

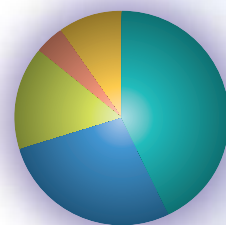
Annual Report 1998

April 1, 1997–March 31, 1998

Growth
Globalization
Group Management

Profile

Toray Industries, Inc., is the world's leading manufacturer of synthetic fibers and textiles, with 200 subsidiaries and affiliated companies in 16 countries and areas, including Japan, around the world. The Toray Group's diversified businesses include fibers and textiles, plastics and chemicals, housing and engineering, pharmaceuticals and medical products, and new products and other businesses, including carbon fiber and electronics and information-related products. In fiscal 1998, ended March 31, 1998, consolidated net sales totaled ¥1,087.7 billion.



CONSOLIDATED SALES,
BY SEGMENT

42.9%

Fibers and Textiles

27.6%

Plastics and Chemicals

15.5%

Housing and Engineering

4.3%

Pharmaceuticals
and Medical Products

9.7%

New Products
and Other Businesses

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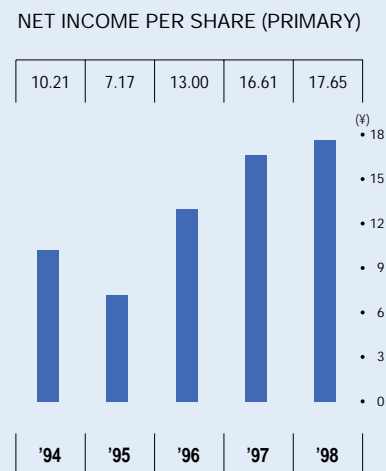
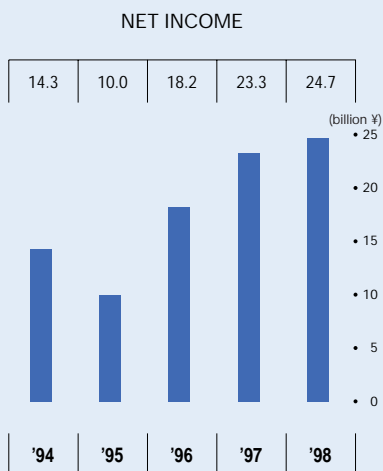
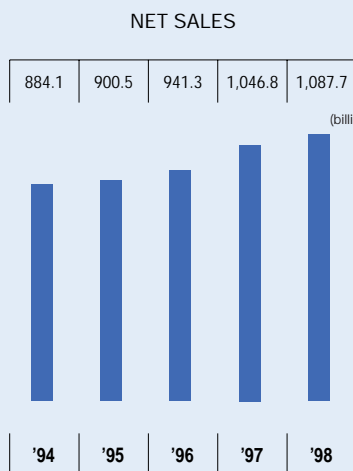
Product names with an asterisk (*) are trademarks of Toray Industries, Inc., or its subsidiaries or affiliated companies.

Financial Highlights

Toray Industries, Inc. and Subsidiaries
Years ended March 31

	Millions of yen			Thousands of U.S. dollars
	1998	1997	1996	1998
For the year:				
Net sales.....	¥1,087,713	¥1,046,837	¥ 941,346	\$ 8,240,250
Operating income.....	71,919	71,661	53,532	544,841
Net income.....	24,740	23,276	18,216	187,424
Capital expenditures.....	150,700	96,182	113,348	1,141,667
At year-end:				
Total assets.....	¥1,427,291	¥1,392,496	¥1,311,615	\$10,812,811
Property, plant and equipment, net.....	622,689	590,230	546,589	4,717,341
Total stockholders' equity.....	493,366	478,596	465,232	3,737,622
	Yen			U.S. dollars
Per share of common stock:				
Net income:				
Primary.....	¥17.65	¥16.61	¥13.00	\$0.134
Fully diluted.....	17.43	16.41	12.88	0.132
Cash dividends.....	7.00	7.00	7.00	0.053

Note: All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at ¥132 to \$1.00. Billion is used in the American sense of one thousand million.



A Message from the President

OVERVIEW AND RESULTS

Dear Fellow Stockholders,

I am pleased to present the business results of Toray and the Toray Group for fiscal 1998, ended March 31, 1998.

During the term under review, there were strong indications of an overall economic downturn in Japan owing to sluggish personal consumption, falling capital investment, and increased concerns regarding the instability of the nation's financial system. Internationally, the U.S. economy continued on a course of robust expansion, while European economies showed an overall advance. Conversely, Asian economies were adversely affected by the economic turmoil that resulted from the significant depreciation of the currencies of several countries in the region against the yen and other major currencies.

Under these business conditions, Toray sought to establish a corporate structure that will be more resilient amid changes in the global business environment. Toward

the achievement of this goal, we carried out strategic initiatives aimed at boosting our cost-competitiveness through the modernization and streamlining of our production processes while introducing measures to further upgrade our information systems, enabling us to perform even more highly sophisticated marketing, logistics, and administration activities. We also committed management resources to the enhancement of R&D capabilities in areas critical to success in promising new business fields as well as making capital investments to support aggressive business expansion in Japan and overseas. At the same time, we strengthened our marketing capabilities and aggressively committed financial resources both in Japan and overseas with a view toward leveraging our core competencies over the medium-to-long term and further expanding our global business operations.

As a result of these efforts, Toray's consolidated net sales rose 3.9%, to ¥1,087.7 billion. Operating income edged up 0.4%, to

¥71.9 billion, and net income expanded 6.3%, to ¥24.7 billion. These favorable sales results were due mainly to the parent company's solid growth in sales of fibers and textiles as well as plastics and chemicals and to its heightened activity in new products and other businesses. Domestic subsidiaries also contributed to higher sales, with favorable showings in such business areas as plastics and chemicals, housing and engineering, and trading, while overseas subsidiaries contributed through enhanced performances resulting from stepped-up marketing efforts and capital investment programs related to fibers and textiles, plastics, and advanced composite materials.

Looking at profits, higher sales—combined with initiatives to reduce costs through the implementation of self-improvement efforts as well as facility modernization programs, both of which are aimed at creating a stronger corporate structure—contributed to another year-on-year increase. The profit picture was also helped by the execution of appropriate



Katsuhiko Hirai, President and Chief Executive Officer

countermeasures for minimizing exchange losses stemming from the depreciation of several Asian currencies against the yen and other major currencies as well as efforts by the Toray Group to leverage its advantages in cost-competitiveness and product quality.

Consequently, net income per share for the fiscal year under review rose 6.3%, to ¥17.7. The equity ratio edged up 0.2 percentage point, to 34.6%.

In addition to the aforementioned business activities, Toray energetically addressed environmental issues by allocating management resources constantly to R&D activities with environmental themes. Moreover, Toray Science Foundations established in Thailand, Indonesia, and Malaysia marked their fourth year of operations by continuing to support the promotion of science in their respective countries, undertaking activities that truly benefit people's lives, and fostering heightened cooperation with the local communities in which the Company operates.

OUTLOOK

Harsh business conditions in Japan are expected to further intensify as the blurring of national economic boundaries gives rise to an era of increased competition and pressures for reform of the nation's industrial structure over the medium-to-long term continue to mount.

Overseas, the United States is expected to continue on a path of strong economic growth, while in Europe, the creation of a single, large economic bloc through currency integration—scheduled for January 1999—is likely to lead to a more efficient economic system. In Asia, however, a period of large-scale transitions is looming, with the effects of recent currency movements forecasted to temporarily put the brakes on further economic development, thus spurring the abandonment of existing economic policies and prompting moves to cope with the new economic environment.

Keenly aware of such changes in its operating environments in Japan and around the

world, the Toray Group will continue working to assemble a superior portfolio of businesses and products as well as push forward with 21st century oriented strategic initiatives. To realize these objectives, the long-term corporate vision "New AP-G2000" was formulated in April 1997 to provide Toray and the Toray Group with a blueprint for further expansion and business development as they head into a new century.

In order to facilitate further expansion toward the 21st century as laid out in New AP-G2000, it is vital that we expand our core businesses of fibers and textiles and plastics and chemicals as well as achieve steady advances in strategic growth businesses that are centered on new products and other businesses. To these ends, we will focus management resources on developing business opportunities in promising new fields and promote further global operations that create synergies within the Toray Group. By carrying out these concrete policies and achieving the goals set forth in New

AP-G2000, we are confident that we will create an organization that grows in harmony with the times.

On behalf of all Toray employees and the Company's Board of Directors, I would like to thank all of you for your encouragement during the year and ask for your continued support.

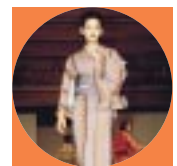
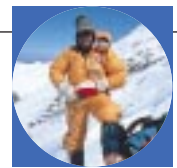
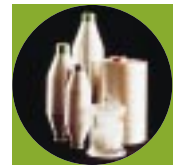
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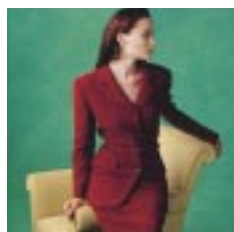
Katsuhiko Hirai
President and Chief Executive Officer

Medium-Term Management Plan for
Vertically Integrated **FIBERS & TEXTILES** Operations

Action
Program
for **21**



Pushing forward with a global strategy in its business field of fibers and textiles, Toray is vertically expanding its operations to encompass fibers, textiles, and sewn products with the aim of becoming the world's largest integrated fibers and textiles company.



Fully cognizant of a business environment marked by an era of intense competition in the lead-up to the 21st century, in August 1997 Toray drew up Action Program for 21 (AP 21)—a set of medium-term goals for its fibers and textiles operations—with the aim of expanding its operations both domestically and overseas. AP 21 covers the three-year period from 1998 to 2000.

Toray drew up AP 21 with the aim of expanding its operations both in Japan and around the world by building on the Company's basic business structure, which it has established over the past 10 years.



AP 21

The details of AP 21 are as follows:

KEY OBJECTIVES

- Expand and strengthen fibers operations
- Expand industrial materials and interior operations
- Expand textiles operations
- Expand the sewn products business and adapt to changes in distribution channels
- Promote globalization and global operations

OTHER ISSUES

- Adapting to industry reorganization
- Restructuring business operations based on new information technology
- Strengthening cost-competitiveness and product development activities
- Promoting organizational efficiency and the development of human resources
- Participating in and proposing the formulation of industrial and trade policies





Spinning process at Luckytex (Thailand) Public Company Limited, in Thailand



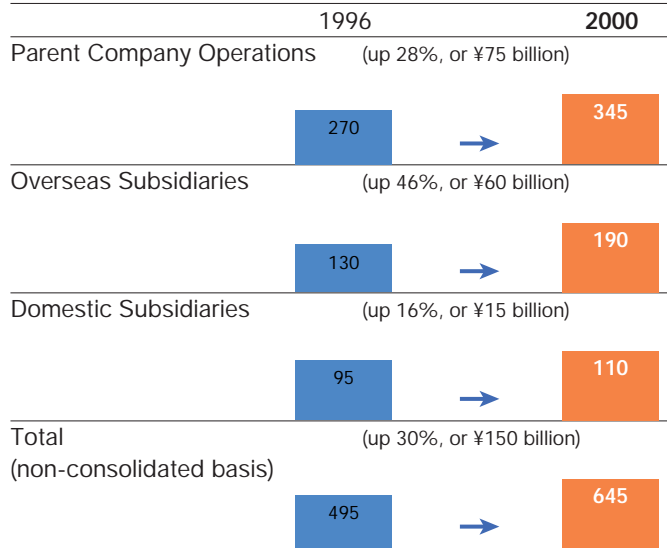
Weaving process at Toray Sakai Weaving (Nantong) Co., Ltd., in China



Dyeing process at Toray Sakai Printing & Dyeing (Nantong) Co., Ltd., in China

Toray Fibers (Nantong) Co., Ltd., also in China, is scheduled to begin operations in September 1998.

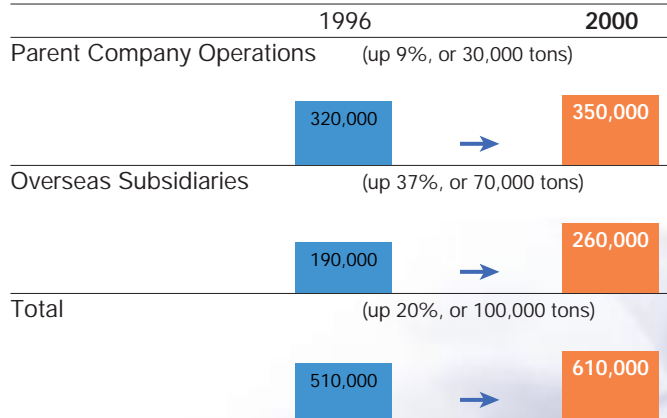
Sales Targets (billion ¥)



Capital Investment Plan

Cumulative medium-term investment, including investment for streamlining operations, will total ¥90 billion—comprising ¥30 billion domestically and ¥60 billion overseas.

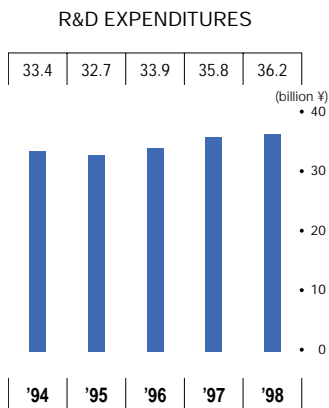
Fibers Annual Production Capacity (tons)



Overseas Production Ratio



Research and Development



With the conviction that R&D is the key to the Toray of tomorrow, we have made strengthening our basic and exploratory research and fundamental technologies one of the guiding management principles of our long-term corporate vision New AP-G2000.

Toray's dynamic R&D structure is centered around the Technology Center, which functions as the nucleus of Companywide comprehensive R&D strategies and is instrumental in the planning of important projects.

From a broad perspective, the Technology Center serves to integrate the functions of the Research and Development, Engineering, and Manufacturing divisions with those of all the domestic and overseas members of the Toray Group. In this way, the Toray Group's R&D, production, and engineering capabilities are seamlessly integrated, every organization's role is clearly defined, and a sharp distinction is drawn between research and technological

development, thus facilitating greater speed and efficiency in the R&D process.

In a narrow sense, the Technology Center serves as the driving force behind Toray's technology and business development efforts in strategic new fields. In established fields, results of work conducted by the Research and Development Division are relayed to the appropriate technical departments of the Manufacturing Division. Research in new business areas is forwarded to the New Business Development Section of the Technology Center.

In fiscal 1998, the Company's Torayrom* water purifying equipment business and a portion of the construction chemicals project (CCP) were moved out of the New Business Development Section and incorporated into the independent Amenity and Civil Engineering (ACE) Division.

