

May 11, 2004



**Announcement of Business Results  
for The Fiscal Year Ended March 2004  
and  
Mid-term Management Issues  
“Project NT-II”**



**Sadayuki Sakakibara, President  
Toray Industries, Inc.**

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# Business Results for The FY Ended Mar/04



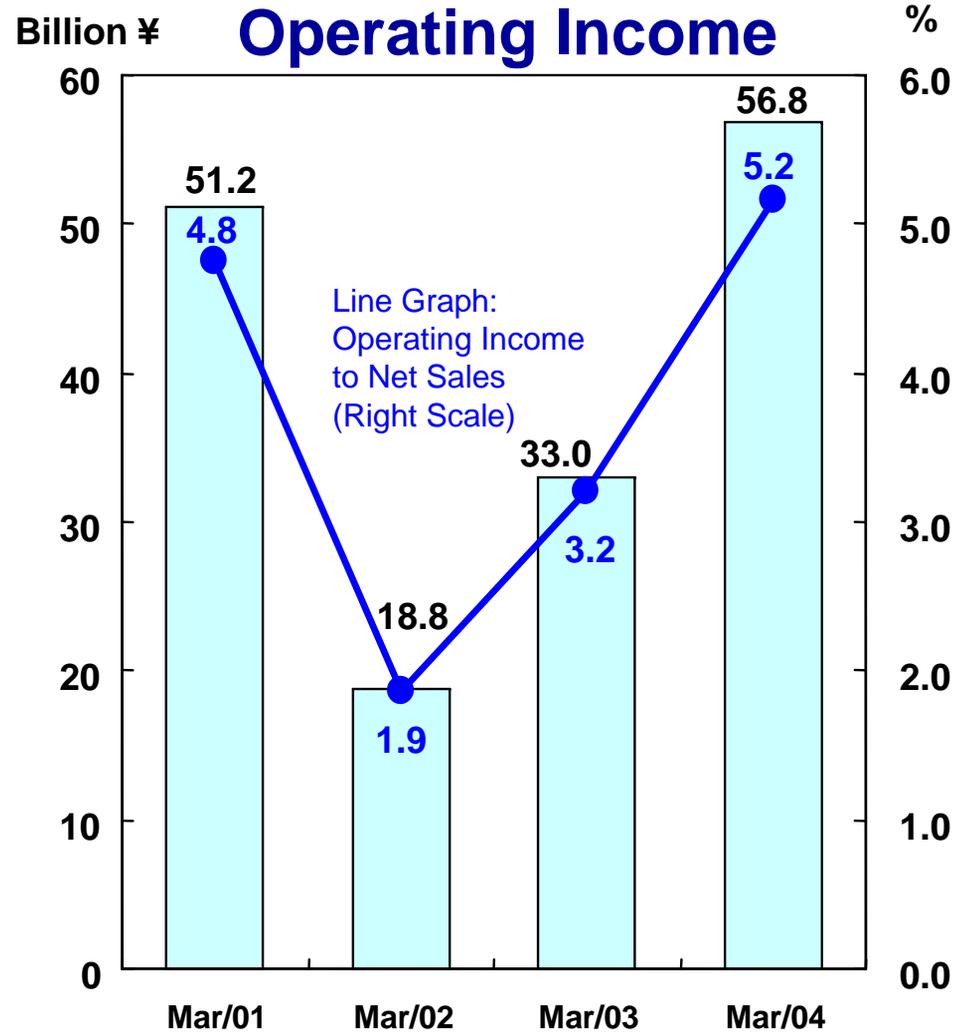
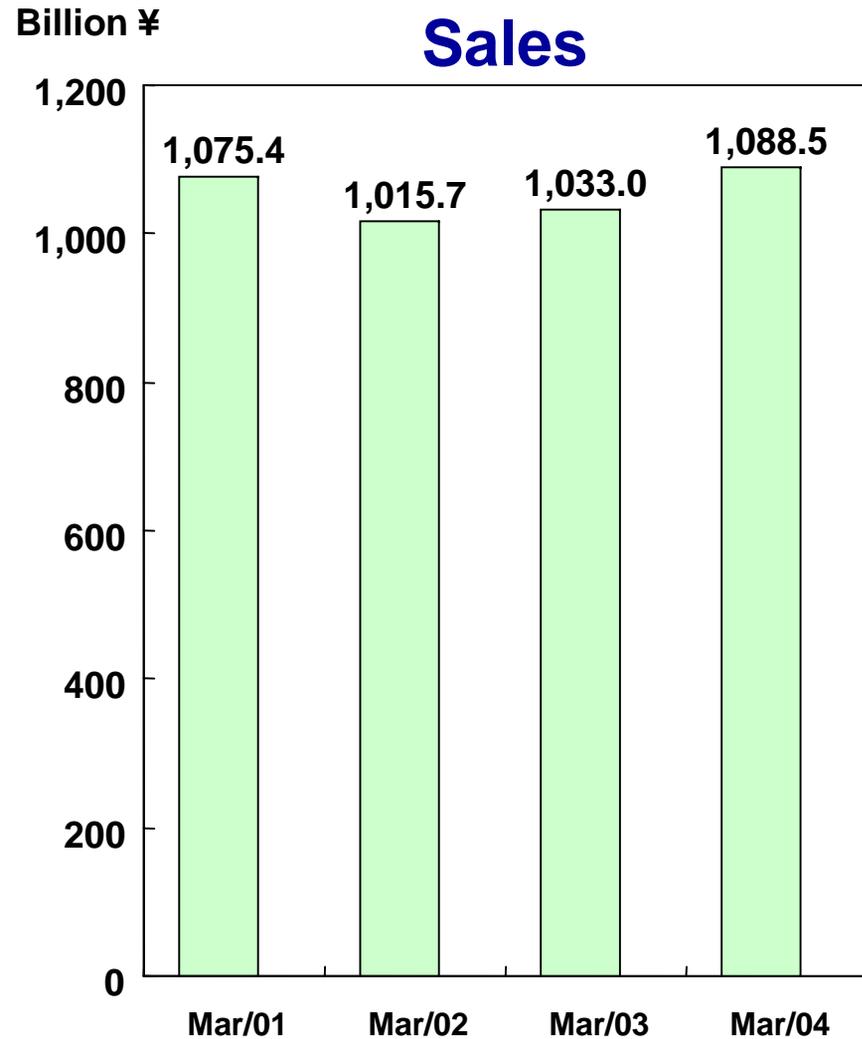
# Summary of Business Results for The FY Ended Mar/04



Billion ¥

	FY Mar/03			FY Mar/04			Changes	
	1st Half	2nd Half	Total	1st Half	2nd Half	Total		
<b>Net Sales</b>	498.5	534.5	1,033.0	534.3	554.2	<b>1,088.5</b>	+55.5	(+5.4%)
<b>Cost of Sales</b>	393.6	420.9	814.5	419.9	431.0	<b>850.9</b>	+36.4	(+4.5%)
<b>Gross Profit</b>	104.9	113.5	218.5	114.5	123.1	<b>237.6</b>	+19.1	(+8.8%)
(Gross Profit to Net Sales)	21.1%	21.2%	21.1%	21.4%	22.2%	<b>21.8%</b>	+0.7	points
<b>Selling, General and Administrative Expenses</b>	92.3	93.1	185.4	89.7	91.1	<b>180.8</b>	-4.6	(-2.5%)
(Selling, General and Administrative Expenses to Net Sales)	18.5%	17.4%	18.0%	16.8%	16.4%	<b>16.6%</b>	-1.3	points
<b>Operating Income</b>	12.7	20.4	33.0	24.7	32.1	<b>56.8</b>	+23.7	(+71.9%)
(Operating Income to Net Sales)	2.5%	3.8%	3.2%	4.6%	5.8%	<b>5.2%</b>	+2.0	points
<b>Non-operating Income and Expenses</b>	▲ 4.8	▲ 4.5	▲ 9.3	▲ 1.8	▲ 3.4	▲ <b>5.2</b>	+4.1	( - )
<b>Ordinary Income</b>	7.9	15.9	23.7	23.0	28.6	<b>51.6</b>	+27.9	(+117.3%)
<b>Special Credits and Charges</b>	1.7	▲ 3.0	▲ 1.3	▲ 1.2	▲ 5.5	▲ <b>6.7</b>	-5.5	( - )
<b>Net Income</b>	1.3	4.5	5.8	10.9	10.0	<b>20.9</b>	+15.1	(+261.1%)

# Trend of Sales and Operating Income **TORAY**

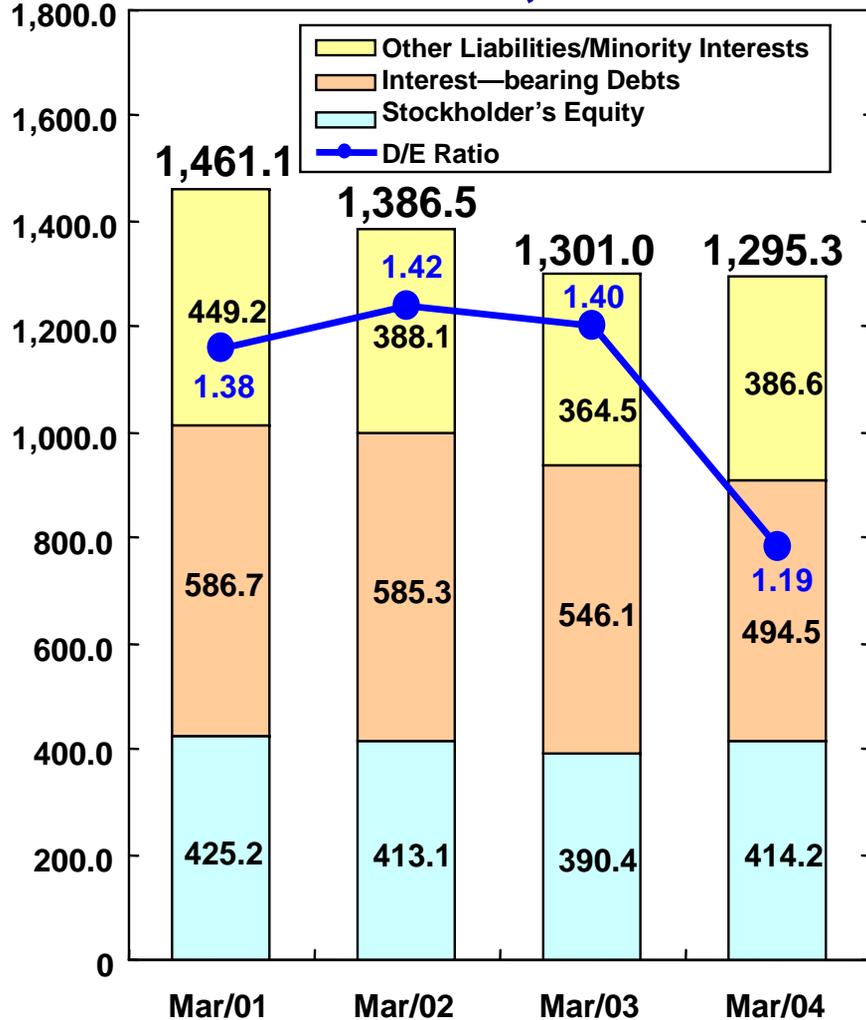


# Total Assets, D/E Ratio, ROA, ROE

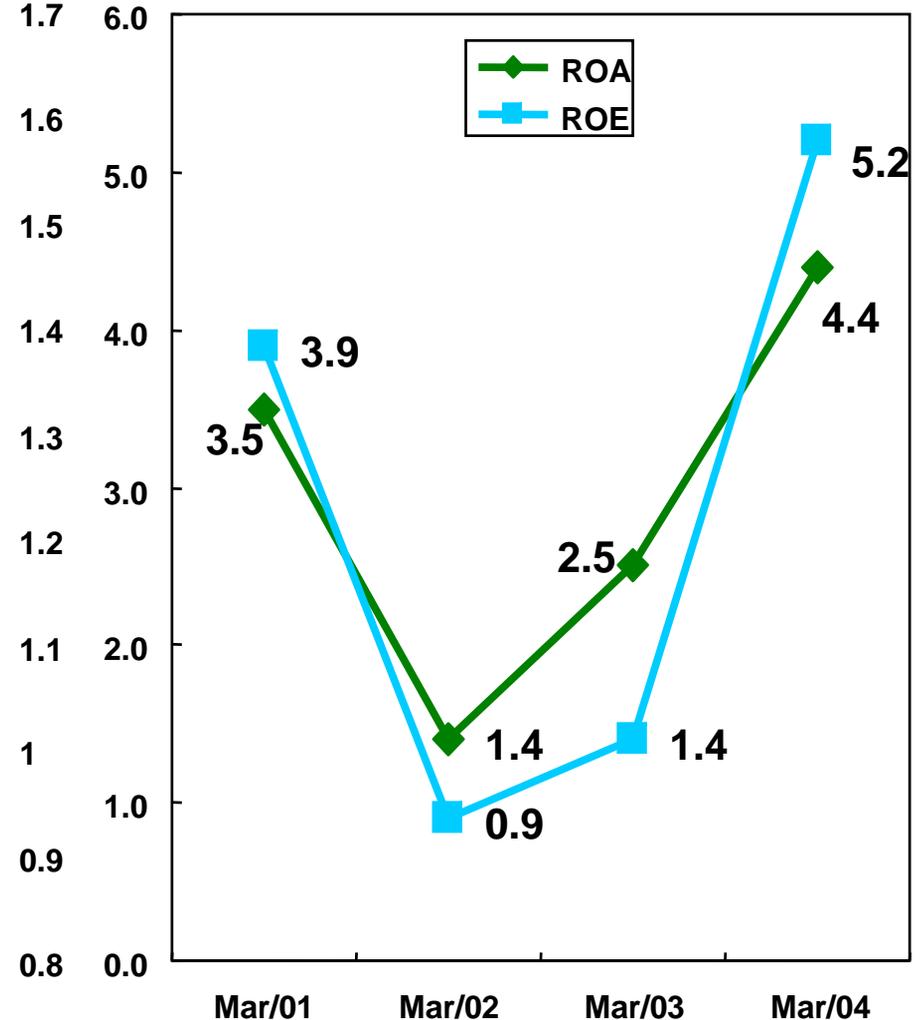


ROA=Operating Income / Total Assets  
ROE=Net Income / Stockholder's Equity

Billion ¥ **Total Assets, D/E Ratio** ratio %



**ROA, ROE**



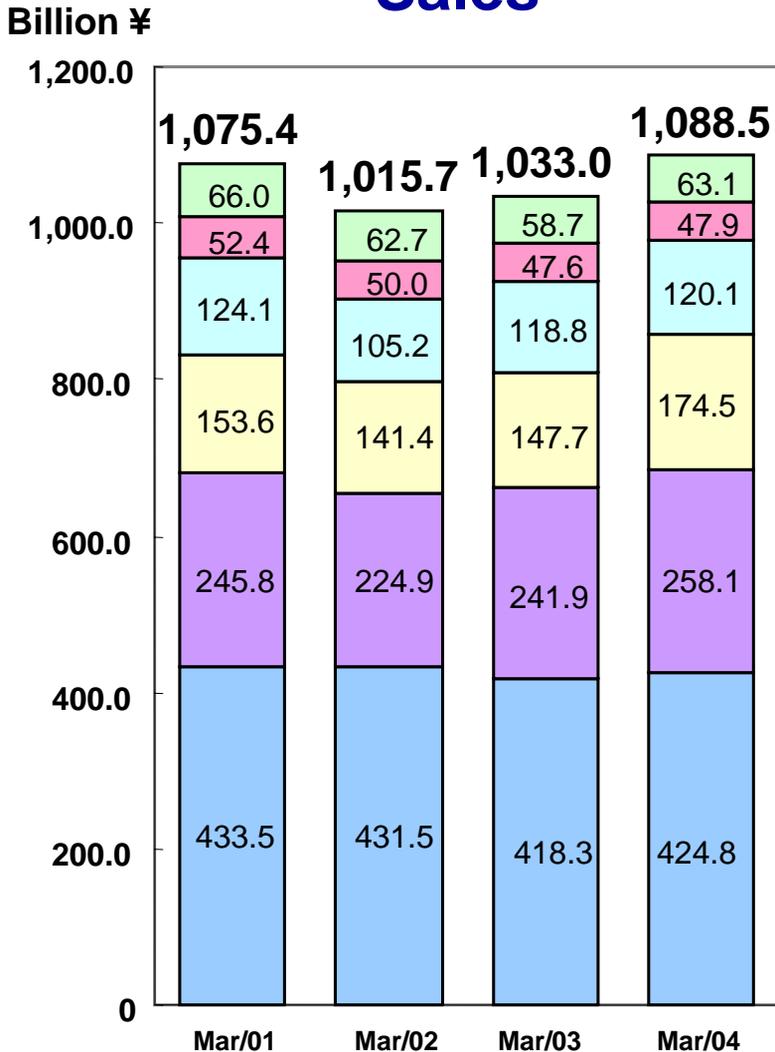
# Results by Business Segment (1)

