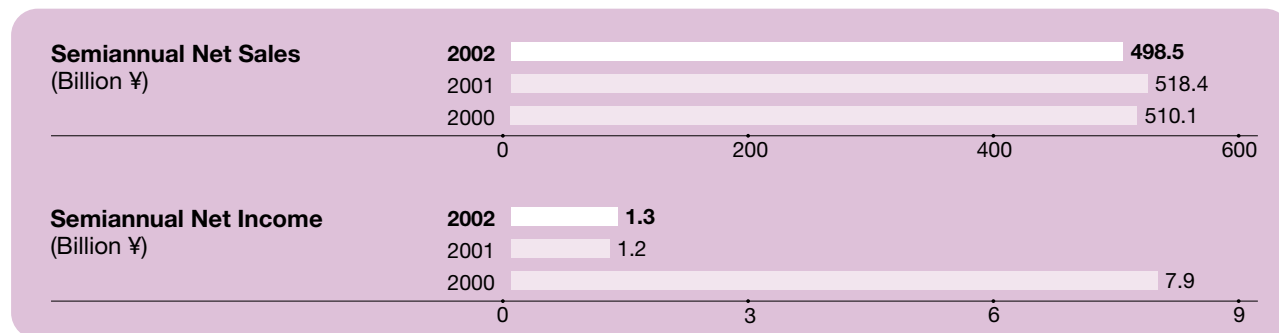
FINANCIAL HIGHLIGHTS

Toray Industries, Inc. and Subsidiaries
Six months ended September 30

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Net sales	¥498,532	¥518,390	\$4,053,106
Net income	1,281	1,248	10,415

	Yen		U.S. dollars
	2002	2001	2002
Net income per share	¥0.91	¥0.89	\$0.007

Note: All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at the rate of ¥123 to \$1. Billion is used in the American sense of one thousand million.



Contents

Dear Stockholders	1
Consolidated Statements of Income and Retained Earnings	3
Consolidated Balance Sheets	4
Consolidated Statements of Cash Flows	6
Segment Information	7
Notes to Consolidated Financial Statements	8
Certificate of Principal Financial and Accounting Officer	8
Board of Directors and Corporate Auditors	9
Global Network	9
Investor Information	Back Cover

DEAR STOCKHOLDERS

In April of this year, Toray took the first step toward transforming itself into a new Toray for the 21st century by inaugurating a renovation plan called “Project New TORAY 21,” or simply “Project NT21.” The emergence of China as an economic power is shifting the world from a cyclical economy to the one in which there is a persistent oversupply of goods. “Project NT21” is an action plan designed to guide the re-engineering of our businesses to be in step with the 21st century. Implementing this plan is essential in order for us to be a winner in this new environment.

A new top management team has been formed to execute “Project NT21.” Katsunosuke Maeda serves as chairman and CEO, and Sadayuki Sakakibara as president and COO.

During the first half of the current fiscal year, the global economy at first showed signs of a recovery, chiefly in the IT sector, but rapidly deteriorated afterward due to a weakening U.S. economy and falling stock prices. In Japan, while there were encouraging signs in exports and a few other areas, the overall mood of stagnation continued amid lackluster consumer spending and capital expenditures.

In this environment, Toray reported a 3.8% year-on-year decrease in consolidated net sales in this first-half to ¥498.5 billion, a 20.7% decrease in

operating income to ¥12.7 billion, a 1.9% increase in income before special credits to ¥7.9 billion and a 2.6% increase in net income to ¥1.3 billion.

Positive effects of “Project NT21” are already beginning to appear. As a result, there were improvements of ¥9.8 billion in operating income and ¥6.7 billion in income before special credits relative to the second half of the previous fiscal year. Furthermore, first-half earnings were higher than our initial forecast.

Based on first-half earnings and the outlook for the remainder of the fiscal year, the Company set the interim dividend at ¥2.50 per share, the same as the one in the previous first-half.

“Project NT21” has three components: actions to address near-term issues and generate concrete results over the project’s first two years; actions targeting medium-term issues and concrete results over a time span of three to five years; and long-term goals that look ahead five to ten years. The Toray Group is determined to succeed in all three of these areas.

Our most urgent near-term issue is promoting drastic reinforcement of the corporate structure. During the first two years of “Project NT21,” we will be focusing our resources on five initiatives: promoting marketing innovation, rationalizing our global production, strengthening our total cost

competitiveness, re-engineering the Toray Group's business structure, and strengthening our financial structure.

At the same time, we will be addressing the following three medium-term issues.

First, the Toray Group must transform itself into a "New Value Creator," a new form of business in the 21st century. That means we can no longer be merely a 20th century-style manufacturer who focuses only on producing and selling goods. Our goal is to create innovative supply chains which eliminate intermediaries and to add a broad range of expertise and know-how to our products in order to offer our customers solutions that target specific problems of theirs.

