

## Toray Announces Consolidated Results for the Fiscal Year Ended March 31, 2011

Tokyo, May 10, 2011 - Toray Industries, Inc. (the "Company") today announced its consolidated business results for the fiscal year ended March 31, 2011 (FY Mar/11). The following summary of the business results that Toray submitted to the Tokyo Stock Exchange is unaudited and for reference only. (Code Number: 3402)

### Consolidated Financial Highlights

(Millions of yen, millions of U.S. dollars, except per share data)

	Year ended March 31,			
	2011	2010	Change	2011
	Yen		%	U.S. dollars
Net sales	<b>¥1,539,693</b>	¥1,359,631	13.2	<b>\$18,506</b>
Operating income	<b>100,087</b>	40,107	149.5	<b>1,203</b>
Ordinary income	<b>98,888</b>	9,006	998.0	<b>1,189</b>
Net income (loss)	<b>57,925</b>	(14,158)	-	<b>696</b>

Depreciation	<b>¥69,539</b>	¥74,101	(6.2)	<b>\$836</b>
Capital investment	<b>55,394</b>	54,170	2.3	<b>666</b>
Total assets	<b>1,567,470</b>	1,556,796	0.7	<b>18,840</b>
Property, plant and equipment, net	<b>531,595</b>	580,344	(8.4)	<b>6,389</b>
Net assets	<b>640,970</b>	518,216	23.7	<b>7,704</b>

#### Per Share of common stock (yen)

Net income (loss) – Basic	<b>¥36.41</b>	¥(10.12)	-	-
Net income – Diluted	<b>34.43</b>	-	-	-
Cash dividends	<b>7.5</b>	5.0	50.0	-
Net assets	<b>363.90</b>	336.65	8.1	-

#### Ratios (%)

Operating income to net sales	<b>6.5%</b>	2.9%	-	-
Net income (loss) to net sales	<b>3.8%</b>	(1.0)%	-	-
Equity ratio	<b>37.8%</b>	30.3%	-	-
Return on equity	<b>10.9%</b>	(3.0)%	-	-

#### Notes:

1. For calculation of "net assets per share" and "equity ratio," minority interests are deducted from net assets.
2. U.S. dollar amounts have been converted from yen at the exchange rate of ¥83.2 = U.S.\$1, the approximate rate of exchange prevailing on March 31, 2011.
3. Amounts are rounded to the nearest million.
4. From the year ended March 31, 2011, "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25 of June 30, 2010) is applied. Comprehensive income at March 31, 2011 and 2010 is ¥29,095 million (\$350 million) and ¥12,923 million.

## Segment Information

(Millions of yen, *millions of U.S. dollars*)

Net Sales	Year ended March 31,		
	2011	2010	2011
	Yen		<i>U.S. dollars</i>
Fibers and Textiles	<b>¥584,115</b>	¥525,204	<b>\$7,021</b>
Plastics and Chemicals	<b>382,299</b>	332,735	<b>4,595</b>
IT-related Products	<b>262,027</b>	230,433	<b>3,149</b>
Carbon Fiber Composite Materials	<b>67,018</b>	50,676	<b>806</b>
Environment and Engineering	<b>178,183</b>	159,787	<b>2,142</b>
Life Science	<b>52,430</b>	46,656	<b>630</b>
Others	<b>13,621</b>	14,140	<b>164</b>
Consolidated Total	<b>1,539,693</b>	1,359,631	<b>18,506</b>

Segment Income (Loss)	Year ended March 31,		
	2011	2010	2011
	Yen		<i>U.S. dollars</i>
Fibers and Textiles	<b>¥32,449</b>	¥16,324	<b>\$390</b>
Plastics and Chemicals	<b>27,108</b>	11,574	<b>326</b>
IT-related Products	<b>42,233</b>	25,000	<b>508</b>
Carbon Fiber Composite Materials	<b>3,285</b>	(5,305)	<b>39</b>
Environment and Engineering	<b>3,349</b>	3,850	<b>40</b>
Life Science	<b>6,129</b>	2,732	<b>74</b>
Others	<b>1,047</b>	879	<b>13</b>
Total	<b>115,600</b>	55,054	<b>1,389</b>
Adjustment	<b>(15,513)</b>	(14,947)	<b>(186)</b>
Consolidated Total (Operating income)	<b>100,087</b>	40,107	<b>1,203</b>