MULTI-DRY SHINGOSEN SILLOOK AIRLY* WINS AWARD OF THE SOCIETY OF FIBER SCIENCE AND TECHNOLOGY

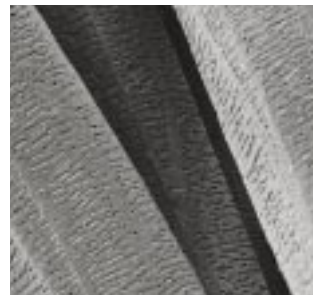
Toray launched the multi-dry shingosen textile Sillook Airly* for application in 1996 all-season wear. Used as a material for an increasingly wide array of apparel, including men's wear and such women's wear as suits, blouses, and dresses, the comfortable-to-wear, tailored-look fabric is garnering high acclaim.

Sillook Airly* has a karst-like air hole structure, which imbues this award-winning fabric with soft expansiveness and a mild crinkling, dry feel. This gives Sillook Airly* an airy and lightweight feeling when worn and provides it with just the right combination of body and stiffness. In addition, because the proportion of openings between the fibers is controlled by integrating fabrication technology in the textile manufacturing process, Sillook Airly* provides a refreshing feeling in spring and summer apparel as well

Women's suit made of Sillook Airly*



Enlarged image of the surface structure of Sillook Airly*



Model of Toray's new high-efficiency, two-step seawater desalination equipment at the Ehime plant



as heat retention in autumn and winter garments, thereby making Sillook Airly* the perfect all-season fabric.

In June 1998, Sillook Airly* won the Award of the Society of Fiber Science and Technology, winning praise for the "unsurpassed beauty of its surface as a synthetic textile and its soft and dry texture."

LOW-COST, ENERGY-EFFICIENT SEAWATER DESALINATION TECHNOLOGY

Amid increasing demands from society to conserve water resources, Toray has developed a wide array of technologies for application in products ranging from household-use water purifiers and water treatment plants to equipment used

for purifying lake, pond, marsh, and pool water as well as equipment used to supply the ultrapure water required in the semiconductor manufacturing industry. In fiscal 1998, Toray and Toray Engineering Co., Ltd., developed the basic technology for a new seawater desalination system that uses a high-efficiency, two-step method based on reverse-osmosis membrane technology. Existing systems convert only 40% of seawater into potable water, with the remaining 60% discharged back into the sea as concentrated wastewater. The new high-efficiency, two-step method uses a reverse-osmosis membrane to purify the concentrated wastewater in the second stage of the

process, thereby boosting the level of potable water gained from raw water to 60%.

This new process cuts electricity and preprocessing costs and allows for a reduction in the size of the entire desalination facility.

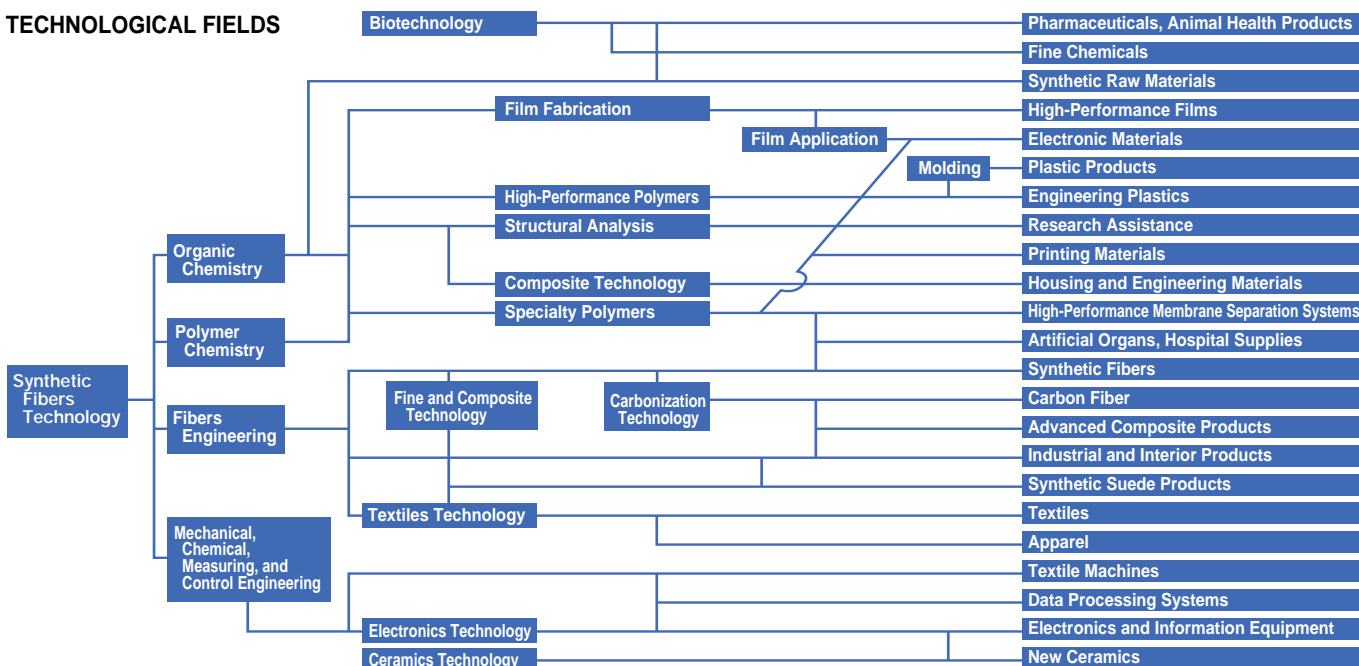
DEVELOPMENT OF NON-NARCOTIC ANALGESIC

In recent years, hospitals and medical centers have increasingly used such narcotic analgesics as morphine to relieve the pain of terminal cancer patients. Although the pain-relieving effects of narcotic analgesics are substantial, they are known to lead to side effects, including drug dependence. There is therefore broad demand for powerful

analgesics that do not cause such side effects.

It is against this backdrop that Toray succeeded in independently developing and synthesizing TRK-820 (Toray development code), which selectively acts on the opioid kappa receptor. The results of early clinical studies indicate that TRK-820 does mitigate or eliminate the side effects associated with narcotic analgesics. At present, TRK-820 is in Phase II clinical trials and is expected to be used as a non-narcotic analgesic for the relief of severe pain, such as that stemming from cancer. Toray is pursuing the joint clinical development of TRK-820 with Daiichi Pharmaceutical Co., Ltd., of Japan.

TECHNOLOGICAL FIELDS



Environmental Activities

Toray and Toray Group companies place top management priority on safety, accident prevention, and environmental preservation. In addition, Toray and its subsidiaries and affiliated companies seek to contribute to society through the development of environment-friendly products and technologies. Furthermore, Toray's Global Environment Committee meets to discuss and formulate Companywide policies aimed at protecting and improving the environment.

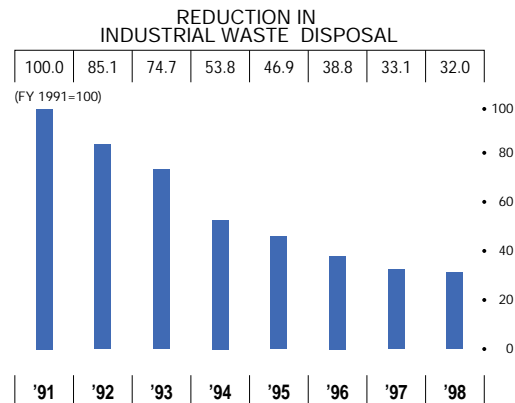
RESULTS OF ENVIRONMENTAL PRESERVATION ACTIVITIES

Reduction of Industrial Waste and Environmentally Hazardous Substance Production

In fiscal 1998, Toray met the target set forth in the Company's Responsible Care

Implementation Plan for reducing the volume of waste material disposed of (excluding simple coal ash) 68.0% from fiscal 1991 levels. We are aiming for reductions of 70.0% from fiscal 1991 levels by fiscal 1999, two years ahead of schedule. Moreover, having already been recognized for reducing incinerator dioxin emissions to levels below the maximum allowed by law, Toray seeks to further reduce dioxin emissions through appropriate incinerator facilities operation and maintenance.

Preventing Global Warming through the Reduction of Greenhouse Gas Emissions
Toray's emissions of CO₂—the only greenhouse gas released by Toray facilities—as a percentage of total output have remained relatively steady since fiscal 1991. As production levels rise, Toray will strive to maintain its



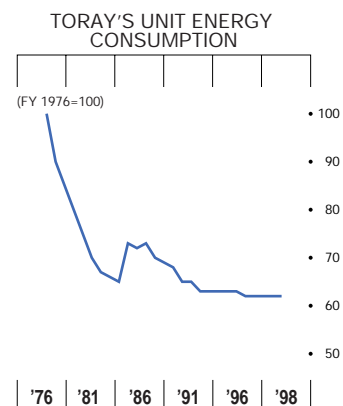
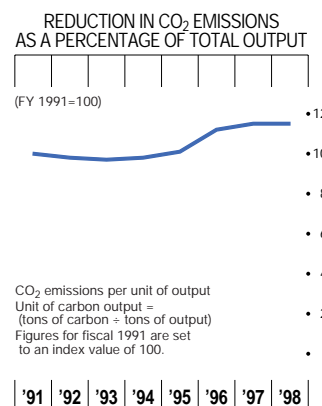
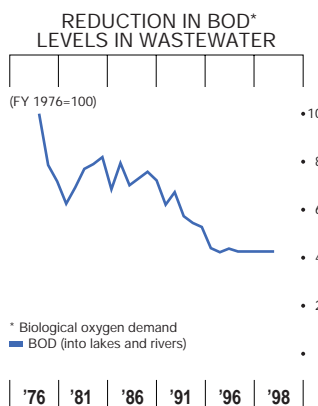
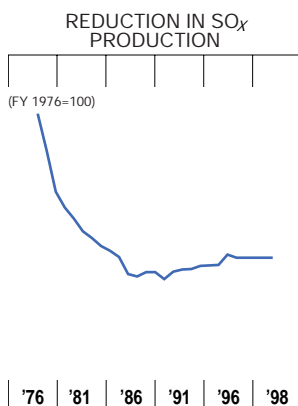
current ratio through measures aimed at boosting energy conservation. In addition, although Toray currently uses Freon gas only in closed-system cooling units, the Company is pushing forward with a program to switch over to non-Freon gas systems.

Energy Conservation

Toray has achieved the energy conservation goal—set forth in its Responsible Care Implementation Plan in fiscal 1998—of a 1.0% year-on-year reduction in the amount of energy consumed in the production of one ton of final product. Contributing

greatly to this achievement has been the Company's aggressive introduction of cogeneration systems during the past several years.

In fiscal 1999, Toray is aiming to meet this goal by reducing energy loss and carrying out activities centered on production enhancement programs aimed at the recovery of low levels of lost energy as well as the enhancement of production processes that conserve energy.



Corporate Citizenship

As a good corporate citizen, Toray supplies superior products under a basic tenet of its corporate philosophy, "To contribute to society through the creation of new value by innovative ideas, technologies, and products," while encouraging participation in local community activities at its factories and research laboratories as well as supporting educational, scientific, artistic, cultural, and sporting activities both in Japan and overseas.

LOCAL ACTIVITIES

Toray is committed to a wide range of activities aimed at strengthening ties with communities in the areas in which it operates. These activities range from greening projects and factory site beautification efforts to the implementation of measures to preserve the local environment. The Company also works to enhance communication with local communities and residents through such endeavors as making corporate facilities available for public use and encouraging employees to visit nearby public welfare facilities.

SUPPORTING EDUCATION AND SCIENCE

Since its pioneering establishment in 1960 in Japan, the Toray Science Foundation has served as Toray's chief

vehicle for contributing to the promotion of science education and advances in science and technology.

With a view to carrying out similar activities in their respective countries, Toray Science Foundations were established in Indonesia in 1993 and in Thailand and Malaysia in 1994.

SUPPORTING ARTISTS AND CULTURAL ENDEAVORS

Toray proudly sponsors domestic and overseas performances of the traditional Japanese theater genres Noh and Bunraku, donating costumes for these performances. Moreover, the Company has backed performances in Japan and China of Orchestra Asia, an orchestra featuring traditional folk instruments from Japan, Korea, and China. To support the emerging genre of digital art, Toray established a dedicated gallery page at its web site in 1996 and launched an award program to attract submissions from digital artists.

SUPPORTING SPORTING EVENTS

Since 1984, Toray has sponsored the annual Toray Pan Pacific Open Tennis Tournament, Asia's largest and most prestigious women's tennis tournament. In

1997, the Company, together with the Shanghai Sports Federation, sponsored the '97 Shanghai Toray Marathon, the first such citizens' marathon to promote friendly relations between Japan and China.

As a good corporate citizen, Toray maintains an ongoing commitment to making substantial contributions to the countries and communities it serves through its global operations.



Key—by Mr. Tomohiro Kimura, of Japan—won the grand prize in Toray's second annual Digital Creation Awards.



Lindsay Davenport, winner of the 15th annual Toray Pan Pacific Open Tennis Tournament

'97 Shanghai Toray Marathon's award ceremony for the men's full marathon held on November 30



Toray's Main Products at a Glance

PRINCIPAL PRODUCTS



Fibers and Textiles

Filament yarns; staple fibers; spun yarns; woven and knitted fabrics of nylon; Teton^{*} polyester; Toraylon^{*} acrylic; PPS; nonwoven fabrics; Ecsaine^{*} man-made suede; sewn products; and CAD/CAM systems for the apparel industry



Plastics and Chemicals

Nylon; Toyolac^{*} ABS, PBT, Torelina^{*} PPS, and Siveras^{*} LCP resins and their molded products; Lumirror^{*} polyester film; Torayfan^{*} polypropylene film; Mictron^{*} para-based aramid film; Torelina^{*} PPS film; Kapton^{®†} polyimide film; processed film products; and Toraypef^{*} polyolefin foam

Caprolactam; gypsum; such specialty chemicals as rubber and resin additives; aromatic fine chemical products; catalysts; pure optical isomers; and Intercat^{*} feline interferon agent

[†] Kapton[®] is a registered trademark of E.I. Du Pont de Nemours & Co.