Second, we will be focusing resources on three high-growth areas: "IT-related," "Life Sciences," and "Environment, Safety & Amenity." These are all areas where we can best leverage our core technological skills in organic chemistry, polymer chemistry and biochemistry. We will also be conducting mergers, acquisitions and taking other strategic actions in our drive to make these three areas the nucleus of the Toray Group's activities in the 21st century.

And third, to expand our operations in China and the ASEAN countries where significant growth is foreseen, we have already formed companies to

oversee our activities in each of these countries. By giving these companies considerable autonomy, we have shifted to a structure in which managers in these countries can conduct operations largely based on their own decisions and strategies. We decided to nurture operations in China and the ASEAN countries into a major source of earnings.

Through the management reforms and other actions outlined in this message, the entire Toray Group is dedicated to becoming a highly profitable, global organization. We look forward to receiving the continued support and understanding of stockholders as this transformation takes place.

December 2002



Katsunosuke Maeda
Chairman and Chief Executive Officer



Sadayuki Sakakibara
President and Chief Operating Officer

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

Toray Industries, Inc. and Subsidiaries
Six months ended September 30, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2002	2001	2002
Net sales	¥498,532	¥518,390	\$4,053,106
Costs and expenses:			
Cost of sales	393,589	405,189	3,199,911
Selling, general and administrative expenses.....	74,068	78,472	602,179
Research and development expenses.....	18,076	18,523	146,959
Amortization of cost in excess of net assets acquired	148	250	1,203
	485,881	502,434	3,950,252
Operating income	12,651	15,956	102,854
Other income (expenses):			
Interest expenses.....	(5,361)	(8,241)	(43,585)
Interest and dividend income.....	1,236	1,655	10,049
Equity in earnings of affiliates	1,448	2,584	11,772
Other, net	(2,098)	(4,228)	(17,057)
	(4,775)	(8,230)	(38,821)
Income before special credits (charges)	7,876	7,726	64,033
Special credits (charges):			
Loss on sale and disposal of property, plant and equipment, net.....	(2,339)	(1,100)	(19,016)
(Loss) gain on sale and write-down of investments in securities, net	(124)	2,685	(1,008)
Adjustment on acquisition cost of property, plant and equipment in foreign subsidiary due to the change of local accounting standards	—	2,262	—
Special severance payments and other restructuring expenses	(3,219)	(2,946)	(26,171)
Gain on contribution of securities to retirement benefit trust	9,483	—	77,097
Other, net	(2,099)	(565)	(17,065)
	1,702	336	13,837
Income before income taxes	9,578	8,062	77,870
Income taxes:			
Current	4,735	5,409	38,496
Deferred.....	1,422	96	11,561
	6,157	5,505	50,057
Income from consolidated operations	3,421	2,557	27,813
Minority interests in net income of consolidated subsidiaries	(2,140)	(1,309)	(17,398)
Net income	1,281	1,248	10,415
Retained earnings:			
At beginning of period.....	232,594	237,336	1,891,008
	233,875	238,584	1,901,423
Appropriations:			
Cash dividends	3,504	4,905	28,488
Bonuses to directors and corporate auditors	6	135	49
	3,510	5,040	28,537
At end of period.....	¥230,365	¥233,544	\$1,872,886
		Yen	U.S. dollars (Note 2)
Net income per share	¥0.91	¥0.89	\$0.007

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

Toray Industries, Inc. and Subsidiaries
September 30, 2002 and 2001

Assets	Millions of yen		Thousands of U.S. dollars (Note 2)
	2002	2001	2002
Current assets:			
Cash	¥ 30,356	¥ 39,512	\$ 246,797
Time deposits	8,190	10,604	66,585
Short-term investment securities	834	15,322	6,780
Trade receivables:			
Notes receivable	37,306	45,903	303,301
Accounts receivable	161,207	162,352	1,310,626
Inventories	215,716	245,813	1,753,788
Deferred tax assets	10,646	14,616	86,553
Prepaid expenses and other current assets	37,782	30,550	307,171
Allowance for doubtful accounts	(4,347)	(3,601)	(35,341)
Total current assets	497,690	561,071	4,046,260
Property, plant and equipment:			
Land	88,335	88,571	718,171
Buildings	394,284	387,425	3,205,561
Machinery and equipment	1,321,259	1,297,219	10,741,943
Construction in progress	26,701	21,274	217,081
	1,830,579	1,794,489	14,882,756
Accumulated depreciation	(1,225,935)	(1,167,983)	(9,966,951)
	604,644	626,506	4,915,805
Investments, long-term loans and other assets:			
Affiliates	54,627	59,187	444,122
Marketable equity securities	68,739	103,189	558,853
Other securities	12,236	12,981	99,480
Deferred tax assets	48,691	31,037	395,862
Other	33,149	29,976	269,504
Allowance for doubtful accounts	(2,069)	(1,665)	(16,821)
	215,373	234,705	1,751,000
Intangible assets	8,038	7,092	65,350
	¥1,325,745	¥1,429,374	\$10,778,415

See accompanying notes to consolidated financial statements.