### Notes:

1. From the fiscal 2010, "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information" (ASBJ Statement No.17 of March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20 of March 21, 2008) are applied. Accordingly, segment information on the year ended March 31, 2010 is restated.
2. "Others" represents service-related businesses such as analysis, survey and research.
3. "Adjustment" of segment income for the year ended March 31, 2011 of (15,513) million yen includes intersegment eliminations of 1,257 million yen and corporate expenses of (16,770) million yen. "Adjustment" of segment income (loss) for the year ended March 31, 2010 of (14,947) million yen includes intersegment eliminations of 1,391 million yen and corporate expenses of (16,338) million yen. The corporate expenses consist of the headquarters' research expenses, etc. that are not allocated to each reportable segment.
4. U.S. dollar amounts have been converted from yen at the exchange rate of ¥83.2 = U.S.\$1, the approximate rate of exchange prevailing on March 31, 2011.
5. Amounts are rounded to the nearest million.

## Consolidated Geographic Segment Information

(Millions of yen, *millions of U.S. dollars*)

Net Sales		Year ended March 31, 2011	
		Yen	<i>U.S. dollars</i>
Japan		<b>¥855,004</b>	<b>\$10,276</b>
Asia	China	<b>200,302</b>	<b>2,407</b>
	Others	<b>264,418</b>	<b>3,178</b>
North America, Europe & Others		<b>219,969</b>	<b>2,644</b>
Consolidated Total		<b>1,539,693</b>	<b>18,506</b>

Notes:

1. U.S. dollar amounts have been converted from yen at the exchange rate of ¥83.2 = U.S.\$1, the approximate rate of exchange prevailing on March 31, 2011.
2. Amounts are rounded to the nearest million.

## Forecast of Consolidated Results for the fiscal year ending March 31, 2012

(Millions of yen, *millions of U.S. dollars*)

	Year ending March 31, 2011	
	Yen	<i>U.S. dollars</i>
Net sales	¥1,650,000	\$20,122
Operating income	110,000	1,341
Ordinary income	109,000	1,329
Net income	67,000	817

Reference: EPS forecast (year ending March 31, 2012) ¥41.12

Notes:

1. U.S. dollar amounts have been converted from yen at the exchange rate of ¥82 = U.S.\$1, the estimated rate of exchange for FY Mar/12 (April 2011 - March 2012).

# Consolidated Business Results and Financial Condition

## 1. Overview of FY Mar/11 (April 2010 – March 2011)

During the period under review, even as developed countries continued to face severe conditions such as high unemployment rate, the global economy on the whole continued to expand, sustained by high-rate growths in emerging countries primarily in Asia as well as the impact of the economic stimulus measures implemented by governments of various developed countries. After experiencing a gradual export-led recovery, the Japanese economy came to a standstill in the fall of 2010, as the impact of economic measures including the eco-car subsidies began to wear off and the yen rallied further against the U.S. dollar. There are concerns now that the economy, which appeared to have returned to a recovery track in early 2011, would suffer to a significant extent from the Great East Japan Earthquake that occurred on March 11.

Under such business environment, Toray Group under the medium-term management program “Project IT-II (Innovation TORAY II)” launched in April 2009 worked on measures to maximize earnings by comprehensively ensuring sales through every possible effort and strengthening cost competitiveness. Furthermore, the Group focused its efforts to transfer cost increases on to selling prices with customers’ understanding to cope with steep rises in raw materials and fuel prices around the world.

As a result of these efforts, Toray Group posted consolidated net sales for the fiscal year ended March 31, 2011 of ¥1,539.7 billion (US\$18,506 million), up 13.2% compared with a year earlier. Operating income surged 149.5% to ¥100.1 billion (US\$1,203 million) from the previous fiscal year. Together with the impact of improved equity in earnings of unconsolidated subsidiaries and affiliated companies, ordinary income jumped almost 11 times compared with the previous year to a record ¥98.9 billion (US\$1,189 million). Toray Group had a net income of ¥57.9 billion (US\$696 million), an improvement of ¥72.1 billion compared with the previous year.