Billion ¥

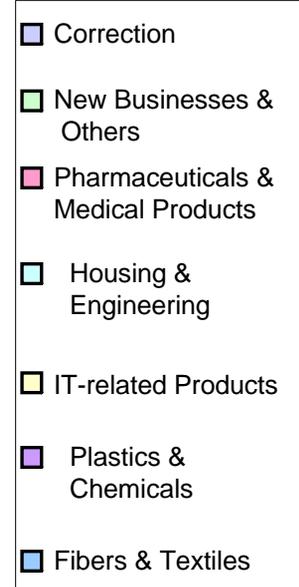
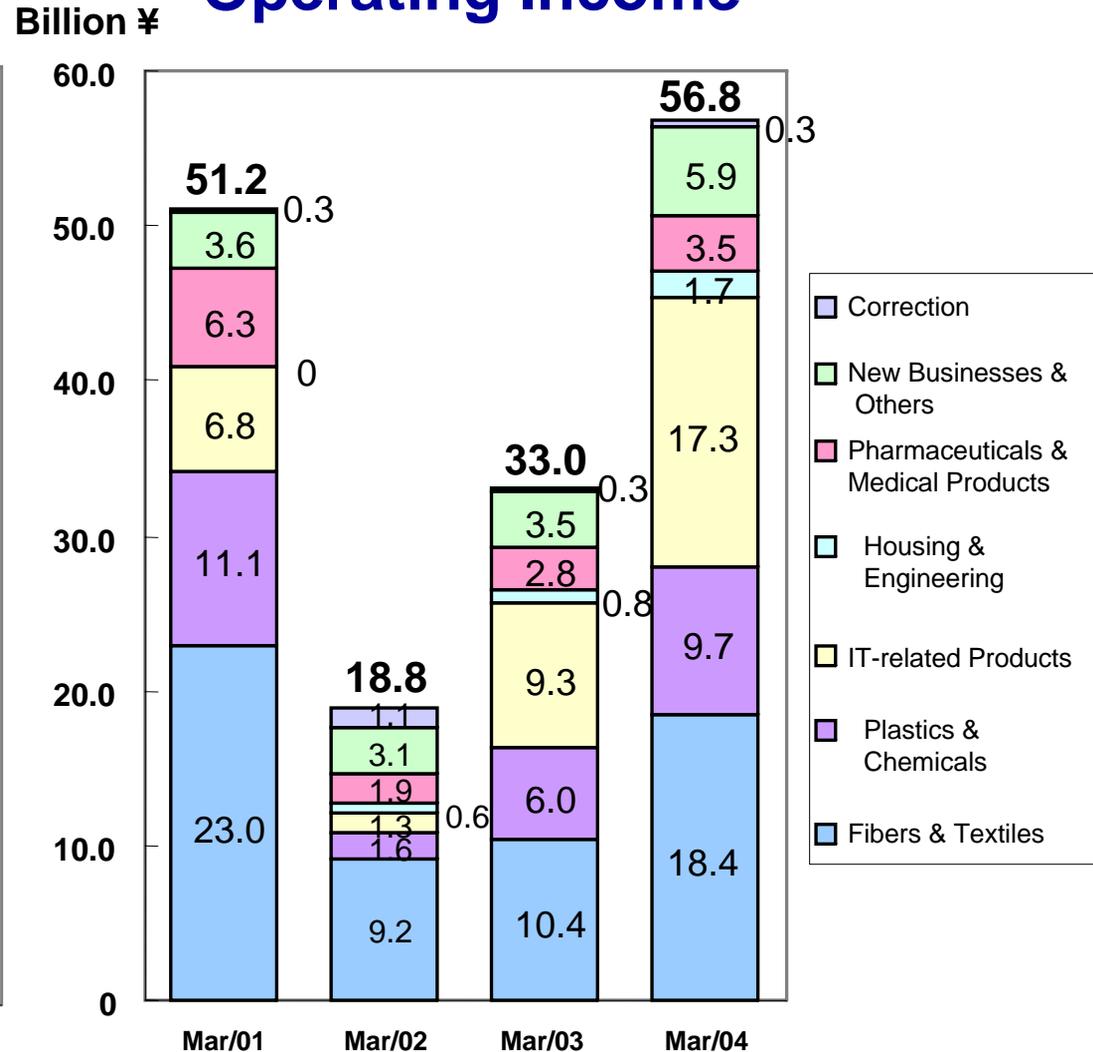
	Net Sales			Operating Income			Comments
	FY Mar/03	FY Mar/04	Changes (%)	FY Mar/03	FY Mar/04	Changes (%)	
Fibers and Textiles	418.3	<b>424.8</b>	+6.4 (+1.5%)	10.4	<b>18.4</b>	+8.0 (+77.0%)	<b>Japan:</b> Sales and Income increased through expansion of Advanced Materials businesses, shift to more profitable products, expansion of New Value Creator business model, reinforcement of corporate structure, etc. <b>Outside of Japan:</b> Asian subsidiaries showed steady growth while an Italian man-made suede subsidiary dropped its income by the sluggish European economy.
Plastics and Chemicals	241.9	<b>258.1</b>	+16.2 (+6.7%)	6.0	<b>9.7</b>	+3.7 (+60.7%)	<b>Resin Business:</b> Demand from automotive and electric parts showed steady growth. <b>Film Business (Japan):</b> Industrial and packaging applications in Japan showed steady growth. <b>Film Business (Outside of Japan):</b> Income increased drastically through transformation of business structure in the US and European subsidiaries. TPA turned to the black.
IT-related Products	147.7	<b>174.5</b>	+26.8 (+18.1%)	9.3	<b>17.3</b>	+8.0 (+86.3%)	Sales and income increased by sales expansion of films, resins, electronics materials, and LCD color filters for mobile equipment and digital home appliances. The LCD color filter business turned to the black and our engineering subsidiary started its slit coater business for LCD color filters from the fourth quarter.
Housing and Engineering	118.8	<b>120.1</b>	+1.4 (+1.1%)	0.8	<b>1.7</b>	+0.8 (+100.4%)	Sales and income increased through expansion of mansion business of a construction subsidiary.
Pharmaceuticals and Medical Products	47.6	<b>47.9</b>	+0.2 (+0.5%)	2.8	<b>3.5</b>	+0.8 (+27.4%)	Sales and income increased by sales expansion of artificial kidney and reinforcement of corporate structure in a domestic subsidiary, while sales quantity dropped by severe competition in pharmaceuticals.
New Products and Other Businesses	58.7	<b>63.1</b>	+4.5 (+7.6%)	3.5	<b>5.9</b>	+2.4 (+69.1%)	Sales and income increased by sales expansion of carbon fiber composite materials for industrial and sports applications as well as the price raise. A research subsidiary contributed sales and income increase. Other subsidiaries also improved their income through reduction of unprofitable businesses.
Total	1,033.0	<b>1,088.5</b>	+55.5 (+5.4%)	32.8	<b>56.4</b>	+23.7 (+72.2%)	
Elimination & Corporate				0.3	<b>0.3</b>	+0.1	
Consolidated	1,033.0	<b>1,088.5</b>	+55.5 (+5.4%)	33.0	<b>56.8</b>	+23.7 (+71.9%)	

# Results by Business Segment (2)

## Sales



## Operating Income

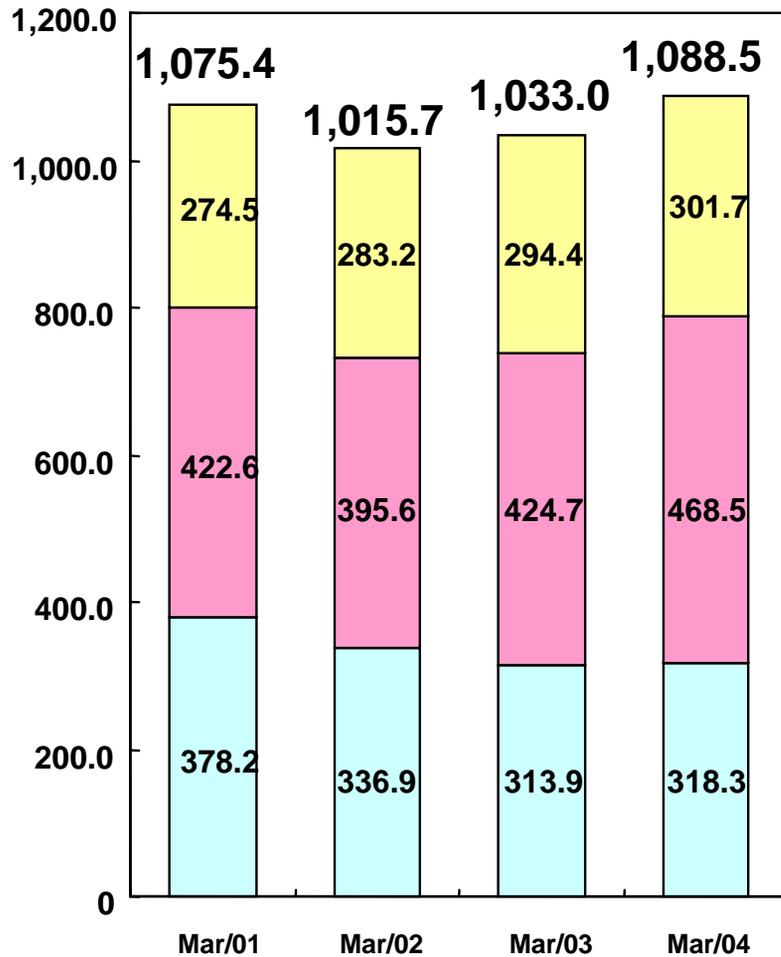


# Results by Toray, Domestic and Overseas Subsidiaries



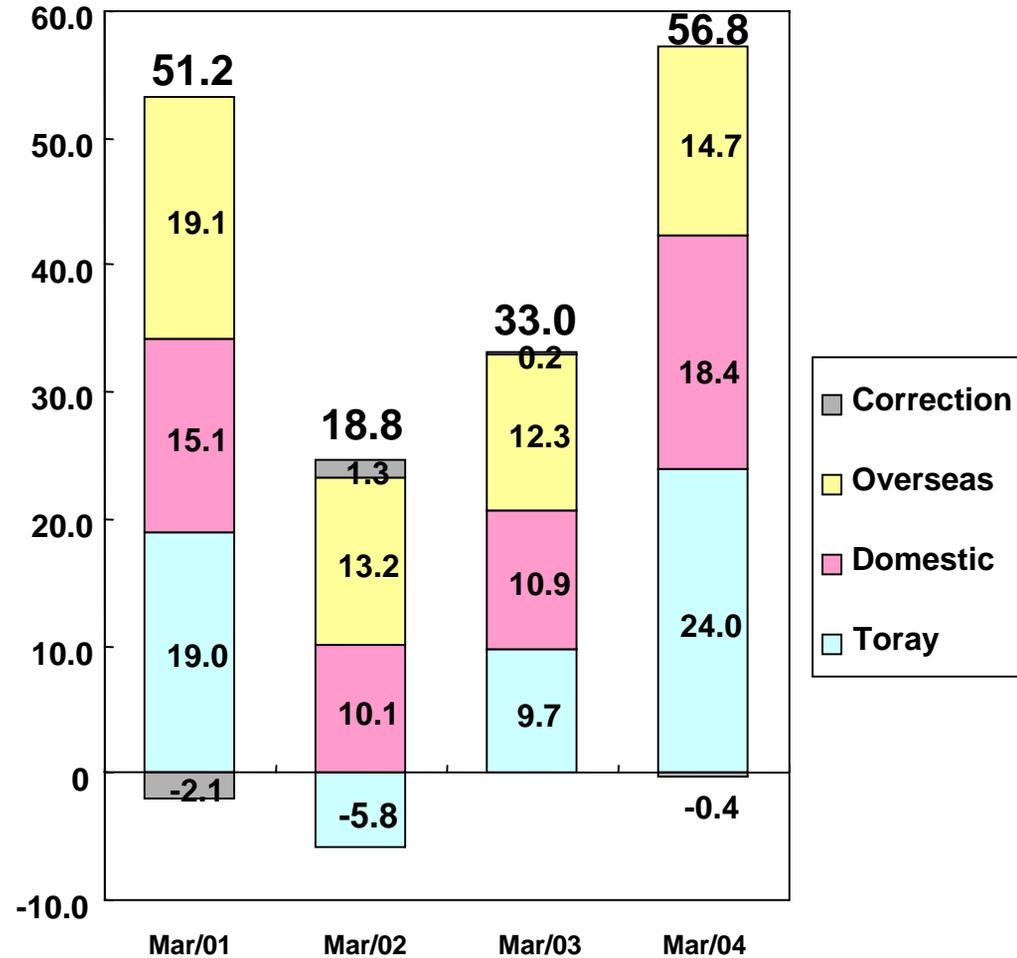
Billion ¥

## Sales



Billion ¥

## Operating Income



# Business Forecast for The FY Ending Mar/05

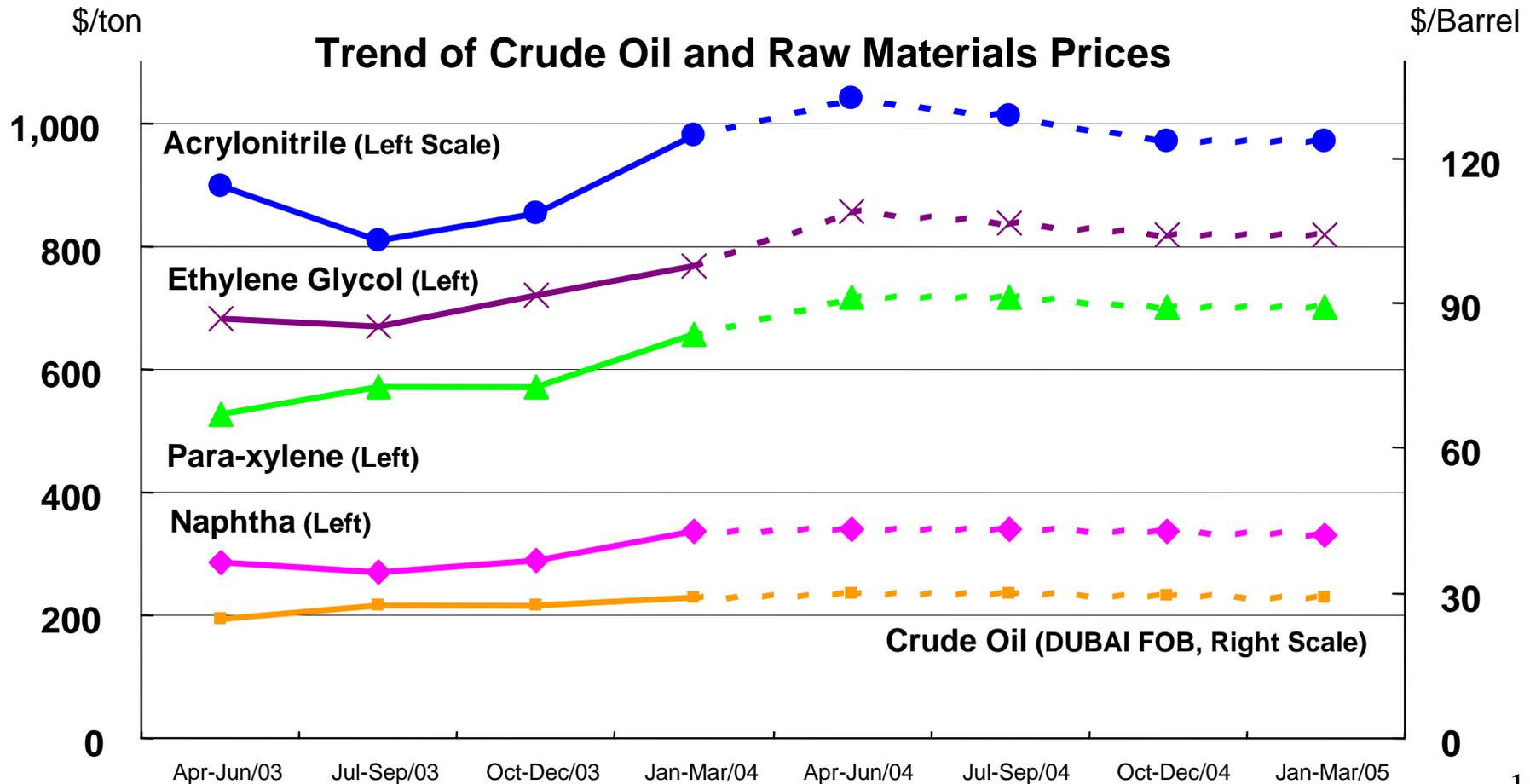


Billion ¥

		FY Mar/04	FY Mar/05	Changes	
Net Sales	1st Half	534.3	<b>550.0</b>	+15.7	(+2.9%)
	2nd Half	554.2	<b>600.0</b>	+45.8	(+8.3%)
	<b>Total</b>	<b>1,088.5</b>	<b>1,150.0</b>	<b>+61.5</b>	<b>(+5.6%)</b>
Operating Income	1st Half	24.7	<b>29.0</b>	+4.3	(+17.3%)
	2nd Half	32.1	<b>45.0</b>	+12.9	(+40.4%)
	<b>Total</b>	<b>56.8</b>	<b>74.0</b>	<b>+17.2</b>	<b>(+30.3%)</b>
Ordinary Income	1st Half	23.0	<b>29.0</b>	+6.0	(+26.2%)
	2nd Half	28.6	<b>45.0</b>	+16.4	(+57.2%)
	<b>Total</b>	<b>51.6</b>	<b>74.0</b>	<b>+22.4</b>	<b>(+43.4%)</b>
Net Income	1st Half	10.9	<b>15.0</b>	+4.1	(+37.0%)
	2nd Half	10.0	<b>23.0</b>	+13.0	(+130.9%)
	<b>Total</b>	<b>20.9</b>	<b>38.0</b>	<b>+17.1</b>	<b>(+81.7%)</b>
Net Income per Share	1st Half	7.81 yen	<b>10.71 yen</b>		
	2nd Half	7.06 yen	<b>16.41 yen</b>		
	<b>Total</b>	<b>14.87 yen</b>	<b>27.12 yen</b>		
Dividend per Share	1st Half	2.5 yen	<b>3.5 yen</b>		
	2nd Half	3.0 yen	<b>3.5 yen</b>		
	<b>Total</b>	<b>5.5 yen</b>	<b>7.0 yen</b>		

# Presumptions of The Forecast

1. Exchange rate: 105 ¥/US\$ , 0.83 Euro/US\$
2. Raw Materials: Prices of crude oil and main raw materials will peak out in April-June 2004, however, they will still be higher than the previous year's on year-on-year basis.



# Forecast by Business Segment



Billion ¥

		Net Sales				Operating Income				Comments
		FY Mar/04	FY Mar/05	Changes (%)		FY Mar/04	FY Mar/05	Changes (%)		
Fibers & Textiles	1st Half	213.4	<b>214.0</b>	+0.6	(+0.3%)	9.4	<b>9.5</b>	+0.1	(+0.8%)	<b>Japan:</b> Sales and income are expected to increase through promotion of profit management by product, NVC* business model, and price raise to cover raw materials cost increase. <b>Outside of Japan:</b> Sales and income are expected to grow at Chinese and ASEAN subsidiaries, while the recovery of a man-made suede subsidiary will be the next year or after.
	2nd Half	211.4	<b>223.0</b>	+11.6	(+5.5%)	8.9	<b>13.0</b>	+4.1	(+45.3%)	
	Total	<b>424.8</b>	<b>437.0</b>	<b>+12.2</b>	<b>(+2.9%)</b>	<b>18.4</b>	<b>22.5</b>	<b>+4.1</b>	<b>(+22.5%)</b>	
Plastics & Chemicals	1st Half	129.0	<b>130.0</b>	+1.0	(+0.8%)	4.5	<b>4.5</b>	0	(-0.8%)	<b>Resin Business:</b> Sales and income are expected to increase through price raise and introduction of new products. <b>Film Business:</b> Income is expected to increase through further promotion of product mix change to more profitable products and global operation. TPA is expected to increase its profit and TPEU turns to the black.
	2nd Half	129.1	<b>130.0</b>	+0.9	(+0.7%)	5.1	<b>7.0</b>	+1.9	(+36.2%)	
	Total	<b>258.1</b>	<b>260.0</b>	<b>+1.9</b>	<b>(+0.7%)</b>	<b>9.7</b>	<b>11.5</b>	<b>+1.8</b>	<b>(+18.9%)</b>	
IT-related Products	1st Half	81.8	<b>97.0</b>	+15.2	(+18.6%)	6.7	<b>11.0</b>	+4.3	(+64.2%)	Sales and income are expected to increase by sales expansion of PET films, circuit materials, LCD color filters, IT-related equipment, and new advanced materials for mobile equipment and digital home appliances.
	2nd Half	92.8	<b>103.0</b>	+10.2	(+11.0%)	10.6	<b>14.0</b>	+3.4	(+31.7%)	
	Total	<b>174.5</b>	<b>200.0</b>	<b>+25.5</b>	<b>(+14.6%)</b>	<b>17.3</b>	<b>25.0</b>	<b>+7.7</b>	<b>(+44.3%)</b>	
Housing & Engineering	1st Half	54.3	<b>53.0</b>	-1.3	(-2.3%)	0.3	<b>0</b>	-0.3	(-100.0%)	Sales and income are expected to increase through promotion of the product mix change to more profitable businesses and reinforcement of the business structure. More sales activities are expected in the RO membrane business and the system/plant businesses.
	2nd Half	65.9	<b>81.0</b>	+15.1	(+23.0%)	1.4	<b>3.0</b>	+1.6	(+119.8%)	
	Total	<b>120.1</b>	<b>134.0</b>	<b>+13.9</b>	<b>(+11.6%)</b>	<b>1.7</b>	<b>3.0</b>	<b>+1.3</b>	<b>(+77.0%)</b>	
Pharmaceuticals & Medical Products	1st Half	22.0	<b>22.0</b>	0	(0.0%)	0.7	<b>0.5</b>	-0.2	(-28.0%)	<b>Pharmaceuticals:</b> Selling prices will drop but the market share will increase by the differentiation strategy, etc. <b>Medical Products:</b> Income is expected to increase by sales expansion of artificial kidneys and reinforcement of corporate structure.
	2nd Half	25.9	<b>26.0</b>	+0.1	(+0.5%)	2.8	<b>3.5</b>	+0.7	(+24.3%)	
	Total	<b>47.9</b>	<b>48.0</b>	<b>+0.1</b>	<b>(+0.3%)</b>	<b>3.5</b>	<b>4.0</b>	<b>+0.5</b>	<b>(+14.0%)</b>	
New Products & Other Businesses	1st Half	33.9	<b>34.0</b>	+0.1	(+0.2%)	2.7	<b>3.5</b>	+0.8	(+29.7%)	Sales and income are expected to increase by sales expansion of carbon fiber composite materials for industrial and airplane applications as well as the price raise. Service-related subsidiaries will continue transferring the corporate structure and reinforcing the business structure.
	2nd Half	29.2	<b>37.0</b>	+7.8	(+26.7%)	3.2	<b>4.5</b>	+1.3	(+42.0%)	
	Total	<b>63.1</b>	<b>71.0</b>	<b>+7.9</b>	<b>(+12.5%)</b>	<b>5.9</b>	<b>8.0</b>	<b>+2.1</b>	<b>(+36.3%)</b>	
Consolidated	1st Half	534.3	<b>550.0</b>	+15.7	(+2.9%)	24.7	<b>29.0</b>	+4.3	(+17.3%)	
	2nd Half	554.2	<b>600.0</b>	+45.8	(+8.3%)	32.1	<b>45.0</b>	+12.9	(+40.4%)	
	Total	<b>1,088.5</b>	<b>1,150.0</b>	<b>+61.5</b>	<b>(+5.6%)</b>	<b>56.8</b>	<b>74.0</b>	<b>+17.2</b>	<b>(+30.3%)</b>	