Liabilities, Minority Interests and Stockholders' Equity

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2002	2001	2002
Current liabilities:			
Bank loans.....	¥ 170,400	¥ 190,355	\$ 1,385,366
Long-term debt due within one year.....	42,525	112,325	345,732
Commercial paper.....	10,000	8,000	81,301
Trade payables:			
Notes payable.....	36,922	48,957	300,179
Accounts payable.....	109,383	104,532	889,293
Income taxes payable.....	4,136	5,182	33,626
Accrued liabilities.....	43,032	44,489	349,853
Other current liabilities.....	34,908	31,615	283,805
Total current liabilities.....	451,306	545,455	3,669,155
Long-term debt	334,209	290,095	2,717,146
Deferred tax liabilities	2,143	2,016	17,423
Reserve for employees' retirement benefits	99,384	140,272	808,000
Customers' guarantee deposits and other liabilities	8,259	7,977	67,146
	895,301	985,815	7,278,870
Minority interests in consolidated subsidiaries	33,853	31,649	275,228
Stockholders' equity:			
Common stock:			
Authorized—4,000,000,000 shares			
Issued—1,401,481,403 shares.....	96,937	96,937	788,106
Capital surplus.....	85,792	85,792	697,496
Retained earnings.....	230,365	233,544	1,872,886
Unrealized gain on securities.....	18,628	33,882	151,447
Foreign currency translation adjustment.....	(35,095)	(38,245)	(285,325)
	396,627	411,910	3,224,610
Treasury stock, at cost.....	(36)	(0)	(293)
Total stockholders' equity.....	396,591	411,910	3,224,317
	¥1,325,745	¥1,429,374	\$10,778,415

CONSOLIDATED STATEMENTS OF CASH FLOWS

Toray Industries, Inc. and Subsidiaries
Six months ended September 30, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2002	2001	2002
Cash flows from operating activities:			
Income before income taxes.....	¥ 9,578	¥ 8,062	\$ 77,870
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization.....	38,053	39,886	309,374
Interest and dividend income.....	(1,236)	(1,655)	(10,049)
Equity in earnings of affiliates.....	(1,448)	(2,584)	(11,772)
Interest expenses.....	5,361	8,241	43,585
Loss (gain) on sales and disposal of noncurrent assets.....	2,534	(1,576)	20,602
Adjustment on acquisition cost of property, plant and equipment in foreign subsidiary due to the change of local accounting standards.....	—	(2,262)	—
Decrease in reserve for employees' retirement benefits.....	(10,778)	(1,402)	(87,626)
(Increase) decrease in trade receivables.....	(4,071)	30,201	(33,098)
Decrease (increase) in inventories.....	4,247	(14,619)	34,528
Decrease in trade payables and accrued liabilities.....	(162)	(32,260)	(1,317)
Other, net.....	3,602	13,584	29,285
Subtotal.....	45,680	43,616	371,382
Interest and dividend income received.....	1,915	2,664	15,569
Interest expenses paid.....	(4,854)	(8,936)	(39,463)
Income taxes paid.....	(4,859)	(15,822)	(39,504)
Net cash provided by operating activities.....	37,882	21,522	307,984
Cash flows from investing activities:			
Capital expenditures.....	(29,659)	(30,745)	(241,130)
Purchase of investment securities.....	(1,748)	(8,188)	(14,211)
Proceeds from sales and disposal of noncurrent assets.....	1,192	8,724	9,691
Other, net.....	141	4,276	1,146
Net cash used in investing activities.....	(30,074)	(25,933)	(244,504)
Cash flows from financing activities:			
Increase in short-term debt.....	980	15,208	7,968
Proceeds from long-term debt.....	48,610	33,664	395,203
Repayments of long-term debt.....	(65,756)	(42,274)	(534,602)
Cash dividends paid.....	(3,700)	(6,316)	(30,081)
Other, net.....	(22)	2	(179)
Net cash (used in) provided by financing activities.....	(19,888)	284	(161,691)
Effect of exchange rate changes on cash and cash equivalents.....	(938)	459	(7,626)
Net decrease in cash and cash equivalents.....	(13,018)	(3,668)	(105,837)
Cash and cash equivalents at beginning of period.....	51,485	62,890	418,577
Beginning of term balance of cash and cash equivalents at subsidiaries not previously included in consolidated financial statements.....	—	215	—
Cash and cash equivalents at end of period.....	¥38,467	¥59,437	\$312,740

See accompanying notes to consolidated financial statements.