In April this year, the Company received a notice of correction in terms of transfer pricing taxation from the Tokyo Regional Taxation Bureau as it had expected. Based on this notice, however, the amount of the corporate taxes was less than the estimated amount of reserve the Company had set aside in the previous year and therefore it has posted the excess amount as reversal of corporate income taxes for prior years in its financial statements for the fiscal year under review.

The Group recorded loss on disaster of ¥1.9 billion to account for damages on some of its business bases caused by the Great East Japan Earthquake. As far as the Group was concerned, however, property damage from the Great East Japan Earthquake was limited and there were no human casualties. While some of its production activities were affected by the earthquake and subsequent blackouts, recovery has been progressing steadily. In terms of procurement of raw materials, the Group has been implementing measures such as switching to alternative materials and reviewing of products being manufactured at the various domestic and overseas plants. It has also started taking initiatives to address the anticipated power shortage issues including power-saving measures and the use of in-house power generators.

Business performance by segment is listed below. Toray Group in the fiscal year under review adopted the “Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information,” and the figures of the previous year used for comparison have been modified according to the reportable segments.

## **Business Performance by Segment:**

### *Fibers and Textiles*

In Japan, demand for industrial-use materials led by airbags and other automotive applications as well as general applications grew strongly while sales volume expanded in apparel applications including garments primarily to major specialty store retailers of private label apparel. Overseas, the polypropylene spunbond business for diapers in Republic of Korea and China expanded, yarn and textile business for air bag applications in Thailand and Czech Republic, fiber and textile business in China and the polyester fiber business in the Republic of Korea and ASEAN countries also performed strongly.

Overall sales of Fibers and Textiles in the fiscal year ended March 31, 2011 rose 11.2% to ¥584.1 billion (US\$7,021 million) from the previous year and operating income soared 98.8% to ¥32.4 billion (US\$390 million).

### *Plastics and Chemicals*

In the Plastic and Chemicals segment, despite the impact of slow automobile sales in Japan since fall reflecting the discontinuation of the eco-car subsidies, recovery in demand continued in the resin business on the back of strong growth throughout the year in automobile production for emerging countries, and increase in domestic sales in home electric appliances due to the eco-point system. In the film business, sales expanded both in Japan and overseas in the industrial materials field in general led by solar cell and packaging applications.

On the whole, sales of Plastics and Chemicals increased 14.9% to ¥382.3 billion (US\$4,595 million). Operating income jumped 134.2% to ¥27.1 billion (US\$326 million).

### *IT-related Products*

In the IT-related Products segment, sales of films, processed film products used in flat panel displays and liquid crystal-related materials expanded, reflecting growing demand on the whole for TV and other large displays despite some adjustments in demand for this application since fall, and the continued robust expansion in demand for small and mid-sized displays such as for smartphones. Sales volume of semiconductor-related materials and plasma display-related materials also increased.

As a result, sales of IT-related Products rose 13.7% to ¥262.0 billion (US\$3,149 million) and operating income increased 68.9% to ¥42.2 billion (US\$508 million).

### *Carbon Fiber Composite Materials*

In the Carbon Fiber Composite Materials segment, the Group expended its market share in the business on the back of sustained recovery in demand in aircraft and space, sports, and general industrial applications, and sales and production volumes of *Torayca\** and *Torayca\** prepreg (carbon fiber sheets impregnated with epoxy resin) increased. Sales of carbon fiber molded products (composites) also expanded primarily in the IT field such as for PC chassis. At the same time, the Group improved the selling price amid steep rises in raw materials and fuel prices.

On the whole, sales in the Carbon Fiber Composite Materials segment increased 32.2% to ¥67.0 billion (US\$806 million) on year. Operating income came to ¥3.3 billion (US\$39 million), an improvement of ¥8.6 billion compared with a loss for the previous fiscal year.