# Follow-up of “Project NT21”

# “Project New TORAY21”

April 2002

March 2004

March 2007

Around 2010

## Issues and Reforms in the Near-Term

**Reinforcement of Corporate Structure**

### <Innovation Projects>

1. Promoting Marketing Innovation
2. Strengthening Cost Competitiveness
3. Rationalizing Global Production
4. Re-engineering Group Structure  
(Reduction and Turning into the Black of Loss-Generating Businesses and Companies)
5. Strengthening Financial Structure
6. Promoting R&D Innovation
7. Promoting Salary and Pension System Innovation

## Issues and Reforms in the Mid-Term

Expanding “Advanced Materials”  
(Especially in Three Growth Areas)

Progressing a “New Value Creator”  
Business Model  
(Development of New Materials,  
New Products & New Supply Chains)

Expanding Businesses Outside of  
Japan (Primarily in Asia)

Further Strengthening of Research  
and Technology Development  
(Active Collaboration with Other  
Organizations)

Promoting Strategic Patents and  
Branding  
(Introduction of TOREX\* Brand)

## Long-Term Goal

Net Sales:  
¥1.5 Trillion  
Operating  
Income:  
¥120 Billion

ROA : 8%

ROE : 10%

Transformation  
into a Highly  
Profitable  
Business  
Structure

Target: Over ¥50 billion in Consolidated  
Operating Income for FY Mar/2005

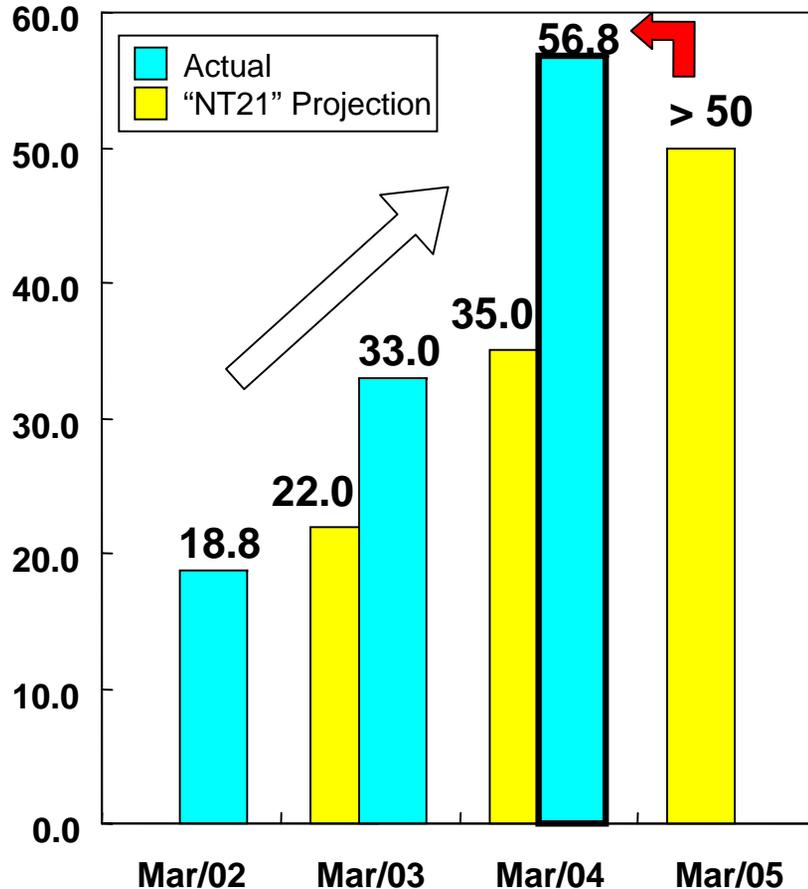
Transformation into a “New Value  
Creator” for the 21<sup>st</sup> Century

# Target Numbers in NT21

Achieved target numbers in NT21 one year earlier

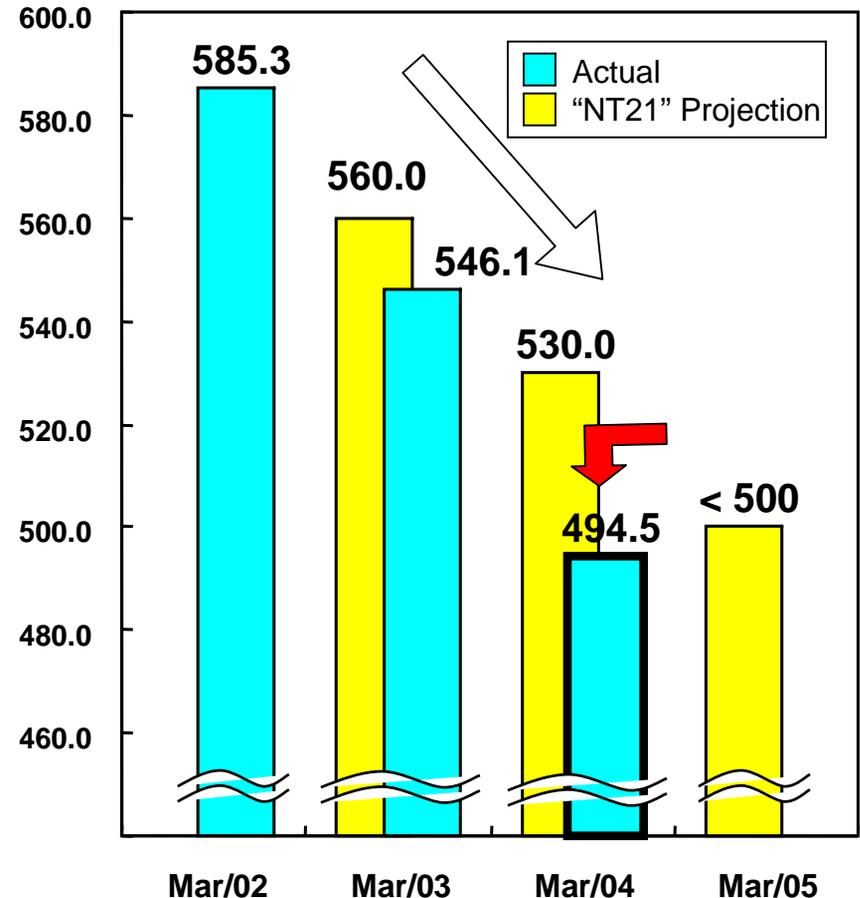
## Improvement of Operating Income

Billion ¥



## Reduction of Interest-bearing Debt

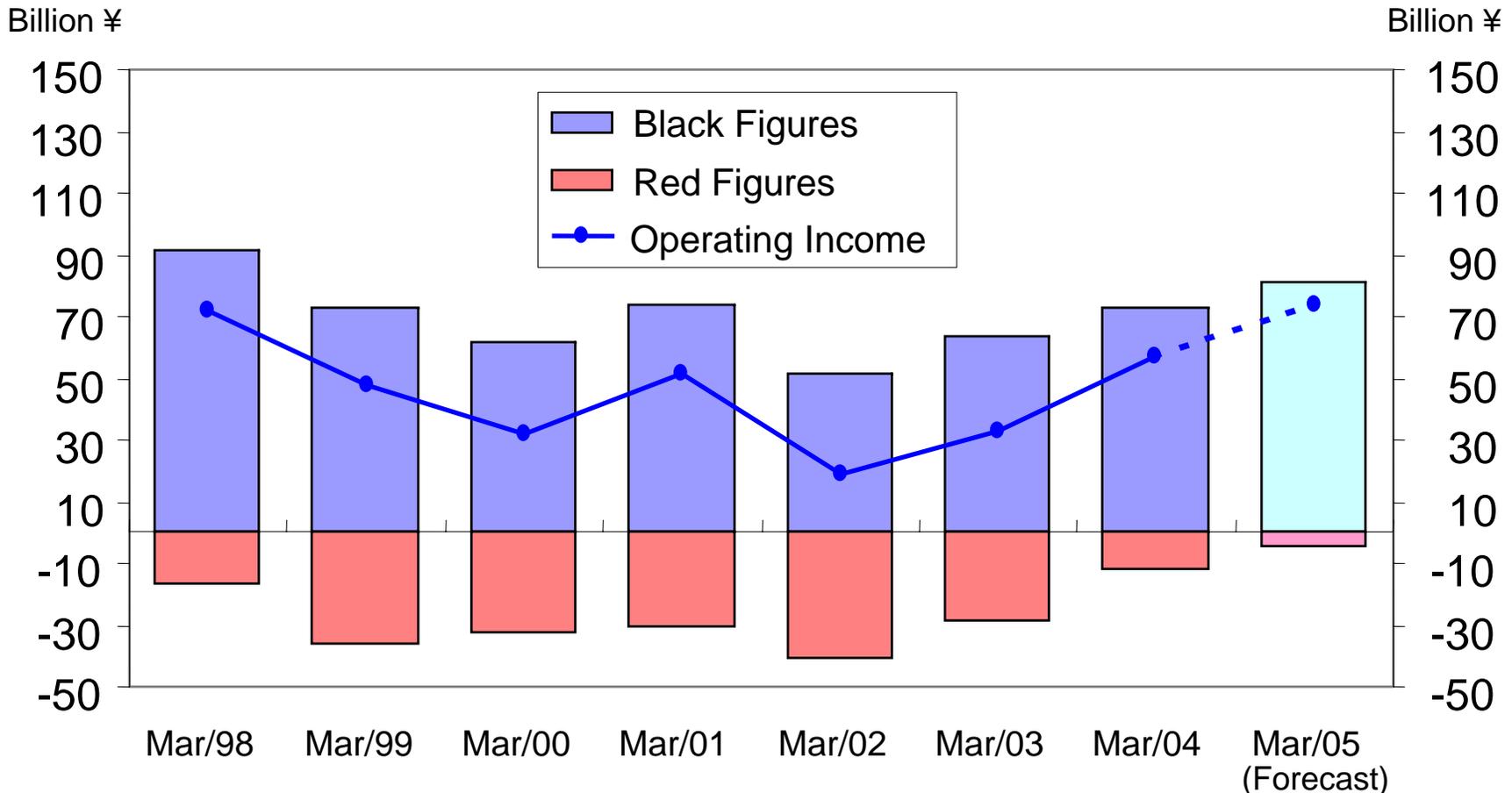
Billion ¥



# Reduction of Loss-generating Businesses **TORAY'**

(1) Expanding Profitable Businesses

(2) Improving and/or Eliminating Loss-generating Businesses



Parent Company : Management-base Profits

Subsidiaries : Total of Ordinary Income (Profits of Subsidiaries by the Equity Method are not included.)

# Progression of Innovation Projects under NT21

Project	Results	Self-evaluation																		
<b>Promoting Marketing Innovation</b>	<p>&lt;Promoting Innovation in the Attitudes and Practices of the Employees&gt;                      &lt;Sales &amp; Income Increase by NVC Activities&gt;</p> <table border="1"> <tr> <td></td> <td>March/03</td> <td>March/04</td> <td>March/05(Forecast)</td> </tr> <tr> <td>Net Sales</td> <td>¥33.6 Bill.</td> <td>¥70.0 Bill.</td> <td>¥110.0 Bill.</td> </tr> </table>		March/03	March/04	March/05(Forecast)	Net Sales	¥33.6 Bill.	¥70.0 Bill.	¥110.0 Bill.	○										
	March/03	March/04	March/05(Forecast)																	
Net Sales	¥33.6 Bill.	¥70.0 Bill.	¥110.0 Bill.																	
<b>Strengthening Cost Competitiveness (TC Project)</b>	<p>&lt;Total Cost Reduction Achieved by "TC Project"&gt;</p> <table border="1"> <tr> <td></td> <td>March/03</td> <td>March/04</td> <td>March/05 (Forecast)</td> </tr> <tr> <td></td> <td>¥14 Bill</td> <td>¥12.3 Bill.</td> <td>¥6.0 Bill.</td> </tr> </table>		March/03	March/04	March/05 (Forecast)		¥14 Bill	¥12.3 Bill.	¥6.0 Bill.	◎										
	March/03	March/04	March/05 (Forecast)																	
	¥14 Bill	¥12.3 Bill.	¥6.0 Bill.																	
<b>Rationalizing Global Production (GR Project)</b>	<p>&lt;Fibers &amp; Textiles&gt; Converted a nylon fibers facility at Okazaki plant from tire cord uses to airbag uses, increased production capacity of nylon fibers for airbags at TTS, etc.                      &lt;Films&gt; Increased capacity at YTP in China, production shift from home video tape to packaging materials at TPA and TPEu, etc.</p>	○																		
<b>Re-engineering Group Structure (CS Project)</b>	<p>&lt;Turned Into the Black of Loss-generating Businesses and Companies&gt; Reduced ¥30 Bill. from Mar/02 to Mar/04                      &lt;Strategic Reorganization and Integration of Subsidiaries and Affiliated Companies&gt; Decided to reorganize 23 companies                      &lt;Strategic M&amp;A, Alliance&gt; Acquired PTFE fibers business from DuPont, Invested to Suido Kiko, Turned ROPUR to a subsidiary, JV with BASF for PBT resins, Long-term supply agreement with Samsung Group for LCD related materials and equipment</p>	○																		
<b>Strengthening Financial Structure (FK Project)</b>	<table border="1"> <tr> <td></td> <td>&lt;Mar/02&gt;</td> <td>&lt;Mar/03&gt;</td> <td>&lt;Mar/04&gt;</td> <td>&lt;Mar/05&gt;</td> <td>¥Bill.</td> </tr> <tr> <td>Initial Plan</td> <td></td> <td>560</td> <td>530</td> <td>500</td> <td></td> </tr> <tr> <td>Actual</td> <td>585.3</td> <td>546.1</td> <td>494.5</td> <td></td> <td></td> </tr> </table>		<Mar/02>	<Mar/03>	<Mar/04>	<Mar/05>	¥Bill.	Initial Plan		560	530	500		Actual	585.3	546.1	494.5			◎
	<Mar/02>	<Mar/03>	<Mar/04>	<Mar/05>	¥Bill.															
Initial Plan		560	530	500																
Actual	585.3	546.1	494.5																	
<b>Promoting R&amp;D Innovation</b>	<p>-Establishment of New Frontiers Research Laboratories, TFRC (China)                      -External Alliances by Research Collaboration and Research on Consignment (150 cases), Participated in National Projects (28 cases), Established an Open Laboratory for closer relationship with Universities and Research Institutes.-</p>	◎																		
<b>Promoting Salary &amp; Pension System Innovation</b>	Adopted a New Performance-based Salary System for Manager-class Employees in April 2003 and to Non-manager-class Employees in April/04	○																		

# Mid-term Management Issues “Project NT-II”

**Fundamental Concept behind NT21 :** Immediate profit improvement through radical steps to strengthen corporate structure based on a shared sense of crisis. (from the “defensive” perspective)

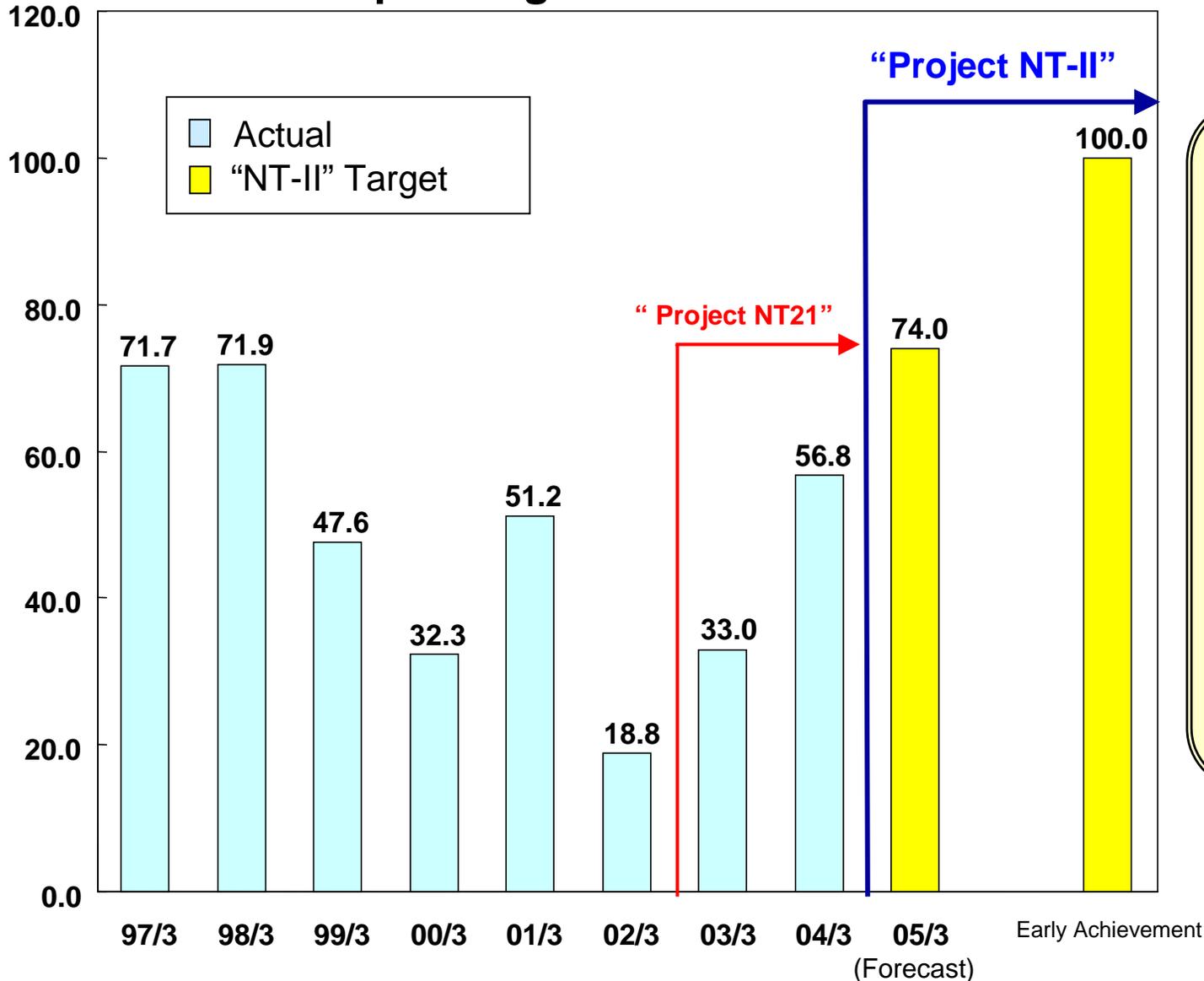
Ready to tackle mid-term management issues and reforms grounded in the profitability improvement through strengthening corporate structure

**Fundamental Concept behind NT-II :** Being a highly profitable corporate group through constant reinforcement of the corporate structure and further reform of the business structure. (from the “offensive” perspective)