SEGMENT INFORMATION

Toray Industries, Inc. and Subsidiaries
September 30, 2002

Results by Business Segment

Six months ended September 30, 2002:	Millions of yen								Consolidated total
	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	
Sales to outside customers.....	¥209,073	¥119,181	¥72,081	¥44,742	¥22,888	¥30,567	¥498,532	¥ —	¥498,532
Intersegment sales	291	13,278	2,269	16,170	0	5,640	37,648	(37,648)	—
Total sales	¥209,364	¥132,459	¥74,350	¥60,912	¥22,888	¥36,207	¥536,180	¥(37,648)	¥498,532
Operating income (loss)...	¥ 3,997	¥ 2,903	¥ 4,785	¥ (1,843)	¥ 943	¥ 1,527	¥ 12,312	¥ 339	¥ 12,651

Results by Geographic Segment

Six months ended September 30, 2002:	Millions of yen				Elimination and corporate	Consolidated total
	Japan	Asia	North America and Europe	Total		
Sales to outside customers	¥349,671	¥ 87,168	¥61,693	¥498,532	¥ —	¥498,532
Intersegment sales.....	34,917	12,437	1,735	49,089	(49,089)	—
Total sales	¥384,588	¥ 99,605	¥63,428	¥547,621	¥(49,089)	¥498,532
Operating income.....	¥ 5,895	¥ 5,341	¥ 1,602	¥ 12,838	¥ (187)	¥ 12,651

Export Sales and Sales by Overseas Subsidiaries

Six months ended September 30, 2002:	Millions of yen		
	Asia	North America, Europe and other areas	Total
Export sales and sales by overseas subsidiaries	¥122,305	¥91,043	¥213,348
Percentage of such sales against consolidated net sales.....	24.5%	18.3%	42.8%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Toray Industries, Inc. and Subsidiaries
September 30, 2002 and 2001

1. Accounting Policies

The accompanying semiannual consolidated financial statements have been prepared in accordance with the same accounting policies as those adopted for the preparation of the annual consolidated financial statements included in the Company's Annual Report for the year ended March 31, 2002.

2. U.S. Dollar Amounts

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 ¥123 to \$1, the approximate exchange rate prevailing on September 30, 2002.

3. Contingent Liabilities

The Company and its subsidiaries were contingently liable as endorsers of trade notes receivable discounted with banks in the amount of ¥94 million (\$764 thousand) at September 30, 2002.

In addition, the Company and its subsidiaries were contingently liable as guarantors of loans to affiliated companies and others in the amount of ¥16,815 million (\$136,707 thousand) at September 30, 2002.

4. Interim Dividends

In December 2002, interim cash dividends of ¥2.50 (\$0.020) per share, aggregating ¥3,504 million (\$28,488 thousand), were paid.

CERTIFICATE OF PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER

I, Masao Katsurauma, senior managing director of Toray Industries, Inc., do hereby certify that, in my opinion, the accompanying consolidated balance sheets at September 30, 2002 and 2001, and the related consolidated statements of income and retained earnings and cash flows for the six-month periods then ended have been prepared to present a true and fair view of the Company's consolidated financial position at September 30, 2002 and 2001, and its consolidated results of operations and cash flows for the six-month periods then ended.

December 2002



Masao Katsurauma
Senior Managing Director

BOARD OF DIRECTORS AND CORPORATE AUDITORS

September 30, 2002

Chairman of the Board and Chief Executive Officer and Representative Director

Katsunosuke Maeda

Vice Chairman of the Board and Director

Katsuhiko Hirai

President and Chief Operating Officer and Representative Director

Sadayuki Sakakibara

Executive Vice President and Representative Director

Hin Igarashi

Senior Managing Directors and Representative Directors

Kazuo Tomiita

Hiroataka Nakashima

Akikazu Shimomura

Senior Managing Directors

Satoru Masuzaki

Kiyoteru Wakasugi

Shinji Koyama

Masao Katsurauma

Managing Directors

Noboru Fujihara

Hiroaki Kobayashi

Motoo Yoshikawa

Keizo Sano

Chiaki Tanaka

Shunji Nakazawa

Nobuyuki Matsubara

Shinsuke Imamura

Osamu Nakatani

Directors

Koichi Minorikawa

Masayoshi Kamiura

Katsutoshi Ono

Tsuneo Sasaki

Kenji Hayashi

Hidehiro Okamoto

Junichi Fujikawa

Kozo Nagai

Eizo Tanaka

Akihiro Nikkaku

Corporate Auditors

Akira Sawamura

Tomojiro Morigaki

Kunihisa Hama

Keno Yamamoto

GLOBAL NETWORK

September 30, 2002

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INVESTOR INFORMATION

September 30, 2002

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.....

Established

January 1926

Common Stock

Authorized: 4,000,000,000 shares
Issued: 1,401,481,403 shares

Number of Stockholders

167,637

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



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