

'TORAY'

Toray Industries, Inc.



**Contributing to Society
through the Creation of New Value
by Innovative Ideas,
Technologies, and Products**

ANNUAL REPORT 2001

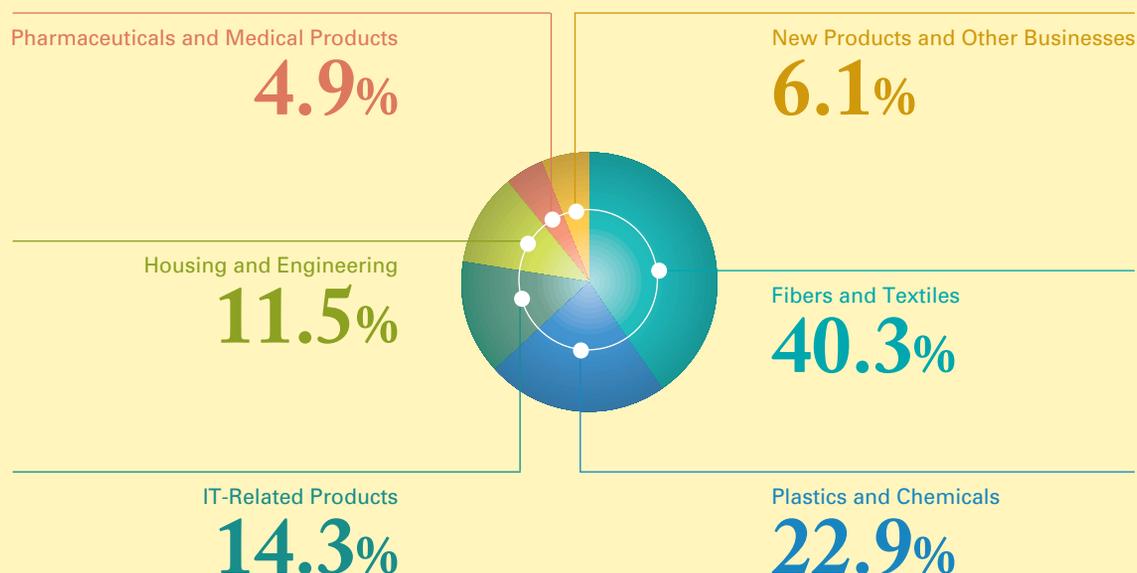
April 1, 2000–March 31, 2001

www.toray.com

Profile

Toray Industries, Inc., is the world's leading manufacturer of synthetic fibers and textiles, with 200 subsidiaries and affiliated companies in 18 countries and regions around the world. The Toray Group's diversified businesses comprise Fibers and Textiles, Plastics and Chemicals, IT-Related Products, Housing and Engineering, Pharmaceuticals and Medical Products, and New Products and Other Businesses including carbon fiber business. In fiscal 2001, ended March 31, 2001, consolidated net sales totaled ¥1,075 billion.

CONSOLIDATED SALES, BY SEGMENT



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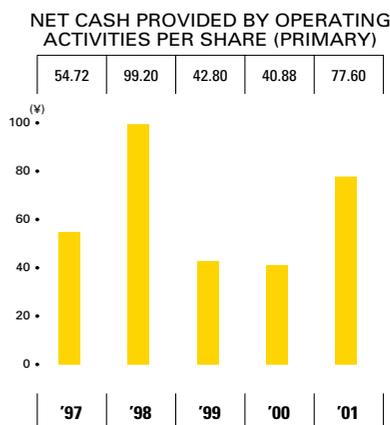
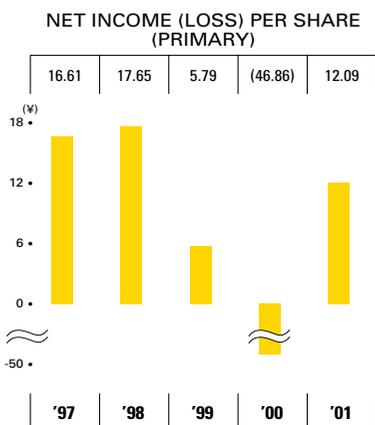
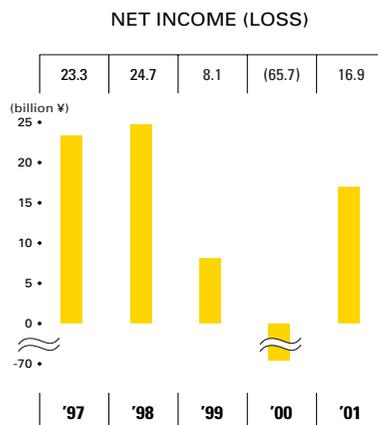
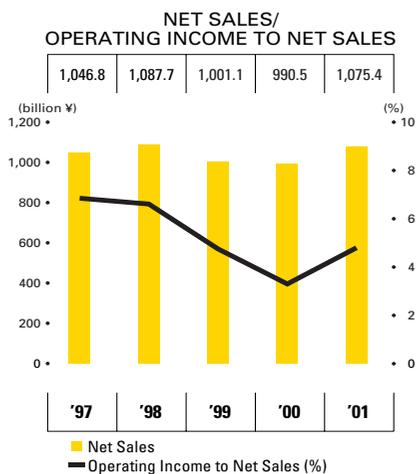
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Financial Highlights

Toray Industries, Inc. and Subsidiaries
Years ended March 31

	Millions of yen			Thousands of U.S. dollars
	2001	2000	1999	2001
For the year:				
Net sales	¥1,075,371	¥ 990,487	¥1,001,117	\$ 8,672,347
Operating income.....	51,166	32,320	47,564	412,629
Net income (loss)	16,937	(65,667)	8,117	136,589
Net cash provided by operating activities	108,756	57,298	59,984	877,065
Capital expenditures.....	60,071	109,514	120,968	484,444
Per share of common stock (in yen and U.S. dollars):				
Net income (loss):				
Primary	¥12.09	¥(46.86)	¥ 5.79	\$0.098
Fully diluted	12.02	—	—	0.097
Net cash provided by operating activities (primary)	77.60	40.88	42.80	0.626
Cash dividends	7.00	7.00	7.00	0.056
At year-end:				
Total assets	¥1,461,133	¥1,470,850	¥1,437,360	\$11,783,331
Total stockholders' equity	425,193	415,878	491,497	3,428,976

Note: All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at ¥124 to \$1.00, the approximate rate of exchange prevailing on March 31, 2001. Billion is used in the American sense of one thousand million.



From the President

02



Dear Stockholders,

I am pleased to report on the business performance of the Toray Group in fiscal 2001, ended March 31, 2001.

OVERVIEW AND RESULTS

During the term under review, although the Japanese economy tended to move toward a recovery in the first half of the fiscal year, consumer spending failed to rally as a whole. In the second half, the slowdown of the U.S. economy caused the Japanese economy to weaken rapidly, which had a large adverse impact on Toray Industries, Inc.'s mainstay domestic fibers and textiles businesses. Overseas, the European and Asian economies, which had been on an expansionary path, contracted in response to the sudden rapid slowdown of the U.S. economy.

Amid such conditions, the Toray Group made efforts in every business segment to expand sales and reduce manufacturing costs. Simultaneously, our subsidiaries and affiliated companies involved in fibers and textiles businesses in the People's Republic of China and Southeast Asia as well

as our Asian plastics Group companies and other businesses realized the profitability-improvement goals the Company had set in the beginning of the year. Consequently, the Group realized an improved earnings performance in fiscal 2001.

As a result, consolidated net sales increased 8.6%, to ¥1,075.4 billion. Operating income leaped 58.3%, to ¥51.2 billion. Net income, at ¥16.9 billion, marked an ¥82.6 billion improvement from the previous fiscal year, due to the fiscal 2000 proactive recognition of special charges of ¥106.2 billion, mainly the transfer of employees' retirement benefits, reflecting the amendment in Japanese accounting standards that came into effect in fiscal 2001.

Toray's information- and communications-related business has expanded and increased in importance. In the term under review, therefore, we established the independent IT-Related Products segment for these business fields. This change effected a new breakdown of segments in our sales and performance data as follows. For the sake of comparisons, we have restated the previous year's results.

Sales for the IT-Related, Plastics and Chemicals, and Pharmaceuticals and Medical Products segments recorded remarkable increases together with increased sales of the Fibers and Textiles segment. However, the Housing and Engineering segment maintained the same sales levels as in the previous fiscal year, and the New Products and Other Businesses segment witnessed a decline in sales. Consolidated net sales, in the end, increased over the previous term's.

Consolidated operating income posted a conspicuous increase, with a large improvement in profits for the Fibers and Textiles, Plastics and Chemicals, and Pharmaceuticals and Medical Products segments, increased profits for the IT-Related Products segment, and a return to profitability for the Housing and Engineering segment.

CORPORATE ACTIVITIES

To achieve steadfast business growth, the Group will continue making strategic investments in plant and

P r e s i d e n t

equipment, R&D, and human resources. We are also actively tackling environmental preservation concerns by undertaking activities to improve the situation.

Consequently, 12 of our manufacturing facilities in Japan had obtained ISO 14001 certification for their environment management systems by the end of fiscal 2001.

As part of its efforts to contribute to local communities, the Company established the Toray Science Foundation in 1960, through which it provides science and technology promotion programs. Furthermore, the Company supports sports, educational, medical, and cultural programs. Toray Science Foundations in Thailand, Indonesia, and Malaysia also support the promotion of science and technology development in their respective countries.

OUTLOOK

We anticipate that Toray's business environment, which has been harsh for some time, will become even more trenchant, given intensifying global competition caused by the economy becoming more borderless and the new technological advances being realized in the fields of IT and telecommunications.

Under such circumstances, the Toray Group is pushing forward with the management principle of raising stockholder value by transforming the Company into one with a higher-profit business structure and making efforts to improve the efficiency and agility of management. Toward these objectives, we are striving to implement the following management tasks.

The first task is to strengthen the income-generating business structure of the core businesses. To this end, Toray has introduced a proprietary strategic model—Global Re-Engineering.

Global Re-Engineering involves the complete restructuring of the Company's domestic and overseas production and marketing systems as part of an aggressive push to further increase operational efficiency and raise the profitability of the Toray Group, primarily in such business fields as polyester filament yarns and polyester films. While shifting the focus of new product development to growth areas

within our core businesses, we are also striving to strengthen the Group's total cost-competitiveness.

The second task is to expand business in growth fields outside our core businesses. We will devote ourselves to exploring every opportunity in electronics and information-related products, advanced composite materials, pharmaceuticals and medical products, and water treatment business—operations that relate directly to the up-and-coming fields of IT, life sciences, the environment, and energy. Having positioned these sectors as strategically expanding businesses, we are endeavoring to cultivate our future core businesses by concentrating investment of management resources in these areas.

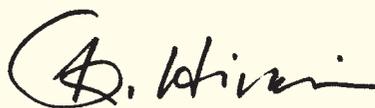
The third task is to improve the efficiency of capital utilization by reducing interest-bearing liabilities and streamlining unprofitable and low-profit businesses.

Finally, as a new challenge, the Group is in the process of implementing management reforms in its marketing activities. Specifically, we are undertaking a marketing innovation project as a response to the rapidly changing economic environment by conducting a thorough review of the attitudes and mind-sets of each businessperson, our approach to marketing, organization, distribution routes, and other such vital issues.

We are confident that pursuing these management initiatives will lead to sound business results as well as the creation of an organization that grows in harmony with the times and achieves superior earnings power.

We look forward to the continued support of all our financial and business partners in fiscal 2002 and beyond.

June 27, 2001



Katsuhiko Hirai
President and Chief Executive Officer

Medium-Term Business Strategy— Toward a Higher-Profit Structure

04

To further improve the Group's profit structure, Toray—while working on the profitability of its present core businesses—will also strategically expand four other global growth areas as future core businesses.