# Target Numbers in NT-II

¥ Billion

## Operating Income Trend



**Image of Major Performance Indicator when ¥100 billion of Operating Income is Achieved**

**Ratio of Operating Income to Net Sales: About 8%**

**ROA: About 7%**

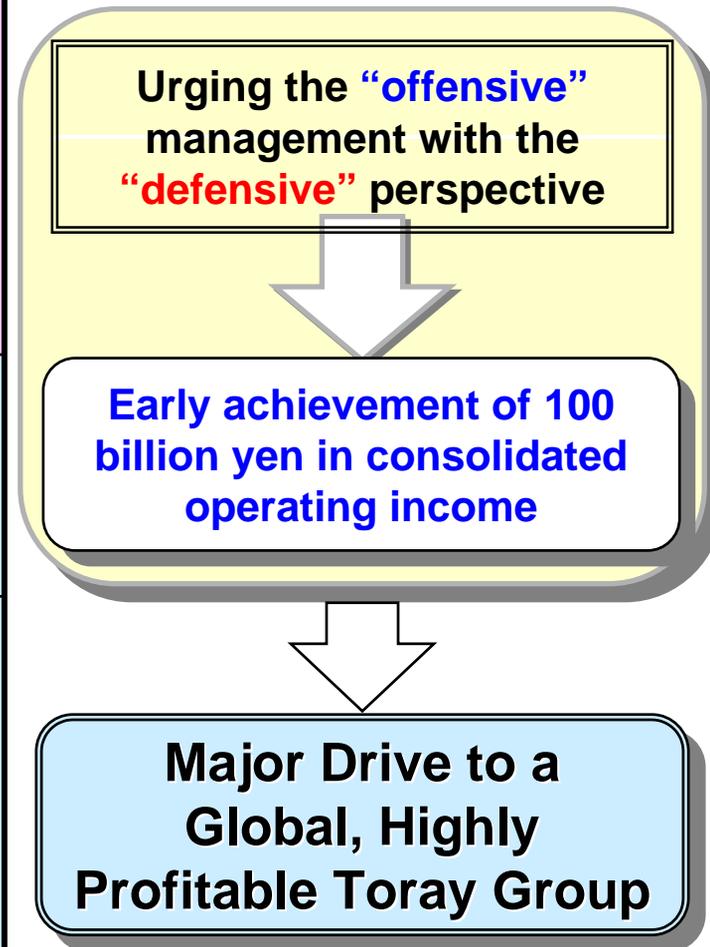
**ROE: About 10%**

**D/E Ratio: 1.0 or Lower**

# Main Action Points of NT-II

## Main Action Points

<p>Developing innovative attitudes and ideas / Reinforcing corporate structure</p>	<p>From the “<b>defensive</b>” perspective</p>	<ol style="list-style-type: none"> <li>1. Develop innovative attitudes and ideas (Revitalizing and Promoting CSR)</li> <li>2. Reinforce corporate structure (Strengthening global Competitiveness)</li> <li>3. Reshape style of management</li> </ol>
<p>Expanding revenues and profits through business structure reform</p>	<p>From the “<b>defensive</b>” and “<b>offensive</b>” perspective</p>	<ol style="list-style-type: none"> <li>4. Reform corporate structure</li> </ol>
	<p>From the “<b>offensive</b>” perspective</p>	<ol style="list-style-type: none"> <li>5. Expand advanced materials businesses</li> <li>6. Expand and reinforce global No.1 businesses</li> <li>7. Expand profits from businesses outside of Japan</li> </ol>



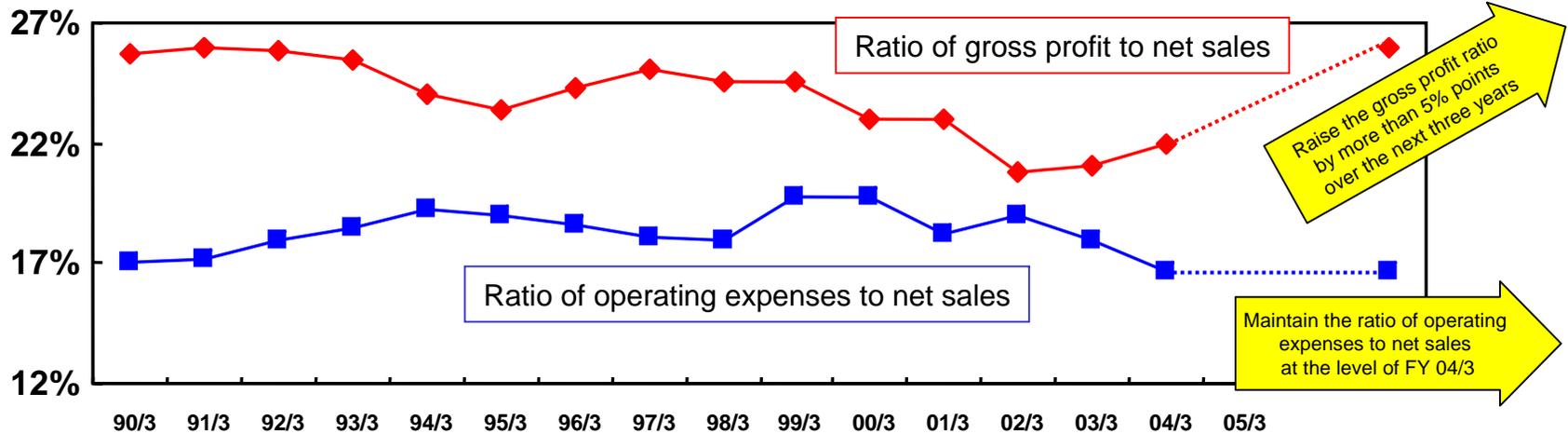
# Eight Projects Promoted under NT-II

Management Issues	Project	Main Themes to be Addressed
Developing innovative attitudes and ideas / Reinforcing corporate structure	1. Activating corporate culture (ACT Project)	Strengthen communication and information sharing; select young, outstanding human resources; and establish corporate culture where women can realize their full potential, etc.
	2. Mar/2005: Strengthening cost competitiveness (TC Project)	Steady implementation of TC-3 (reduction target: ¥ 6 billion)
	Mar/2006 and beyond: Promoting self-improvement efforts (JD Project)	Improve profits through comprehensive efforts to increase efficiency; reduce expenses through greater operating efficiency
	3. Strengthening financial structure (FK-II Project)	Balance two-pronged approach of expanding investment in advanced materials businesses and reinforcing financial structure; reduce D/E ratio to 1.0 or below early.
Expanding revenues and profits through business structure reform	4. Promoting marketing innovation (Marketing Innovation Project)	Develop innovative attitudes and ideas of marketing staff; promote the "New Value Creator" concept; reduce inventory by half (ZH Project); expand one-stop, full service function; etc.
	5. Improving profitability by product (HK Project)	Eliminate products that generate negative gross profits; improve gross margin by 5 percentage points or more over the next three years; maintain and/or reduce the ratio of operating expenses to net sales
	6. Expanding advanced materials businesses (SZ Project)	Commercialize new advanced materials in near future; strengthen R&D function; expand established advanced materials; Strengthen Intellectual Properties
	7. Expanding No. 1, only 1, first 1 businesses (No. 1 Project)	Execute No. 1 businesses expansion strategies; allot abundant management resources to No. 1 businesses; enhance employee awareness (instill self-confidence and pride); etc.
8. Expanding businesses outside of Japan (KP Project)	Strengthen profitability of ASEAN businesses; expand business in China and South Korea; and expand profits of businesses in U.S.A. and Europe	

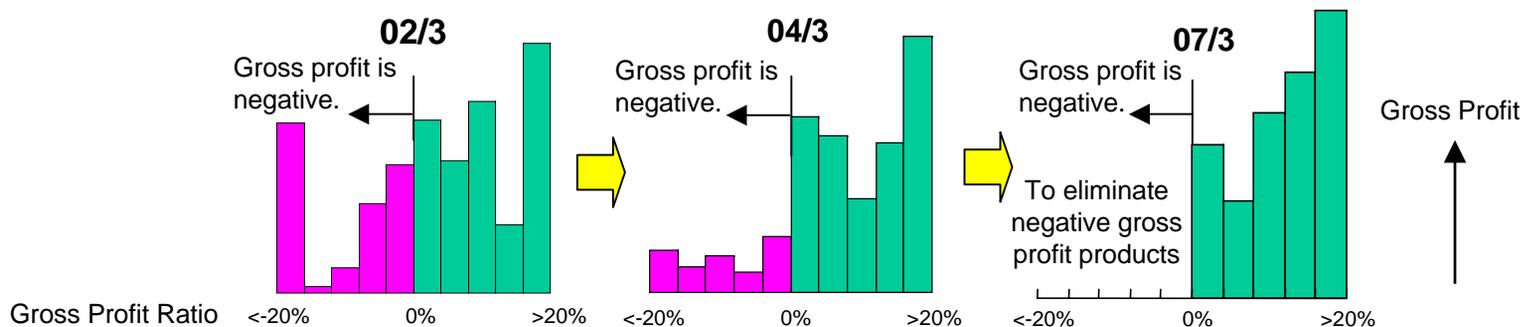
# Improving Profitability by Product

The Toray Group will improve profitability by product by (1) eliminating products that generate negative gross profits, (2) raising the gross profit ratio by more than 5 percentage points over the next three years, and (3) maintaining/reducing the ratio of operating expenses to net sales at the level of the fiscal year ended March 2004 or lower.

### Trend of Gross Profit Ratio and Operating Expenses Ratio

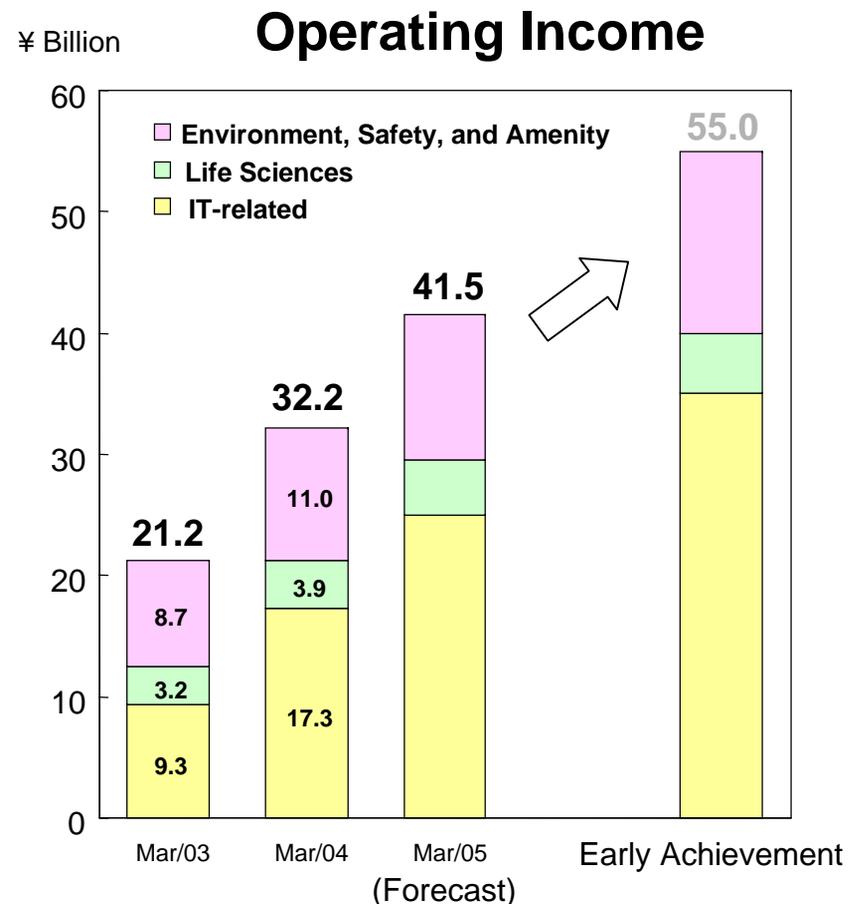
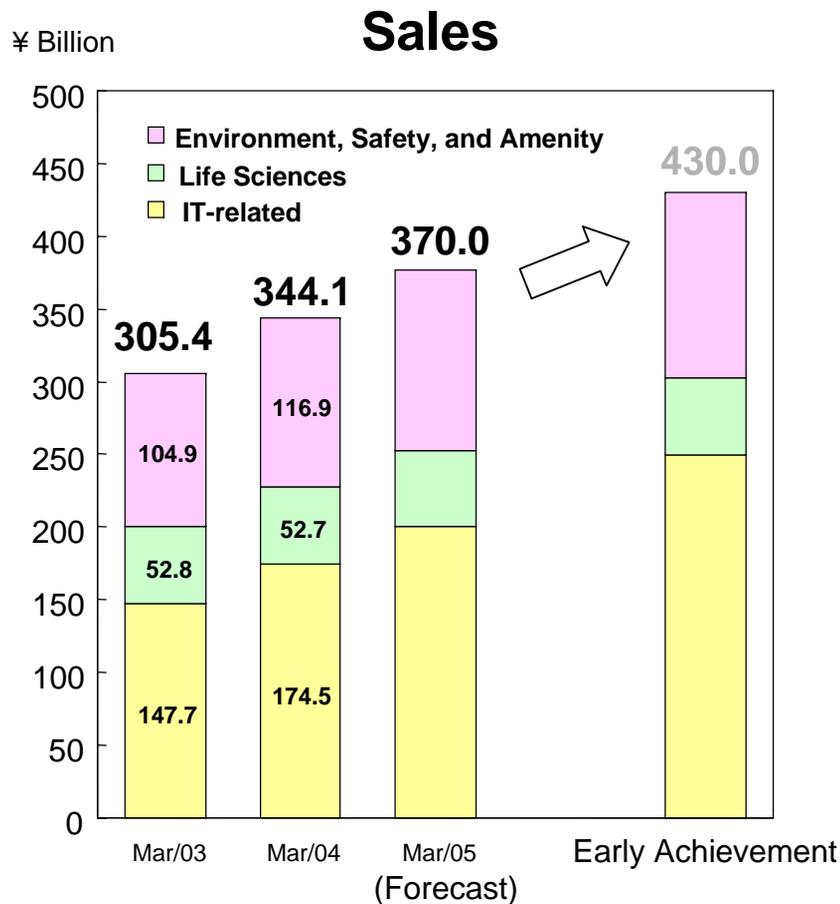


### Example of improving profitability by product in Fibers & Textiles Business



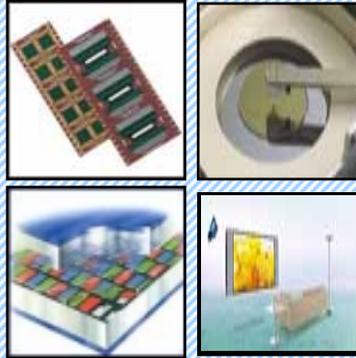
# Expanding Advanced Materials Businesses

- Allot abundant management resources to Advanced Materials businesses (Capital investment: 60% on Toray parent basis, 50% on consolidated basis)
- Expand businesses in IT-related materials (films, electronics materials), carbon fiber composite materials, and environmental-related businesses
- Start new Advanced Materials businesses in the near future



## IT-related Products

<Segment on Consolidated Basis>  
 •IT-related Products



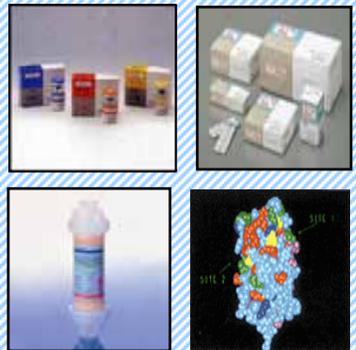
**Circuit and Semiconductor Materials:** Circuit Materials, Electronics Resins & Films, Capacitor Films, Release Films, IC packaging-related Materials, IC packaging / mounting Equipment, Electro-Coating Materials, Electro-Chemical Products, etc.

**Display Materials:** Flat Panel Display-related Films, LCD Color Filters, Color Filter Materials/Equipment, PDP Materials, Organic EL Materials, etc.

**Data Storage Materials:** Data Storage Films (Polyester Films, Para-aramid Films), Printing Materials, etc.

## Life Sciences

<Segments on Consolidated Basis>  
 •Pharmaceuticals & Medical Products  
 •Plastics & Chemicals (Fine Chemicals)



**Pharmaceuticals:** Interferon-beta preparation Feron\*, prostacyclin derivative drug Dorner\*

**Medical Products:** Artificial Kidney Filtryzer\* and Toraysulfone\*, Blood purification device Toraymyxin\*

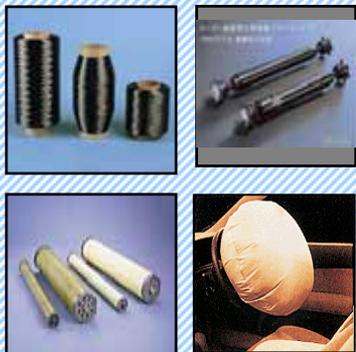
**Fine Chemicals:** Drug Ingredients, Agricultural Intermediates

**New Bio-Products**

**Health Care and Other Products for Ageing Generation**

## Environment, Safety, and Amenity

<Segments on Consolidated Basis>  
 •New Products & Others (Carbon Fibers)  
 •Housing & Engineering (Water Treatment)  
 •Fibers & Textiles, Plastics & Chemicals (for Car and Environmental Uses)



**Carbon Fiber Components:** (Aerospace, Automobile Components, Large Scale Structure, Parapets, CNG Tanks etc.)

**Separation Membranes, Water Treatment Systems**  
**Safety-related Materials and Products (Airbags and Seatbelts, etc.)**

**Biodegradable Polymers, Fibers, and Film Products**  
**Fibers and Films for Environmental Businesses (PPS Fibers, Fluorofibers, etc.)**

# Expanding and Reinforcing No. 1 Businesses

Roughly 30 of the Toray Group's businesses have claimed the top share of the global market.

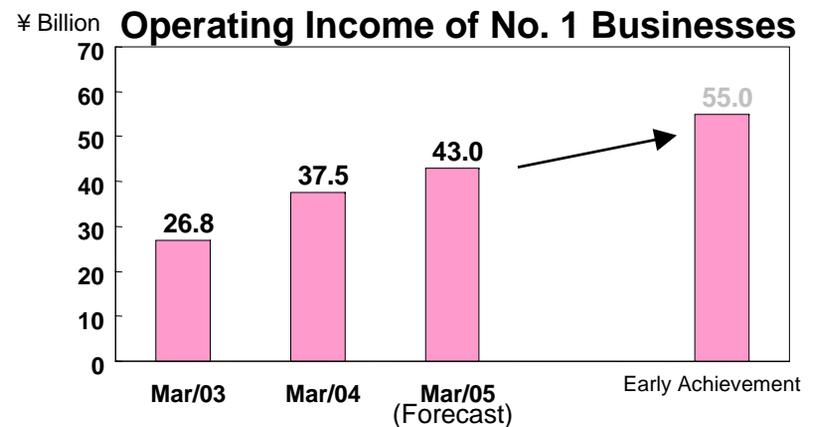
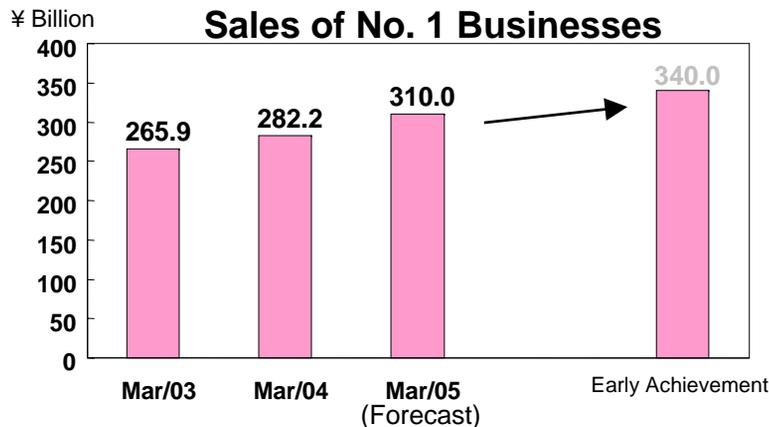
- Sales: About ¥ 280 billion (about 1/4 of total consolidated sales)
- Operating Income: ¥ 37.5 billion (about 2/3 of total consolidated operating income)
- Operating Income Ratio to Net Sales: As high as 13%

We will be able to increase profitability by further expanding and strengthening our businesses in these areas, which we are developing by taking full advantage of the strengths of the Toray Group.