Housing and Engineering

Spuckturf^{*} artificial turf; Romembra^{*} reverse-osmosis membranes; Toraysouro^{*} water-permeable paving material; Torayvino^{*} home water purifiers; Glasal^{*} and Kanpeki^{*} wall materials; condominium construction; and synthetic fiber plant engineering and machinery



Pharmaceuticals and Medical Products

Feron^{*} natural interferon- β preparation; Dorner^{*} prostacyclin (PGI₂) derivative drug; Filtryzer^{*} artificial kidneys for removing toxic substances; Toraysulfone^{*} polysulfone-based artificial kidneys; Toraymyxin^{*} blood purification columns; Inoue-Balloon catheter; and Anthron^{*} antithrombogenic materials



New Products and Other Businesses

Torayca^{*} carbon fiber and advanced composite materials

Electronic and graphic materials; TOPTICAL^{*} color filters for LCDs; Phasewrite^{*} phase change based rewritable optical disks and Phasewriter^{*} PD/CD-ROM drives; and Raytela^{*} polymer optical fibers

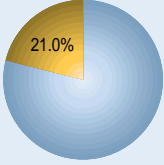
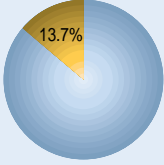
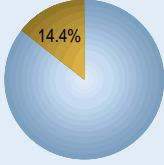
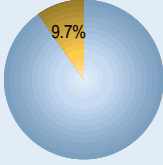
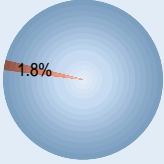
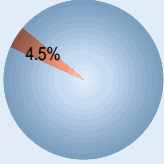
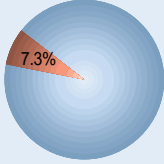
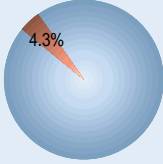
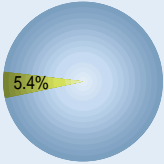
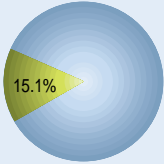
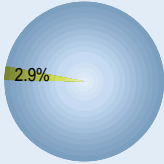
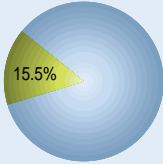
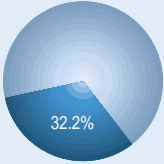
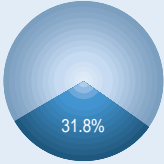
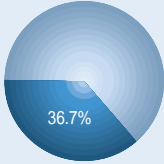
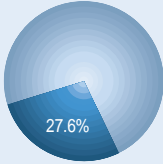
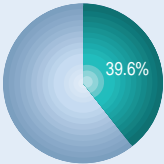
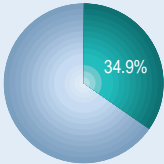
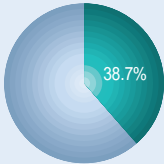
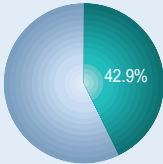
Breath-O^{*} contact lenses and E-Filter^{*} antireflecting PC screen filters

NET SALES

OPERATING INCOME

TOTAL ASSETS

CAPITAL EXPENDITURES



Note: All figures are percentages of the respective total.

Review of Operations

- 17 Fibers and Textiles
- 20 Plastics and Chemicals
- 22 Housing and Engineering
- 23 Pharmaceuticals and Medical Products
- 24 New Products and Other Businesses

Fibers and Textiles

Sales of fibers and textiles rose 0.1% from the previous year, to ¥467.0 billion, and accounted for 42.9% of consolidated net sales. Operating income recorded by this segment expanded 18.1%, to ¥28.1 billion.

Sales of nylon filament yarns for such applications as garment fabrics and underwear, especially our mainstay panty hose, were again weak due to the prolonged domestic slump in retail apparel sales. In industrial applications, despite a decline in demand for nylon filaments for automotive applications due to sagging domestic automobile sales, replacement demand for carpeting applications resulted in higher sales.

Among new products, Toray developed and

launched quup*, a highly moisture-absorbing and moisture-dispersing nylon filament with nearly twice the moisture-absorbing capabilities of existing nylon, that was designed chiefly for use in panty hose. In addition, Toray developed Cebonner*, a high-performance nylon 66 staple fiber fabric. This new fabric is designed for such applications as crossboarding wear.

While Tetoron* polyester filament yarns faced sluggish demand in the domestic apparel sector, sales of heavyweight and lightweight polyester woven fabrics continued to hover around the same level as that of the previous fiscal year. Demand for taffeta lining materials and knitted fabrics contracted. Though the prices of

Tetoron* polyester filament yarns came down due mainly to a fall in demand for textured yarns in the second half of fiscal 1998, polyester filament yarn sales expanded as a whole, backed by increased exports in the first half of the period.

In polyester filaments for industrial uses, sales were firm overall thanks to an expanded market share for such automotive applications as seat belts; however, weak demand for polyester filaments for use in construction and civil engineering materials persisted.

Overseas, despite the adverse effects of economic turmoil and currency devaluation on Toray subsidiaries in ASEAN countries, revenues from sales of polyester filament yarns recovered

in the second half of the term due in large part to increased U.S. dollar-denominated exports, based on Toray's global operations strategy.

Polyester staple fibers experienced shrinking domestic demand for use in spinning applications. With the exception of applications for nonwoven fabrics, demand was also weak for such nonspinning uses as fiberfill and carpeting.

Domestic and export prices for polyester staple fibers were soft against the backdrop of sluggish international market conditions. However, production subsidiaries in Malaysia and Indonesia, taking full advantage of their increased export competitiveness accompanying the devaluation of local currencies,

quup* highly moisture-absorbing and moisture-dispersing nylon filament

Crossboarding wear made from Cebonner*, a high-performance nylon 66 staple fiber fabric



increased their profit margins substantially.

Toraylon* acrylic staple fibers enjoyed an overall rise in sales volume thanks to increased exports to China, which more than compensated for continued sluggish domestic demand for the fibers' main use, in materials for jerseys and bedclothes.

Despite weak domestic sales of Ecsaine* man-made suede, especially for use in automotive interiors, strong overseas demand for application in all areas—including garments, furniture, and automobiles—resulted in Ecsaine* enjoying both increased exports from Japan and expanded sales by the Italian subsidiary Alcantara S.p.A., which markets the product under the brand name Alcantara*.

Trading Division

The Trading Division worked intensively to boost export sales of textiles while expanding the import of fibers, textiles, and garments made by overseas Toray Group companies. These efforts resulted in an increased share of the markets both inside and outside Japan for practical garments despite deteriorating market conditions.

Fashion Division

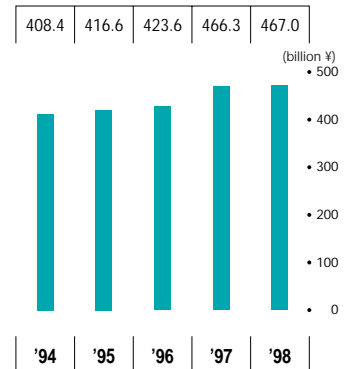
In the Fashion Division, despite unfavorable conditions due to sluggish retail sales, Toray strengthened its business foundation by introducing new imported brands, acquiring rights to a master license, and opening two additional Fashion Factory Boutiques (FFBs), which represent a new

business style that integrates the manufacture and marketing of made-to-order women's wear and is realized by computers that link factories and sales outlets.

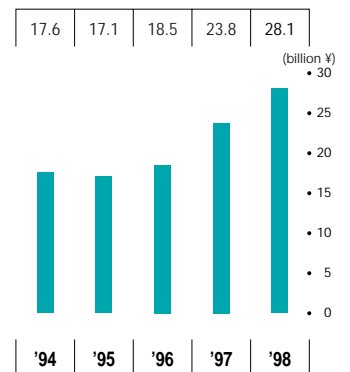
Capital Investment Activities

Capital investment highlights in fiscal 1998 included a modernization program—which is proceeding according to schedule—for apparel-use Tetoron* polyester filament yarn production facilities at the Mishima plant. In addition, a ¥2.0 billion program at the Okazaki plant—aimed at increasing the production capacity of nylon 66 filament yarns to meet a surge in demand for use in air bags—was completed in April 1998. Furthermore, programs for increasing Ecsaine* man-made

SALES



OPERATING INCOME



Interior products crafted using Ecsaine* man-made suede

The Fashion Factory Boutique Niigata, which opened in fiscal 1998

suede production capacity proceeded smoothly at the Shiga and Gifu plants.

Overseas capital investment activities included the July 1998 completion of a program to double man-made suede production capacity at Alcantara. Other overseas capital investment activities included the September 1997 establishment of Toray Textiles Central Europe s.r.o. (TTCE), an integrated weaving and dyeing subsidiary located in the city of Prostějov, in the Czech Republic. Construction of TTCE's facilities is currently under way, with the start-up of operations scheduled for July 1999. Upon completion, the ¥5.5 billion project will give TTCE monthly production capacity of 4.6 million square meters of polyester taffeta.

In addition, a project to construct new facilities for the production of industrial polyester filament yarns as well as value-added processing lines at Toray Nylon Thai Co., Ltd., and two other subsidiaries was completed in April 1998.

In China, investment activities included the April 1997 establishment of Toray Trading (Shanghai) Co., Ltd., as well as the July 1998 completion of a project to double dyeing and weaving capacities to 1.5 million linear meters per month at both Toray Sakai Printing & Dyeing (Nantong) Co., Ltd., and Toray Sakai Weaving (Nantong) Co., Ltd. In September 1998, Toray Fibers (Nantong) Co., Ltd., is scheduled to begin the production of polyester chips and filaments as the Toray Group's

largest polyester manufacturing plant.

Outlook

In fiscal 1999, with the domestic business situation for fibers and textiles expected to become even more cloudy and the supply-demand situation in international markets remaining unpredictable, Toray will continue to focus on strengthening its corporate structure by reducing production costs as well as selling, general and administrative expenses. Furthermore, in conformance with Action Program for 21 (AP 21), a three-year, medium-term management plan, Toray aims to expand business both domestically and internationally.

Air bag made from nylon 66 filament yarns

Opening ceremony for Toray Textiles Central Europe s.r.o.



Plastics and Chemicals

Sales of plastics and chemicals climbed 6.6% in fiscal 1998, to ¥300.4 billion, and accounted for 27.6% of consolidated net sales. Operating income declined 8.1%, to ¥26.7 billion.

Resins

Sales of resins in Japan in the mainstay area of automotive applications were sluggish, owing to the marked weakness in domestic automobile sales that has persisted since the summer of 1997. In addition, demand deteriorated for resins used in PCs and air conditioners as well as housing and building materials applications. Countering these adverse conditions were expanded sales of such super engineering plastics as Torelina* polyphenylene

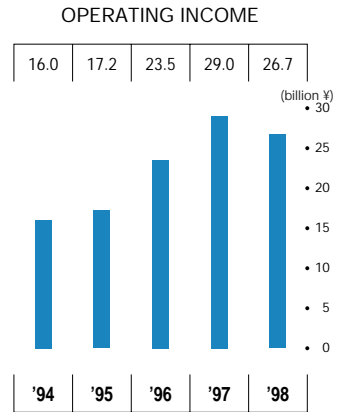
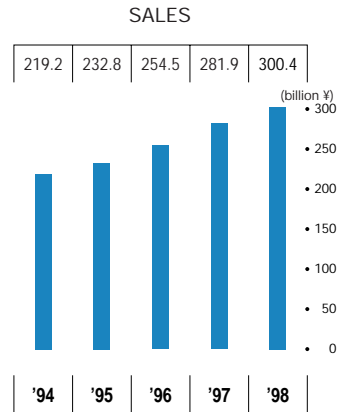
sulfide (PPS) resin and Siveras* polyester liquid crystal polymer (LCP) resin as well as increased exports of nylon and polybutylene terephthalate (PBT) resin compounds. As a result, Toray recorded an overall year-on-year increase in revenue from the sale of resins.

In resin-related capital investment activities, in October 1997 Toray increased the annual production capacity of Torelina* resin at the Tokai plant from 3,750 tons to 5,700 tons. Overseas, the production of nylon and PBT resin compounds was commenced at Toray Nylon Thai Co., Ltd., with a production capacity of 500 tons a month.

Films

In the films division, sales of our mainstay polyester film

Lumirror* expanded for industrial materials applications during the term under review, with heightened demand for use in thermal transfer ribbons, electronic parts, labels, and metallizing more than compensating for a decline in demand for printing and prepaid card applications. Sales of films for magnetic recording materials applications rose sharply due to strong demand for such digital recording media as those used in digital video cameras and backup memory tape for computer systems as well as special high-performance thin films for industrial-use videotape. Sales of Mictron* para-based aramid film for digital data storage applications also rose. In addition, the production facility for Mictron* was expanded in April 1998.



Torelina* PPS resin is used in a wide range of precision molded parts.

Toray Nylon Thai Co., Ltd., has been turning out superior products since 1963.

Mictron* para-based aramid film for next-generation magnetic recording media

Although domestic sales of Toraypef* polyolefin foam declined, the commencement of operations in March 1997 at a new plant in Virginia, in the United States, by Toray Plastics (America), Inc. (TPA), helped Toray record a year-on-year increase in overall sales of Toraypef*.

Capital Investment Activities

Capital investment activities related to films included the completion of a program in Japan at DuPont-Toray Co., Ltd., to increase the production capacity for Kapton® polyimide film for use as a material in flexible printed circuits to a capacity of 1,100 tons a year. In addition, a ¥20 billion program to construct a plant with a yearly Lumirror* production capacity of 30,000 tons at Penfibre Sdn.

Berhad (PFR), in Malaysia, is currently under way. With the completion of the first phase in August 1998, giving PFR an annual Lumirror* production capacity of 14,400 tons, Toray will have acquired four-region global Lumirror* production bases, including Japan, the United States, Europe, and elsewhere in Asia. Torayfan* polypropylene film production facilities at TPA, in the United States, were strengthened with the addition of another production line and new metallizing equipment, with operations commencing in February 1998.

Chemicals

In the chemicals business, increased sales of raw materials for synthetic fibers were supported mainly by rising market prices of

caprolactam, while sales of fine chemicals—driven by favorable demand for zeolite technology based aromatic fine chemical intermediates for use in pharmaceuticals and agrochemicals—resulted in higher revenues. As a result, overall chemicals sales exceeded those of the previous year. In addition, the Company's recombinant feline interferon agent Intercat* was approved in Japan for the treatment of canine parvovirus infection, the world's first such approval.

Chemicals-related capital investment activities during the term included a program to expand aromatic fine chemicals production capacity at the Nagoya plant, with the start of operations in February 1998.

Outlook

Although the already harsh conditions for the Company's resins and films divisions are expected to intensify in fiscal 1999 due to weak domestic demand and a deteriorating international supply-demand situation, Toray plans to increase revenues of resins and films by further expanding its global operations and carrying out capital investment programs at overseas bases that will generate higher sales.

As for the chemicals business as a whole, in the face of weak caprolactam prices in international markets, especially those in Asia, Toray will work to achieve significantly reduced costs by means of self-improvement efforts.

In March 1997, Toray Plastics (America), Inc., commenced operations at its new production facility in Virginia.

Barrialex* transparent vacuum vaporized film is widely used in packaging materials for snack wrappers and so on.

Intercat* recombinant feline interferon agent and its poster



Housing and Engineering

Housing and engineering sales in fiscal 1998 rose 15.6%, to ¥168.8 billion, and accounted for 15.5% of consolidated net sales. Operating income in the segment declined 46.0%, to ¥2.1 billion.