In the fibers and textiles and polyester films (PET films) businesses, Toray has been implementing Global Re-Engineering since fiscal 2000 to improve operating efficiency and profitability. Developments in IT will be incorporated into operations by integrating Groupwide IT-related products businesses into a new strategically expanding business, and considerable resources will be devoted to its further growth. Also importantly, the Company will strategically expand its advanced composite materials, pharmaceuticals and medical products, and water treatment businesses.

Strategies for Core Businesses

Fibers and Textiles

The strength of Toray's fibers and textiles business stems from its global presence, which is made possible by maximizing efficiency through thoroughly controlling the Group's operations as a whole. While maintaining economies of scale, we allocate specific products for each base to manufacture and market appropriately. Second, the fibers business is vertically integrated with the textiles and sewn products businesses, allowing the Company to offer stable, high-quality, and uniformly cost-competitive supplier services to major retailers.

To achieve even-more-profitable structures on the basis of these strengths, Toray will implement the following four tactics over the medium term. First, having almost completed the first stage of Global Re-Engineering, the Company will strive to raise its earnings power by expanding its production capabilities. Second, it will reconstruct a global supply chain in response to specialty-store retailers of private-label apparel (SPAs) and other new, rapidly growing business models. Third, it will develop New Frontier businesses—those associated with the environment, health care, and other areas of great potential. Fourth, Toray will invest extensively in IT infrastructure in order to further rationalize operations.

FIBERS AND TEXTILES

- Global Re-Engineering
- Managing supply chain globally
- Cultivating New Frontier businesses
- Deploying IT



- Restructuring overseas subsidiaries
- Marketing innovation



**Pursuing further profitability
for fibers and textiles business**

Polyester Films

In this business as well, the Company's international presence, enabled by its five key production bases around the world, is its strength. Its standardized film products are among the most cost-competitive globally. To date, the Company's advanced technology, which has successfully primed the demand for high-value-added films, has nurtured a number of highly profitable, top-market-share products.

For the medium term, the Company has set itself the following three tasks to build the world's most profitable polyester films business. The first task is the promotion of Global Re-Engineering, as in the fibers and textiles business, to reconstruct its production and marketing systems into optimum structures. The second task entails the strengthening of the Company's U.S. and French subsidiaries, which have not yet sufficiently improved their profit structures. Third, Toray's advanced group of value-added products that center on the IT-related products business will be expanded. To realize these efforts, the Company has decided to install a new extremely high-grade production facility in Japan.

POLYESTER FILMS

- Global Re-Engineering
- Restructuring overseas subsidiaries
- Expanding sales of value-added items centering on IT-related products business



**Becoming the world's most profitable
polyester film manufacturer**

Strategies for Strategically Expanding Businesses

IT-Related Products

Toray's main strengths in its IT-related products business lie in its advanced materials, including such functional polymers as photosensitive materials, such functional materials as organic pigments, and various films and engineering plastic resins. The Company also has unique and advanced processing technologies for these materials and a great deal of expertise in combining them with other advanced materials. To help focus resources on areas where the Company can fully capitalize on these advantages, it has set up the IT-Related Business Committee as a cross-functional strategic decision-making body for the entire Company. In the coming years, the strengthening of alliances are key to accelerate expansion of our IT-related products businesses.

IT-RELATED PRODUCTS

1. Concentrating on specific areas
2. Allocating more technicians to develop high-performance, high-quality products (In fiscal 2001, 30% of Toray's technology developers were involved in this area.)
3. Forming alliances



Setting up a cross-functional organization to fulfill market needs—the IT-Related Business Committee—and undertaking strategic business unit-like operations

Advanced Composite Materials

In advanced composite materials, where Toray is a world industry leader, the Company will further reinforce its global production structures in Japan, Europe, and the United States as well as utilize its vertical integration, which includes high-value-added midstream processing business. The Company will also expand its composite materials and industrial applications, for which high growth is expected. Furthermore, in addition to bolstering its business for the aircraft industry, which is one of Toray's strengths, Toray will also improve the cost-competitiveness of its standard-grade carbon fibers.

ADVANCED COMPOSITE MATERIALS

1. Enhancing global operations
2. Increasing production capacity
3. Placing greater emphasis on industrial applications and composite products
4. Further expanding aircraft applications
5. Strengthening cost-competitiveness of standard-grade carbon fibers

Pharmaceuticals and Medical Products

Toray's Pharmaceuticals and Medical Products business finds its technological advantages in advanced molecular design, organic synthesis, and its long-standing expertise in biotechnology. In the medium term, the Company will strengthen efforts to develop new drugs in certain focused areas and further promote alliances with other companies through licensing activities. In the medical products business, Toray will, in addition to its production of artificial kidneys and medical equipment, expand into such areas as home therapy and emergency intensive care equipment.

PHARMACEUTICALS AND MEDICAL PRODUCTS

Pharmaceuticals

1. Focusing on specific therapeutic areas:
 - Blood/circulation
 - Nerves/inflammation
2. Increasing license-ins and license-outs
3. Promoting alliances

Medical Products

1. Adding businesses related to emergency treatment and home therapy, in addition to artificial kidneys and medical equipment
2. Expanding globally
3. Promoting alliances

Water Treatment

Water treatment is Toray's main priority among its environment-related growth businesses. Its technology for developing fiber-based polymeric membranes is one of the most advanced in the world. Toray will leverage technology-oriented businesses by globally expanding in such domains as home water purification and such plant systems as seawater desalination facilities.

WATER TREATMENT

1. Expanding home water purifier business
2. Expanding water treatment systems and plant engineering
3. Expanding membrane element business globally:
 - Foundation of Toray Membrane America, Inc.
 - Alliance with Ropur AG, of Switzerland

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, and Toraylon[®] acrylic; polyphenylene sulfide (PPS); nonwoven fabrics; Ecsaine[®] man-made suede; sewn products; and computer-aided design/computer-aided manufacturing (CAD/CAM) systems for the apparel industry



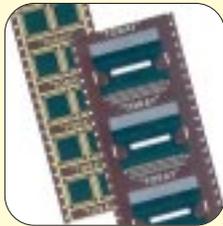
PLASTICS AND CHEMICALS

(Except for films and plastic products included in IT-Related Products stated below)

Nylon, Toyolac[®] acrylonitrile butadiene styrene (ABS), polybutylene terephthalate (PBT), Torelina[®] PPS, Siveras[®] liquid crystal polymer (LCP), and Amilus[®] polyacetal resins and their molded products; Lumirror[®] polyester film; Torayfan[®] polypropylene 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 chemicals products; catalysts; pure optical isomers; and Intercat[®] feline interferon agent

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



IT-RELATED PRODUCTS

Films and resins for such IT-related products as magnetic recording materials and electronic components; circuit materials; Toraylief[®] printing plate; Toray Waterless Plate[®]; TOPTICAL[®] color filters for LCDs; and Raytela[®] optical fibers



HOUSING AND ENGINEERING

Spuckturf[®] artificial turf; Romembra[®] reverse-osmosis membranes; Toraysuro[®] 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 catheters; and Anthron[®] antithrombogenic materials



NEW PRODUCTS AND OTHER BUSINESSES

Torayca[®] carbon fiber and advanced composite materials

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 and take into account amounts recognized in elimination and corporate.

Review of Operations

FIBERS AND TEXTILES

Sales of Fibers and Textiles increased 7.0% from the previous fiscal year, to ¥433.5 billion, and accounted for 40.3% of consolidated net sales. Segment operating income leaped 54.7% over the previous term to reach ¥23.0 billion.

Nylon Filament Yarns

The garment applications business saw a drop in sales owing to slack demand for woven fabrics for casual wear following the end of the previous year's nylon boom as well as a cutback in exports to unprofitable markets. As for industrial applications, although demand associated with air bags increased, a drop in demand for fishing nets and tire cords in Asian markets outside Japan and tougher price competition curtailed revenues.

Tetoron* Polyester Filament Yarns

Sales for domestic apparel-use materials dropped due to slack demand for filament yarns and textiles and a cutback in unprofitable

exports to markets laboring under slumping conditions overseas. Furthermore, domestic sales of industrial-use materials were affected by sluggish demand associated with general industrial materials, primarily those for fishing nets and narrow woven fabric.

As for overseas subsidiaries, despite weak market conditions in China and Southeast Asia, polyester filament yarns and woven fabric sales in these markets were boosted through the marketing of clothing materials matching area-specific needs. The polyester filament yarn and nonwoven fabrics businesses of Toray Saehan Inc., our subsidiary in South Korea, also contributed greatly to our performance in the term under review. In Europe, our subsidiary Toray Textiles Central Europe s.r.o., in the Czech Republic, expanded taffeta woven fabric sales. Based mainly on the excellent performance of our overseas concerns, our Polyester Filament Yarns Division saw a steady increase in sales and profit.

As for new products, we developed and launched Warmsensor*, a fabric that uses moisture-absorbing, heat-retaining technology to convert perspiration to warmth—ideal for outdoor sports apparel. We continued to develop other value-added products in the term under review as well.

Global Re-Engineering for the polyester filament yarns business, which we developed in the previous term, is progressing steadily. In fiscal 2001, we modified our domestic product mix to shift toward value-added items and accelerate production efficiency of standardized products at a Chinese subsidiary. With these measures, we have streamlined our production system to increase the Group's competitiveness as a whole.

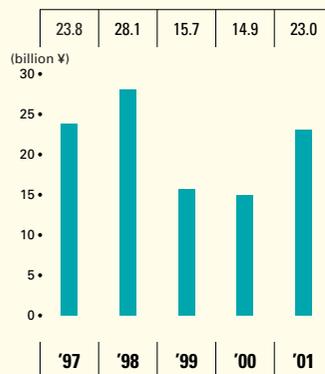
Tetoron* Polyester Staple Fibers

The operation of Tetoron* polyester staple fibers business resulted in an expansion in sales, owing to increased exports of value-added products as

SALES



OPERATING INCOME





Luckytex (Thailand) Public Company Limited



Nonwoven fabrics production facility at Toray Saehan in South Korea



Penfabric Sdn. Berhad in Malaysia

well as domestic sales for fiberfill applications and nonwoven fabrics. In Southeast Asia, as in Japan, demand for spinning applications fell, and subsidiaries involved in the production of polyester/cotton blended fabrics expanded shipments of cost-competitive standard textiles as well as high-value-added products, primarily for the European and U.S. markets.

Toraylon* Acrylic Staple Fibers

The Toraylon* acrylic staple fibers business experienced depressed demand for both garments and bedclothes. Also, in the latter half of the term, overseas markets softened, leading to a drop in sales volumes. However, net sales were at approximately the same level as in the previous year.

Micro-fiber Materials

Although the market continued to be stagnant in relation to apparel

and miscellaneous goods, sales of furniture and automobile applications expanded in Japan, the United States, and Europe, boosting sales volumes of these products considerably. A sales increase in Europe was offset by weak local currencies. However, the micro-fiber materials business has enjoyed expanding operations globally, with its marketing base in the United States steadily developing new markets.

In the Fashion Division, we established a new company, Toray Advanced Computer Solution, Inc., by spinning off the former Apparel Science System Department. This will help expand our software and solutions business in the apparel industry. We aim to leverage our CAD/CAM capabilities in expanding into the production, procurement, and order-accepting system business as well as overseas markets, including China.

The Toray Group considers raising operating efficiency using

IT a key management task. Accordingly, we are diligently promoting e-commerce in our fibers and textiles business. In the term under review, Toray cofounded a holding company, Eitopia K.K., with Teijin Ltd. and NEC Corp. This new company will help us introduce e-commerce to the fibers and textiles industry. The first offshoot of this venture was the e-commerce operations company Fiber Frontier K.K., which we established in January 2001. We also established Coromo.Inc. jointly with certain garment manufacturers, with the aim of building and supporting IT infrastructure for the apparel industry. This has brought us a step closer to bringing the IT revolution to the Japanese fashion market.