Businesses		Expected Market Share
Fibers and Textiles	•Polyester-Cotton Blended Textile	30%
	•Polyester Taffeta	21%
	•Man-made Suede	32%
	•Nylon Filament Yarn for Fishing Net	21%
	•Fluorofiber	39%
	•Polyester Staple Fiber for Sewing Thread	28%
	•Polyester-Rayon Blended Textile	12%
Plastics	•PET Film	19%
	•OPP Film for Capacitor	14%
	•Para-Based Aramid Film	90%
	•PPS Film	100%
	•PE Film for Protection	43%

Businesses		Expected Market Share
Chemicals	•DMSO	44%
Carbon Fibers	•Carbon Fiber Composite Material	37%
Medical Products	•Blood Purification Device for Treating Septicemia	100%
Electronics	•Polyimide Adhesive Tape for TAB	81%
	•Photosensitive Relief Printing Plate	37%
LCD Materials	•Slit Coater for LCD Color Filter (5G or larger)	75%
Toray Engineering	•LCD Driver IC Bonding Equipment	40%
	•Marking Equipment for LCD panel	70%

**Total 31 Businesses (Mar/04 Sales: ¥ 282.2 billion, Operating Income: ¥ 37.5 billion)**



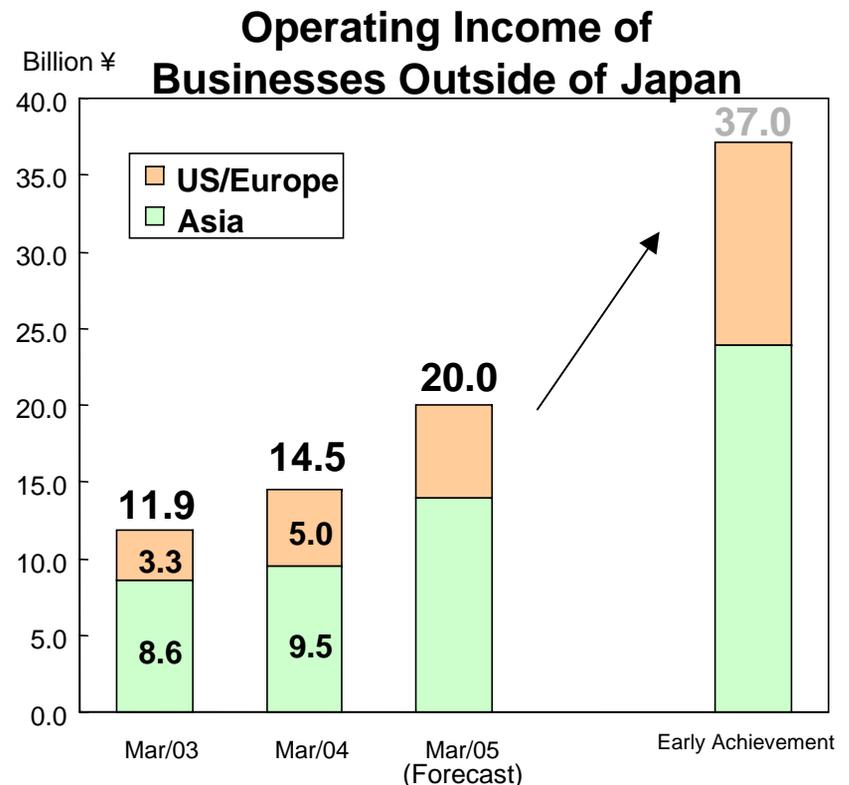
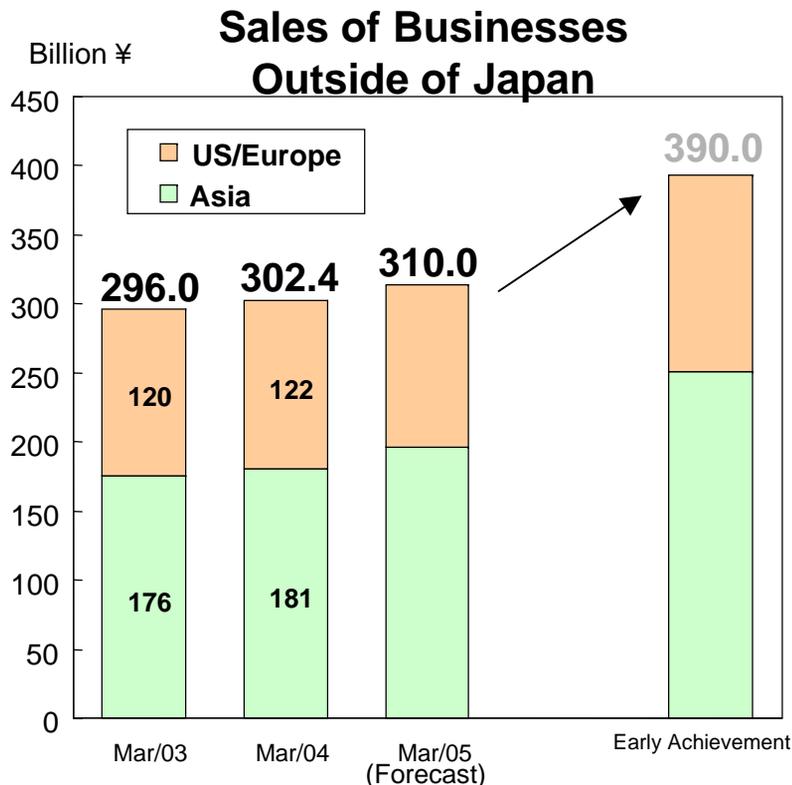
# Expanding Businesses Outside of Japan (1)

**ASEAN:** Expansion of revenues and profits through business structure reform and new business development

**China:** Turn to the black, Promotion of new business development

**Korea:** Expansion of Advanced Materials including IT-related materials

**US and Europe:** Expansion of revenues and profits through business structure reform and expansion of Advanced Materials

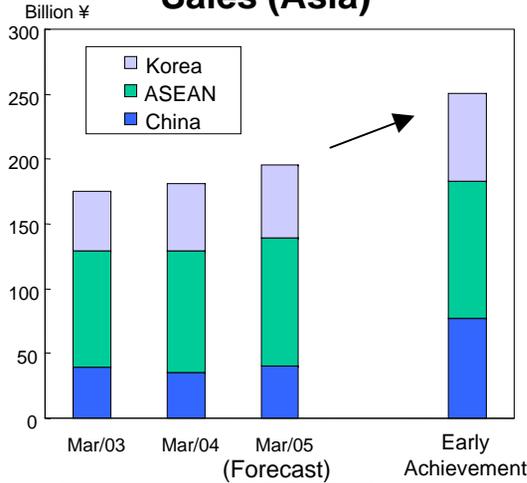


\* Exchange Rate: 04/3(Actual) 116¥/dollar, 05/3(Forecast) 105¥/dollar

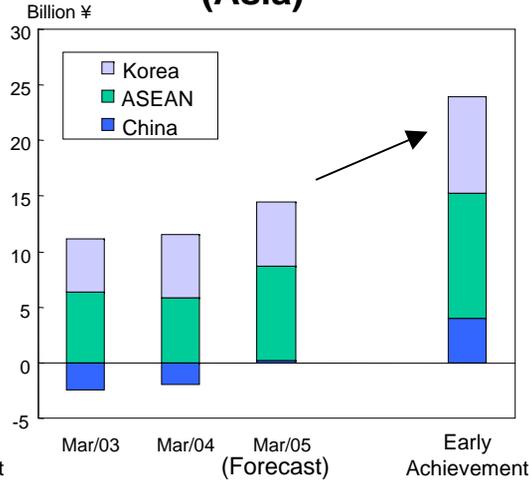
# Expanding Businesses Outside of Japan (2)

## Asia

### Sales (Asia)

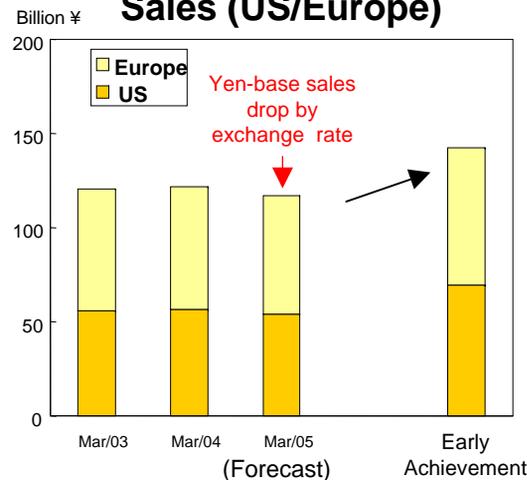


### Operating Income (Asia)

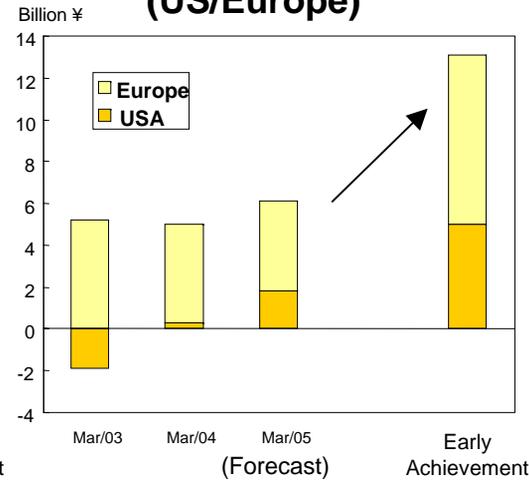


## US/Europe

### Sales (US/Europe)



### Operating Income (US/Europe)



### Business Expansion Strategies

ASEAN	<b>Indonesia:</b> Developing new materials, products, and supply chains and changing product mix to more profitable products; strengthening the profit basis with "improvement on hand"
	<b>Thailand:</b> Focusing management resources on industrial fibers and resins for automotives
	<b>Malaysia:</b> <Resins and films> Strengthening cost competitiveness of regular resins and films; shifting to higher-value-added products <Polyester/cotton blended textiles> Shifting to higher-value-added products
China	<b>TSD:</b> Increasing its weaving/dyeing capacity from 5million m/month to 7.5million m/month <b>TFNL:</b> Differentiating its polyester filament yarn from competitors; starting a nylon filament yarn business
	<b>TSI:</b> Increasing its PP spun bond capacity in 2004; expanding electronics materials businesses <b>STEMCO:</b> Increasing its TAB processing capacity in 2004; starting a new plant in 2005.

### Business Expansion Strategies

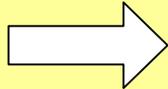
Europe	<b>SOFICAR:</b> Increasing its sales by capacity expansion <b>Alcantara, TTEL, TPEu:</b> Promoting profit improvement efforts continuously
US	<b>TPA:</b> Expanding higher-value-added films for packaging and industrial uses <b>CFA, TCA:</b> Expanding its sales by increasing its capacity mainly for the aircraft use

Exchange Rate: 04/3(Actual) 116¥/dollar  
05/3(Forecast) 105¥/dollar

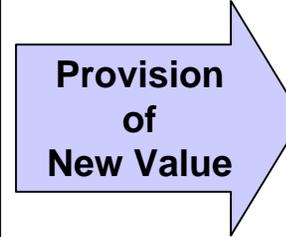
# Promoting “New Value Creator” Concept

## Development of New Materials, Products, and Supply Chains

Expertise and Know-how on  
“Goods” + “New Services”  
and “New Production and  
Distribution Systems”



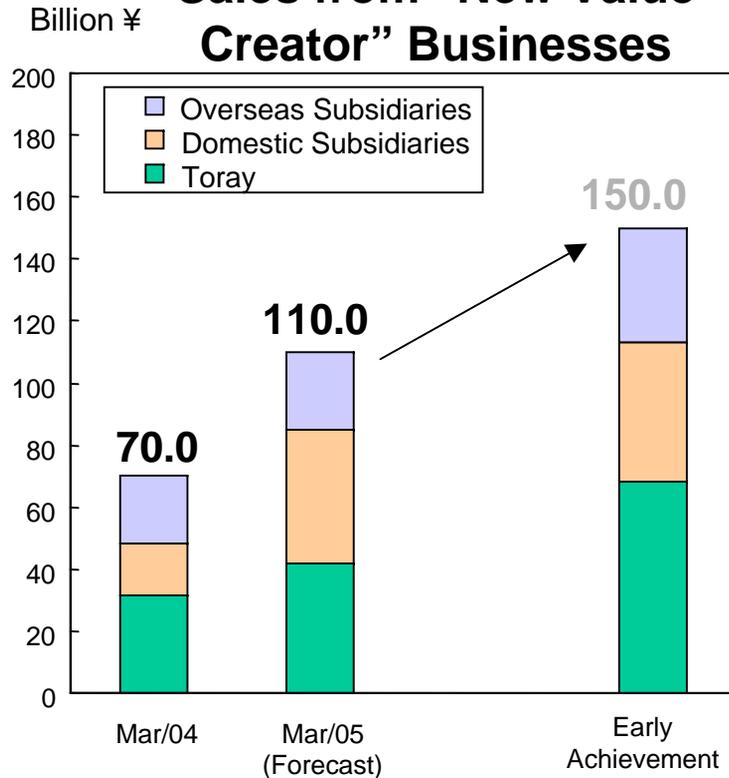
Establishment of  
New Business  
Models



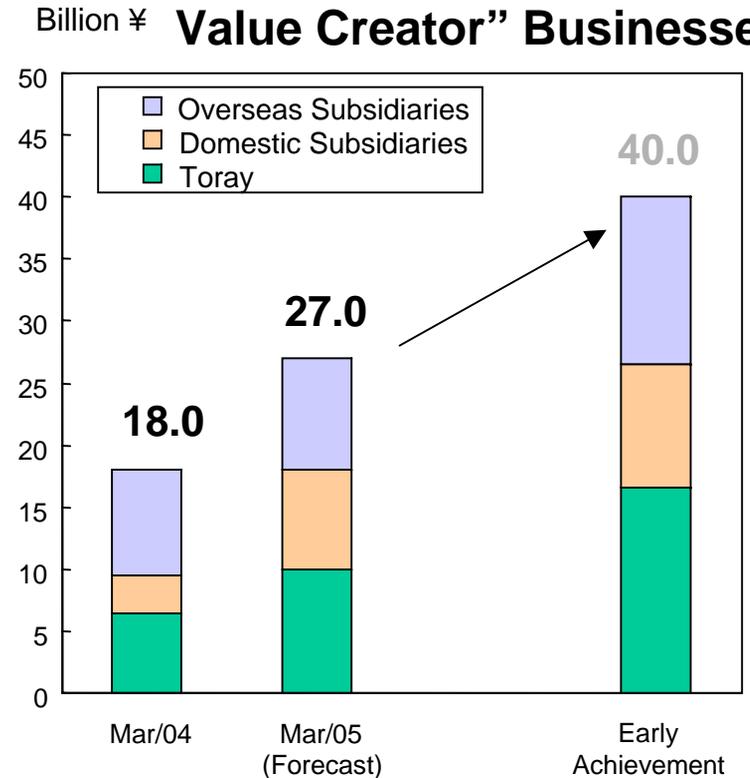
Customers  
and  
Consumers

Changeover to New Business Formula for 21st  
Century Model **“New Value Creator”**

## Sales from “New Value Creator” Businesses

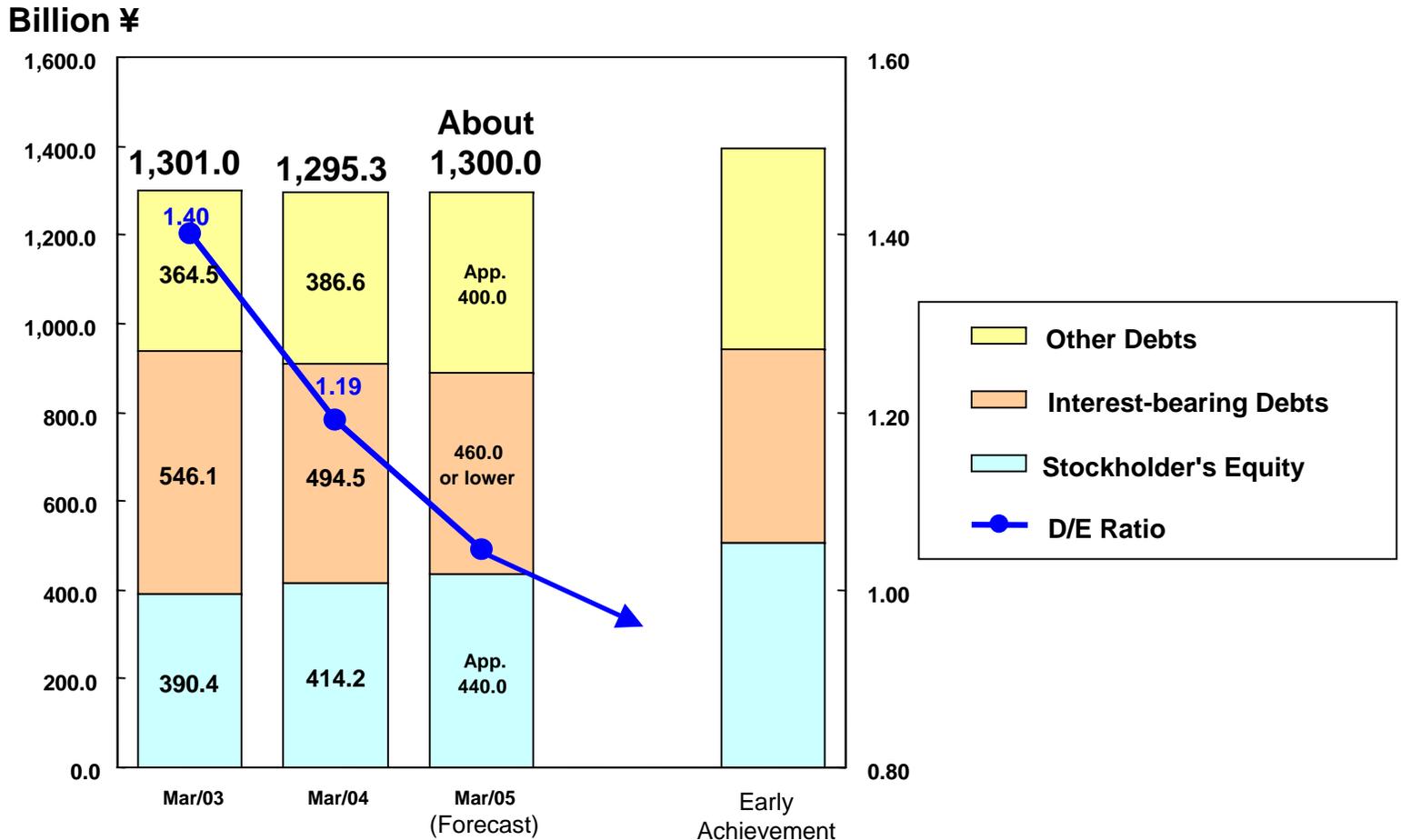


## Gross Profit from “New Value Creator” Businesses



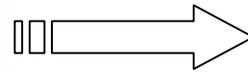
# Strengthening Financial Structure

- Capital Investment Plan: About ¥ 250 Billion in three years (Mar/05-Mar/07)
- Expanding the investment to Advanced Materials businesses as well as strengthening the financial structure
- Achieving D/E ratio 1.0 or lower as fast as possible (1.19 at the end of Mar/04)



Toray has established “TOREX” as the overarching brand that symbolizes Toray’s high-quality, technical advantages, and Advanced Materials and has started the development of brand strategies.