### *Environment and Engineering*

In the Environment and Engineering segment, sales of reverse osmosis membranes in the water treatment business expanded for large-scale overseas projects. Among domestic subsidiaries, while a trading company improved its performance, sales at an engineering subsidiary remained stagnant. On the production side, Toray BlueStar Membrane Co., Ltd., which produces reverse osmosis membranes and elements, started operations in China.

As a result, overall sales of the segment rose 11.5% to ¥178.2 billion (US\$2,142 million). Operating income declined 13.0% to ¥3.3 billion (US\$40 million).

### *Life Science*

In the Life Science segment, sales volume of *Feron\**, a natural-type interferon- $\beta$  preparation, increased thanks to the approval obtained for additional indication. That of *REMITCH®*, an oral antipruritus drug, also continued to increase, as sales of the product went into full swing. Moreover, among medical devices, shipment of *Toraymyxin\**, a hemoperfusion absorption column for removing endotoxin, and dialysis equipments performed robustly.

On the whole, total sales of Life Science increased 12.4% year-on-year to ¥52.4 billion (US\$630 million) and operating income of the segment improved 124.3% to ¥6.1 billion (US\$74 million).

### *New Businesses and New Investments*

In June 2010, the Company issued new shares to meet the fund demand for driving forward the growth strategy and raised 101.9 billion yen in funds. It plans to use the fund for major investment projects including the battery separator film business, which is expected to grow significantly. The capital increase is also aimed at enhancing its financial strength to enable utilization of future investment opportunities.

As far as capital investment is concerned, the Company decided to increase its investment in optical film production in anticipation of growing demand for the film fueled by the robust flat panel display-related market as well as the further improvements for thinner and lighter touch panels. It plans to boost production capacity of polyester film used in touch panels as well as in reflective plates,

polarizing plates and diffuser plates for liquid crystal displays and polyolefin-based self-adhesive protective film for surface protection at facilities in Japan, Republic of Korea and China.

The Group also decided to newly establish a plant for mass production of carbon fiber at Toray Advanced Materials Korea Inc. in the Republic of Korea to cater to the demand in Asia. Moreover, the Company and German automobile manufacturer Daimler AG signed a joint venture contract to establish a company for manufacturing and marketing of Carbon Fiber Reinforced Plastics (CFRP) automobile parts. The new joint venture is expected to start supplying mass-produced CFRP products for Daimler's Mercedes-Benz passenger vehicles.

Toray Group has been pursuing expansion of the polypropylene spunbond business as Asia's top manufacturer of the material. In response to growing demand for the material primarily in hygiene product applications including disposable diapers, the Group increased production capacity at Toray Polytech (Nantong) Co., Ltd. in China and made a decision to build new facilities at P.T. Toray Polytech Jakarta to be established in Indonesia.

In addition to the above investments, the Company in January 2011 established an integrated technology development base, E&E Center (Environment & Energy Center) with focus on the environment and energy fields. The Company set up the Environment & Energy Development Center within its Seta Plant (Otsu, Shiga Prefecture), which will serve as the core organization of E&E Center. The Company positions E&E Center as a group-wide integrated base to promote collaboration in the environment and energy fields and it intends to strategically integrate the related R&D functions of the Group to drastically boost the technology development capability by leveraging its overall group strengths and drive forward the creation and expansion of new businesses.

#### **Forecast for FY Mar/12 (April 2011 – March 2012):**

While the rate of growth is anticipated to slow down slightly due to uncertainties including Europe's financial crisis and the situations in Middle East and North Africa, the global economy is expected to maintain its gradual expansion, driven by the growth in emerging countries. On the other hand, the Japanese economy is expected to remain weak in the first half of the fiscal year in the wake of the Great East Japan Earthquake. The domestic economy, however, is expected to pick up in the latter half thanks to economic measures, although the situation remains unpredictable given the downside risks such as steep rise in raw materials and fuel prices and worsening of employment.

Under such circumstances, Toray Group in April 2011 launched the new medium-term management program Project AP-G 2013, which was announced in this February. Under the project, the Group will strive to strengthen its revenue base by pursuing business expansion in growth business fields and growth regions and by bolstering its total cost competitiveness.