In capital investment, we completed the modernization and streamlining of domestic production facilities for Teton* filament yarns for industrial purposes to enable the improvement of product quality and

FIBERS AND TEXTILES



Polyphenylene sulfide (PPS) fiber



Spinning yarn at P.T. Easterntex in Indonesia



Toray Sakai Weaving & Dyeing (Nantong)

cost-competitiveness. Overseas, we merged our two weaving and fabric dyeing companies in Nantong, China, into one—Toray Sakai Weaving & Dyeing (Nantong) Co., Ltd.—helping us rationalize management and raise cost-competitiveness. We also supplemented the new company's weaving and dyeing equipment. In South Korea, we expanded our nonwoven fabric production facilities, and, in Indonesia, our subsidiary P.T. Easterntex has built a new factory for the production of polyester/cotton blended spinning yarns. This is in line with our Global Re-Engineering plan to expand our polyester/cotton blended yarns and woven fabrics businesses, which we have been pursuing since the previous term.

Operating Environment and Outlook

Fiscal 2002 is expected to be harsh for the fibers and textiles industry. In Japan, personal consumption

has continued to be sluggish, and imports of sewn garments are increasing. Overseas, the structural supply and demand imbalance, particularly in the field of polyester fibers, has yet to be resolved. Although East Asian fiber manufacturers are generally facing difficult management situations, most of them still have not decided to reduce their idle production capacity. In such circumstances, the Toray Group is looking to carry through with Global Re-Engineering and will continue to focus on restructuring that will help optimize its production and sales capabilities. We will also reform our business by fully deploying IT. With these strategies, we will respond efficiently and appropriately to the needs of powerful retailing customers who effectively manage their global supply chains.

Toray is also strengthening the development and marketing of value-added products in the areas of the environment and home

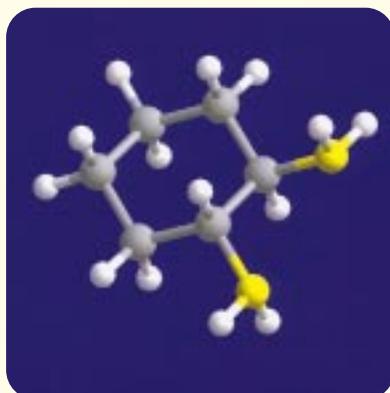
medical care, where significant growth is expected. Geographically, we intend to expand in China and the ASEAN region, where promising growth is also expected in the medium-to-long term. This, combined with the improvement of efficiency in our domestic operations, will help us in our efforts to further reinforce the entire Group's earnings power.

PLASTICS AND CHEMICALS

In the period under review, the Company established a new independent segment for its IT-related products businesses. We have, therefore, included the performance of our films and resins businesses for IT-related applications, which had traditionally been included in the Plastics and Chemicals segment, in the IT-Related Products segment. The net sales from our chemical products plus films and resins manufactured for non-IT areas were up 11.1% year on year, to ¥245.8 billion. This constituted 22.9% of consolidated net sales. Operating income, after taking into account the change in segments, was ¥11.1 billion, recording a leap of 150.1%.

Resins

Domestic sales of Toyolac* acrylonitrile butadiene styrene (ABS) resin expanded steadily, with an increase in sales associated with automotive applications as well as a rise in exports to the electric appliance, electronics, and toy industries. Sales of Amilan* nylon resin and Toraycon*



Chiral compounds

polybutylene terephthalate (PBT) resin rose, primarily for use in automotive and electronics applications. On the other hand, we have withdrawn from one of our resin import operations and reorganized resin molding businesses within the Group as part of rationalization measures. Overseas, against the backdrop of favorable markets in China, our Malaysian subsidiary expanded sales of Toyolac*, and our resin molding and resin compound production businesses in southern China, Malaysia, and Thailand enjoyed growth in sales and profits.

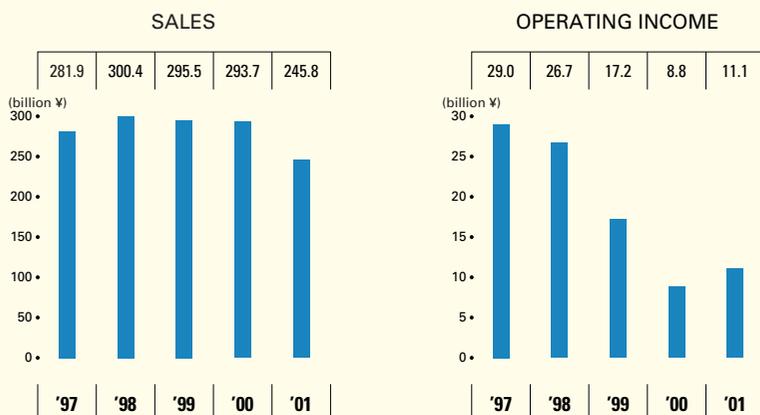


Polyester film production equipment of Toray Saehan Inc. in South Korea

Films

Domestic sales of our Lumirror* polyester film rose for use as a base film for industrial and packaging applications. Our domestic subsidiaries also contributed to higher consolidated sales, in particular from value-added processed film products. We strove to seize the opportunities created by increased demand for industrial and packaging applications in the United States, Europe, and Asia.

As a new product, we developed a new grade of Lumirror*, a film ideally designed for forming because of its elongation characteristics. The molecular structure of the film is controlled on a nanometer-order scale, enhancing the film's elongation properties. This property of the newly developed film enables it to be used as a substitute for polyvinyl chloride (PVC), which is the most commonly used of easily formable films. We expect to develop many applications in the construction,



* Figures for '97-'00 are not adjusted to reflect the new segmentation.

PLASTICS AND CHEMICALS



Toray Plastics (Malaysia) Sdn. Berhad



Torayfan* polypropylene film



Lumirror* and Torayfan* used as packaging materials

automotive, electric appliance, and electronics industries.

Although the overseas market for Torayfan* polypropylene film as a standardized packaging material was depressed, we expanded sales of more value-added products for packaging applications in the domestic market. As a result, although net sales did not largely improve over the previous period, we were able to assemble a better product portfolio. Also, in an effort to expand our biaxially oriented polypropylene (OPP) film business, we entered into a partnership with the Italian company BIMO Italia S.p.A. Under the agreement, we will supply such specialty films as high gas barrier deposition films to European markets through local production.

In the chemicals business, such pharmaceutical intermediates as optically active substances performed well in the Company's fine chemicals product businesses, and the flavor and fragrance products

business managed by a subsidiary also saw a healthy performance. Sales of one of Toray's raw materials products, caprolactam, for the production of nylon material, stayed at the same level as the previous year due to the drop in Asian export prices after summer 2000. Overall, the chemicals business saw increased sales.

Our major capital investment in Plastics and Chemicals for the term under review included the increase of our film and resin production capabilities in Japan as well as the expansion of fine chemicals production facilities.

Operating Environment and Outlook

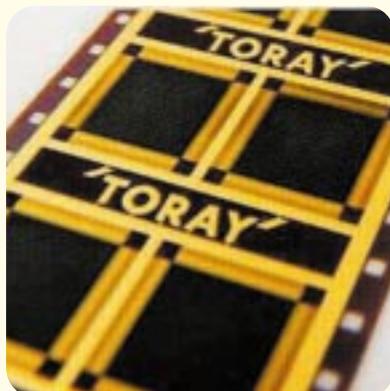
For fiscal 2002, the operating environment of our Plastics and Chemicals businesses will not favorably improve. We expect a decline in domestic demand for resins for automotive, electric appliance, and electronics applications due

to customers' shift of production bases to Asian countries outside Japan. The market price of caprolactam has been on the decline since the latter half of fiscal 2001. Under such circumstances, the Toray Group will accelerate the global operation of its film and resin businesses to keep up with the growth of demand to other changes in each market. We will also steadily promote Global Re-Engineering for the polyester film business, a plan we have been working on since the previous fiscal year. With these measures, Toray will focus on further improving its profitability and reinforcing its business structure.

IT-RELATED PRODUCTS

Toray's IT-related products business has expanded and become much more vital to the Group than before. We have, therefore, established an independent segment for our IT-related products business and started to report the performance of this segment independently. Accordingly, the performance of films and resins for IT-related applications (traditionally included in the Plastics and Chemicals segment), electronics-related equipment manufactured by our subsidiaries (traditionally included in the Housing and Engineering segment), and electronics and information-related products (traditionally included in the New Products and Other Businesses segment) will be accounted for jointly in the IT-Related Products segment as stated below.

Net sales for IT-Related Products, after restating the previous year's segmentation, increased 22.3% from the previous year, to ¥153.6 billion. This constituted 14.3% of consolidated net sales. Operating income was ¥6.8 billion, up 22.6%



IC-chip carrier tape



STEMCO in South Korea

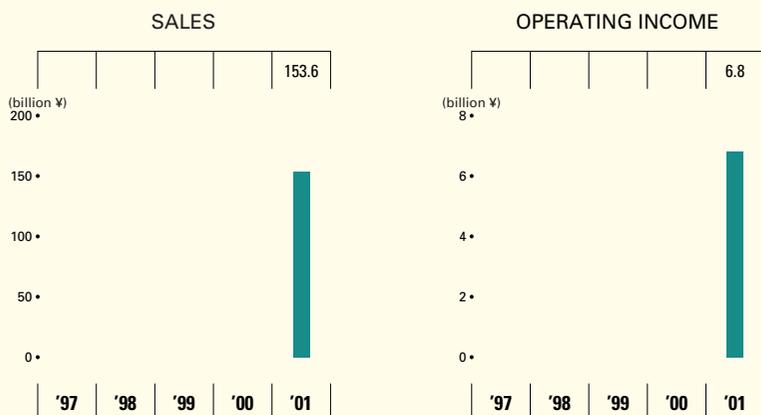
from the adjusted amount for the previous period.

In the IT-related film and resin business, despite the decline of global demand for polyester films as base films for home videocassette applications, sales of both resins and films associated with computer peripheral, electronic component and liquid crystal display (LCD) applications expanded. Furthermore, for our highly advanced magnetic recording media line of polyester film products, growing demand for digital videocassette applications boosted segment sales.

In our electronics- and information-related businesses, we increased sales of LCD-related materials—Toptical* thin-film transistor (TFT) color filters and polyimide adhesive tape for tape automated bonding (TAB), both achieving substantial expansion in Japan, South Korea, and Taiwan. With its business steadily growing, South Korean TAB tape processor STEMCO, Ltd., became a consolidated subsidiary in the term under review.

The electronics-related equipment business, operated by our domestic subsidiary Toray Engineering Co., Ltd., steadily expanded earnings and contributed to an admirable performance by this segment.

In September 2000, we concluded a joint venture agreement in the plasma display panel (PDP) business with Matsushita Electric Industrial Co., Ltd., to form a new company, Matsushita PDP Co., Ltd. PDPs are large display devices with great potential. Toray's contribution



* Figures for '97-'00 are not adjusted to reflect the new segmentation.

IT-RELATED PRODUCTS



PDP of Matsushita Electric Industrial



Toray and Matsushita Electric Industrial agree to form a PDP joint venture.



Digital videocassettes using Mictron* aramid film

to the venture includes the Company's rear panel production technology. The venture started vertically integrated production of PDPs from components through television sets in June 2001.

New Products

We have developed a new surface-structuring technology and given it shape in our Mictron* aramid film that will realize a promising next-generation high-density magnetic recording medium for computer digital data storage applications. This product will be a solution to growing needs for greater data storage in coming years.

Toray has also developed a new positive photosensitive polyimide coating that protects large-scale integration (LSI) chip surfaces from physical damage. The new product displays superior properties in adapting to advanced technology in the semiconductor industry.

Capital Investment Activities

We have decided to install for a new production facility for extremely high-grade ultra-thin polyester films at the Mishima Plant in Japan. The investment of approximately ¥10 billion will enable us to produce extremely high-quality polyester films with superior strength and dimensional stability, while possessing a highly smooth surface and being free of defects. This film's applications include highly advanced data storage and sophisticated industrial applications requiring high-quality ultra-thin films. Against the current downturn of IT-related demand, we are promoting this specialty product in its rapidly evolving market.

Operating Environment and Outlook

For fiscal 2002, we forecast a severe environment for the segment, including a negative situation in the semiconductor market, imbalances between supply and demand in the LCD market, and declining demand

for polyester films for home video-cassette applications.