## (1) Brand Logo and Brand Message



Brand Message:  
**Tomorrow’s Excellence**

## (2) Example of Brand Development in China and Japan

### China



<Poster Advertisement>

**Main Brand Objects:**  
High-value-added  
Textiles

### Japan



<TV Commercial>



<Product Label>

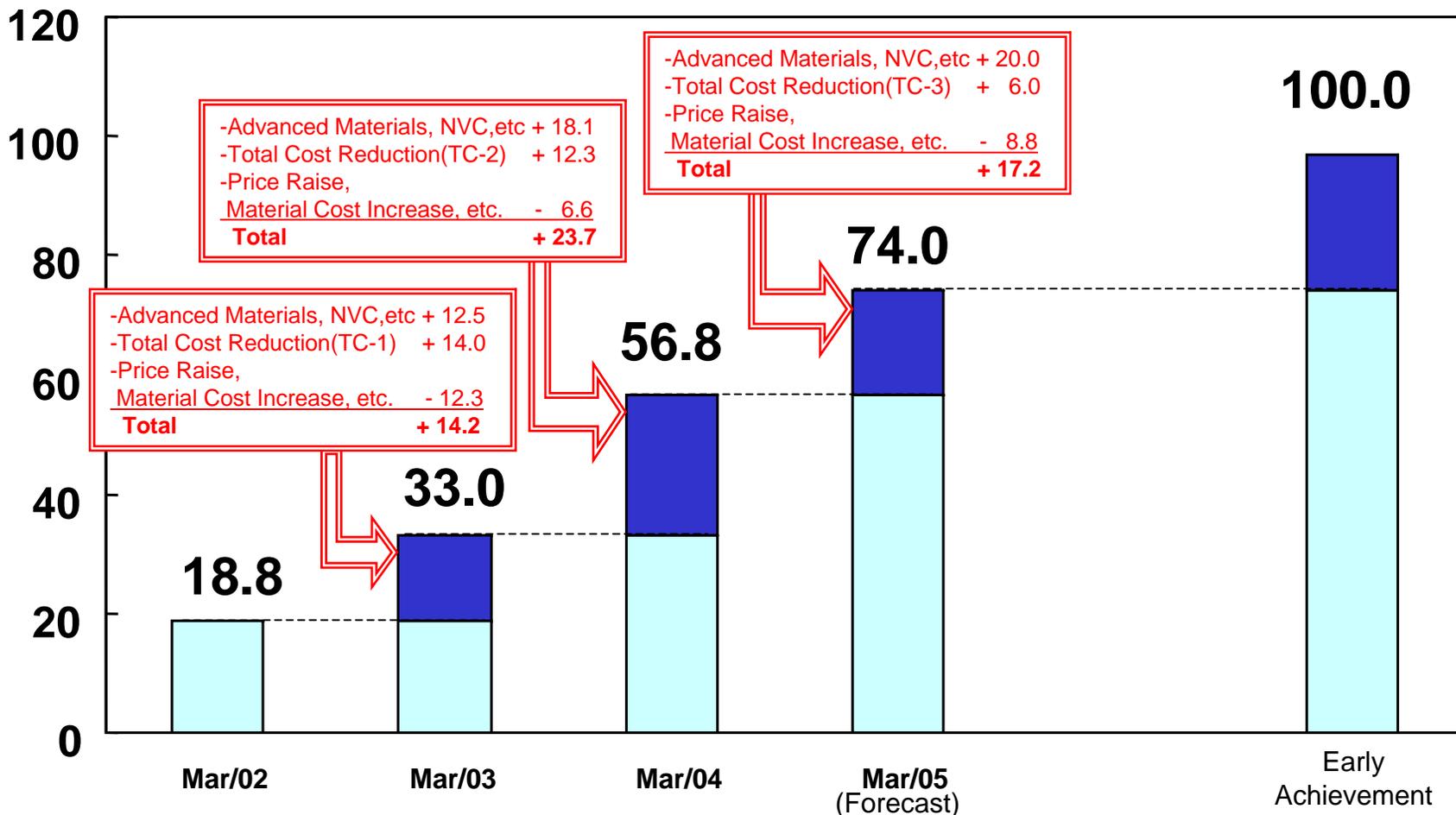
**Main Brand Objects:**  
Ecsaine\*, Entrant\*,  
Fieldsensor\*, Sillook\*,  
Quup\*

\* Toray’s brand name

# Income Variance Factor Analysis

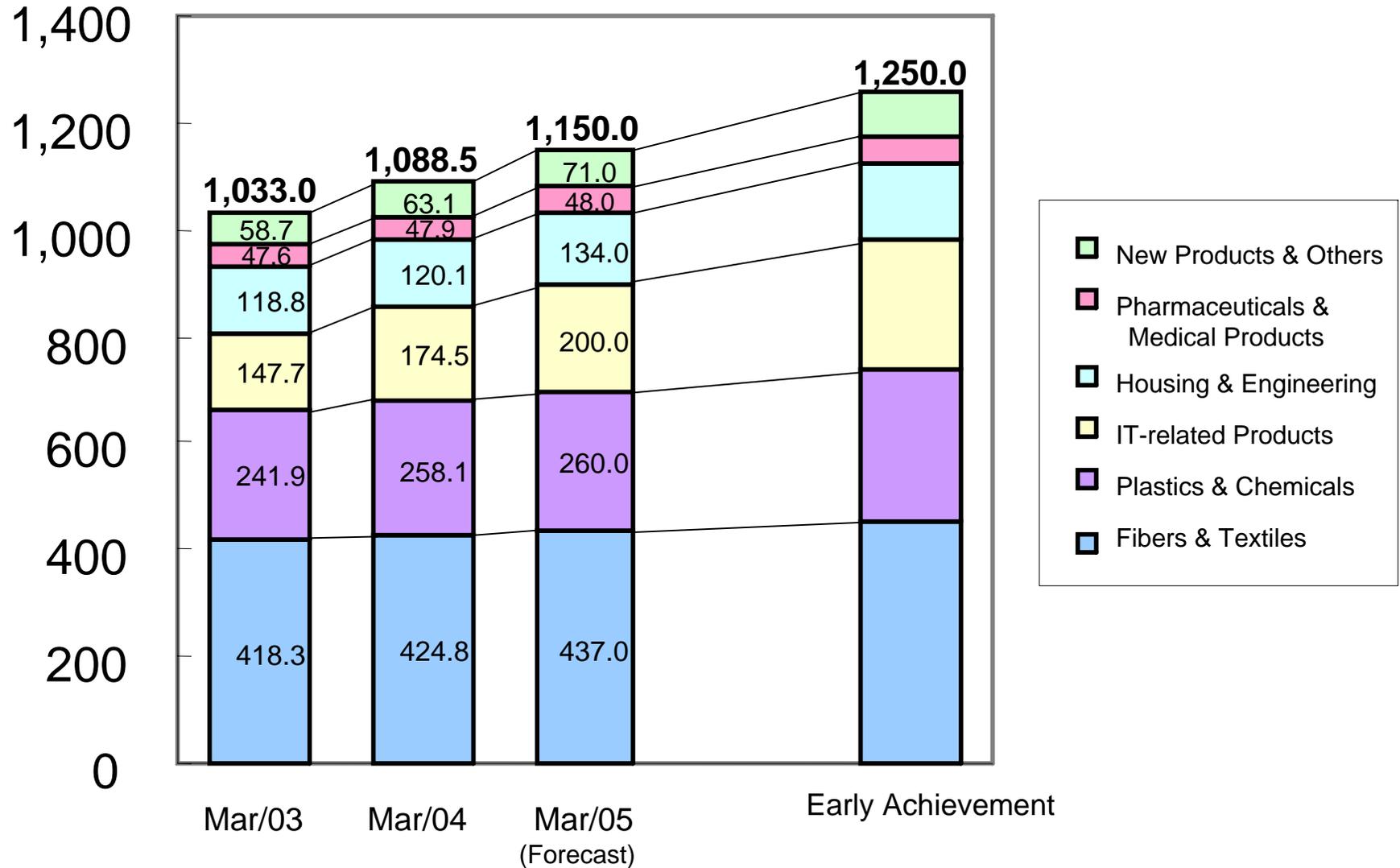
One of the main focuses in NT-II is profit enlargement through the expansion of Advanced Materials businesses, No. 1 businesses, businesses outside of Japan and promotion of the New Value Creator business model, shifting from profit improvement mainly through strengthening its corporate structure.

Billion ¥



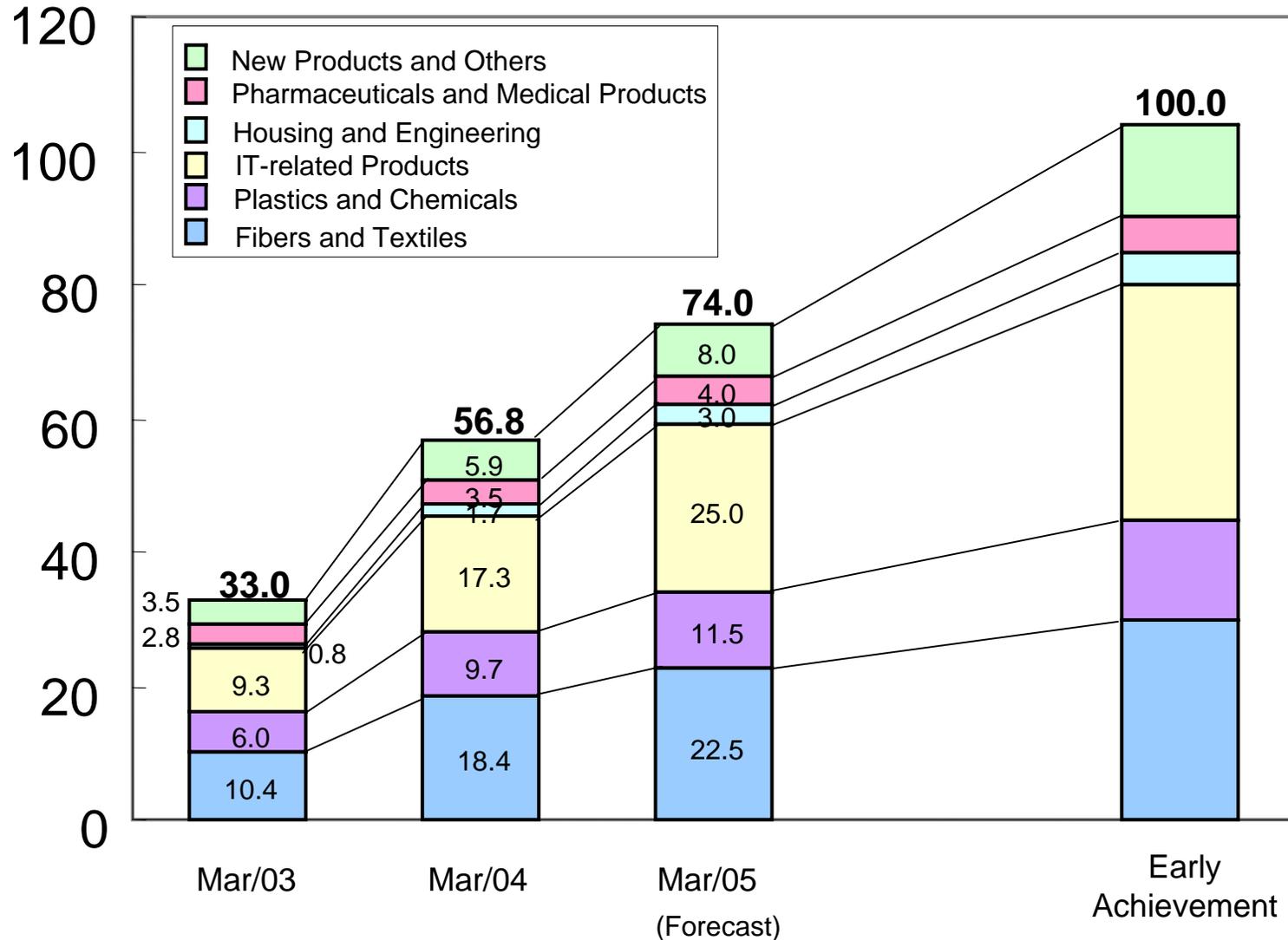
# Sales Forecast by Business Segment

Billion ¥



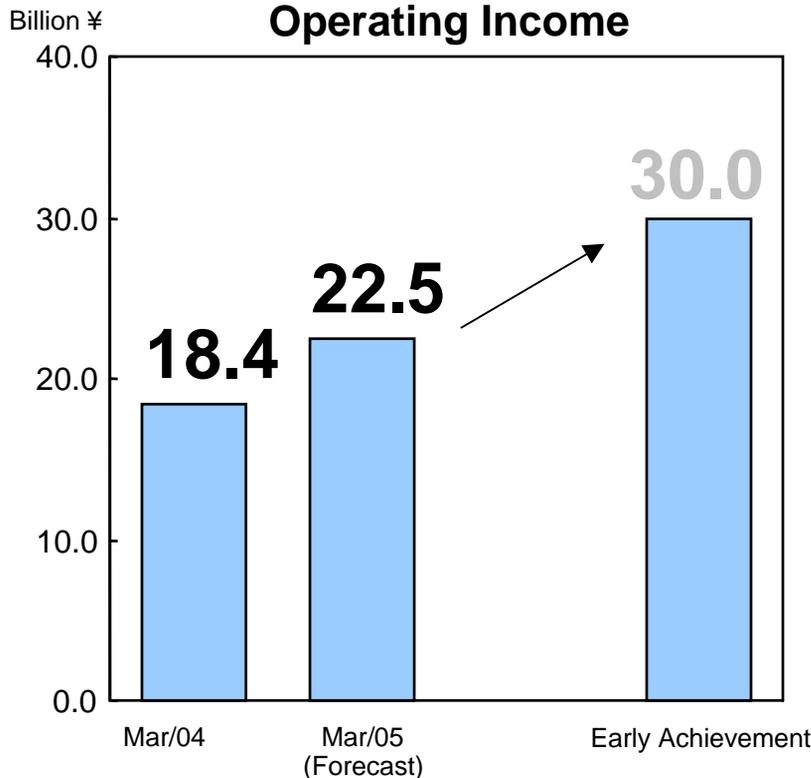
# Operating Income Forecast by Business Segment

Billion ¥



## <Business Environment>

- Imported products will continue rising.
- Demand in domestic market for high-performance fibers for clothing and industrial applications will increase.
- Overseas, increase in fiber trade centering on Asia and China will accelerate trend toward globalization of industry.



**1. Continue expanding the full range of products as a foundation business and establish a highly profitable business model based on the following diversified solutions:**

**(1) Promoting the “New Value Creator” concept**

Strengthen one-stop, full service support in order to expand joint initiatives with domestic and overseas SPAs (specialty store retailers of private label apparel), athletic apparel giants, etc.

**(2) Expanding Advanced Materials**

Naturally-derived new fibers, including polytrimethylene terephthalate fiber (3GT) and polylactic acid fiber; high-performance fibers such as polyphenylene sulfide fiber and polytetrafluoro-ethylene; nanofibers; and others

**(3) Improving profitability by product**

**2. Further strengthen the global business platform by:**

**(1) Expanding and reinforcing Global No.1 businesses**

- Promotion of global strategy for polyester-cotton blended textiles business
- Promotion of high-revenue structure for microfiber business

**(2) Expanding businesses and increasing revenues in China**

**• Toray Fibers (Nantong) Co., Ltd.**

Transition to polyester fibers with higher added value (2004 and beyond); entry into nylon fiber production (2005 and beyond)

**• Toray Sakai Weaving & Dyeing (Nantong) Co., Ltd.**

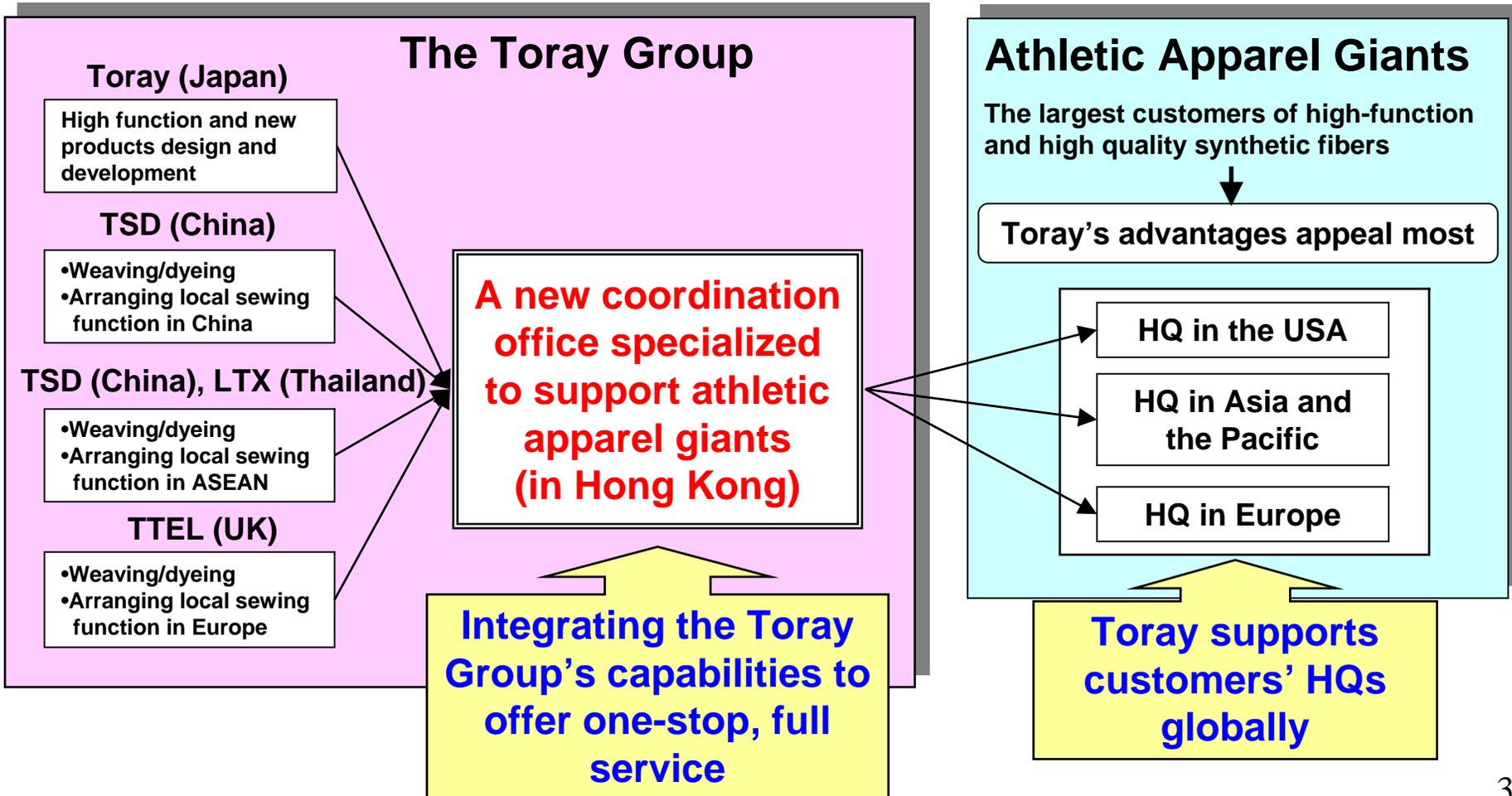
Increase of filament yarn textiles production (7.5 million meters/month from 2004); entry into knit production (2005 and beyond)

**(3) Developing global market for industrial applications**

Reinforcement of automotive-related applications, such as airbags, seatbelts, and car seats (including microfibers); establishment of infrastructure for global production

# Example of “New Value Creator” (Fibers and Textiles)

Established a new coordination office in Hong Kong to support global headquarters of athletic apparel giants, the largest customers of high-function synthetic fibers, with one stop, full service

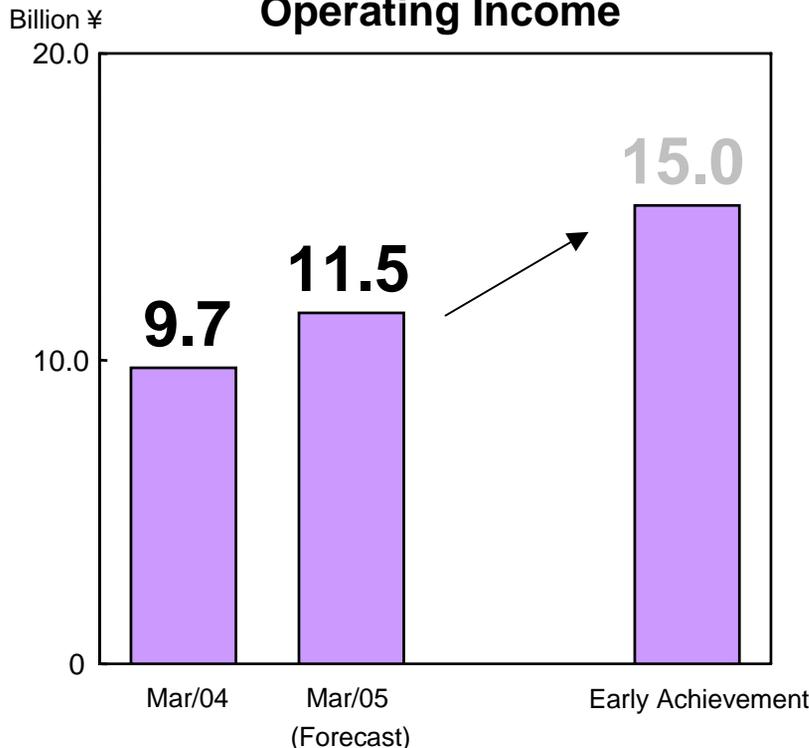


# Profit Expansion in Plastics and Chemicals Segment

## <Business Environment>

- Global demand for plastics will continue stable growth due to increased global automotive production and electronic equipment production.
- Global demand for industrial and packaging films will grow stably. Demand in Asia, and China in particular, is rapidly growing due to improved lifestyle standards, but prices for general purpose items have decreased due to intensified competition.