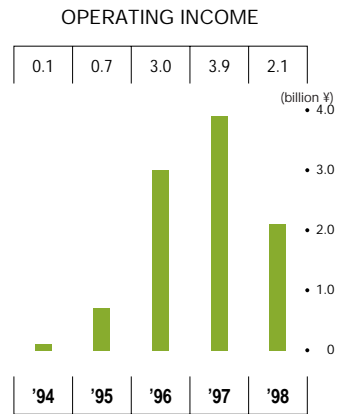
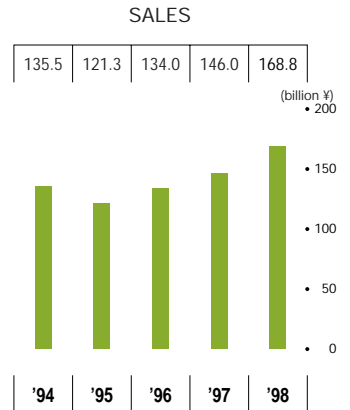
In the Amenity and Civil Engineering (ACE) Division, sales of Torayvino* home water purifiers as well as seawater desalination equipment increased; however, demand for Romembra* reverse-osmosis membranes as well as artificial turf products and construction materials was weak. Consequently, overall ACE Division sales were virtually unchanged from the previous year. In civil engineering materials, sales of such products as Toraysurou* water-permeable ceramic

paving material and tunnel interiors were firm. In addition, the Company's Torayrom* rotary drumfilter purifying equipment was highly acclaimed for its performance in pool water purification systems, resulting in greatly expanded sales.

In related developments during the term, Torayrom* was incorporated into the ACE Division from the New Products Development Division to further strengthen Toray's system for promoting its water treatment operations.

In the Construction Chemicals Project, despite a harsh operating environment in the domestic construction industry, the Company enjoyed an increase in orders centered on repair and remodeling applications.

Our consolidated subsidiary Toray Engineering Co., Ltd., enjoyed another year of substantially expanded sales thanks to booming demand for the construction and upgrading of synthetic fiber plants in China and other regions of Asia. Sales were also boosted by an increase in orders for plant and equipment from a wide variety of industries, including the electronics, cosmetics, foodstuffs, pharmaceutical, and environmental industries. In addition, Toray Glasal Corp. completed the construction of and commenced operations at its new facility for the production of Kanpeki* exterior ceramic wall material for application in housing.



Torayvino Supertouch* home-use water filter makes switching between purified water, plain tap water, and shower a snap.

Pool water purification system that utilizes Torayrom*

Kanpeki* exterior ceramic wall material is widely used in houses and apartment buildings.

Pharmaceuticals and Medical Products

Pharmaceuticals and medical products sales in fiscal 1998 edged up 1.6%, to ¥46.5 billion, accounting for 4.3% of consolidated net sales. Operating income shrank 15.4%, to ¥5.3 billion.

Pharmaceuticals

Although the market for interferon further diminished during the term and the Japanese government revised laws pertaining to the National Health Insurance drug pricing system and the health insurance point system in September 1997, intensified scientific sales promotion activities resulted in an expanded share for Toray's natural interferon- β preparation Feron*. The Company also achieved increased market share for Dorner*, an orally active prostacyclin (PGI₂)

derivative drug for the treatment of peripheral vascular disorders. In another significant advance, in October 1997 Feron* gained the world's first approval for the treatment of latent hepatitis C, thereby further expanding the indications for this product.

New pharmaceutical product development highlights during the term included an agreement by Toray and Daiichi Pharmaceutical Co., Ltd., to undertake the joint clinical development of a non-narcotic analgesic independently synthesized by Toray.

Medical Products

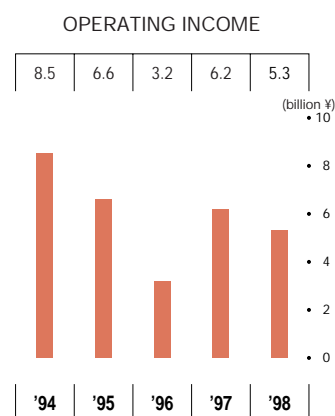
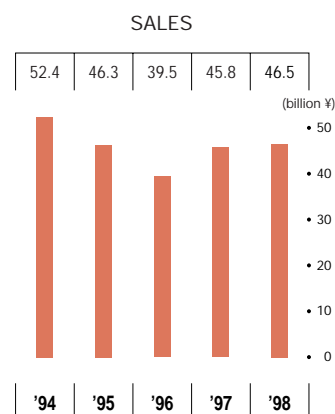
In the medical products business, strong performances by Toraysulfone* polysulfone-based artificial kidneys and Filtryzer* artificial kidneys resulted in higher sales in this

mainstay medical products sector.

Demand for Toraymyxin*, the first practical device in the world for treating severe septicemia by removing endotoxins from blood via extracorporeal treatment, has been expanding steadily. In addition, Toray's P-U Celsite port for intra-arterial chemotherapy was marketed successfully in August 1997.

Outlook

Although the circumstances surrounding pharmaceuticals and medical products operations are expected to create more challenging market conditions in fiscal 1999, Toray will make every effort to strengthen its initiatives by boosting its share and cultivating an export market for its medical products.



Feron* natural interferon- β preparation

Dorner*, the world's first prostacyclin (PGI₂) derivative

Filtryzer* artificial kidneys employ special polymethyl methacrylate (PMMA) hollow-fiber membranes developed by Toray.



New Products and Other Businesses

Sales in new products and other businesses dipped 1.7% from the previous year, to ¥105.0 billion, accounting for 9.7% of consolidated net sales. Operating income for this segment jumped 25.2%, to ¥10.4 billion.

Advanced Composite Materials

Sales of Torayca* carbon fiber advanced strongly from the previous year, thanks to expanded use in aircraft and such industrial applications as materials for civil engineering repair and reinforcement as well as to Toray's continued full-production, intensive marketing initiatives to meet growing worldwide demand. Domestically, sales of Torayca* for industrial applications were strong,

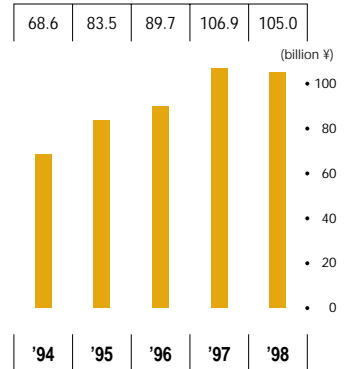
and sales for use in sports equipment, mainly golf club shafts, were steady. Torayca* also enjoyed another year of increased exports to Europe and the United States for aerospace applications as well as overall growth in exports for industrial use. Sales of composite products were boosted by increased demand for use in electrodes.

To diversify its carbon fiber products, Toray decided to start the production of large tow-type carbon fiber, which offers cost-competitiveness superior to that of existing types. Toray will partially remodel Torayca* production facilities at the Ehime plant and will start the 300 tons a year production of large tow-type carbon fiber in July 1998, with the aim of

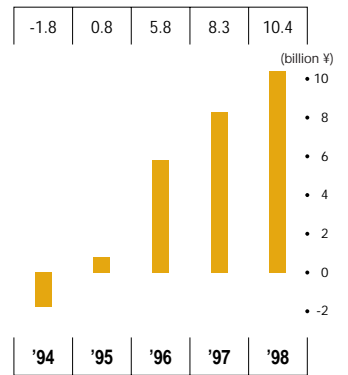
supporting increased sales for industrial applications.

Capital investment related activities included the start of operations at the Ehime plant of a new Torayca* carbonizing facility with a production capacity of 1,800 tons a year and a raw materials precursor production facility with an annual production capacity of 3,600 tons. The upgrading of the Ehime plant's production capacity to 4,700 tons a year, combined with the existing production capacity at Société des Fibres de Carbone S.A., in France, of 800 tons a year, now gives the Toray Group total Torayca* production capacity of 5,500 tons per year, making Toray the top company in the worldwide carbon fiber business. Furthermore,

SALES



OPERATING INCOME



Carbon fiber reinforced plastic (CFRP) trusses are used in the roof of the cafeteria at Toray's Ehime plant.

Torayca* carbon fiber

The production facility for biphenyl epoxy type IC molding compounds was expanded in April 1997.

at Toray Carbon Fibers America, Inc., in Alabama, in the United States, construction of Torayca* production facilities with an annual production capacity of 1,800 tons is currently under way, with completion scheduled for April 1999.

As both domestic and international demand for the Company's advanced composite materials in fiscal 1999 is expected to be strong, Toray aims to implement strategic initiatives to upgrade the Group's manufacturing capabilities with a view toward further growth.

Electronics and Information-Related Products

Overall sales of electronics and information-related products rose from the

previous year, boosted primarily by heightened domestic and international demand for circuit materials and IC molding compounds. Although sales of our liquid crystal display (LCD) materials with thin-film transistor (TFT) color filters were comparatively flat due to an equalization of supply and demand for TFT LCDs, cost savings resulting from measures to boost production efficiency led to a substantial increase in profits.

Looking ahead, the Company plans to start up a fourth production line for color filters at the Shiga plant and expects to increase revenues from the sale of electronics and information-related products overall in fiscal 1999.

Toray will continue working to increase sales of all of its

electronics and information-related products.

Other Businesses

In our ceramics business, sales of materials for use in milling parts for crushing machinery and beads compensated for the adverse effects of restrained capital investment in components for semiconductor manufacturing equipment.

Sales in the Toray new peripherals (TNP) printer business were dragged down by the effects of lagging domestic investment in information-related equipment.

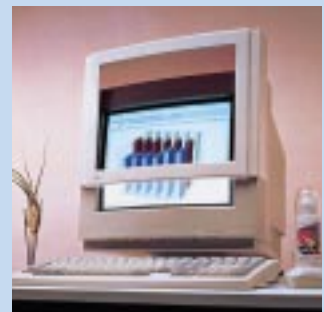
In the large-scale structure (LSS) business, sales were boosted chiefly by strong demand for Torayca* carbon fiber composite materials for use in home elevator cages and ultralight

wing bodies for large cargo trucks, applications that were just launched during the previous year.

In our contact lenses and optical filters businesses, sales of the E-Filter* range of antireflecting PC screen filters for preventing eye fatigue were strong. However, sales of the Company's contact lenses dropped off as a result of both falling lens prices and the soaring popularity of disposable contact lenses.

Printed circuit materials of film carrier-tape for tape automated bonding (TAB)

E-Filter* antireflecting filters are a hit with PC users.



Board of Directors

(As of June 26, 1998)

Chairman of the Board
and Representative Director

KATSUNOSUKE MAEDA

President
and Chief Executive Officer
and Representative Director

KATSUHIKO HIRAI

Executive Vice Presidents
and Representative Directors

SHIGEO MITSUI
YOSHIHIRO HARADA
TAKUYA TAKAYAMA

Senior Managing Directors

NORIYUKI KOHGUCHI
HIDETANE IJIMA
AKIRA SAWAMURA
YOICHI SHIMOKAWA
TERUYA OHNO
HIN IGARASHI

Managing Directors

NORIYASU YAMAGUCHI
TAKANOBU SHIBUYA
HIROKI BESSHO
HIROTAKA NAKASHIMA
SATORU MASUZAKI
TAMON HIROYAMA
AKIKAZU SHIMOMURA
SHOICHI AKITA
KIYOTERU WAKASUGI
SADAYUKI SAKAKIBARA

Directors

KAZUO TOMIITA
SHINJI KOYAMA
MASAO KATSURAUMA
NOBORU FUJIHARA
HIROAKI KOBAYASHI
JUNICHI UJIKE
HIROSHI OKA
YOSHIHIRO OKUMURA
MOTOO YOSHIKAWA

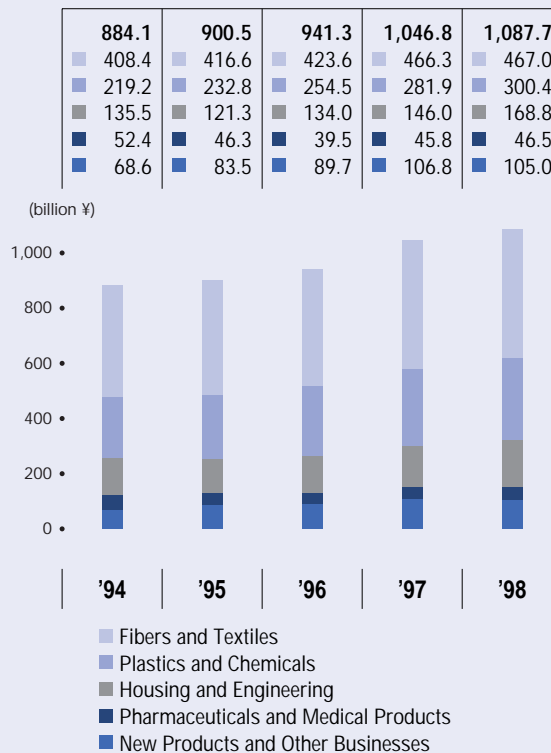
Corporate Auditors

AKIRA OGURA
JUNICHI KABE
EIICHI KAKEI
KENTARO KAWAHARA

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on the Consolidated Financial Statements

FIVE-YEAR SUMMARY OF SALES
BY INDUSTRIAL SEGMENT



Six-Year Summary of Selected Financial Data

Toray Industries, Inc. and Subsidiaries
Years ended March 31

	Millions of yen					
	1998	1997	1996	1995	1994	1993
Net sales	¥1,087,713	¥1,046,837	¥ 941,346	¥ 900,502	¥ 884,072	¥ 970,467
Fibers and textiles.....	466,973	466,326	423,639	416,588	408,377	468,456
Plastics and chemicals	300,420	281,874	254,496	232,822	219,240	233,546
Housing and engineering.....	168,797	146,015	133,974	121,256	135,511	155,188
Pharmaceuticals and medical products	46,514	45,769	39,497	46,328	52,392	—
New products and other businesses.....	105,009	106,853	89,740	83,508	68,552	113,277
Operating income	71,919	71,661	53,532	40,115	41,034	67,117
Net income	24,740	23,276	18,216	10,040	14,260	26,863
Depreciation and amortization	74,633	77,530	69,236	69,007	65,509	62,030
Capital expenditures	150,700	96,182	113,348	93,368	86,908	118,517
Total assets	1,427,291	1,392,496	1,311,615	1,239,295	1,185,031	1,248,367
Property, plant and equipment, net	622,689	590,230	546,589	509,582	472,476	469,393
Total stockholders' equity	493,366	478,596	465,232	456,183	456,075	452,089
	Yen					
Per share of common stock:						
Net income:						
Primary.....	¥ 17.65	¥ 16.61	¥ 13.00	¥ 7.17	¥ 10.21	¥ 19.27
Fully diluted.....	17.43	16.41	12.88	—	—	—
Cash dividends	7.00	7.00	7.00	7.00	7.00	7.00
Stockholders' equity.....	352.03	341.49	331.98	325.50	326.06	324.22
Ratios:						
Operating income to net sales.....	6.61%	6.85%	5.69%	4.45%	4.64%	6.92%
Net income to net sales	2.27	2.22	1.94	1.11	1.61	2.77
Equity ratio	34.6	34.4	35.5	36.8	38.5	36.2
Return on equity	5.1	4.9	4.0	2.2	3.1	6.0
	Yen					
Common stock price range:						
High.....	¥841	¥790	¥714	¥786	¥723	¥698
Low.....	507	642	491	540	555	530

Note: Sales of pharmaceuticals and medical products were included in those of new products and other businesses prior to fiscal 1994.

Management's Discussion and Analysis

OVERVIEW

In fiscal 1998, ended March 31, 1998, a slump in personal consumption, sluggish private capital investment, and growing concerns over the nation's financial system gave rise to heightened sentiment that the Japanese economy had stalled. This, together with the adverse effects of the Asian currency crises, created a domestic economic environment that could only be characterized as increasingly harsh and volatile.