However, we are endeavoring to increase sales and income further in this segment, considering the enlargement of IT-related products business as one of the Group's main projects.

In the electronics- and information-related business, we aim to increase both sales and profitability for such current businesses as circuit materials and TFT color filters. Also, we will focus on fulfilling market needs by developing new products, new applications, and new markets.

In the polyester film business, we are promoting Global Re-Engineering. In South Korea, we will continue to strive to stabilize profitability by concentrating the production of standard base films for home video-cassette applications. In Europe and the United States, on the other hand, we will further strengthen our earnings power by shifting business toward more value-added products.

HOUSING AND ENGINEERING



A new model of Torayvino* household water purifier



A Saudi Arabian desalination plant using Romembra* elements



Toray Membrane America is established.

Net sales for Housing and Engineering for the term under review were up 0.4% from the previous term, after the reclassification of the previous year's segments, to ¥124.1 billion, and constituted 11.5% of consolidated net sales. Operating income amounted to ¥34 million, an improvement on the loss recorded in the previous term.

Toray's Housing and Engineering subsidiaries experienced a depressed construction business. Engineering and condominium sales businesses were relatively steady, however, and efforts to strengthen the companies'

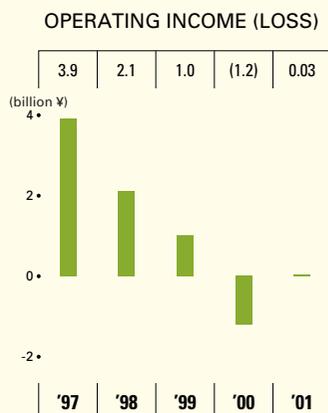
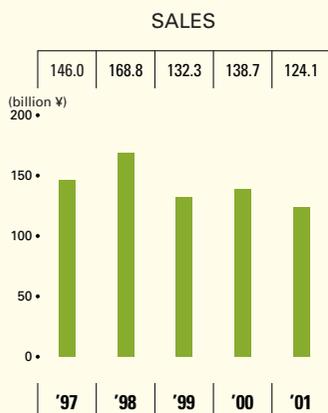
structures produced good results. In the Water Treatment Division of the parent company, sales of Romembra* reverse-osmosis membrane elements rose, thanks to increased orders from the semiconductor manufacturing industry. Also, overseas, we have received considerable orders for Romembra* elements for use in seawater desalination plants. Therefore, our membrane business performed favorably.

In addition, the introduction of the new Torayvino* household water purifier helped us retain a leading share of the Japanese water purifier market.

Investment Activities

Aiming for the manufacture and sale of reverse-osmosis membranes and the sale of Toray's highly efficient brine conversion two-stage seawater desalination plant in the U.S. market, the Water Treatment Division entered a joint venture contract with Mitsui & Co. (U.S.A.), Inc., and the world's leading water treating plant engineer, U.S.-based Ionics, Incorporated, forming Toray Membrane America, Inc. In Europe, we have taken a stake in Ropur AG, of Switzerland, a company that is engaged in sales of reverse-osmosis membrane elements, establishing a foothold in both Europe and the United States as a way to strengthen marketing for further growth of our water treatment business.

For fiscal 2002, amid slumping demand in the domestic housing industry, we will continue to restructure our subsidiaries and also expand our water treatment business as one of our strategically expanding businesses.



* Figures for '97-'00 are not adjusted to reflect the new segmentation.

PHARMACEUTICALS AND MEDICAL PRODUCTS

Net sales in Pharmaceuticals and Medical Products increased 10.5%, to ¥52.4 billion, and constituted 4.9% of consolidated net sales. Operating income was ¥6.3 billion, up 74.7% from that of the previous term.

Pharmaceuticals

Conditions were harsh for this segment because of the downward revision of drug reimbursement prices regulated by the amendment of the Japanese National Health Insurance Law. However, we enjoyed an expansion in sales of Dorner* for the treatment of arterial occlusion and received considerable revenues from the licensing-out of development and marketing rights to allied drug manufacturers. Toray's natural interferon-β preparation, Feron*, was also able to expand its market share, stimulated by its being approved as a retreatment covered by the National Health Insurance system.

Medical Products

In our mainstay artificial organs business, we raised our revenues through increased sales of Toraysulfone*



Toraysulfone* artificial kidney

polysulfone-based artificial kidneys composed of hollow fibers and Toraymyxin*, a device for treating severe septicemia by removing endotoxins from blood.

These favorable developments resulted in a good performance by the entire Pharmaceuticals and Medical Products segment, impressively surpassing the results of the previous year.

In the term under review, we entered a codevelopment/comarketing agreement for a new analgesic with the U.S.-based pharmaceutical company Purdue Pharma L.P. In the Japanese market, we are expecting that this drug can be used to counter moderate pain during orthopedic surgery.

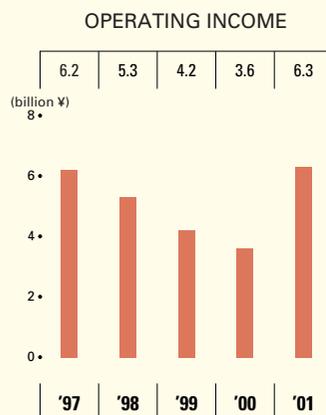
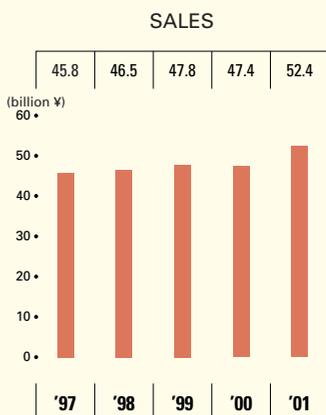


Toray and Purdue Pharma agree to a tie-up.

We have also started the clinical trial of a new nonnarcotic antitussive with fewer adverse effects that Toray developed jointly with Mitsubishi-Tokyo Pharmaceuticals, Inc. (whose name will change to Mitsubishi Pharma Corporation as per an agreement to merge in October 2001). We are promoting the development of new drugs through tie-ups and alliances both domestically and abroad.

As for capital investment in medical products, we invested in production facilities for Toraysulfone*, which is one of the leading artificial kidneys on the market.

In fiscal 2002, although there will be no further drug price revisions, we forecast tougher sales competition under the Japanese government's policy of curtailing medical expenditures. Without the income from licenses that we enjoyed in fiscal 2001, we expect a drop in sales and profits. However, with the pharmaceuticals and medical products comprising our mainstay business, we will aim to further improve our share in the market through extensive promotion and marketing activities.

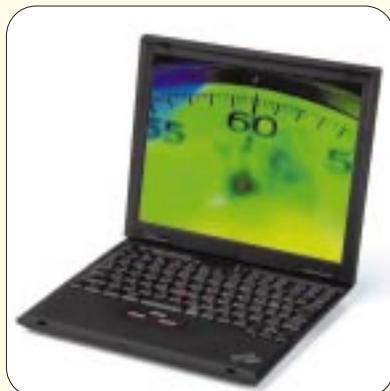


NEW PRODUCTS AND OTHER BUSINESSES



Torayca* is used for composite hood panels in the Nissan SKYLINE GT-R.†

† SKYLINE is a registered trademark of Nissan Motor Co., Ltd.



IBM's ThinkPad®† laptop PC makes use of Torayca* composites.

† ThinkPad® is a registered trademark of International Business Machines Corporation (IBM).



Torayca* prepreg is used in Boeing 777 aircraft.

Net sales for New Products and Other Businesses in the term under review, after adjusting for the addition of the IT-Related Products segment, slipped 2.5% from the previous term, to ¥66.0 billion, and constituted 6.1% of consolidated net sales. Operating income dropped 26.5%, taking into account the previously mentioned adjustment, to ¥3.6 billion.

Advanced composite materials, the mainstay business in this segment, experienced a drop in the price of Torayca* carbon fiber

associated with supply and demand imbalances in the standard-grade carbon fiber market. The stagnant domestic demand for sports applications and the effects of a strong yen and weak euro also caused the drop in revenues. On the other hand, Toray increased sales volumes for aircraft and industrial applications in European and U.S. markets in the wake of an upturn in demand.

Demand for medical equipment was steady in the molding components business. However, shipments for such IT-related equipment as laptop computer housings declined

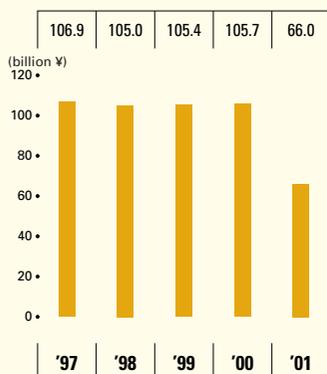
compared with the previous term, due partially to a production cutback in IT-related industries.

While expecting bright prospects for the advanced composite materials market, especially in aircraft and industrial applications, the Toray Group will work toward expanding the use of its carbon fiber for such new projects as European and U.S. next-generation commercial aircraft development projects. In addition, we will develop further demand for our products in the construction, civil engineering, and automobile industries.

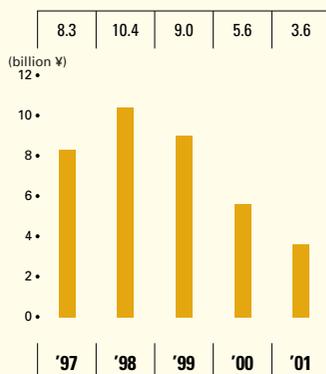
With the above efforts and the spirit of challenge in hand, Toray will cement its position as the world's leading carbon fiber manufacturer.

In the year under review, with the aim of improving its asset position, Toray divested one of its service businesses that had become less relevant to its core businesses. Consequently, we recognize that consolidated net sales for the New Products and Other Businesses segment are projected to decline as a whole in fiscal 2002.

SALES



OPERATING INCOME



* Figures for '97-'00 are not adjusted to reflect the new segmentation.

Research and Development

Toray's investment in R&D for fiscal 2001 was ¥40.7 billion. The Company has been actively reinforcing its R&D structure in the conviction that "R&D is the key to the Toray of tomorrow." Toray's technology, which originated from its expertise in synthetic fibers, finds its advantages in the fields of polymeric materials, high-performance polymers, micro-scale processing and nano-molecular design, pharmaceuticals, and biotechnology.

To continue its remarkable development with the above technologies in the 21st century, Toray carries out R&D activities following three policies. First, Toray invests a significant portion of its managerial resources in three growth-oriented fields—IT, life sciences, and environmental preservation. Second, the Company targets the development of innovative and productive manufacturing processes and new products with high potential in its core businesses. Third, Toray plans to strengthen basic and exploratory research to maintain its solid foundation for its technological development.

To achieve the above, Toray has built an organization structure that enables the various R&D functions to be integrated in its Technology Center, which combines research, development, and engineering functions. Toray also has introduced the Stage-Gate System to identify important research themes as well as actively formed alliances with universities, public-sector institutions, and other companies. With these measures, the Company intends to speed up R&D activities and make them more efficient. Toray also makes great efforts to enrich its human resources and, thus, support next-generation R&D activities. In addition to thoroughly implementing in-house education and providing opportunities to study at educational institutions in Japan and abroad, Toray also offers Research Fellowships to the most outstanding

scholars to develop a Toray team of researchers with global-level skills.

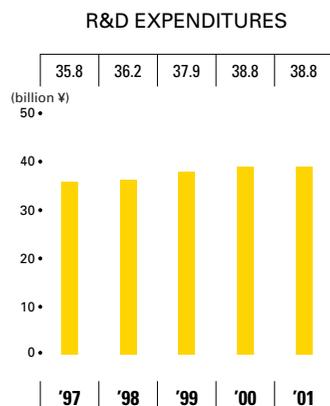
Toray has a basic policy in R&D to synchronize research themes with future market needs. One of its new projects based on this policy is new research for merging biotechnology and nanotechnology starting this year. Biotechnology and nanotechnology are two of Toray's fortes, being areas that are important for developing pharmaceutical products and the nano-molecular design of fibers, films, and electronics materials. By merging the two technologies, Toray hopes to give birth to completely novel products and technological solutions in the growth industries of the 21st century.