While uncertainties such as the impact of the earthquake exist, the Group, after taking into account the efforts to improve earnings under Project AP-G 2013, expects consolidated net sales of ¥1,650 billion (US\$20,122 million) for the fiscal year through

March 31, 2012, operating income of ¥110 billion (US\$1,341 million), ordinary income of ¥109 billion (US\$1,329 million), and net income of ¥67 billion (US\$817 million). These forecasts are calculated based on an exchange rate of ¥82 to the U.S. dollar.

## 2. Financial Position and Cash Flows

### Analysis of Assets, Liabilities, Net Assets and Cash Flows

As of March 31, 2011, Toray's total assets stood at ¥1,567.5 billion (US\$18,840 million), up ¥10.7 billion from the end of the previous fiscal year, as current assets rose by ¥83.6 billion primarily due to increase in cash and time deposits as well as notes and accounts receivable, despite a ¥72.9 billion decline in fixed assets due mainly to decreases in property, plant and equipment.

Total liabilities fell ¥112.1 billion from the end of the previous fiscal year to ¥926.5 billion (US\$11,136 million), primarily due to decline in interest-bearing debt.

While there were changes such as decline in net unrealized gains on securities and fluctuation in foreign currency translation adjustments, net assets increased by ¥122.8 billion compared with the end of the previous fiscal year to ¥641.0 billion (US\$7,704 million). This reflected the increases in common stock and capital surplus resulting from the issuance of new shares, as well as in retained earnings from net income. Net assets less minority interests stood at ¥592.9 billion (US\$7,126 million). As a result, the equity ratio at the end of the fiscal year was 37.8%, a 7.6 percentage-point increase compared with the level at the end of the previous fiscal year.

Free cash flows for the period, derived by subtracting the cash flows from investing activities from the cash flows from operating activities, were ¥78.5 billion (US\$943 million). Cash flows, as well as changes in the balances of cash and cash equivalents, for the fiscal year ended March 31, 2011 are as follows:

(Billions of yen, *millions of U.S. dollars*)

	Year ended March 31,		
	2011	2010	2011
	Yen		U.S. \$
Cash flows from operating activities	<b>129.2</b>	166.2	<b>1,553</b>
Cash flows from investing activities	<b>(50.7)</b>	(121.7)	<b>(610)</b>
Free cash flows	<b>78.5</b>	44.5	<b>943</b>
Cash flows from financing activities	<b>(33.0)</b>	(43.4)	<b>(397)</b>
Effect of exchange rate changes	<b>(4.5)</b>	1.0	<b>(54)</b>
Change in cash and cash equivalents for the year	<b>40.9</b>	2.1	<b>492</b>
Cash and cash equivalents at beginning of the year	<b>64.3</b>	62.2	<b>773</b>
Cash and cash equivalents at end of the year	<b>105.3</b>	64.3	<b>1,265</b>



### Indices related to Financial Position and Cash Flows:

	Year ended March 31,				
	2007	2008	2009	2010	2011
Equity ratio (%)	35.2	34.9	30.8	30.3	<b>37.8</b>
Market capitalization / Total assets (%)	71.2	53.3	36.3	49.1	<b>62.9</b>
Interest-bearing debt / Cash flows from operating activities	6.9	5.4	17.3	3.8	<b>3.8</b>
Cash flows from operating activities / Interest paid	8.4	10.4	3.2	17.1	<b>19.7</b>

Notes:

1. All indices are computed based on consolidated data.
2. Market capitalization equals the stock price at the end of the period multiplied by the number of shares outstanding at the end of the period (excluding treasury stock).
3. Cash flows from operating activities are stated in the consolidated statements of cash flows.

### 3. Policy on Distribution of Surplus Profits and Dividends for the Period under Review and FY Mar/12

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

Taking into consideration the earnings performance during the period under review and the outlook for the coming fiscal year, Toray is proposing to pay a year-end dividend of ¥5.0 per share of common stock, an increase of ¥2.5, for an aggregate annual dividend of ¥7.5 per share of common stock including the interim dividend.