Against this backdrop, Toray continued to implement measures aimed at creating a stronger corporate structure and achieving greater cost-competitiveness through programs to boost production efficiency. The Company invested aggressively in plant and equipment—both in Japan and overseas—in sectors expected to experience strong growth and pushed forward with global operations by promoting greater cooperation among Toray Group companies.

As a result of these self-improvement efforts, Toray recorded its fourth consecutive year of increased net sales and third year-on-year rise in consolidated net income. Driven by higher revenues by the parent company, overseas companies, and in each business field, consolidated net sales rose 3.9%, or ¥40.9 billion, to ¥1,087.7 billion. Operating income edged up 0.4%, or ¥0.3 billion, to ¥71.9 billion. Despite foreign exchange losses stemming from the fall in the value of Southeast Asian currencies, a strong performance by the parent company and Group companies coupled with special credits resulted in net income of ¥24.7 billion, a rise of 6.3%, or ¥1.5 billion.

INCOME ANALYSIS

Net Sales

In fiscal 1998, Toray recorded consolidated net sales of ¥1,087.7 billion, up 3.9%, or ¥40.9 billion, from the previous fiscal year.

Looking at results by industrial segment, with the exception of a drop in revenue in the new products and other businesses segment—stemming from the exclusion of Therma-Wave, Inc., as a consolidated subsidiary following the sale of the company's shares—all business segments enjoyed higher sales.

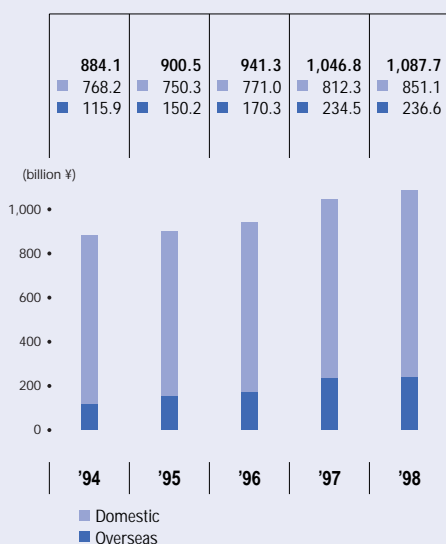
Steady increases were recorded in sales of fibers and textiles by the Company and its consolidated subsidiaries both in Japan and overseas, most notably by Alcantara S.p.A., in Italy, and Penfabric Sdn. Berhad, in Malaysia. Consequently, sales for the segment edged up 0.1%, or ¥0.6 billion, to ¥467.0 billion, and accounted for 42.9% of consolidated net sales, down 1.6 percentage points from 44.5% in the previous fiscal year.

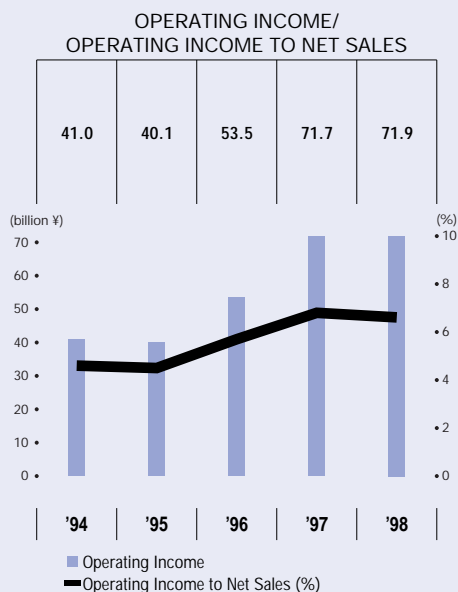
In the plastics and chemicals segment, the Company and such domestic subsidiaries as Toyo Metalizing Co., Ltd., recorded higher sales, while overseas subsidiaries, most notably Toray Plastics (America), Inc., and Toray Plastics (Malaysia) Sdn. Berhad, also turned in strong performances. As a result, segment sales grew 6.6%, or ¥18.5 billion, to ¥300.4 billion.

Led by a strong performance by Toray Engineering Co., Ltd., sales in the housing and engineering segment expanded 15.6%, or ¥22.8 billion, to ¥168.8 billion.

Sales of pharmaceuticals and medical products were up 1.6%, or ¥0.7 billion, to ¥46.5 billion, thanks mainly

DOMESTIC AND OVERSEAS SALES





to higher revenues recorded by the Company and Toray Medical Co., Ltd.

Owing to the sale of shares of Therma-Wave, Inc., which precluded its performance from being included in the Company's consolidated financial statements, sales recorded by new products and other businesses dipped 1.7%, or ¥1.8 billion, to ¥105.0 billion. Excluding the effects of the aforementioned sale of shares, segment sales were substantially higher and driven by strong performances by the advanced composite materials business as well as Toray Composites (America), Inc.

Looking at performance by geographic segment, sales in Japan by the Company and domestic subsidiaries expanded 4.8%, or ¥38.8 billion, to ¥851.1 billion, and accounted for 78.2% of consolidated net sales, up from 77.6% in the previous fiscal year. Sales by overseas subsidiaries improved only 0.9%, or ¥2.1 billion, to ¥236.6 billion, due to the exclusion of sales by Therma-Wave, Inc., from the Company's consolidated accounts. Broken down by area, sales by subsidiaries in Asia—including China, Indonesia, Thailand, Malaysia, and Singapore—totalled ¥112.7 billion, while sales by subsidiaries in other areas—including the United States, the United Kingdom, France, Italy, and Germany—amounted to ¥123.9 billion.

Increased export sales by the Company and domestic subsidiaries helped boost export sales and sales by overseas subsidiaries 4.3%, or ¥15.9 billion, to ¥383.9 billion. Consequently, the percentage of such sales against consolidated net sales was virtually unchanged from the previous fiscal year, rising 0.1 percentage point, to 35.3%.

Broken down by area, sales in Asia amounted to ¥194.9 billion and sales in other areas totaled ¥189.0 billion, 17.9% and 17.4% of consolidated net sales, respectively.

Costs and Expenses

Against a 3.9% climb in consolidated net sales, cost of sales increased 4.4%. As a result, the cost of sales ratio edged up 0.4 percentage point, to 75.4%, due mainly to an increase in raw materials prices.

As a result of efforts to reduce warehousing and delivery charges, selling, general and administrative expenses rose only 3.6%, or ¥5.6 billion, to ¥159.7 billion. Selling, general and administrative expenses as a percentage of consolidated net sales was unchanged from the previous year, at 14.7%.

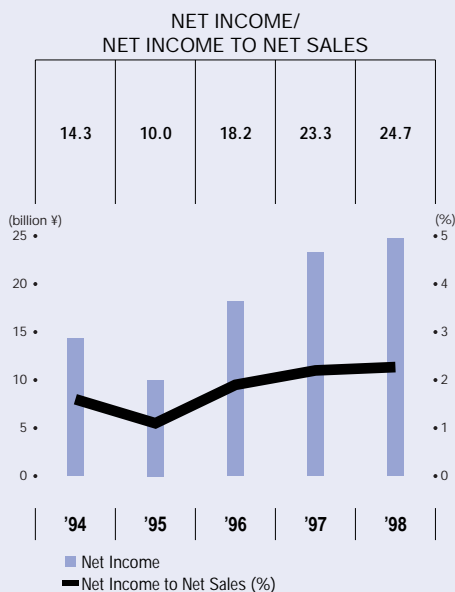
Research and development expenses increased 1.0%, or ¥0.3 billion, to ¥36.2 billion.

Consequently, total costs and operating expenses as a percentage of consolidated net sales edged up 0.2 percentage point, from 93.2% in fiscal 1997 to 93.4% in the term under review.

Operating Income and Net Income

Operating income advanced 0.4%, or ¥0.3 billion, to ¥71.9 billion. The ratio of operating income to consolidated net sales dipped 0.2 percentage point, to 6.6%.

Looking at operating income by industrial segment, fibers and textiles and new products and other businesses both posted higher year-on-year results. In the fibers and textiles segment, the increased profitability of exports by subsidiaries in Southeast Asia, including Penfabric Sdn. Berhad,



Luckytex (Thailand) Public Company Limited, and P.T. Indonesia Toray Synthetics as well as increased contributions by Alcantara S.p.A. resulted in operating income of ¥28.1 billion, an 18.1%, or ¥4.3 billion, rise from the previous fiscal year. Operating income in the new products and other businesses segment jumped 25.2%, or ¥2.1 billion, to ¥10.4 billion, thanks mainly to strong performances by the Company and Toray Composites (America), Inc., in the advanced composite materials business that was fueled by strong worldwide demand for carbon fiber. Turning to other segments, operating income in plastics and chemicals fell 8.1%, or ¥2.3 billion, to ¥26.7 billion, that in housing and engineering dropped 46.0%, or ¥1.8 billion, to ¥2.1 billion, and that in pharmaceuticals and medical products shrank 15.4%, or ¥1.0 billion, to ¥5.3 billion.

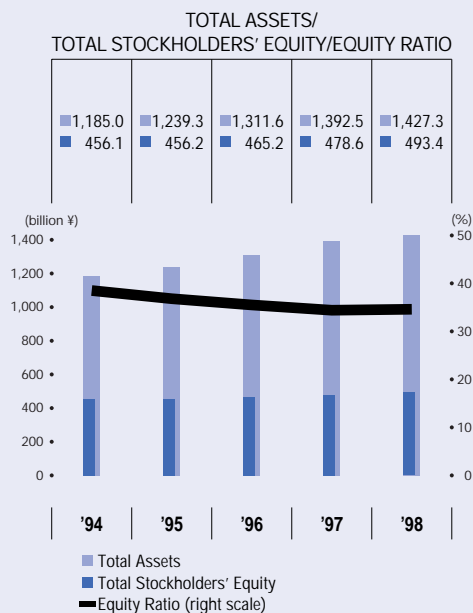
By geographic segment, operating income from domestic operations contracted 12.1%, or ¥6.3 billion, to ¥45.8 billion, due mainly to a slumping domestic fibers and textiles market and the construction of a new plant for Toray Glasal Corp. Operating income in Asia and other areas jumped 34.6%, or ¥6.8 billion, to ¥26.6 billion, due mainly to the increased export competitiveness of subsidiaries in Southeast Asia. Broken down by area, operating income in Asia totaled ¥11.4 billion, while that in other areas totaled ¥15.3 billion. As a result, the ratios of operating income to assets for operations in Japan and outside Japan were 4.2% and 7.9%, respectively, reflecting the high level of profitability of Toray's overseas operations.

Net other income (expenses) improved 22.5%, or ¥3.4 billion, to expenses of

¥11.9 billion, compared with ¥15.3 billion in the previous term. By category, interest and dividend income was up ¥0.6 billion, to ¥5.2 billion, while interest expenses—comprising interest payments and discount charges—swelled to ¥18.7 billion. As a result, net finance expenses expanded ¥0.8 billion, to ¥13.5 billion. Other income (expenses), other, net, improved ¥4.3 billion, to income of ¥1.7 billion, compared with a deficit of ¥2.6 billion in the previous term.

Net special credits (charges), contracted ¥10.4 billion, or 90.4%, to charges of ¥1.1 billion. Among the major factors contributing to this figure was the sale of land belonging to the Hong Kong subsidiary TAL Knits Ltd., which contributed greatly to a net gain of ¥17.1 billion on disposal of property, plant and equipment, compared with a net loss of ¥1.9 billion in the previous fiscal year. In addition, the sale of shares in Therma-Wave, Inc., was a major factor in the Company registering a net loss of only ¥0.1 billion from the sale or write-down of investments in securities, net. On the other hand, the Company incurred exchange losses—including hedging costs—totaling ¥11.0 billion as a result of the adverse effects of the Southeast Asian currency crises. Special severance payments and other restructuring expenses fell ¥1.4 billion, to ¥5.6 billion, while special contributions for retirement pension plan declined ¥0.3 billion, to ¥0.8 billion.

Consequently, income before income taxes jumped 31.4%, or ¥14.1 billion, to ¥59.0 billion. After adjustments for income taxes, minority interests in net income of consolidated subsidiaries, amortization of cost in excess of net



assets acquired, and equity in earnings of affiliated companies, net income expanded 6.3%, or ¥1.5 billion, to ¥24.7 billion.

Primary net income per share rose ¥1.04 from the previous term, to ¥17.65 per share. The Company maintained cash dividends at ¥7.00 per share.

FINANCIAL POSITION

Assets

Total assets at the end of the period under review stood at ¥1,427.3 billion, up 2.5%, or ¥34.8 billion, from the previous year-end. This increase stemmed primarily from an increase in assets abroad as a result of programs implemented to promote group management and global operations. Domestic assets increased 0.9%, while overseas assets climbed 6.2%.

Current Assets

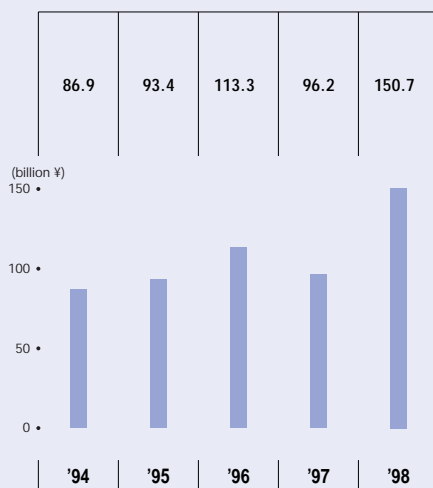
Total current assets dipped 0.3%, or ¥1.7 billion, to ¥626.9 billion. Total liquid assets—including cash, time deposits, and marketable securities—swelled 11.6%, or ¥14.3 billion, to ¥138.3 billion. Trade receivables—comprising notes receivable and accounts receivable—contracted 10.2%, or ¥27.8 billion, to ¥244.5 billion, due primarily to a decrease in such receivables at the Company. Although marketable securities fell 17.7%, or ¥5.1 billion, to ¥23.8 billion, inventories rose 2.6%, or ¥5.2 billion, to ¥201.4 billion, chiefly as a result of increases in inventories at the Company and domestic subsidiaries.

Property, Plant, and Equipment

At the end of the term under review, property, plant and equipment, net, stood at ¥622.7 billion, up 5.5%, or

¥32.5 billion, from the end of fiscal 1997. Driving this increase were Toray's aggressive capital investment programs aimed at expanding production capacities in fields expected to experience increasing demand. In Japan, these sectors were the new business areas of carbon fiber and TFT LCDs. Overseas, targeted areas were fibers and textiles in China as well as films in Europe, the United States, and Southeast Asia. At the same time, the Company carried out investment aimed at enhancing efficiency and implemented a modernization program to restructure and increase the productivity of its operations, with efforts centered on upgrading production facilities for fibers and textiles as well as plastics. Consequently, a high level of capital expenditures was maintained and amounted to ¥150.7 billion in fiscal 1998. In Japan, investment was allocated primarily to the building of a construction materials production facility at Toray Glasal Corp. The primary activities of investment programs abroad involved the construction of a new polyester polymerization and filament yarn manufacturing plant at Toray Fibers (Nantong) Co., Ltd., the increase in polyester film production capacity at Toray Plastics (America), Inc., the construction of a polyester film production facility at Penfibre Sdn. Berhad, and the increase in Ecsaine* production capacity at Alcantara S.p.A. Consequently, the balance in the "construction in progress" account at the end of fiscal 1998 amounted to ¥96.4 billion, up 112.1%, or ¥50.9 billion, from the end of the previous term.