ACTIVE HEAT-RETENTION AGENTS FOR APPAREL WITH WARMSENSOR*

Toray has developed heat-retention fabric that converts perspiration to warmth called WarmSensor*. WarmSensor* is a new fabric with a property that converts kinetic energy to heat energy when moisture particles from perspiration are absorbed and dissipated by a specially processed moisture-absorbing, heat-emitting layer. This fabric as a clothing material enables effective insulation and keeps a wearer's temperature 3° to 5°C higher than usual without sacrificing breathability. Toray plans to use this technology in apparel for skiing, snowboarding, and other outdoor sports starting this year. The Company will also develop other apparel applications by combining this technology with other major functions.

POLYESTER FILMS WITH HIGH-ELONGATION MODULUS

Toray has succeeded in raising the elongation properties of polyester films, which are used, for example, in home videocassettes. Polyester films are environmentally friendly, strong, highly heat- and chemical-resistant, glossy, and highly imprintable. However, traditionally, the strength and elongation properties of a material have been in conflict, and it has been difficult to achieve the moldability characteristic of a PVC film in a polyester film. The newly developed polyester films have a unique structure formed by controlling polyester molecules at the nano level (1 nanometer=10⁻⁹ meters). This has enhanced elongation 1.5 to 3 times but retained the strength of the original polyester film, giving it superior properties when compared with standardized conventional formable films. Furthermore, the unique structure has allowed this film to be used for a variety of purposes, including construction products, vehicles and consumer electrical devices, and electronics materials.



STARTING CLINICAL TRIALS OF RECOMBINANT DOG INTERFERON

The clinical trial of recombinant canine interferon- γ , which Toray has been developing for some time now, is under way. The Company has already commercialized Intercat*, the world's first recombinant animal interferon on the market. As with Intercat*, canine interferon- γ is manufactured from silk worms infected with a genetically modified virus based on an insect virus. High purity and stable quality have been major issues with dog interferon- γ . These have been achieved by genetic modification and other related technologies, and it has now become possible to produce proteins with uniform quality and high purity. Toray hopes to expand its business in companion animal drugs, which is expected to grow in the future.

POSITIVE PHOTSENSITIVE HEAT-RESISTANT POLYIMIDE COATINGS FOR BUFFER LAYER COATING AND INTERLAYER DIELECTRICS

Toray has succeeded in developing, for the first time in the world, positive photosensitive heat-resistant polyimide coatings suitable for buffer coating and interlayer dielectrics. The new product will be sold under the brand name of PHOTONEECE PW-1000*.

With greater levels of integration required in semiconductors these days, finer process patterns are demanded for polyimide coatings. This makes it difficult for conventional nonphotosensitive and negative photosensitive coatings to keep up. Toray has recently designed a polymer structure that exhibits superior photosensitivity and has also designed proprietary photoactive compound systems. This has enabled coatings to achieve high levels of resolution not possible before. The new coatings are developed with alkaline solutions that are considered to be environmentally friendly. They also retain the excellent properties of traditional polyimide agents, including heat resistance and superior mechanical and electrical characteristics. In the future, Toray will utilize the properties of this product for semiconductors and also look for new applications in electronics and electric appliances.

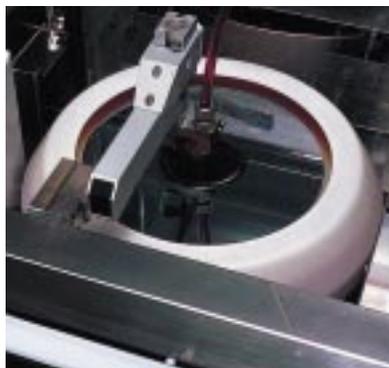
CODEVELOPMENT OF NONNARCOTIC ANTITUSSIVE

Toray has been jointly developing a novel antitussive drug with Mitsubishi-Tokyo Pharmaceuticals, Inc.,[†] and just started Phase I of clinical trials. Conventional antitussive drugs have such adverse effects as causing

drug dependency, addiction, constipation, drowsiness, and respiratory depression in users. The new compound, TRK-851, was designed with medicinal chemistry technology related to opioids, which is one of Toray's specialty research fields. TRK-851 has shown effectiveness equal to conventional narcotic antitussive drugs, has minimal adverse effects, and shows promise from the standpoint of quality of life.

Toray positions the pharmaceuticals and medical products field as one of its growth-oriented areas. The Company's basic policy is to expand this area to become one of its core businesses by the betterment of its drug discovery pipeline, while it strives to form alliances with other pharmaceutical companies in clinical trials and marketing.

[†] Mitsubishi-Tokyo Pharmaceuticals, Inc., and Welfide Corporation agreed to merge on October 1, 2001. The merged company will be named Mitsubishi Pharma Corporation.

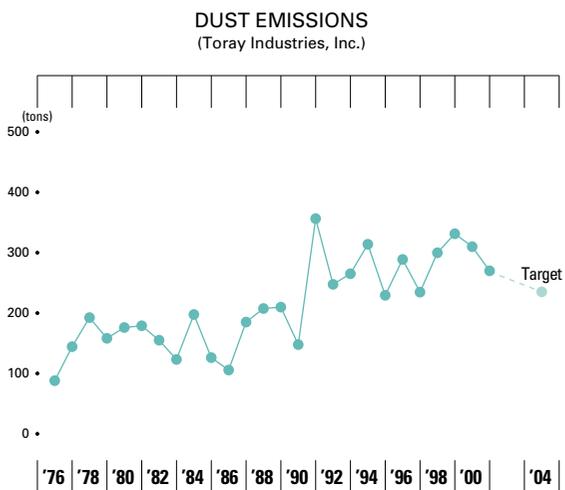
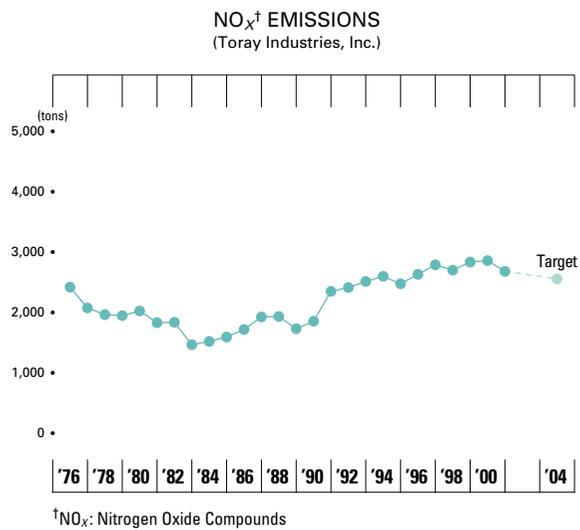
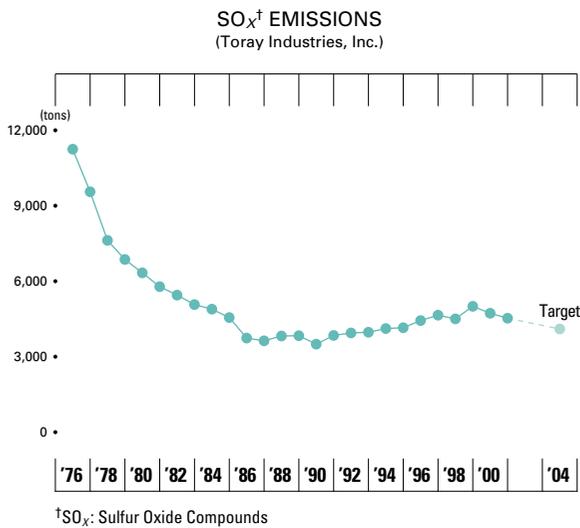


PHOTONEECE
PW-1000*



Apparel product
using Warsensor*

Environmental Activities



The Toray Group is conducting Responsible Care activities for all its processes, starting from the procurement of raw materials through the manufacture, use, and disposal of products to ensure safety and environmental preservation on a voluntary basis. In order to develop sustainable operations and become an environmentally sound company, we have been further strengthening our environment-preservation activities on the basis of our Three-Year Environmental Plan formulated in January 2000. This plan will continue to aid in refining our basic environmental policies. Our main activities are outlined in the following pages.

PREVENTING ATMOSPHERIC POLLUTION

Reduction of SO_x Emissions

Installing exhaust-desulfurizing units and using low-sulfur fuels has helped us reduce SO_x emissions greatly. In fiscal 2001, these emissions totaled 4,530 tons, a 60% reduction compared with the level in fiscal 1976. However, an uptrend in such emissions has been observed since 1990, and we are accordingly planning to install a new exhaust-desulfurizing facility by fiscal 2003.

Reduction of NO_x Emissions

NO_x emissions for fiscal 2001 were down 6.3% compared with the previous year, to 2,680 tons, and we plan further reduction measures leading up to fiscal 2004.

Reduction of Dust Emissions

Dust emissions in fiscal 2001 were down 13% compared with the previous year, to 270 tons, owing to an improvement in operational management.

PREVENTION OF WATER CONTAMINATION

Reduction of BOD Discharge

The fiscal 2001 amount of biochemical oxygen demand (BOD) discharge in wastewater was 1,300 tons, down 67% compared with fiscal 1976.

Reduction of COD Discharge

The fiscal 2001 amount of chemical oxygen demand (COD) discharge in wastewater was 510 tons, down 47% compared with fiscal 1976.

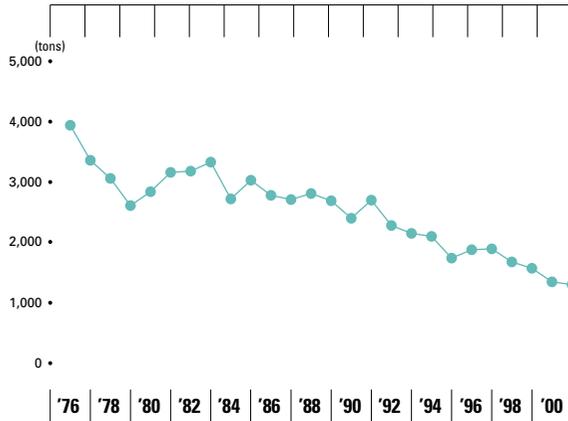
Toward a Solution to the Dioxins Problem

In June 2000, a high concentration of dioxins was detected in the O-e River, which flows adjacent to Toray's Nagoya Plant. It was found that this high dioxins concentration was caused by wastewater discharged from the plant.

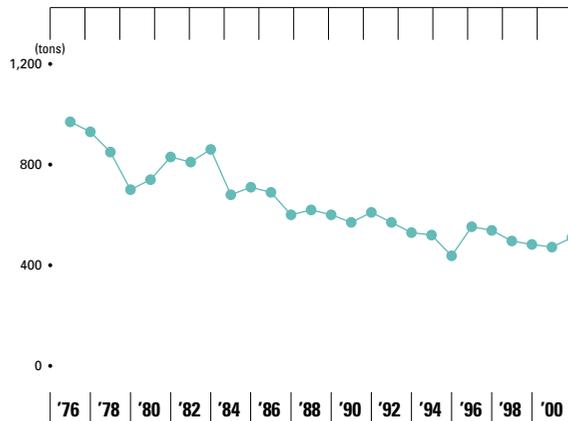
The Nagoya Plant immediately took steps to remedy the situation, including installing wastewater treatment facilities utilizing active carbon and coagulative precipitation. These reduced the wastewater dioxins concentration to well below the prescribed upper limit that will go into effect from January 2003, 10 pg-TEQ/l (picogram-toxic equivalents/liter).