## Operating Income



**1. Promote transforming the business structure toward higher value creation, in order to establish a stable revenue structure, by:**

**A. Promoting “New Value Creator” concept**

- Promotion of early recognition of needs sought in end products
- Proposing solutions based on new materials and composite materials

**B. Expanding use of advanced materials**

- Plastics business: promotion of higher value creation for automotive applications and new environmentally friendly materials
- Film business: new industrial and packaging materials with nano-alloys and nanostructure control technology, etc.

**C. Improving profitability by product**

- Shift to high-profitability products
- Reassessment of low-profitability businesses

**2. Reinforce business structure and expand business by:**

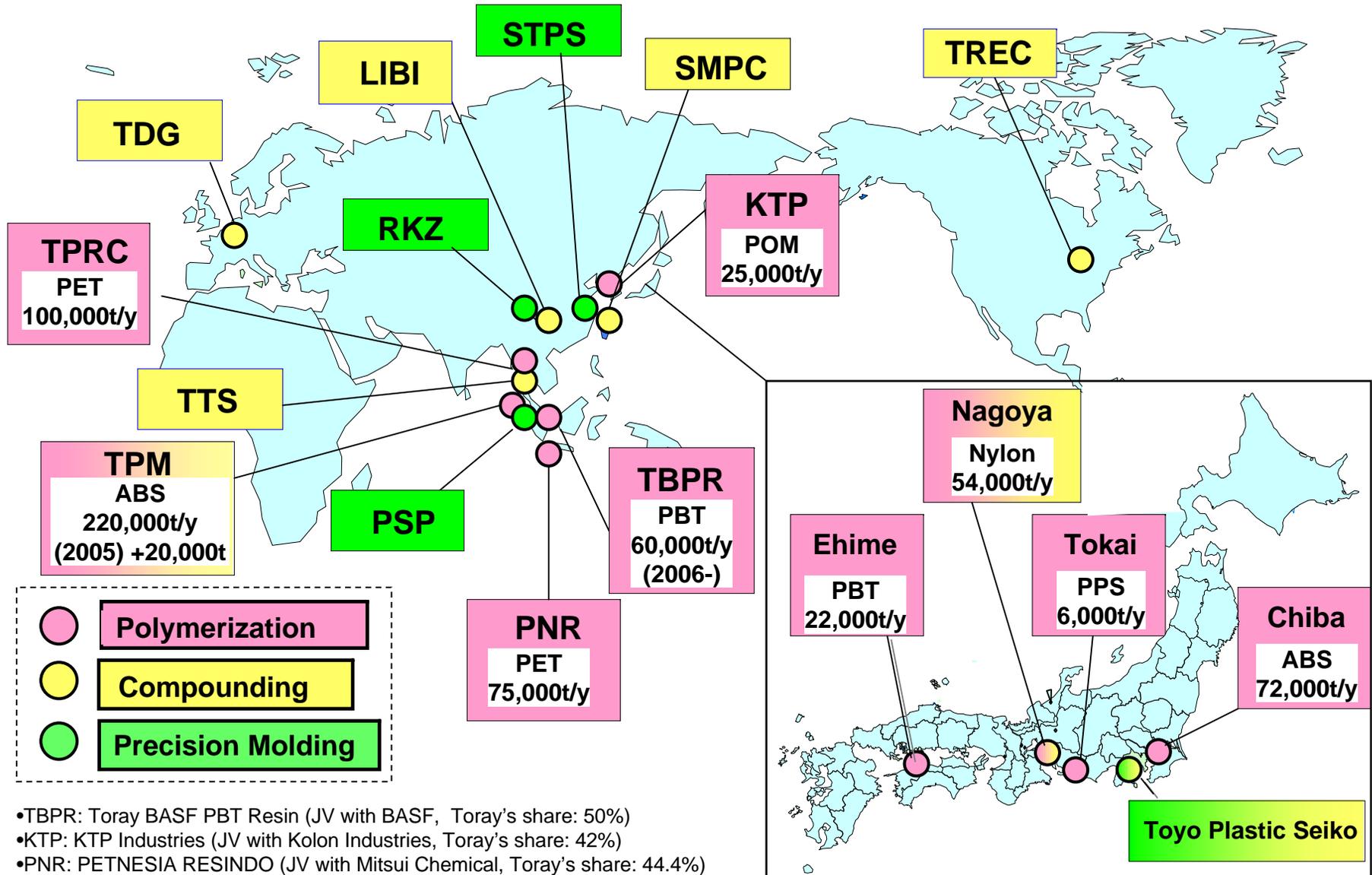
**A. Establishing supply system for plastics business in Asia**

- Establishment of polymerization bases
- Expansion of compounding capabilities (China, Thailand)

**B. Establishing stable profit structure for film business by optimizing arrangements between six global production bases**

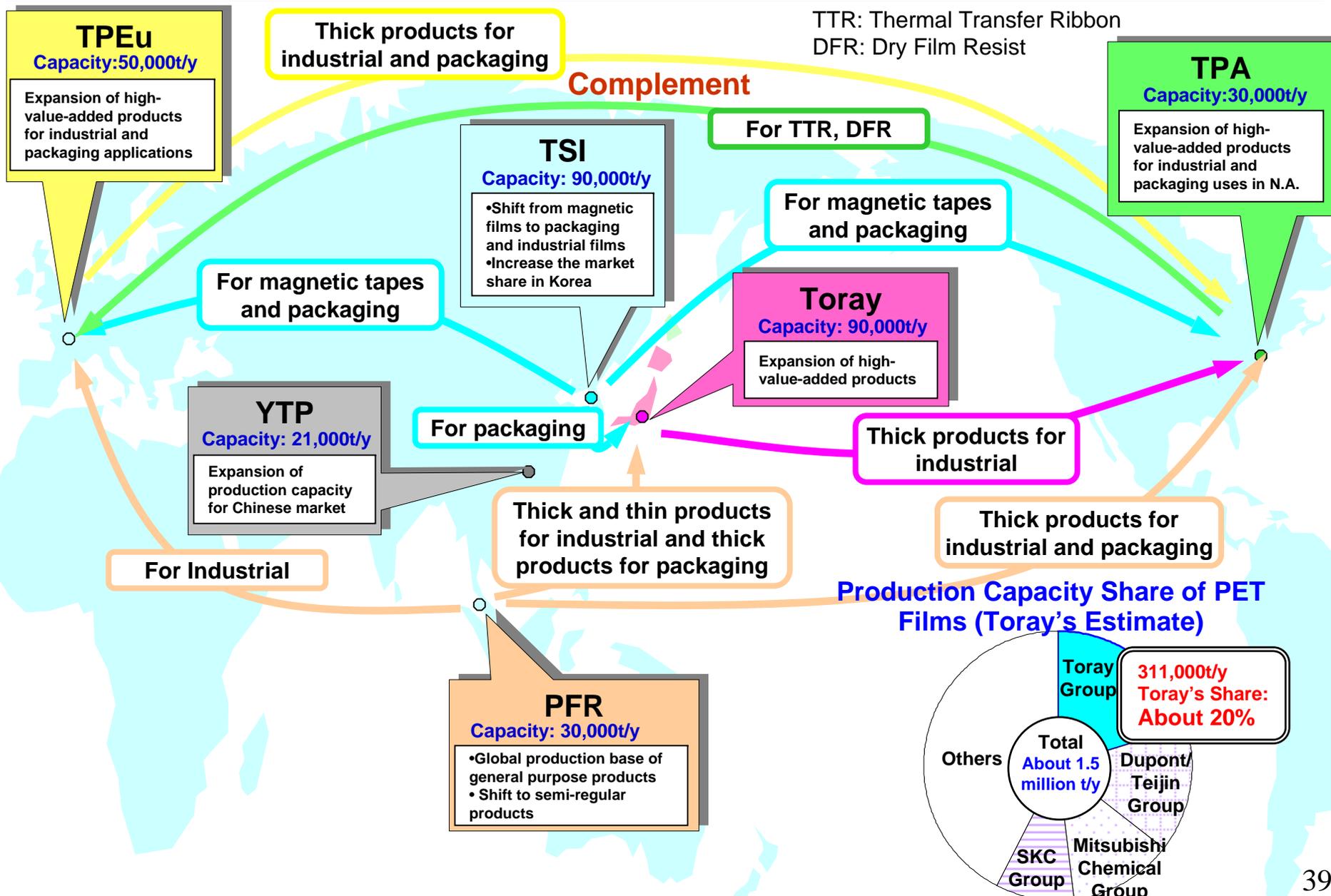
- Establishment of firm profitability of TPA and TPEu and further revenue improvement
- Reinforcement of production capability in China to meet growing demand
- Transition to mother plants and higher value creation for domestic production bases

# Production Bases of Resin Products



- TBPR: Toray BASF PBT Resin (JV with BASF, Toray's share: 50%)
- KTP: KTP Industries (JV with Kolon Industries, Toray's share: 42%)
- PNR: PETNESIA RESINDO (JV with Mitsui Chemical, Toray's share: 44.4%)
- TPRC: Thai PET Resin (JV with Mitsui Chemical, Toray's share: 40%)
- SMPC: Shanghai Mitsui Plastics Co. (JV with Mitsui&Co., Mitsui Chemical, etc., Toray's share: 16.7%)

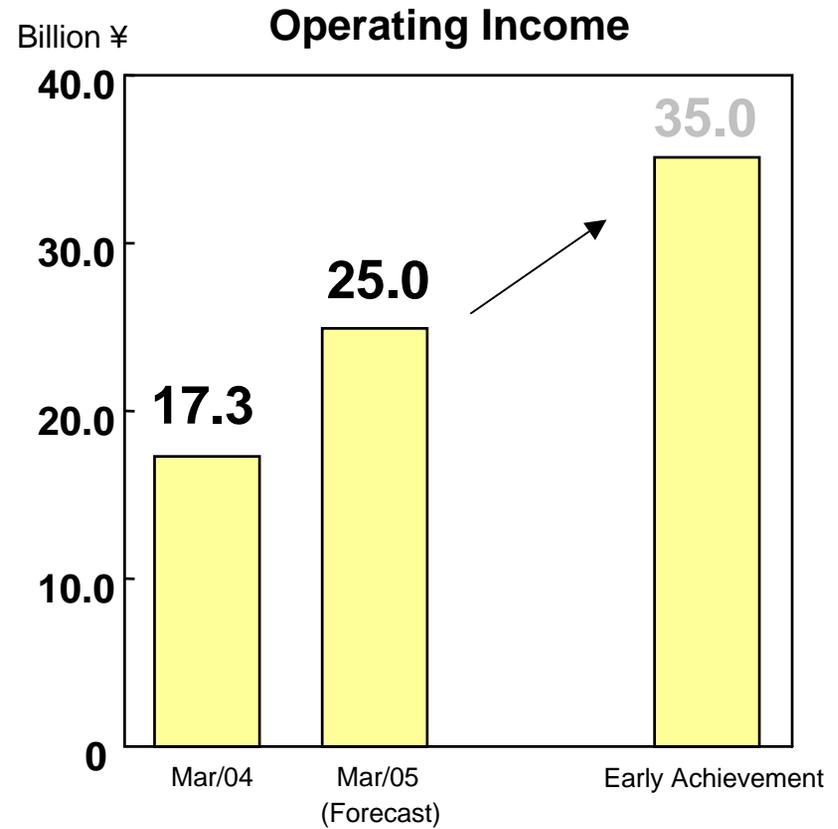
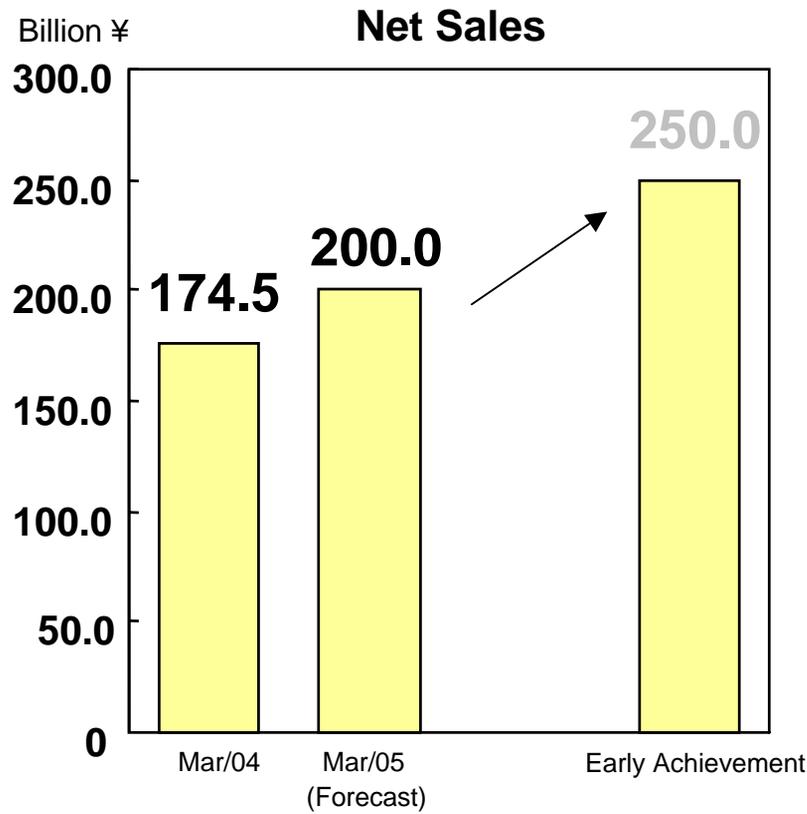
# Global Operation of PET Films



# Profit Expansion in IT-related Products Segment **TORAY**

## < Business Environment >

- Electronics and information industry is expected to grow continuously led by the steady growth of cellular phones and PCs and rapid growth of digital home appliances.
- Especially, electronics materials industry including semiconductors, circuit materials, FPD, etc. will grow as high as 12% annually.
- The most growing markets are China, Taiwan, and Korea.



# Recent Activities in IT-related Products

## <Recent Activities>

- Mar/04** Made **a long-term and comprehensive supply agreement with Samsung Group** for LCD color filter related businesses (color filter, slit coater, paste materials)
  
- Apr/04** Established **IT-business SBU** (Strategic Business Unit) to expand IT-related products segment strongly through cross-sectional approach
  
- May/04** Established **“Advanced Materials Project”** in Technology Center to commercialize the following five businesses early by the integrated efforts of production, sales, technical, and R&D

**Examples of New Advanced Materials**

Category	Businesses
Display Materials	Advanced Processed Films
	Color Filter Materials
	Organic EL Materials
Circuit and Semiconductor Materials	Next Generation Film-based Circuit Materials
	CMP Pad
	Photosensitive Hybrid Materials
	Electro-Conductive Paste

# LCD Color Filter-related Businesses

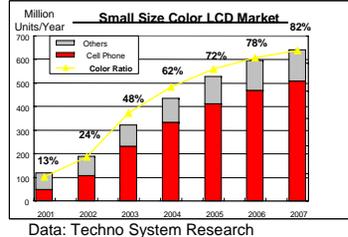
- Focus on small/medium size color filter markets for current color filter business
- Provide equipment, materials and know-how for large size to fit panel makers' in-house color filter production strategy

Expand LCD-related businesses with color filters, slit coaters, and paste materials

## <Small & Medium Size CF Market>

### Consumer Trend

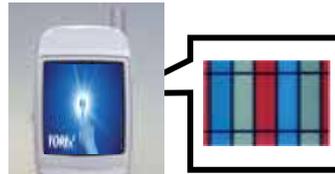
Increasing needs for color cellular phones



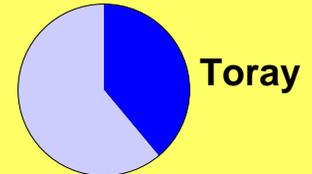
### Toray's Solution

**TAF** (Toray Advanced Color Filter Technology)

Bright both outdoor and indoor



No. 1 Share of TFT CF for Worldwide Cellular Phone Market



## <Large Size CF Market>

### Panel Makers' Move

Shift to Larger Substrate Size (5G, 6G, 7G...)

In-house Production of Color Filters

### Toray's Solution

**Paste Material (Black Matrix Resins, Color Pastes)**

+

**Equipment (Slit Coater)**

Toray is the only CF supplier who produces CF by slit coater. Slit Coater is made by Toray Engineering.

No. 1 Market Share for Slit Coater



7G Toray Slit Coater

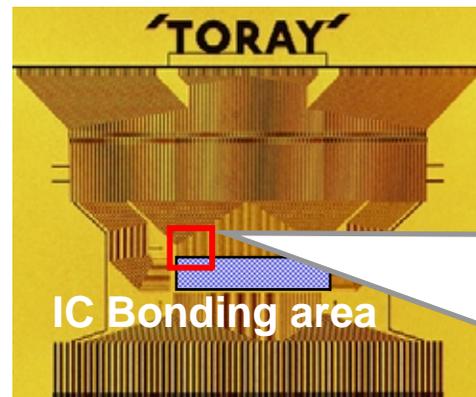
- Achieved to produce 25 micrometer pitch of patterns by the combination of super fine-pitch wiring technology and a new technology minimizing polyimide film dimension change
- Many inquiries from customers and targeting to commercialize in 2005

## Next Generation Patterning Technology

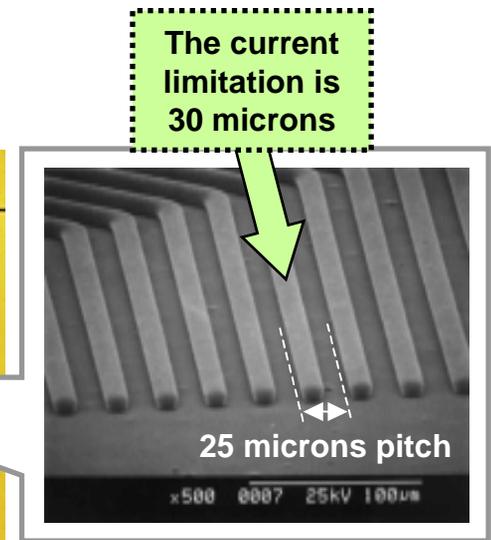
### Trend of LCD Driver IC Bonding Pitch

Year	'00	'01	'02	'03	'04	'05	'10
Pitch(micron)	45	40	35	25	25	10	10
Conventional							
Next Generation							

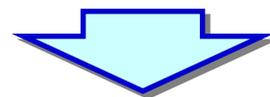
:Limitation of  
:Conventional Tech.



Pattern Sample



(magnified picture)



**Improve the quality of LCD products including cellular phones**  
 (Consumers can enjoy high quality moving pictures like high vision on cellular phones and PDAs.)

## <Business Environment>

- Demand in water market will increase due to global water shortage.
  - Reverse osmosis membrane market will grow 5%, with particularly high growth in Middle East market
  - Water and sewage applications in microfiltration and ultrafiltration membrane markets will grow more than 10%.
  - Stiff competition for orders in construction and engineering market will continue, despite predictions of increased capital investment primarily in IT industry
- Condominium market will split between firm demand in city center areas and decline in suburban properties markets.