CAPITAL EXPENDITURES



Liabilities

Total liabilities at year-end amounted to ¥933.9 billion, up 2.2%, or ¥20.0 billion, from the end of the previous fiscal year. Current liabilities shrank 7.0%, or ¥36.8 billion, to ¥489.9 billion, due primarily to a substantial decline in long-term debt due within one year, which plummeted ¥65.4 billion from the end of the previous term, to ¥19.3 billion, at the end of fiscal 1998, as a result of the absence of ¥45.0 billion in corporate bonds to be redeemed by Toray within one year and a decrease in long-term debt due within one year at the Company and its domestic subsidiaries.

Bank loans rose ¥7.3 billion, to ¥168.7 billion, mainly as a result of the increased procurement of operating funds that accompanied the expansion of domestic affiliates.

Long-term debt, including the current portion, declined ¥6.1 billion, to ¥389.8 billion.

Total financial liabilities, comprising bank loans, long-term debt, commercial paper, and discounted notes, at the end of the term totaled ¥569.3 billion, an increase of 0.9%, or ¥4.9 billion, from the end of the previous fiscal year.

Stockholders' Equity

Total stockholders' equity increased 3.1%, or ¥14.8 billion, from the previous year-end, to ¥493.4 billion. This mainly comprised ¥24.7 billion in net income and ¥10.0 billion in appropriations for cash dividends and bonuses to directors and corporate auditors. Consequently, stockholders' equity per share rose ¥10.54, to ¥352.03 per share, while the equity ratio advanced 0.2 percentage point, to 34.6%.

CASH FLOWS

Net Cash Provided by Operating Activities

Net cash provided by operating activities grew a substantial ¥62.3 billion, to ¥139.0 billion. The main factor behind this rise was a ¥25.6 billion decrease in trade receivables, compared with a ¥25.9 billion increase in the previous fiscal year.

Net Cash Used in Investing Activities

Net cash used in investing activities increased ¥12.0 billion, to ¥120.5 billion. Capital expenditures rose ¥54.5 billion, to ¥150.7 billion, driven by active investment in sectors expected to experience increasing demand. However, a portion of this investment was financed by ¥32.6 billion of proceeds from disposal of non-current assets, a ¥30.5 billion increase from the previous year. These proceeds stemmed mainly from the sale of a Hong Kong subsidiary's factory site and the sale of shares in another subsidiary.

Net Cash Provided by Financing Activities

Although net cash provided by operating activities exceeded net cash used in investing activities, net cash provided by financing activities amounted to ¥2.6 billion after repayments of debt and payments of cash dividends, thereby helping the Company maintain a sound capital base.

As a result of the above activities, including a ¥3.8 billion loss due to the effect of exchange rate changes, cash and cash equivalents at end of year stood at ¥126.9 billion, up ¥17.3 billion from the end of the previous fiscal year.

Consolidated Balance Sheets

Toray Industries, Inc. and Subsidiaries
March 31, 1998 and 1997

Assets	Millions of yen		Thousands of U.S. dollars (Note 2)
	1998	1997	1998
Current assets:			
Cash	¥ 80,911	¥ 71,182	\$ 612,962
Time deposits (Note 6).....	33,569	23,839	254,311
Marketable securities (Note 3).....	23,833	28,950	180,553
Trade receivables (Note 5):			
Notes receivable.....	64,537	67,807	488,917
Accounts receivable	180,001	204,513	1,363,644
Allowance for doubtful accounts.....	(2,817)	(2,987)	(21,341)
Inventories (Note 4).....	201,418	196,241	1,525,894
Deferred income taxes	8,124	8,126	61,545
Prepaid expenses and other current assets (Note 5)	37,366	30,967	283,076
Total current assets.....	626,942	628,638	4,749,561
Property, plant and equipment (Note 6):			
Land.....	79,744	87,706	604,121
Buildings.....	331,677	322,601	2,512,705
Machinery and equipment.....	1,094,266	1,097,653	8,289,894
Construction in progress.....	96,367	45,445	730,053
	1,602,054	1,553,405	12,136,773
Accumulated depreciation.....	(979,365)	(963,175)	(7,419,432)
	622,689	590,230	4,717,341
Investments, long-term loans and other assets:			
Affiliated companies (Note 5).....	41,232	41,340	312,364
Marketable equity securities (Notes 3 and 6)	59,212	61,844	448,576
Other securities	8,539	8,512	64,689
Long-term loans receivable.....	2,941	3,830	22,280
Deferred income taxes	—	2,382	—
Other.....	38,544	30,390	292,000
Allowance for doubtful accounts.....	(768)	(374)	(5,818)
	149,700	147,924	1,134,091
Intangible assets.....	2,767	2,477	20,962
Cost in excess of net assets acquired.....	4,200	9,224	31,818
Foreign currency translation adjustment.....	20,993	14,003	159,038
	¥1,427,291	¥1,392,496	\$10,812,811

See accompanying notes to consolidated financial statements.

Liabilities and Stockholders' Equity	Millions of yen		Thousands of U.S. dollars (Note 2)
	1998	1997	1998
Current liabilities:			
Bank loans (Note 6)	¥ 168,708	¥ 161,402	\$ 1,278,091
Long-term debt due within one year (Note 6).....	19,280	84,719	146,060
Commercial paper	5,500	500	41,667
Trade payables (Note 5):			
Notes payable.....	88,938	77,933	673,773
Accounts payable	113,177	105,968	857,401
Income taxes payable (Note 7)	15,216	15,452	115,273
Accrued liabilities (Note 5).....	49,236	51,157	373,000
Other current liabilities (Note 5)	29,875	29,619	226,326
Total current liabilities.....	489,930	526,750	3,711,591
Long-term debt (Note 6)	370,552	311,185	2,807,212
Employees' retirement benefits (Note 8).....	47,317	47,913	358,462
Customers' guarantee deposits and other liabilities	5,018	4,792	38,015
Deferred income taxes.....	233	—	1,765
Minority interests in consolidated subsidiaries	20,875	23,260	158,144
	933,925	913,900	7,075,189
Stockholders' equity (Note 9):			
Common stock:			
Authorized—4,000,000,000 shares			
Issued—1,401,481,403 shares (1,401,481,403 shares—1997).....	96,937	96,937	734,371
Additional paid-in capital.....	85,792	85,792	649,940
Legal reserve	24,234	24,234	183,591
Retained earnings.....	286,404	271,634	2,169,727
	493,367	478,597	3,737,629
Treasury stock, at cost	(1)	(1)	(7)
Total stockholders' equity	493,366	478,596	3,737,622
	¥1,427,291	¥1,392,496	\$10,812,811

Consolidated Statements of Income and Retained Earnings

Toray Industries, Inc. and Subsidiaries
Years ended March 31, 1998, 1997 and 1996

	Millions of yen			Thousands of U.S. dollars (Note 2)
	1998	1997	1996	1998
Net sales	¥1,087,713	¥1,046,837	¥941,346	\$8,240,250
Costs and expenses:				
Cost of sales.....	819,895	785,191	712,576	6,211,326
Selling, general and administrative expenses	159,718	154,152	141,362	1,209,985
Research and development expenses	36,181	35,833	33,876	274,098
	1,015,794	975,176	887,814	7,695,409
Operating income	71,919	71,661	53,532	544,841
Other income (expenses):				
Interest expenses	(18,705)	(17,321)	(16,694)	(141,704)
Interest and dividend income	5,171	4,617	5,170	39,174
Other, net.....	1,669	(2,607)	(1,155)	12,644
	(11,865)	(15,311)	(12,679)	(89,886)
Income before special credits (charges).....	60,054	56,350	40,853	454,955
Special credits (charges):				
Gain (loss) on disposal of property, plant and equipment, net.....	17,082	(1,859)	(2,617)	129,409
(Loss) gain on sale or write-down of investments in securities, net.....	(55)	(1,533)	2,395	(417)
Loss on liquidation of affiliated companies	(174)	—	(220)	(1,318)
Special severance payments and other restructuring expenses.....	(5,626)	(7,005)	(4,217)	(42,621)
New business start-up costs	—	—	(5,604)	—
Special contributions for retirement pension plan.....	(790)	(1,087)	—	(5,985)
Exchange loss	(10,988)	—	—	(83,242)
Provision for bad debt	(548)	—	—	(4,152)
	(1,099)	(11,484)	(10,263)	(8,326)
Income before income taxes	58,955	44,866	30,590	446,629
Income taxes (Note 7):				
Current.....	24,267	20,681	16,171	183,841
Deferred.....	3,736	1,223	(3,333)	28,303
	28,003	21,904	12,838	212,144
Income from consolidated operations.....	30,952	22,962	17,752	234,485
Minority interests in net income of consolidated subsidiaries	(6,164)	(362)	(1,197)	(46,697)
Amortization of cost in excess of net assets acquired	(1,919)	(2,496)	(1,360)	(14,538)
Equity in earnings of affiliated companies	1,871	3,172	3,021	14,174
Net income	24,740	23,276	18,216	187,424
Retained earnings:				
At beginning of year.....	271,634	258,798	250,687	2,057,833
	296,374	282,074	268,903	2,245,257
Adjustment of retained earnings at the beginning of period (Note 1).....	—	—	862	—
Appropriations:				
Cash dividends	9,810	9,810	9,810	74,318
Transfer to legal reserve	—	469	997	—
Bonuses to directors and corporate auditors.....	160	161	160	1,212
	9,970	10,440	10,967	75,530
At end of year	¥ 286,404	¥ 271,634	¥258,798	\$2,169,727
		Yen		U.S. dollars (Note 2)
Net income per share (Note 1):				
Primary	¥17.65	¥16.61	¥13.00	\$0.134
Fully diluted	17.43	16.41	12.88	0.132

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Toray Industries, Inc. and Subsidiaries
Years ended March 31, 1998, 1997 and 1996

	Millions of yen			Thousands of U.S. dollars (Note 2)
	1998	1997	1996	1998
Cash flows from operating activities:				
Net income	¥ 24,740	¥ 23,276	¥ 18,216	\$ 187,424
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	74,633	77,530	69,236	565,401
Deferred income taxes	3,736	1,223	(3,333)	28,303
(Gain) loss on disposal of noncurrent assets	(17,027)	3,392	222	(128,992)
Undistributed earnings of affiliated companies	543	(1,164)	(714)	4,114
Decrease (increase) in trade receivables	25,622	(25,928)	(12,962)	194,106
Increase in inventories	(1,152)	(8,426)	(22,035)	(8,727)
Increase in trade payables and accrued liabilities	18,105	5,529	1,271	137,159
Increase (decrease) in employees' retirement benefits	421	(665)	680	3,189
Minority interests	6,164	362	1,197	46,697
Other, net	3,238	1,558	983	24,530
Net cash provided by operating activities	139,023	76,687	52,761	1,053,204
Cash flows from investing activities:				
Capital expenditures	(150,700)	(96,182)	(113,348)	(1,141,667)
Purchase of investment securities	(5,545)	(11,774)	(7,200)	(42,008)
Proceeds from disposal of noncurrent assets	32,569	2,028	3,975	246,735
Other, net	3,144	(2,592)	(2,234)	23,819
Net cash used in investing activities	(120,532)	(108,520)	(118,807)	(913,121)
Cash flows from financing activities:				
Increase in short-term debt	12,306	24,704	16,003	93,227
Proceeds from long-term debt	83,995	65,640	69,154	636,326
Repayments of long-term debt	(83,872)	(44,994)	(24,139)	(635,394)
Cash dividends paid	(9,810)	(9,810)	(9,810)	(74,318)
Net cash provided by financing activities	2,619	35,540	51,208	19,841
Effect of exchange rate changes on cash and cash equivalents	(3,797)	2,203	865	(28,765)
Net increase (decrease) in cash and cash equivalents	17,313	5,910	(13,973)	131,159
Cash and cash equivalents at beginning of year	109,539	103,629	117,602	829,841
Cash and cash equivalents at end of year	¥126,852	¥109,539	¥103,629	\$ 961,000
Supplemental information of cash flows:				
Cash paid during the year for:				
Interest	¥18,667	¥17,824	¥16,759	\$141,417
Income taxes	24,177	19,650	18,957	183,159

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Toray Industries, Inc. and Subsidiaries
Years ended March 31, 1998, 1997 and 1996

1. Significant Accounting Policies

Basis of Presenting Consolidated Financial Statements

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

Overseas subsidiaries have prepared their financial statements in accordance with accounting practices prevailing in their respective domicile countries, but any significant departures from International Accounting Standards (IAS) promulgated by the International Accounting Standards Committee, which affect net income and net assets, are adjusted to comply with IAS and such adjusted financial statements of overseas subsidiaries are used for the purpose of consolidation.

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

Principles of Consolidation

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

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

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

Cash and Cash Equivalents

Cash and cash equivalents include cash, short-term time deposits which may be withdrawn on demand without diminution of principal and highly liquid investments with original maturities of three months or less.

Marketable Securities

Marketable securities in current assets and marketable equity securities in noncurrent assets are generally carried at the lower of moving average cost or market.

Allowance for Doubtful Accounts

The Company and its domestic subsidiaries have provided an allowance for doubtful accounts principally at an estimated amount of probable bad debts plus the maximum permitted deduction under Japanese tax regulations.

Overseas subsidiaries have provided an allowance for doubtful accounts at an estimated amount of probable bad debts.

Inventories

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

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

Other Securities

Other securities in noncurrent assets are stated at average cost or less.

Property, Plant and Equipment

Property, plant and equipment is stated at cost except those of overseas subsidiaries that were revalued in accordance with the regulations of domicile countries and recorded at such revalued amount.

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

Buildings	30–65 years
Machinery and equipment	5–10 years

Leases

Finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees are accounted for by a method similar to that applicable to ordinary operating leases.

Income Taxes

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants taxes and enterprise taxes. Enterprise taxes are included in selling, general and administrative expenses in the accompanying consolidated financial statements.

Deferred income taxes (including enterprise taxes) are provided for timing differences between financial and taxable income. The Company also provides for the anticipated tax effect of future remittances of retained earnings from overseas subsidiaries and affiliated companies.

Employees' Retirement Benefits

The Company has two retirement plans in effect (an unfunded lump-sum benefit plan and a funded contributory pension plan) covering all employees in general.

Under the terms of the lump-sum benefit plan, eligible employees are entitled under most circumstances, upon mandatory retirement or earlier voluntary severance, to indemnities based on compensation at the time of severance and years of service. The liability as shown in the balance sheets for employees' retirement benefits represents 50% of the amount which would be required if all employees voluntarily terminated their service at the respective balance sheet dates.