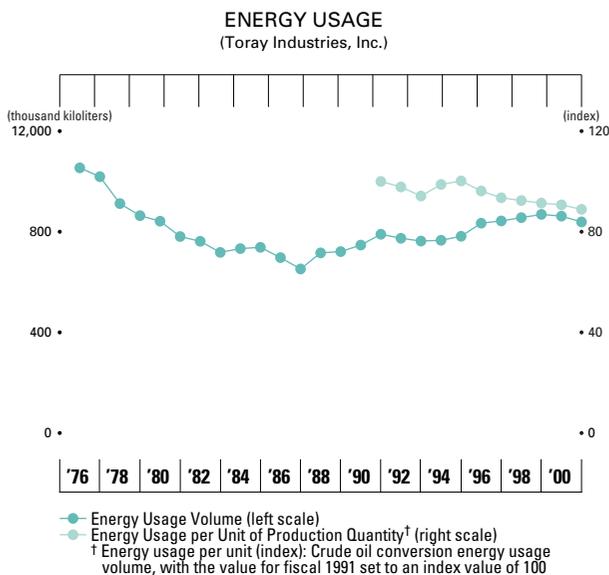
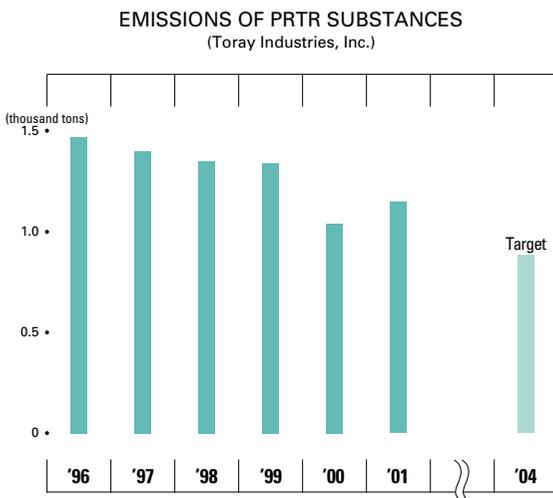
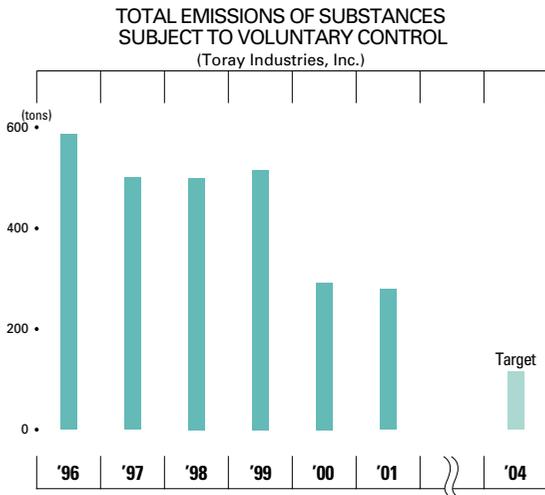
At the Tokai Plant, which has a similar facility, we already confirmed a concentration below the January 2001 prescribed limit of 50 pg-TEQ/l. However, on taking steps similar to those at the Nagoya Plant, we were able to further reduce the concentration to well below the prescribed 2003 level. The entire Toray Group, including all its domestic and overseas subsidiaries and affiliates, measured dioxins in wastewater at all their sites and confirmed the absence of any problems.

BOD DISCHARGE
(Toray Industries, Inc.)



COD DISCHARGE
(Toray Industries, Inc.)





CONTROL OF CHEMICAL SUBSTANCE EMISSIONS

Reduction of Chemical Substance Emissions Subject to Voluntary Control

The Toray Group is effectively controlling the emission volumes of 5 out of the 12 chemical substances specified in Japan’s Air Pollution Control Law as substances to be voluntarily monitored and controlled. In fiscal 2001, we succeeded in reducing emissions of these substances 52%, and, by fiscal 2004, we plan to reduce these emissions 75% compared with fiscal 1996 levels through the use of unique distillate-recovery technology and adsorbate-recovery units.

PRTR Correspondence

Emission volumes for all substances in the Japan Chemical Industry Association (JCIA)’s pollution release and transfer register (PRTR) are to be reduced 40% compared with their fiscal 1996 levels by fiscal 2004. Installing regenerative thermal oxidizers for organic exhaust emissions, improving manufacturing processes, and upgrading equipment have resulted in emission volumes for fiscal 2001 falling 22% from fiscal 1996 volumes.

PREVENTION OF GLOBAL WARMING

Energy Conservation

We are promoting energy conservation with the aim of reducing our unit energy consumption 1% each year.

In fiscal 2001, we were able to reduce unit energy consumption 1.5% compared with the previous year, exceeding our target.

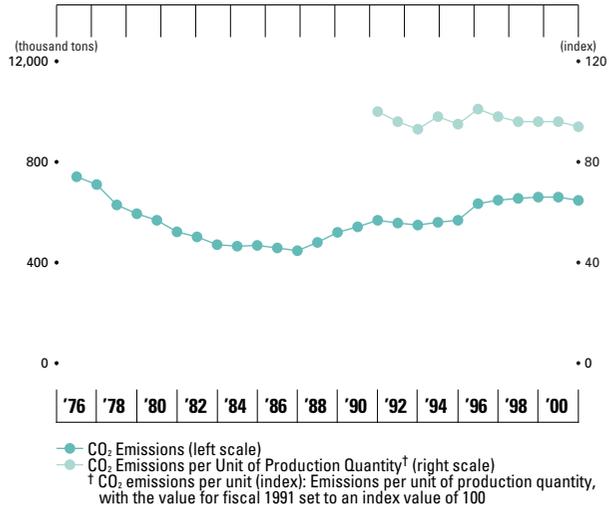
Reduction of Greenhouse Gas Emissions

Carbon dioxide (CO₂) is the only greenhouse gas that Toray discharges. Toray is making efforts to reduce CO₂ emissions through its energy conservation activities. We will continue these activities to reduce emissions in the coming years as well.

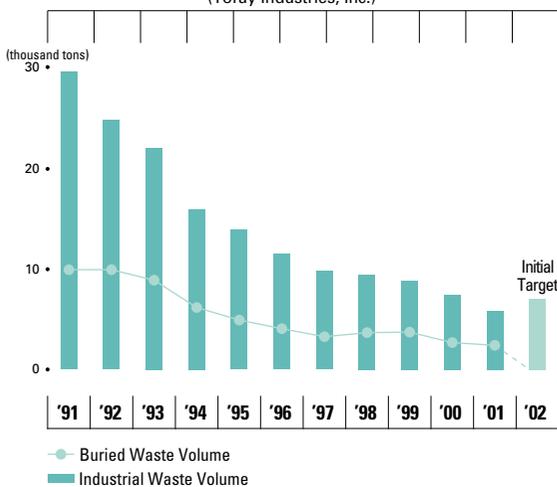
REDUCING INDUSTRIAL WASTE

In fiscal 2000, Toray achieved its target—based on the Waste Reduction Project—which aims to reduce waste disposed of to less than 6,800 tons annually and realize a recycling ratio higher than 80%. Each of our plants has its own targets, and our efforts are concentrated on effective waste reduction as well as the reuse of waste materials. These efforts cut the waste disposed of in fiscal 2001 to 5,800 tons and saw the achievement of a recycling ratio of 82%, allowing us to meet our targets a year ahead of schedule. Furthermore, the volume of buried waste amounted to less than 2,400 tons, down 11% compared with the previous year.

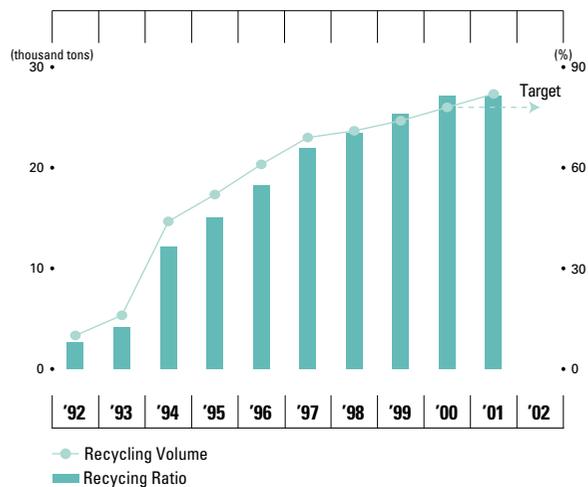
CO₂ EMISSIONS
(Toray Industries, Inc.)



INDUSTRIAL WASTE VOLUME AND BURIED WASTE VOLUME
(Toray Industries, Inc.)



RECYCLING VOLUME AND RATIO
(Toray Industries, Inc.)



Fiscal 2001 Environmental Accounting

Costs (million ¥)			
Item	Subcategory	Capital Investment	Expense
1. Cost pertaining to business area	A. Air (including chlorofluorocarbon reduction)	¥ 671	¥ 907
	B. Water	1,025	1,920
	(1) Pollution prevention cost		
	C. Noise/vibration	5	8
	D. Greenification	9	357
	E. Other	39	14
(2) Global environmental cost	Energy conservation and prevention of global warming	2,068	—
(3) Resource circulation cost	Waste volume reduction, recycling, and disposal (burial, incineration)	10	1,032
2. Cost of upstream and downstream	(1) Product recycling	2	3
	(2) Container and packaging recycling	0	1
3. Management activity cost	Indirect labor costs, environmental education, ISO certification, and maintenance	0	442
4. Social activity cost	Public relations regarding the environment, regional activities, and support of environmental organizations	0	81
5. Environmental damage cost	SO _x levies, donations, and litigation-related expenses	0	626
Total		¥3,829	¥5,391

Effects (million ¥)	
Item	Amount
1. Energy conservation effect	¥736
2. Industrial waste disposal expense and reduction effect	47

ENVIRONMENTAL ACCOUNTING

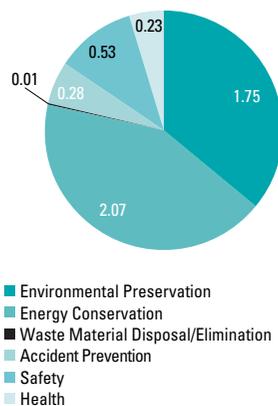
Toray's total environmental investment for fiscal 2001 was ¥3.83 billion, as shown in the chart on the left, and total environment-related expenses were ¥5.39 billion.

FACILITIES INVESTMENT

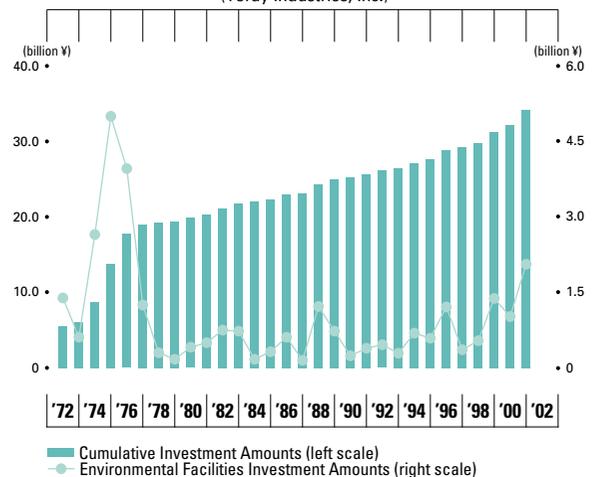
In fiscal 2001, Toray's investment in environmental preservation facilities totaled ¥1.76 billion, an increase of ¥750 million from fiscal 2000. The main items were the measures to voluntarily control air pollutants and those to reduce dioxins concentration in wastewater. At Toray, investment to promote safety, health, and accident prevention was also totaled in addition to the investment in environmental preservation and energy conservation that was totaled for environmental accounting purposes.

In fiscal 2001, we invested ¥4.87 billion, distributed according to the chart on the lower left. Measures for energy conservation were promoted positively in fiscal 2001, and investment for this purpose amounted to ¥2.07 billion, an increase of ¥0.93 billion compared the previous year. One of our main investments was for an ultralow-pressure steam generator. These devices harness the heat energy of low-temperature fluids in the form of ultralow-pressure steam (-0.03 Mpa), a process previously not possible. This steam is then fed into a highly efficient mixed gas condensation turbine in order to generate electricity.

FISCAL 2001 INVESTMENT IN HEALTH, SAFETY, ENERGY CONSERVATION, AND ENVIRONMENTAL PRESERVATION FACILITIES (billion ¥)
(Toray Industries, Inc.)