## 1. Water Treatment Business

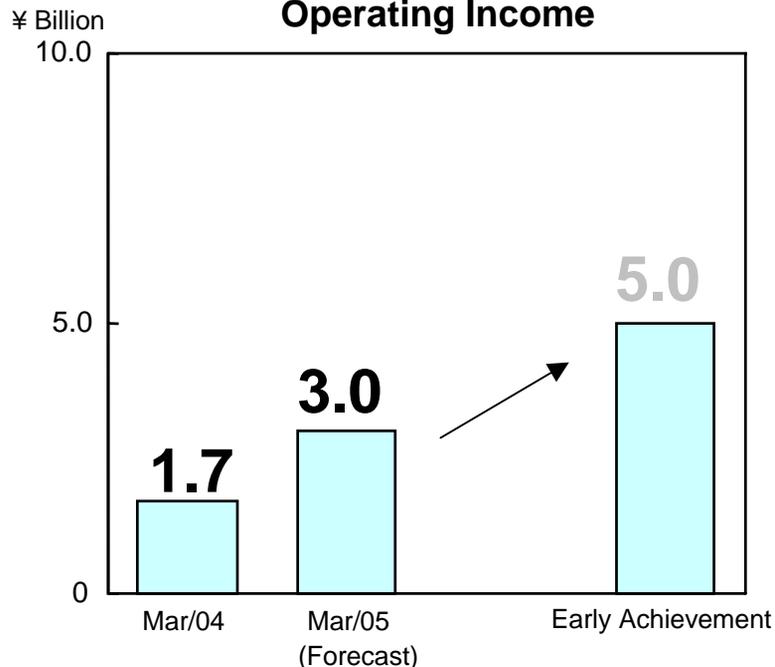
- Expand membrane market by augmenting overseas sales organization through positioning of employees in Middle East and China
- Develop system plant business through worldwide alliances

**Future Plan: In 10 years, establish a Water Business Group with sales exceeding 150 billion yen**

## 2. Housing and Engineering Business

- Ensure comprehensive profit management by each project
- Strengthen sales capability
  - Increase orders through systematic sales efforts
- Achieve early commercialization of new engineering technology
- Strengthen equipment sales with process expertise

Operating Income



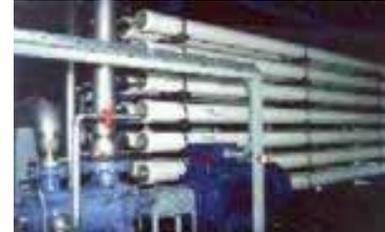
# Global Installation of Toray RO Membranes for Sea Water Desalination



(Netherlands Antilles)  
11,400 (m3/d)



Mas Palomas  
(Spain Canary Island)  
No. 1 Plant 4,500 (m3/d)



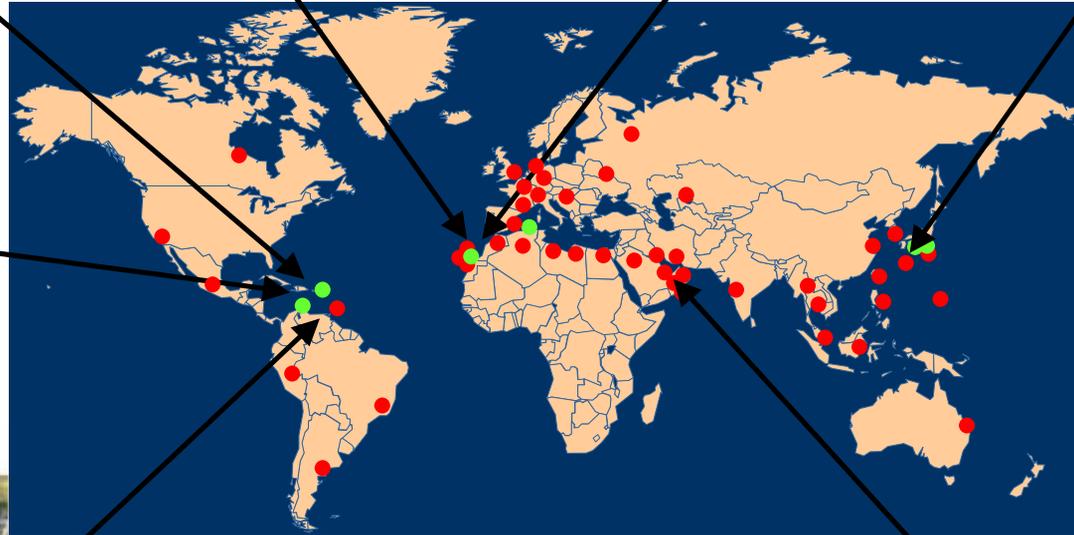
Mas Palomas  
(Spain Canary Island)  
No. 2, 3 Plant 9,000 (m3/d)



Okinawa  
(Japan)  
40,000 (m3/d)



Tortola  
(British Virgin Islands)  
690 (m3/d)



Trinidad and Tobago  
136,000 (m3/d)

Al Jubail  
(Saudi Arabia)  
91,000 (m3/d)

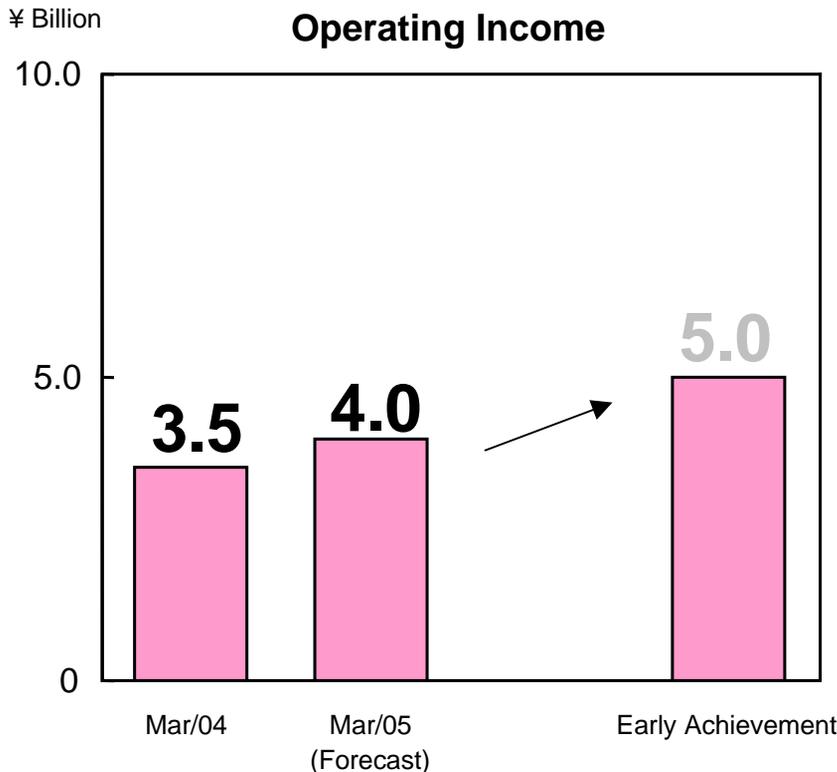


● :Toray's 2-Stage RO Systems  
● :Conventional RO Systems

# Profit Expansion in Pharmaceuticals and Medical Products Segment

## <Business Environment>

- In pharmaceuticals business, competition of new drug development is stiff. Pharmaceutical companies are becoming larger by industry reshuffling or becoming specialty pharmaceutical companies with concentrated fields of specialization.
- Annual demand for dialyzer is expected to grow by 4% in Japan and 7% overseas, as number of dialysis patients grows.



## 1. Pharmaceuticals Business

- Acquire European approval for new antipruritus drug **TRK-820** (co-developed with Fujisawa Pharmaceutical), and achieve concrete progress in clinical testing conducted in Japan and U.S.
- Achieve concrete progress in conducting clinical testing of new painkiller drug **TRK-091** (co-developed with Nippon Shinyaku)
- Expand business by obtaining additional indications of **Feron\*** and **Dorner\***
- Promote efforts to develop innovative medicines (for nerves and inflammation/immunology, cardiovascular, hematology areas) that merge medicinal chemistry with new drug creation, computer-aided drug design (CADD), combinatorial chemistry, and high-throughput screening
- Promote drug delivery system (DDS), cell therapeutics, and genomics and proteomics for target discovery through collaboration between New Frontiers Research Laboratories and Pharmaceutical Research Laboratories

## 2. Medical Products Business

- Expand business by introducing next generation **Toraysulfone\***
- Expand business by capitalizing on Toray's unique overall strengths in dialyzer, dialysis equipment, and blood circuit
- Expand emergency intensive care column business

**Future Plan: Around 2010, achieve combined sales of 150 Billion yen from pharmaceuticals and medical products segment.**

# Strategy for Pharmaceutical Research

## Target Area

Nerves  
Inflammation / Immunology  
Cardiovascular  
Hematology

## Target Disease

Pruritus/Pain, Urinary Incontinence,  
Kidney disease, Inflammatory bowel  
Disease, Thrombosis, Diabetes,  
Cancer

## Basic technology

Medicinal Chemistry

CADD

Genomics/Proteomics

## Collaboration

Pharmaceutical companies  
Academia

Chemical library

Identification of  
target protein

## Obtaining additional indications

(Marketed drugs)

Feron\*

Dorner\*

Expanding the business in novel and surrounding area

## new medicine

(Drugs in development)

TRK820

TRK091

Expanding the business in the field of ordinary Pain/Pruritus disease

## Researching for new medicine

in the field of target disease

DDS

Collaboration with New Frontiers Res. Labs

Creating innovative new pharmaceuticals

## New Frontiers Res. Labs.

Materials/Biotechnology

DDS technology

Genome-based drug discovery

Disease-related gene

Disease-related protein

Proteomics

Innovative treatments



Feron\*: natural human interferon-beta  
Dorner\*: orally active prostacyclin derivative

TRK820: anti-pruritic drug

TRK091: drug for the treatment of moderate pain

DDS : Drug Delivery System

CADD: Computer-Aided Drug Design

# Profit Expansion in New Products and Other Businesses Segment

## <Business Environment >(Carbon Fiber Composite Materials Business)

- Industrial demand will show steady growth primarily in Europe and Asia and matching of supply and demand will continue to improve.
- Carbon fiber business will enter a significant growth period led by growing demand in industrial, new aircraft, and other applications.

**1. As the global No. 1 manufacturer of carbon fiber, Toray will strive to expand its business on a global scale in order to meet the significant growth in carbon fiber demand by:**

### A. Expanding sales for industrial applications

- Main applications: CNG tank, wind power generator blade, civil engineering and construction, automobiles, etc.
- Matching the increased production capacity at SOFICAR (1,800 tons per year, from 2004)

### B. Expanding sales for aircraft applications

- Carbon fiber for Airbus A380 aircraft (2004 and beyond)
- Prepreg for Boeing 7E7 aircraft
- Matching the increased production capacity at SOFICAR (1,800 tons per year, from 2004)
- Matching the increased production capacity at CFA (1,800 tons per year, from 2006)

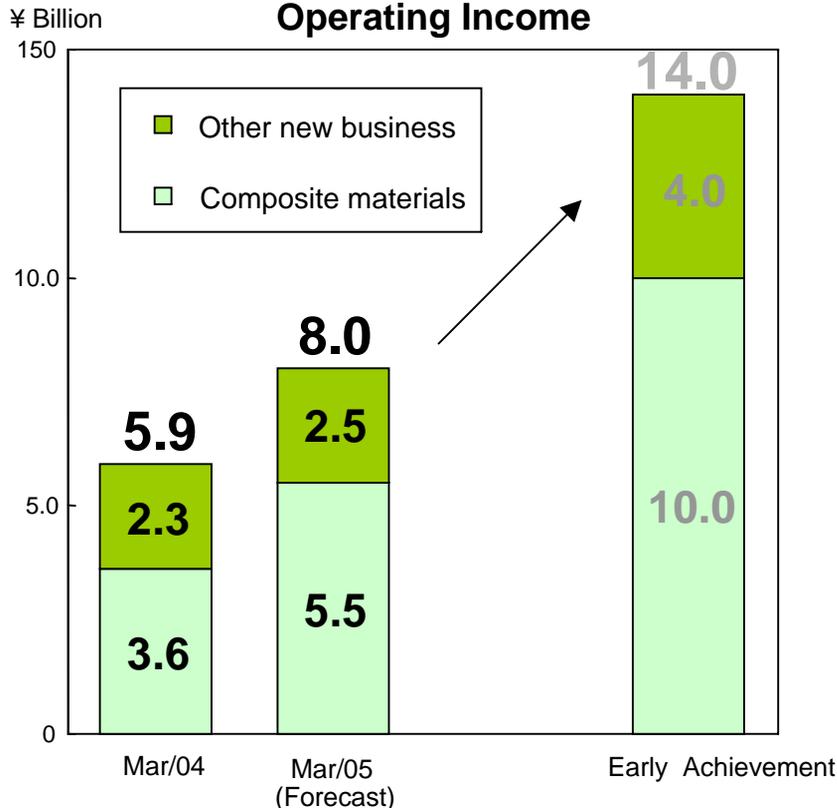
**2. Based on a strengthened carbon fiber business, Toray will seek further high-value creation by balancing upstream, midstream, and downstream businesses.**

### A. Expansion of midstream business

- High-value creation of prepreg used in sport applications
- Expand business for industrial textiles, textiles for civil engineering and construction, etc.

### B. Expansion of downstream business

- Expand business for composite (molded) products (automotive, civil engineering and construction, and other applications)
- Strengthen development capabilities by establishing Composite Development Center



# Reinforcement and Expansion of Carbon Fiber Composite Materials Businesses

## Demand Estimate on PAN-based Carbon Fiber

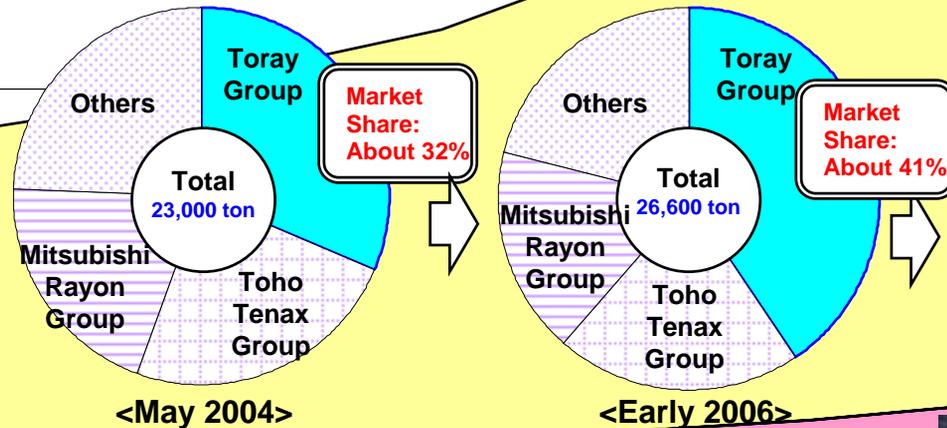
(including Large Tow, Data: Toray Estimate)

### Toray Group's Pan-based Carbon Fiber Production Capacity (Unit: Ton/year)

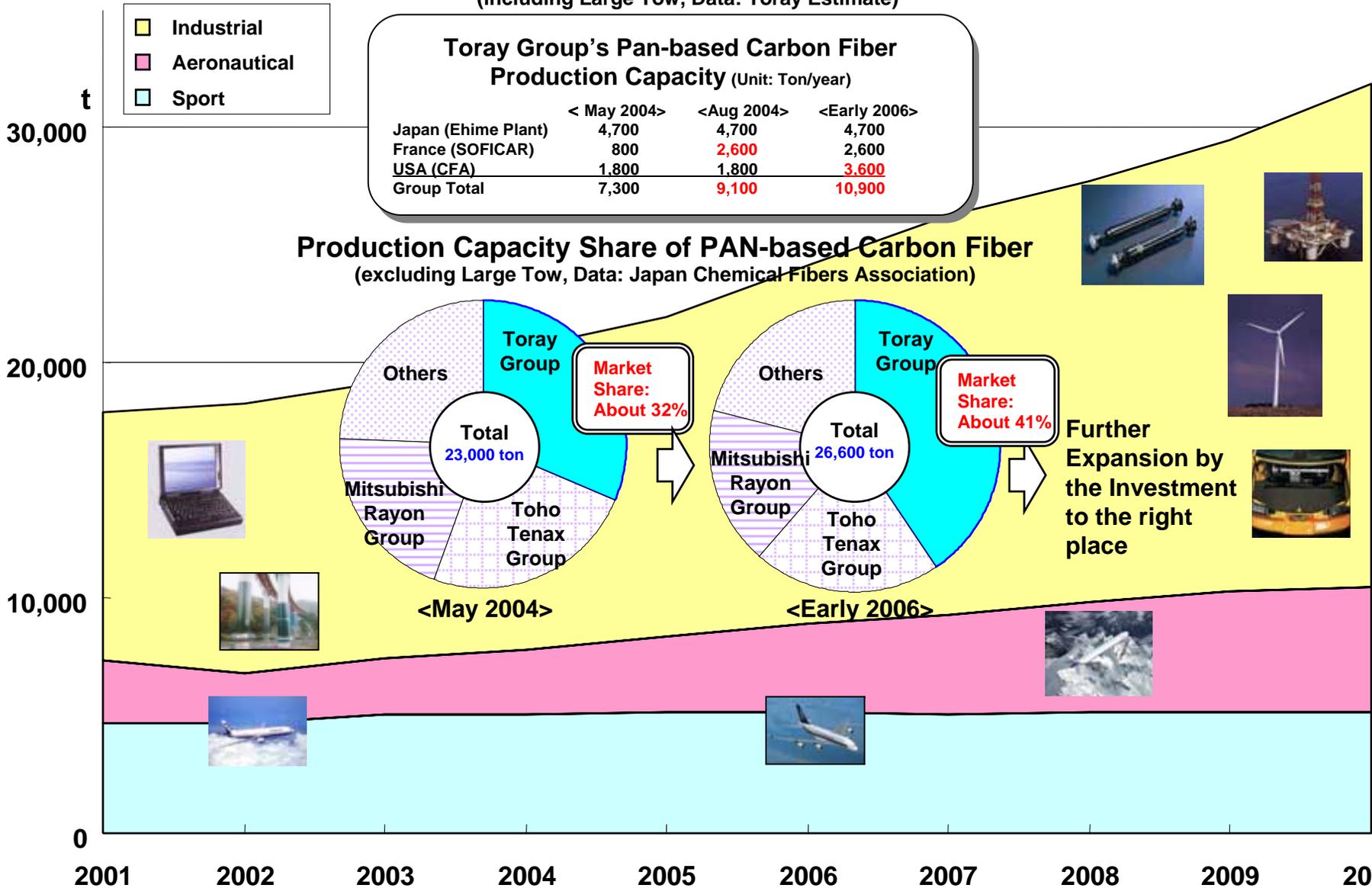
	< May 2004 >	< Aug 2004 >	< Early 2006 >
Japan (Ehime Plant)	4,700	4,700	4,700
France (SOFICAR)	800	2,600	2,600
USA (CFA)	1,800	1,800	3,600
<b>Group Total</b>	<b>7,300</b>	<b>9,100</b>	<b>10,900</b>

## Production Capacity Share of PAN-based Carbon Fiber

(excluding Large Tow, Data: Japan Chemical Fibers Association)



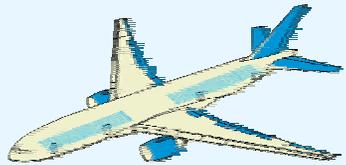
Further Expansion by the Investment to the right place



# Expansion of Composite Materials for Aircraft Structures

Due to usage of CFRP increase for new aircrafts, demand in aircraft application will expand significantly from now on.

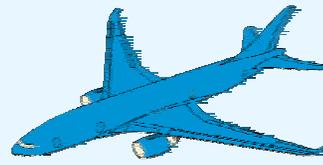
## Boeing(B) 777



Partially composite  
For primary structures  
( Toray's prepreg )



## 7E7 (Delivery 2008)



All composite for  
primary structures

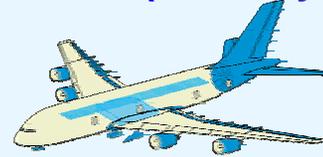
## Airbus(A) A340-500/600



Composite for  
secondary structures  
( Toray's carbon fiber )



## A380 (Delivery 2006)



Composite for  
primary structures



Further  
expansion of  
CFRP usage  
in developing  
models

Year	1982	1995	2006	2008
Model	B 767, etc.	B 777	A380	B 7E7
Structures	Secondary	Primary / Secondary	Primary / Secondary	Primary / Secondary
Amount of CFRP / aircraft	1.5 tons (B767)	Approx. 10 tons	Approx. 35 tons (estimate)	Approx. 30 tons (estimate)
Amount of CF / aircraft	1 ton (B767)	Approx. 7 tons	Approx. 23 tons (estimate)	Approx. 20 tons (estimate)

## NT-II

1. Developing innovative attitudes and ideas, reinforcing corporate structure, and reshaping management style
2. Expanding revenues and profits through business structure reform
  - (1) Expanding Advanced Materials businesses
  - (2) Expanding and reinforcing global No. 1 businesses
  - (3) Expanding businesses outside of Japan
3. Achieving effective and aggressive capital investment while reinforcing financial structure
4. Revitalizing and promoting CSR

Early achievement of  
Operating Income 100 billion yen

**Building a Global, Highly Profitable Toray Group**

**'TORAY'**

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Descriptions of forecasted business results, projections, and business plans for the Fiscal year ending March 2005 and mid-term management issues contained in this material are based on predictive forecasts of the future business environment made at the present time.

The material in this presentation is not a guarantee of the Company's future business performance.