The Company's pension plan covers all eligible employees. In general, the plan provides for pension payments for life commencing from age 60. The annual provision for this plan includes current period costs, amortization over a 15 year and 3 month period of prior

service costs and interest on the unfunded portion. The provision is determined actuarially and funded currently through an outside trustee.

Appropriation of Retained Earnings

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

Legal Reserve

The Japanese Commercial Code provides that an amount not less than 10% of cash distributions paid out of retained earnings (cash dividends and bonuses to directors and corporate auditors) each year be appropriated to the legal reserve until such reserve equals 25% of the "Common stock" account. The legal reserve may be used to reduce a deficit or may be transferred to the "Common stock" account, but is not available for distribution as dividends. The legal reserve in the accompanying consolidated financial statements includes only that of the Company. The Company's equity in the legal reserves of its consolidated subsidiaries is included in consolidated retained earnings.

Foreign Currency Transactions

Noncurrent receivables and payables of the Company and its domestic subsidiaries denominated in foreign currencies are translated into Japanese yen at historical exchange rates.

Other current receivables and payables denominated in foreign currencies are translated at the applicable rates of exchange in effect at year-end.

All realized foreign currency exchange gains and losses and unrealized gains and losses on current receivables and payables are included in net income.

2. U.S. Dollar Amounts

The Company and its domestic consolidated subsidiaries maintain their accounting records in yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetic results of translating yen into U.S. dollars at the rate of ¥132 to \$1.00, the approximate exchange rate

Translation of Foreign Currency Financial Statements

In accordance with the revised standards for translation of foreign currency transactions and accounts denominated in foreign currencies, which became effective in the year ended March 31, 1996, the Company changed the translation method. Under the new standards, translation of foreign currency financial statements of overseas subsidiaries into Japanese yen for consolidation purposes is made by using the current exchange rates prevailing at the balance sheet dates, with an exception that the translation of stockholders' equity is made by using the historical rates. Revenue and expense accounts are translated at the year's average rate of exchange.

In this connection, a certain adjusting account is set up for the reconciliation of the account balances. Such an adjusting account is shown as "Foreign currency translation adjustment" in the accompanying consolidated financial statements.

Retained earnings at the beginning of the year ended March 31, 1996, are adjusted accordingly.

Net Income per Share

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

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

prevailing on March 31, 1998. The inclusion of such U.S. dollar amounts is solely for the convenience of readers outside Japan and is not intended to imply that yen amounts and assets and liabilities that originated in yen have been or could be readily converted, realized, or settled in U.S. dollars at this or at any other rate.

3. Marketable Securities

At March 31, 1998 and 1997, the marketable securities in current assets consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Marketable equity securities.....	¥ 4,898	¥ 5,395	\$ 37,106
Securities purchased under agreements with resale (Bond <i>GENSAKI</i>)	12,372	14,518	93,727
Other marketable securities.....	6,563	9,037	49,720
	¥23,833	¥28,950	\$180,553
Market value of marketable equity securities.....	¥14,769	¥18,500	\$111,886

Also, at March 31, 1998 and 1997, the market value of marketable equity securities in noncurrent assets amounted to ¥187,106 million (\$1,417,470 thousand) and ¥224,043 million, respectively.

4. Inventories

At March 31, 1998 and 1997, inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Finished goods and work in process.....	¥167,360	¥162,540	\$1,267,879
Raw materials and supplies.....	34,058	33,701	258,015
	¥201,418	¥196,241	\$1,525,894

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5. Affiliated Companies

At March 31, 1998 and 1997, investments in and advances to unconsolidated subsidiaries and affiliated companies consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Investments in capital stock, at cost.....	¥27,081	¥25,659	\$205,159
Equity in accumulated earnings and losses since acquisition, net.....	13,520	14,666	102,424
Advances.....	631	1,015	4,781
	¥41,232	¥41,340	\$312,364

At March 31, 1998, amounts due from and due to the unconsolidated subsidiaries and affiliated companies included in current assets and current liabilities were ¥13,907 million

(\$105,356 thousand) and ¥6,091 million (\$46,144 thousand), respectively. Comparable amounts at March 31, 1997, were ¥8,355 million and ¥6,219 million, respectively.

6. Bank Loans and Long-Term Debt

Bank loans at March 31, 1998 and 1997, were represented by bank overdrafts and short-term notes. The Company is not required

to pay commitment fees on unused balances of the bank overdraft agreements.

Long-term debt at March 31, 1998 and 1997, was as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Loans principally from banks and insurance companies with interest rates primarily from 0.75% to 9.6%, maturing serially through 2012:			
Collateralized	¥ 5,271	¥ 7,016	\$ 39,932
Unsecured	209,968	219,295	1,590,667
Mortgage bonds with an interest rate of 1.8% due 1999.....	100	100	758
Convertible debentures with an interest rate of 1.7% due 2002.....	29,493	29,493	223,432
Yen notes with an interest rate of 7.2% due 1998	—	30,000	—
Yen notes with an interest rate of 4.35% due 1999	20,000	20,000	151,515
Yen notes with an interest rate of 4.25% due 2001	20,000	20,000	151,515
Yen notes with an interest rate of 2.65% due 2001	10,000	10,000	75,757
Yen notes with an interest rate of 2.40% due 2009	20,000	—	151,515
Yen notes with an interest rate of 2.275% due 2004	15,000	—	113,636
Yen notes with an interest rate of 2.25% due 2001	20,000	20,000	151,515
Yen notes with an interest rate of 2.20% due 2003	15,000	—	113,636
Yen notes with an interest rate of 2.05% due 2003	1,000	1,000	7,576
Yen notes with an interest rate of 1.65% due 1999	10,000	10,000	75,757
Yen notes with an interest rate of 1.40% due 2001	5,000	5,000	37,879
Yen notes with an interest rate of 1.31% due 2001	1,000	1,000	7,576
Yen floating rate notes due 1997	—	15,000	—
Yen floating rate notes due 2002	8,000	8,000	60,606
	389,832	395,904	2,953,272
Less amounts due within one year	19,280	84,719	146,060
	¥370,552	¥311,185	\$2,807,212

At March 31, 1998, assets pledged as collateral for short-term bank loans and collateralized loans and certain mortgage bonds of subsidiaries were as follows:

	Millions of yen	Thousands of U.S. dollars
Time deposits	¥ 15	\$ 114
Investments in securities at carrying value	41	311
Property, plant and equipment, at cost less accumulated depreciation	14,422	109,257
	¥14,478	\$109,682

The trust deeds covering the 1.7% convertible debentures provide for the conversion, subject to adjustment under specified conditions,

into 32,162 thousand shares of common stock at ¥917 (\$6.95) per share at March 31, 1998.

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

	Millions of yen	Thousands of U.S. dollars
Years ending March 31:		
1999	¥ 19,280	\$ 146,060
2000	70,886	537,015
2001	115,989	878,705
2002	57,520	435,757
2003	63,839	483,629
2004 and thereafter.....	62,318	472,106
	¥389,832	\$2,953,272

7. Income Taxes

Primarily as a result of (1) tax exemptions for dividend income and (2) tax credits based on research and development expenses, the actual tax rates on consolidated income before income taxes differ from the normal effective tax rate of approximately 52% in Japan.

As described in Note 1, enterprise taxes included in selling, general and administrative expenses amounted to ¥4,679 million (\$35,447 thousand), ¥3,991 million and ¥3,771 million for the years ended March 31, 1998, 1997 and 1996, respectively.

8. Employees' Retirement Benefits

The amounts charged to income for both the employees' lump-sum benefit plan and the pension plan amounted to ¥17,739 million

9. Stockholders' Equity

The Japanese Commercial Code requires that at least 50% of the paid-in capital of new share issues be transferred to the "Common stock" account, provided 50% of the paid-in capital is greater than the par value of the shares.

Tax loss carryforwards existing at March 31, 1998, are available to offset future income in certain subsidiaries and will expire as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31:		
1999	¥ 5,912	\$ 44,788
2000	3,520	26,667
2001	3,036	23,000
2002	3,446	26,106
2003 and thereafter.....	18,835	142,689
	¥34,749	\$263,250

(\$134,386 thousand), ¥15,483 million and ¥13,367 million in 1998, 1997 and 1996, respectively.

Changes of common stock and additional paid-in capital for the years ended March 31, 1998 and 1997, are summarized as follows:

	Common stock			Additional paid-in capital	
	Thousands of shares	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
March 31, 1996	1,401,481	¥96,937		¥85,792	
March 31, 1997	1,401,481	96,937		85,792	
March 31, 1998	1,401,481	96,937	\$734,371	85,792	\$649,940

At the June 1998 annual meeting, stockholders approved the payment of cash dividends of ¥3.50 per share, aggregating ¥4,905 million (\$37,159 thousand).

10. Rental Expense and Contingent Liabilities

Rental expense, primarily for office space, amounted to ¥14,558 million (\$110,288 thousand), ¥14,525 million and ¥14,348 million for 1998, 1997 and 1996, respectively. Long-term noncancelable leases, which are accounted for as operating leases, are not significant.

The Company and its subsidiaries were contingently liable as

endorser of trade notes receivable, discounted with banks in the amount of ¥5,251 million (\$39,780 thousand) at March 31, 1998. In addition, the Company and its subsidiaries were contingently liable as guarantor of loans to affiliated companies and others in the amount of ¥16,434 million (\$124,500 thousand) at March 31, 1998.

11. Segment Information

Results by Industrial Segment

The Company and its subsidiaries operate principally in five industrial segments: fibers and textiles, plastics and chemicals, housing and engineering, pharmaceuticals and medical products, and new products and other businesses.

Operations in the fibers and textiles segment involve the production and sale of nylon, polyester, acrylic fiber and textile products and synthetic suede. Operations in the plastics and chemicals segment involve the production and sale of nylon and ABS resins, polyester and polypropylene films, synthetic fiber raw materials and fine

and specialty chemicals. Operations in the housing and engineering segment involve construction and plant engineering services and the manufacturing of industrial equipment and machinery. Operations in the pharmaceuticals and medical products segment involve the production and sale of interferon- β and beraprost sodium drugs and artificial kidneys. Operations in the new products and other businesses segment involve the production and sale of advanced composite materials and electronics and information-related products as well as the provision of services in such diverse areas as research support, systems integration and hotel chain operation.

Millions of yen

Year ended March 31, 1998:	Fibers and textiles	Plastics and chemicals	Housing and engineering	Pharmaceuticals and medical products	New products and other businesses	Total	Elimination and corporate	Consolidated total
Sales to outside customers	¥466,973	¥300,420	¥168,797	¥46,514	¥105,009	¥1,087,713	¥ —	¥1,087,713
Intersegment sales	1,165	29,183	78,793	31	20,633	129,805	(129,805)	—
Total sales	¥468,138	¥329,603	¥247,590	¥46,545	¥125,642	¥1,217,518	¥(129,805)	¥1,087,713
Operating income	¥ 28,149	¥ 26,672	¥ 2,129	¥ 5,283	¥ 10,414	¥ 72,647	¥ (728)	¥ 71,919
Assets	¥510,270	¥466,181	¥220,551	¥66,393	¥200,569	¥1,463,964	¥ (36,673)	¥1,427,291
Depreciation and amortization	26,375	27,246	2,660	3,245	14,168	73,694	(980)	72,714
Capital expenditures	60,370	49,131	8,251	2,644	32,053	152,449	(1,749)	150,700

Year ended
March 31, 1997:

Sales to outside customers	¥466,326	¥281,874	¥146,015	¥45,769	¥106,853	¥1,046,837	¥ —	¥1,046,837
Intersegment sales	1,109	29,784	46,840	89	17,747	95,569	(95,569)	—
Total sales	¥467,435	¥311,658	¥192,855	¥45,858	¥124,600	¥1,142,406	¥(95,569)	¥1,046,837
Operating income	¥ 23,844	¥ 29,017	¥ 3,946	¥ 6,242	¥ 8,321	¥ 71,370	¥ 291	¥ 71,661
Assets	¥517,169	¥443,873	¥199,309	¥66,590	¥189,500	¥1,416,441	¥(23,945)	¥1,392,496
Depreciation and amortization	28,763	27,299	2,488	3,768	13,271	75,589	(555)	75,034
Capital expenditures	32,957	37,537	10,673	2,585	13,381	97,133	(951)	96,182

Year ended
March 31, 1998:

Thousands of U.S. dollars

Sales to outside customers	\$3,537,674	\$2,275,909	\$1,278,765	\$352,379	\$ 795,523	\$ 8,240,250	\$ —	\$ 8,240,250
Intersegment sales	8,826	221,083	596,917	235	156,310	983,371	(983,371)	—
Total sales	\$3,546,500	\$2,496,992	\$1,875,682	\$352,614	\$ 951,833	\$ 9,223,621	\$(983,371)	\$ 8,240,250
Operating income	\$ 213,250	\$ 202,060	\$ 16,129	\$ 40,023	\$ 78,894	\$ 550,356	\$ (5,515)	\$ 544,841
Assets	\$3,865,682	\$3,531,674	\$1,670,841	\$502,977	\$1,519,462	\$11,090,636	\$(277,825)	\$10,812,811
Depreciation and amortization	199,811	206,409	20,152	24,583	107,333	558,288	(7,424)	550,864
Capital expenditures	457,348	372,205	62,508	20,030	242,826	1,154,917	(13,250)	1,141,667

Results by Geographic Segment

Due to the amendments of disclosure rules governed by the Securities and Exchange Law of Japan, results that had been reported as

Outside Japan have been divided into Asia and Other areas, as from the fiscal year ended March 31, 1998.