ENVIRONMENTAL FACILITIES INVESTMENT (ENVIRONMENTAL PRESERVATION + WASTE DISPOSAL)
(Toray Industries, Inc.)



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 regions in which it operates. These activities range from greenification 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 and Malaysia in fiscal 1994 and in Thailand in fiscal 1995.

SUPPORTING ARTISTIC 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. Since 1997, the Company, together with the Shanghai Sports Federation, has sponsored the Toray Cup Shanghai International Marathon, the first such citizens' marathon to promote friendly relations between Japan and China.

Always seeking to have a positive impact, Toray maintains an ongoing commitment to making substantial contributions to the countries and communities it serves through its global operations.



Carnival, by JD Jarvis, won the grand prize in Toray's sixth annual Digital Creation Awards.



Lindsay Davenport, winner, and Martina Hingis, runner-up, of the 18th annual Toray Pan Pacific Open



The 2000 Toray Cup Shanghai International Marathon's award ceremony for the women's full marathon

Board of Directors

(As of June 27, 2001)

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

HIN **IGARASHI**
SADAYUKI **SAKAKIBARA**

Senior Managing Directors

HIROTAKA **NAKASHIMA**
SATORU **MASUZAKI**
KIYOTERU **WAKASUGI**
KAZUO **TOMIITA**
SHINJI **KOYAMA**

Managing Directors

MASAO **KATSURAUMA**
NOBORU **FUJIHARA**
HIROAKI **KOBAYASHI**
YOSHIHIRO **OKUMURA**
JUNICHI **UJIKE**
MOTOO **YOSHIKAWA**
TOSHIYUKI **UMEMOTO**
KEIZO **SANO**
CHIAKI **TANAKA**
SHUNJI **NAKAZAWA**

Directors

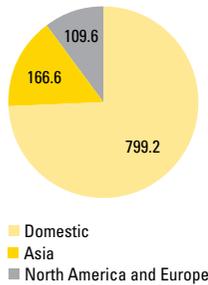
NOBUYUKI **MATSUBARA**
TETSUO **MITSUYASU**
YUKIHIRO **SUGIMOTO**
SHINSUKE **IMAMURA**
OSAMU **NAKATANI**
KOICHI **MINORIKAWA**
MASAYOSHI **KAMIURA**
KATSUTOSHI **ONO**
TSUNEO **SASAKI**
KOICHI **FUKUDA**
KENJI **HAYASHI**

Corporate Auditors

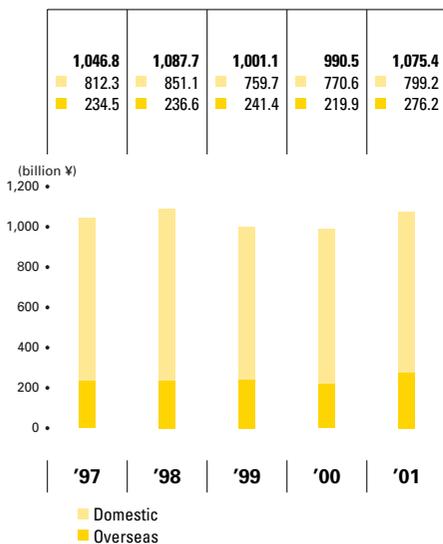
AKIRA **SAWAMURA**
TOMOJIRO **MORIGAKI**
KENICHI **SUEMATSU**
KUNIHISA **HAMA**

Management's Discussion and Analysis

FISCAL 2001 SALES BY GEOGRAPHIC SEGMENT (billion ¥)



DOMESTIC AND OVERSEAS SALES



OVERVIEW

In the first half of fiscal 2001, the Japanese economy made a gentle recovery, but personal consumption was not good enough to mark a complete comeback. In the second half, reacting to the slowdown of the U.S. economy, business confidence deteriorated sharply, and this affected Toray and its Group companies' core businesses greatly, including the domestic fiber business. Performance was generally good overseas in the first half of the year, but, with the severe downturn in the U.S. economy in the second half, progress slackened in many regions, including Europe and Asia.

Under these business conditions, the Company and its Group companies endeavored to improve profitability in all business fields through marketing and cost reduction measures. Furthermore, the projects to improve profitability initiated at the beginning of the year, such as heightening the profitability of its Chinese and Southeast Asian fiber businesses, have been accomplished steadily.

INCOME ANALYSIS

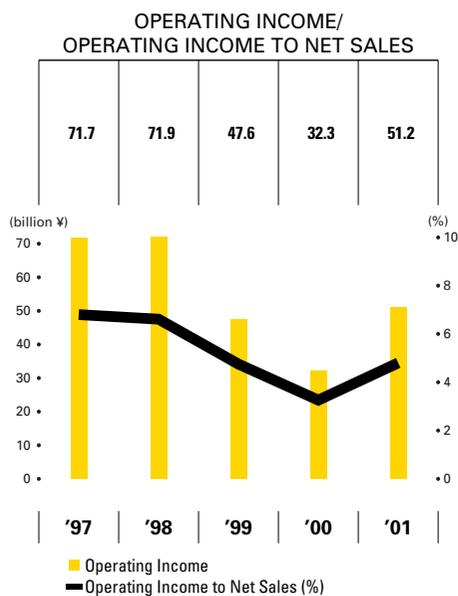
The Company introduced a new segment, IT-Related Products, as the information technology-related businesses of the Company and its Group companies have been growing and their importance increasing. IT-related operations—formerly accounted for as parts of the Plastics and Chemicals, Housing and Engineering, and New Products and Other Businesses segments—have been consolidated to form an independent segment. The Company has restated fiscal 2000 results to conform with the change in segments.

Net Sales

Consolidated net sales for fiscal 2001 were up ¥84.9 billion, or 8.6% year on year, to ¥1,075.4 billion. Net sales of the Fibers and Textiles, Plastics and Chemicals, IT-Related Products, Housing and Engineering, and Pharmaceuticals and Medical Products segments recorded increases over the previous year, but the New Products and Other Businesses segment recorded a drop.

Sales by Industrial Segment

Fibers and Textiles: Nylon saw a drop in sales following lackluster conditions in the domestic market for its use in apparel and the shift of domestic industrial-use nylon consumers' production bases overseas. Teton* polyester fiber increased sales, owing to expanded sales of staple fiber for padding and nonwoven fabrics. Sales of filament yarn, however, fell because of the depressed market associated with both apparel and industrial applications. Sales of Toraylon* acrylic fiber also fell due to lower domestic demand following a rise in imported end products. Overseas, good performances in China and Southeast Asia, for polyester filament yarn, polyester filament yarn woven fabrics, and polyester/cotton blended woven fabrics, contributed greatly to net sales. The polyester filament yarn and nonwoven fabric businesses of South Korea-based Toray Saehan Inc., which started operations in December 1999, contributed to the expanded net sales and profits of the segment. Accordingly, net sales of the Fibers and Textiles segment were up ¥28.5 billion, or 7.0%, from the previous fiscal year, to ¥433.5 billion.



Plastics and Chemicals: In resins, Toyolac* ABS resin increased sales as a result of increased domestic sales for automotive applications, a rise in prices, and increased exports associated with the electric appliance and toy industries. Favorable market conditions in Hong Kong and greater China led to improved sales overseas. Amilan* nylon and Toraycon* PBT resin improved sales mainly in the automotive and electric appliance industries. In films, Lumirror* polyester film, one of Toray's core products, performed well as a result of its use in domestic packaging applications. Overseas as well, increased sales associated with packaging and industrial applications, coupled with a shift in focus from general-purpose magnetic film to industrial applications in the United States, resulted in business expansion. In chemicals, sales of caprolactam, a raw material for the production of nylon, were at the same level as the previous year as a result of a slowdown in the market that started in summer 2000. However, a rise in sales of pharmaceutical intermediates and other fine chemicals contributed to an increase in segment net sales. Accordingly, net sales of the Plastics and Chemicals segment rose ¥24.6 billion, or 11.1%, from the previous fiscal year, to ¥245.8 billion.

IT-Related Products: In IT-related resins and films, sales of polyester films for standard magnetic tape use in the U.S., European, and Japanese markets continued to decline. Sales for electronic component and LCD applications, however, showed improved performances domestically and overseas, leading to an improvement in sales overall.

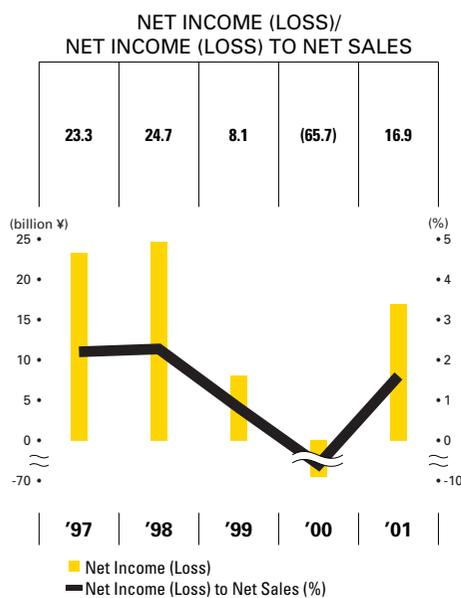
In electronics and information-related materials, TOPTICAL* TFT color filters for LCDs saw a rise in sales, as did circuit materials in both Japan and South Korea. Accordingly, net sales of the IT-Related Products segment were up ¥28.0 billion, or 22.3%, year on year, to ¥153.6 billion.

Housing and Engineering: The construction business was sluggish, but the engineering business progressed steadily. Furthermore, the Company was able to expand its water treatment business. Accordingly, net sales of the Housing and Engineering segment rose ¥0.4 billion, or 0.4%, from the previous fiscal year, to ¥124.1 billion.

Pharmaceuticals and Medical Products: Net sales of pharmaceuticals were affected by the downward revision of drug reimbursement prices, but increased sales of Dorner*, a treatment of arterial occlusion, as well as an increase in income from the licensing-out of development and marketing rights to allied drug manufacturers resulted in a year-on-year increase in sales.

In medical products, amid intense price competition, Toraysulfone* polysulfone-based artificial kidneys and Toraymyxin*, a device for treating septicemia by removing endotoxins from the blood, expanded sales. Accordingly, net sales of the Pharmaceuticals and Medical Products segment rose ¥5.0 billion year on year, or 10.5%, to ¥52.4 billion.

New Products and Other Businesses: Advanced composite materials saw a rise in sales associated with the aircraft industry in Europe and the United States and industrial applications in Europe. Domestically, however, demand from the sports equipment



industry slumped, and composite molded products saw a drop in sales. This caused net sales in the whole New Products and Other Businesses segment to drop ¥1.7 billion, or 2.5%, from the previous fiscal year, to ¥66.0 billion.

Sales by Geographic Segment

Japan: Increased sales from the Company's domestic consolidated subsidiaries resulted in a year-on-year increase in net sales of ¥28.6 billion, or 3.7%, to ¥799.2 billion, constituting 74.3% of consolidated net sales, down from 77.8% in the previous year.

Asia: Toray Saehan Inc. and other consolidated subsidiaries in the fibers and plastics businesses contributed greatly to a good performance in the Asia segment, which includes China, Indonesia, Thailand, Malaysia, and South Korea. Accordingly, net sales rose ¥50.7 billion, or 43.8%, to ¥166.6 billion, constituting 15.5% of consolidated net sales, up from 11.7% in the previous year.

North America and Europe: Net sales for this region, which includes the United States, England, France, Italy, and the Czech Republic, increased ¥5.5 billion, or 5.3%, to ¥109.6 billion, constituting 10.2% of consolidated net sales, down from 10.5% in the previous year.

Export Sales and Sales by Overseas Subsidiaries

From the market point of view, the jump in sales in Asia, primarily in China and Southeast Asia, and the increase in sales in North America, Europe, and other areas, primarily in the United States, resulted in a ¥64.8 billion, or 17.8%, rise in net sales in countries outside Japan, to ¥428.2 billion.