For the fiscal year ending March 31, 2012, the Company anticipates to pay an annual dividend of ¥10.0 per share of common stock.

Notes:

1. U.S. dollar amounts have been converted from yen at the exchange rate of ¥83.2 = U.S.\$1, the approximate rate of exchange prevailing on March 31, 2011.
2. U.S. dollar amounts of forecast for FY Mar/12 have been converted from yen at the exchange rate of ¥82 = US\$1, the estimated rate of foreign currency exchange for the FY Mar/12 (April 2011 - March 2012).
3. Product names with (\*) abbreviation are trademarks of Toray Industries, Inc.

# Management Policies

## 1. Corporate Mission

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

For our customers:

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

For our employees:

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

For our shareholders:

To provide our shareholders with dependable and trustworthy management

For society:

To establish ties and develop mutual trust as a responsible corporate citizen

Toray is committed to taking on responsibility and contributing to its customers, employees, shareholders in society.

## 2. Medium- to Long-Term Business Strategy and Issues to Be Solved

Immediately after the economic crisis triggered by the collapse of Lehman Brothers' in the fall of 2008, Toray Group put together a medium-term management program "Project IT-II (Innovation TORAY II)" focused solely on overcoming the crisis. Over the two years from April 2009, the Group pursued three group-wide projects of "Total Cost Reduction Project," "Action Program for Survival Project," and "Action Program for Growth Project." As a result of these undertakings, the Group was able to significantly improve its earnings.

Based on this outcome, the Group in February 2011 announced its long-term corporate vision "AP-Growth TORAY 2020" and the new medium-term management program "Project AP-G 2013" in pursuit of further growth.

From the outset, one of Toray Group's managerial principles has been that the purpose of a company is to contribute to society. Under "AP-Growth TORAY 2020" established with the next 10 years in focus, the Group, while abiding by this very philosophy, aims to become a corporate group that "continually expands revenues and profits," "plays an active role in contributing to social development and environmental stewardship," and "offers high values to all stakeholders."

As the first stage of "AP-Growth TORAY 2020," Toray Group in April 2011 rolled out the new medium-term management program "Project AP-G 2013" spread over three years. Building on the robust business footing established through IT-II over the past

two years, the Group will implement “Project AP-G 2013” on the key principle of pursuing business expansion in growth regions and growth business fields. The Group will aim to leverage growth opportunities in Asia and emerging countries, and expand existing businesses and establish new businesses in four major growing business fields—(1) environment, water and energy; (2) information, telecommunications and electronics; (3) automobiles and aircraft; and (4) life science. In particular, Toray Group will put comprehensive and potent resources into Green Innovation Businesses that contribute to solutions to global environmental issues, and energy and resource issues that are increasing in severity and urgency worldwide. At the same time, the Group will also focus on bolstering its total cost competitiveness.

The Group will maintain the efforts for continuous reform set forth in existing medium-term management programs and aim for a new growth trajectory by adopting a proactive management stance. Quantitative targets by fiscal 2013, the final year of “Project AP-G 2013,” include consolidated net sales of 1.8 trillion yen and consolidated operating income of 150 billion yen.

Towards achieving these goals, the Group will implement 350 billion yen in capital investments and 160 billion yen in R&D in the three years beginning in fiscal 2011, as well as to launch and drive forward the group-wide projects of Green Innovation Business Expansion Project and Asia and Emerging Country Business Expansion Project, while taking on the Total Cost Reduction Project from a new angle.

April 2011 marked the 85<sup>th</sup> anniversary of Toray’s establishment. While uncertainties do remain with respect to the immediate future, the Group aims to sustain its growth by implementing the various measures described above to overcome the hurdles and solve the issues, and shall strive to achieve the ideals of its corporate philosophy of “contributing to society through the creation of new value with innovative ideas, technologies and products”.

#### Disclaimer

Descriptions of predicted business results, forecasts and business plans contained in this material are based on predictive forecasts of the future business environment made at the present time. The material in this statement is not a guarantee of the company’s future business performance.

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