Year ended March 31, 1998:	Millions of yen				Elimination and corporate	Consolidated total
	Japan	Asia	Other areas	Total		
Sales to outside customers	¥ 851,120	¥112,652	¥123,941	¥1,087,713	¥ —	¥1,087,713
Intersegment sales	74,854	9,922	4,327	89,103	(89,103)	—
Total sales	¥ 925,974	¥122,574	¥128,268	¥1,176,816	¥(89,103)	¥1,087,713
Operating income	¥ 45,843	¥ 11,371	¥ 15,261	¥ 72,475	¥ (556)	¥ 71,919
Assets	¥1,093,842	¥176,739	¥162,233	¥1,432,814	¥ (5,523)	¥1,427,291

	Millions of yen				
	Domestic (inside Japan)	Outside Japan	Total	Elimination and corporate	Consolidated total
Year ended March 31, 1997:					
Sales to outside customers.....	¥ 812,337	¥234,500	¥1,046,837	¥ —	¥1,046,837
Intersegment sales	62,843	9,007	71,850	(71,850)	—
Total sales	¥ 875,180	¥243,507	¥1,118,687	¥(71,850)	¥1,046,837
Operating income.....	¥ 52,176	¥ 19,786	¥ 71,962	¥ (301)	¥ 71,661
Assets.....	¥1,083,826	¥319,091	¥1,402,917	¥(10,421)	¥1,392,496

	Thousands of U.S. dollars					
	Japan	Asia	Other areas	Total	Elimination and corporate	Consolidated total
Year ended March 31, 1998:						
Sales to outside customers.....	\$6,447,879	\$ 853,424	\$ 938,947	\$ 8,240,250	\$ —	\$ 8,240,250
Intersegment sales	567,076	75,167	32,780	675,023	(675,023)	—
Total sales	\$7,014,955	\$ 928,591	\$ 971,727	\$ 8,915,273	\$(675,023)	\$ 8,240,250
Operating income.....	\$ 347,295	\$ 86,144	\$ 115,614	\$ 549,053	\$ (4,212)	\$ 544,841
Assets.....	\$8,286,682	\$1,338,932	\$1,229,038	\$10,854,652	\$ (41,841)	\$10,812,811

Major countries in the categories Asia and Other areas are as follows:

Asia: China, Indonesia, Thailand, Malaysia

Other areas: U.S.A., U.K., France, Italy

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Export Sales and Sales by Overseas Subsidiaries

	Millions of yen		
	Asia	Other areas	Total
Year ended March 31, 1998:			
Export sales and sales by overseas subsidiaries	¥194,866	¥189,016	¥383,882
Percentage of such sales against consolidated net sales.....	17.9%	17.4%	35.3%
Year ended March 31, 1997:			
Export sales and sales by overseas subsidiaries			¥368,017
Percentage of such sales against consolidated net sales.....			35.2%

	Thousands of U.S. dollars		
	Asia	Other areas	Total
Year ended March 31, 1998:			
Export sales and sales by overseas subsidiaries	\$1,476,258	\$1,431,939	\$2,908,197

Major countries in the categories Asia and Other areas are as follows:

Asia: China, Indonesia, Thailand, Malaysia

Other areas: U.S.A., U.K., France, Italy

12. Directors' Interests

None of the Company's directors held a material interest in any contract significant to the Company or its affiliates at any time during the three years in the period ended March 31, 1998. Furthermore,

none of the directors or members of their families held interests of 5% or more in shares of the Company at any time during the three years in the period ended March 31, 1998.

Report of the Independent Certified Public Accountants on the Consolidated Financial Statements

Coopers
&Lybrand

**Chuo
Audit
Corporation**

certified public accountants

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telephone:(03)3581-6281

The Board of Directors
Toray Industries, Inc.

We have audited the consolidated balance sheets of Toray Industries, Inc. and its subsidiaries as of March 31, 1998 and 1997, and the related consolidated statements of income and retained earnings, and cash flows for each of the three years in the period ended March 31, 1998, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Toray Industries, Inc. and its subsidiaries as of March 31, 1998 and 1997, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 1998, in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

Chuo Audit Corporation

June 26, 1998
Tokyo, Japan

The Toray Group

(As of March 31, 1998)

	SUBSIDIARIES (169 COMPANIES)		
	CONSOLIDATED SUBSIDIARIES		
FIBERS, TEXTILES & FASHION (77 COMPANIES)	Japan (25 Companies) Toray Monofilament Co., Ltd. Toyo Tire Cord Co., Ltd. Ogaki Spinning Co., Ltd. Fuso Spinning Co., Ltd. Toyo Dyeing Co., Ltd. Marusa Co., Ltd. Toray Textiles, Inc. Inami Textiles, Inc. Toray Kimono Co., Ltd. Ronze Inc. Toray Fishing Corp. Towa Orimono Co., Ltd. (Osaka) Ichimura Sangyo Co., Ltd. Towa Orimono Co., Ltd. (Ishikawa) Maruichi Fiber Co., Ltd. Maruwa Orimono Co., Ltd. Toray Diplomode, Inc. Japan Apparel System Science Co., Ltd. Sunrich Mode Inc. Ecsaine Plaza-Aoyama, Inc. San e Origin Co., Ltd.	Daiichi Lace Mfg. Co., Ltd. Others England (2 Companies) Toray Textiles Europe Ltd. Toray Komatsu Printing (EU) Ltd. Italy (1 Company) Alcantara S.p.A. Czech Republic (1 Company) Toray Textiles Central Europe s.r.o. Indonesia (4 Companies) P.T. Indonesia Toray Synthetics P.T. Indonesia Synthetic Textile Mills P.T. Acryl Textile Mills P.T. Easterntex Thailand (3 Companies) Toray Nylon Thai Co., Ltd. Luckytex (Thailand) Public Company Limited	Toray Fibers (Thailand) Ltd. Malaysia (5 Companies) Penfibre Sdn. Berhad Penfabric Sdn. Berhad Pentex Sdn. Berhad Woodard Textile Mills Sdn. Berhad Pentley Sdn. Berhad Singapore (1 Company) China (3 Companies) Toray Sakai Printing & Dyeing (Nantong) Co., Ltd. Toray Sakai Weaving (Nantong) Co., Ltd. Toray Fibers (Nantong) Co., Ltd. China (Hong Kong) (5 Companies) TAL Knits Ltd. Others (50 Companies)
TRADING (13 COMPANIES)	Japan (3 Companies) Toray International, Inc. Toray Ireeve Corp. Toray Alphart Co., Ltd. U.S.A. (1 Company) Toray Marketing and Sales (America), Inc.	Germany (1 Company) Toray Deutschland GmbH United Kingdom (1 Company) Toray Europe Ltd.	Singapore (1 Company) Toray Industries (Singapore) Pte. Ltd. China (Hong Kong) (2 Companies) Toray Industries (H.K.) Ltd. Other (9 Companies)
PLASTICS & CHEMICALS (27 COMPANIES)	Japan (7 Companies) Toray PEF Products Inc. Toyo Plastic Seiko Co., Ltd. Toyo Metalizing Co., Ltd. Toray Plastic Films Co., Ltd. Toray Fine Chemicals Co., Ltd. Toray Thiokol Co., Ltd. Other	U.S.A. (1 Company) Toray Plastics (America), Inc. France (1 Company) Toray Plastics Europe S.A.	Malaysia (3 Companies) Pensanko Precision Sdn. Berhad Toray Plastics (Malaysia) Sdn. Berhad Other (12 Companies)
HOUSING & ENGINEERING (22 COMPANIES)	Japan (12 Companies) Toray Construction Co., Ltd. Toray Engineering Co., Ltd. Toray Living Co., Ltd. Toray Precision Co., Ltd. Toray Glasal Corp.	Santo Development Co., Ltd. Tecmat Industries Corp. Others U.S.A. (1 Company)	Malaysia (1 Company) Singapore (1 Company) South Korea (1 Company) (16 Companies)
NEW PRODUCTS & OTHER BUSINESSES (14 COMPANIES)	Japan (1 Company) Toray Medical Co., Ltd.	U.S.A. (2 Companies) Toray Composites (America), Inc. Toray Carbon Fibers America, Inc.	France (1 Company) Société des Fibres de Carbone S.A. (4 Companies)
INFORMATION & SERVICES (47 COMPANIES)	Japan (10 Companies) Eastern Viva Co., Ltd. Toray Enterprise Corp. Toray Agency Inc. Toray Research Center Inc. Toyo Logistics Co., Ltd. Toray Systems Center Inc. Toyo Jitsugyo Co., Ltd. Toray Finance Inc. Mishima Shokusan Inc. Other	U.S.A. (2 Companies)	(12 Companies)
TOTAL: 200 COMPANIES	103 COMPANIES		

		AFFILIATES (31 COMPANIES)	
SUBSIDIARIES ACCOUNTED FOR BY EQUITY METHOD		AFFILIATES ACCOUNTED FOR BY EQUITY METHOD	
<p>Japan (10 Companies) Toyo Flocking Co., Ltd. Toyo Waso Kogyo Co., Ltd. Toray Ecsaine Plaza, Inc. Others</p> <p>Indonesia (1 Company) P.T. Jakarta Triapparel</p> <p>Vietnam (1 Company)</p> <p>China (Hong Kong) (1 Company)</p> <p>Brazil (1 Company)</p> <p style="text-align: right;">(14 Companies)</p>		<p>Japan (4 Companies) Du Pont-Toray Co., Ltd. Matsumoto Textiles Co., Ltd. Pennyblack Marella Japan Co., Ltd. Other</p> <p>Indonesia (3 Companies) P.T. OST Fibre Industries P.T. Century Textile Industry Other</p> <p>Thailand (1 Company) Thai Toray Textile Mills Public Company Limited</p> <p>Malaysia (2 Companies)</p> <p>Singapore (1 Company)</p> <p>China (Hong Kong) (1 Company)</p> <p>South Korea (1 Company)</p> <p style="text-align: right;">(13 Companies)</p>	
<p>Italy (1 Company) Toray Italia S.r.l.</p> <p>Indonesia (1 Company) P.T. Toray Trading Indonesia</p> <p style="text-align: right;">(4 Companies)</p>		<p>China (1 Company) Toray Trading (Shanghai) Co., Ltd.</p> <p>Chinese Taipei (1 Company) Tong Shing Inc.</p> <p style="text-align: right;">(8 Companies)</p>	
<p>Japan (2 Companies)</p> <p>U.S.A. (1 Company)</p> <p>China (2 Companies) LIBI Plastic Compounding (Shenzhen) Co., Ltd. Toray Sanko Precision (Zhongshan) Ltd.</p> <p style="text-align: right;">(7 Companies)</p>		<p>China (Hong Kong) (2 Companies) LIBI Plastic Compounding (Hong Kong) Co., Ltd. Toray Sanko Precision (Hong Kong) Ltd.</p> <p>Japan (4 Companies) East Three Technology Co., Ltd. Dow Corning Toray Silicone Co., Ltd. Soda Aromatic Co., Ltd. Other</p> <p>U.S.A. (1 Company) MonTor Performance Plastics Co.</p> <p>Indonesia (1 Company) P.T. Petnesia Resindo</p> <p>Thailand (1 Company) 3TM Plastics Co., Ltd.</p> <p>South Korea (1 Company) KTP Industries Inc.</p> <p style="text-align: right;">(8 Companies)</p>	
<p>Japan (4 Companies) Chuno Cetech Co., Ltd. Toray Fine Machinery Co., Ltd. Toray Techno Co., Ltd. Other</p> <p style="text-align: right;">(4 Companies)</p>		<p>U.S.A. (1 Company)</p> <p>South Korea (1 Company) Daehan Precision Co., Ltd.</p> <p style="text-align: right;">(2 Companies)</p>	
<p>Japan (2 Companies)</p> <p>Singapore (1 Company) S&J Dialysis Centre Ltd.</p>		<p>China (Hong Kong) (1 Company) Pacific Dialysis Centre Ltd.</p> <p>Chinese Taipei (1 Company) Advanced Sporting Composites Inc.</p> <p style="text-align: right;">(5 Companies)</p>	
<p>Japan (28 Companies) Toray Corporate Business Research, Inc. Toray Travel Co., Ltd. Toray Techno Co., Ltd. Toray Intellectual Property Experts Co., Ltd. Shiga Cable Network Inc. Kanto General Service Inc. Shiga Shokusan Inc. Toyo Shokusan Inc. Meinan Service Inc. Toyo Service Inc. Okazaki Shokusan Inc. Gifu Shokusan Inc. Ishikawa Shokusan Inc.</p>		<p>Chiba Shokusan Inc. Tsuchiura Shokusan Inc. Others</p> <p>U.S.A. (2 Companies) Toray Capital (America), Inc. Other</p> <p>Netherlands (1 Company) Toray Capital (Europe) B.V.</p> <p>Indonesia (1 Company) P.T. Jabato International</p> <p style="text-align: right;">(32 Companies)</p>	
66 COMPANIES		31 COMPANIES	
		(3 Companies)	

Global Network

(As of June 30, 1998)

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Jakarta

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3rd Floor, Summitas II 61-62,
Jalan Jenderal Sudirman,
Jakarta, Indonesia
Telephone: 62 (21) 520-1216
Facsimile: 62 (21) 520-1222

Bangkok

Luckytex (Thailand) Public Company Limited
5th Floor, Bubhajit Building,
20 North Sathorn Road,
Bangrak, Bangkok 10500,
Thailand
Telephone: 66 (2) 266-6600
Facsimile: 66 (2) 238-3957

Penang

Penfabric Sdn. Berhad
Plots 117-119 & 200-202,
Prai Free Industrial Zone,
13600 Prai, Penang, Malaysia
Telephone: 60 (4) 3907000
Facsimile: 60 (4) 3908018, 3908260

Singapore

Toray Industries (Singapore) Pte. Ltd.
31 Exeter Road, #31-01 Comcentre,
Singapore 239732, Republic of Singapore
Telephone: (65) 533-3288
Facsimile: (65) 533-2215

Beijing

Toray Industries, Inc., Beijing Office
Beijing Fortune Building, No. 802,
5, Dong San Huan Bei-Lu,
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Beijing 100004, China
Telephone: 86 (10) 6501-8961-3
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Shanghai

Toray Industries, Inc., Shanghai Office
Rooms 1102-1103,
Shanghai International Trade Center,
2200, Yan An Road (West),
Shanghai 200335, China
Telephone: 86 (21) 62701581-2
Facsimile: 86 (21) 62701580

Hong Kong

Toray Industries (H.K.) Ltd.
3rd & 15th Floors, TAL Building,
49 Austin Road, Kowloon,
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Facsimile: 85 (2) 27303780

Taipei

Tong Shing Inc.
6th Floor, Shinkong Life Insurance Building,
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Telephone: 886 (2) 2506-0700
Facsimile: 886 (2) 2508-0662

Seoul

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Investor Information

(As of March 31, 1998)

Toray Industries, Inc.

Head Office

2-1, Nihonbashi-Muromachi 2-chome,
Chuo-ku, Tokyo 103-8666, Japan
Telephone: 81 (3) 3245-5113
Facsimile: 81 (3) 3245-5459
URL: <http://www.toray.co.jp>

2nd Head Office Building

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

Osaka Head Office

3-3, Nakanoshima 3-chome,
Kita-ku, Osaka 530-8222, Japan
Telephone: 81 (6) 445-4101
Facsimile: 81 (6) 445-4123

Established: January 1926

Common Stock:

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

Number of Stockholders: 137,716

Listings:

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

Transfer Agent:

The Mitsui Trust & Banking Co., Ltd.
1-1, Nihonbashi-Muromachi 2-chome,
Chuo-ku, Tokyo 103-8666, Japan

Common Stock Price Range:	1998		1997	
	High	Low	High	Low
First quarter	¥841	¥698	¥790	¥691
Second quarter.....	830	666	770	657
Third quarter.....	724	507	745	685
Fourth quarter	720	510	750	642

Common Dividends per Share:	1998	1997
Total for the year	¥7.00	¥7.00
Interim	3.50	3.50

Composition of Stockholders:	Percent of total	Thousands of shares
Financial institutions.....	54.61%	765,405
Securities companies.....	0.39	5,431
Other corporations.....	6.54	91,614
Foreign investors.....	14.36	201,277
Individuals and others.....	24.10	337,749
Public bodies.....	0.00	2

Number of Employees:	
Parent company	9,650
Domestic subsidiaries	8,629
Overseas subsidiaries	14,573
Total	<u>32,852</u>

'TORAY'

Toray Industries, Inc.

2-1, Nihonbashi-Muromachi 2-chome,

Chuo-ku, Tokyo 103-8666, Japan

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