Overseas net sales constituted 39.8% of consolidated net sales, up 3.1 percentage points from the previous year. Broken down by area, sales in Asian countries outside Japan amounted to ¥235.2 billion, or 21.9% of consolidated net sales, and sales in North America, Europe, and other areas constituted ¥193.0 billion, or 17.9% of consolidated net sales.

Costs and Expenses

Consolidated net sales increased 8.6% year on year, and cost of sales increased 8.5%. As a result, the cost of sales ratio was at the same level as the previous year, at 77.0%.

Selling, general and administrative (SG&A) expenses were ¥156.1 billion, up ¥1.0 billion, or 0.7%, from the previous year as a result of a rise in transportation and storage expenses because of increased sales. SG&A expenses as a percentage of net sales dropped 1.2 percentage points from the previous year, to 14.5%.

R&D expenses and amortization of cost in excess of net assets acquired were unchanged from the previous year, at ¥38.8 billion and ¥1.3 billion, respectively.

Accordingly, total operating expenses, as a percentage of net sales, were 95.2%, down 1.5 percentage points from the previous year.

Operating Income and Net Income

Operating income was ¥51.2 billion, up ¥18.8 billion, or 58.3%, from the previous year, and the ratio of operating income to consolidated net sales recorded an increase of 1.5 percentage points from the previous year, to 4.8%.

The Company witnessed increased operating income in the Fibers and Textiles, Plastics and Chemicals, IT-Related Products, Housing and Engineering, and Pharmaceuticals and Medical Products segments. Operating income from the New Products and Other Businesses segment, on the other hand, was down from the previous year.

Operating income for the Fibers and Textiles segment rose ¥8.1 billion, or 54.7%, to ¥23.0 billion, thanks to a rise in profits for the Company, its subsidiaries in China and Southeast Asia, and Toray Saehan Inc. In the Plastics and Chemicals segment, the Company and its subsidiaries achieved a ¥6.7 billion, or 150.1%, rise in operating income, to ¥11.1 billion, owing to increased profits for the Company as well as improvements in profitability in the resin and film businesses of overseas subsidiaries. Operating income for the IT-Related Products segment was up ¥1.3 billion, or 22.6%, from the previous year, to ¥6.8 billion; the Housing and Engineering segment witnessed a ¥1.9 billion improvement from the ¥1.8 billion loss of the previous year, to ¥0.03 billion; and the Pharmaceuticals and Medical Products segment saw an increase of ¥2.7 billion, or 74.7%, to ¥6.3 billion. Operating income for the New Products and Other Businesses segment was down ¥1.3 billion, or 26.5%, to ¥3.6 billion.

With regard to geographic segments, increased profits for the Company and its domestic plastics and chemicals subsidiaries resulted in a ¥11.9 billion, or 56.0%, rise in operating income in Japan, to ¥33.3 billion.

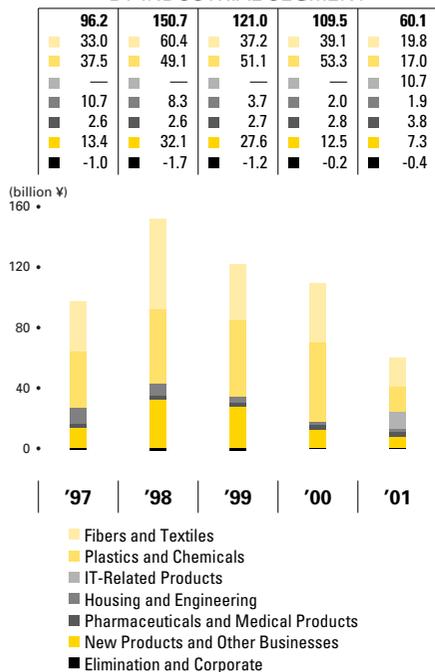
In Asia, in addition to a rise in net sales, an improvement in the profits of subsidiaries resulted in an operating income of ¥15.3 billion, a year-on-year leap of ¥9.8 billion, or 178.9%. In North America and Europe, a slump in the general-purpose carbon fiber market was primarily responsible for a drop in operating income of ¥2.1 billion, or 45.6%, to ¥2.5 billion.

The ratio of operating income to assets for operations outside Japan was 4.4%, as compared with 3.1% in Japan, indicating superior profitability achieved in overseas operations.

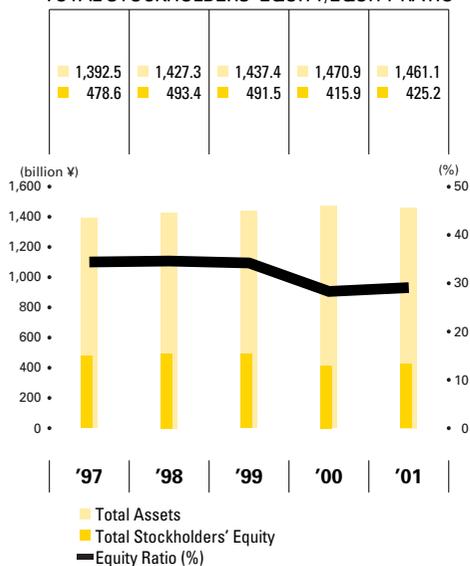
Net other income (expenses) worsened to amount to ¥10.3 billion in expenses, up ¥2.9 billion, or 39.3%, from the expenses of the previous year. A breakdown of other income (expenses) shows a ¥0.8 billion rise in interest and dividend income, to ¥4.2 billion, and a ¥1.5 billion increase in interest expenses, to ¥18.1 billion. Accordingly, net finance expenses increased ¥0.8 billion, to ¥13.9 billion. Other income (expenses), other, net, worsened ¥4.2 billion compared with the previous term, amounting to ¥4.5 billion. Equity in earnings of affiliates rose ¥2.1 billion, to ¥8.1 billion.

Net special credits (charges) improved ¥124.5 billion, to charges of ¥8.5 billion. This resulted from increased income from the sale of investment securities and the sale of land by the Company and its domestic subsidiaries as well as decreased losses from the one-time recognition of ¥106.2 billion in retirement benefits and the ¥12.1 billion loss on the write-down of real estate for commercial sales in the previous term.

CAPITAL EXPENDITURES BY INDUSTRIAL SEGMENT



TOTAL ASSETS/ TOTAL STOCKHOLDERS' EQUITY/EQUITY RATIO



Accordingly, income before income taxes amounted to ¥32.3 billion, up ¥140.4 billion from the loss of the previous term. Net income, after adjustment for income taxes and minority interests in net income of consolidated subsidiaries, amounted to ¥16.9 billion, an ¥82.6 billion improvement on the net loss in the previous year.

Net income per share (primary) improved ¥58.95 compared with the previous year's net loss, to ¥12.09. Cash dividends were maintained at ¥7.00 per share in accordance with the Company's policy of maintaining stable distributions to stockholders.

FINANCIAL POSITION

Assets

Total assets at the end of fiscal 2001 amounted to ¥1,461.1 billion. Following a change in Japanese accounting standards, marketable securities were evaluated at their fair values, and foreign currency translation adjustment, which was hitherto recorded under assets, was recorded under stockholders' equity in this period. Accordingly, total assets showed a slight decrease of ¥9.7 billion, or 0.7%, from the end of fiscal 2000. Overseas assets as a percentage of total assets rose 1.5 percentage points, to 27.2%.

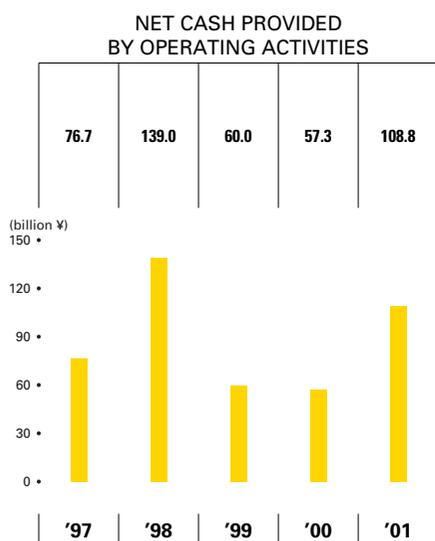
Current Assets

Current assets rose ¥3.0 billion, or 0.5%, to ¥574.6 billion. Total liquid assets—including cash, time deposits, and marketable securities—dropped ¥11.7 billion, or 15.1%, to ¥66.1 billion, mainly as a result of activities by the Company to increase funds utilization efficiency through a reduction of cash on hand. Trade receivables—comprising

notes receivable and accounts receivable—slipped ¥2.4 billion, or 1.0%, to ¥237.2 billion. Inventories increased ¥5.3 billion, or 2.4%, to ¥222.6 billion.

Property, Plant and Equipment

At March 31, 2001, property, plant and equipment, net, totaled ¥629.0 billion, down ¥7.5 billion, or 1.2%, from the previous year-end. Capital investment decreased ¥49.2 billion, or 45.2%, to ¥59.5 billion, as the Company continued to positively implement programs focused on fields expected to show strong growth while carrying forward its rationalization and modernization programs centered on improving production process efficiency. In the Fibers and Textiles segment, capital investment totaled ¥19.6 billion and consisted of such programs as the modernization of the Company's synthetic fiber production facility and the increase in production capacity of P.T. Easterntex's spinning facility and Toray Saehan Inc.'s nonwoven fabric production facilities. In the Plastics and Chemicals segment, capital investment totaled ¥16.6 billion, including the installation of an ultralow-pressure steam generator for the Company and programs to enhance polyester film production capabilities at Toray Plastics Europe S.A. Capital investment in the IT-Related Products segment totaled ¥10.7 billion and included upgrading the Company's polyester film production facility. Capital investment totaled ¥2.0 billion in the Housing and Engineering segment, ¥3.7 billion in the Pharmaceuticals and Medical Products segment, and ¥6.9 billion in the New Products and Other Businesses segment.



Liabilities

Total liabilities at the end of fiscal 2001 amounted to ¥1,004.8 billion, down ¥7.2 billion, or 0.7%. Current liabilities rose ¥21.9 billion, or 4.3%, to ¥537.6 billion. Bank loans increased ¥2.9 billion, to ¥176.0 billion. Long-term debt due within one year dropped ¥9.7 billion, to ¥89.5 billion, due mainly to a decrease in that of the parent company. Long-term debt, including the current portion, dropped ¥37.4 billion, to ¥404.3 billion. Consequently, total interest-bearing liabilities—comprising bank loans, long-term debt, and commercial paper—declined ¥33.0 billion, or 5.3%, to ¥586.7 billion.

Stockholders' Equity

Total stockholders' equity rose ¥9.3 billion, or 2.2%, to ¥425.2 billion. This increase comprised ¥16.9 billion in net income for the term, ¥9.8 billion in appropriations for cash dividends, a ¥2.9 billion decrease in surpluses of affiliates previously accounted for under the equity method, and following a change in accounting standards, an unrealized gain on securities of ¥48.8 billion and a deduction related to foreign currency translation adjustment of ¥43.7 billion being newly recorded under stockholders' equity. Consequently, stockholders' equity per share rose ¥6.65, to ¥303.39, and the equity ratio rose 0.8 percentage point, to 29.1%.

CASH FLOWS

Net cash provided by operating activities was ¥44.7 billion greater than net cash used in investing activities, owing to investments being lower than depreciation expenses following the completion of large-scale strategic investments.

However, net cash used in financing activities amounted to ¥55.7 billion because of efforts to improve capital efficiency and reduce interest-bearing liabilities. Consequently, the net decrease in cash and cash equivalents totaled ¥10.1 billion, to bring cash and cash equivalents at year-end to ¥62.9 billion.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥108.8 billion. Primary contributions to this increase were the high levels of the adjustment for depreciation and amortization and income before income taxes at ¥82.1 billion and ¥32.3 billion, respectively.

Cash Flows from Investing Activities

Net cash used in investing activities decreased ¥38.1 billion, to ¥64.0 billion. The main factors behind this level were an inflow of ¥15.4 billion from the sale of investment securities and noncurrent assets of less importance for the Company; an outflow of ¥61.3 billion due to the acquisition of fixed assets, compared to an outflow of ¥114.3 billion in the previous year; and an outflow of ¥15.3 billion due to the purchase of investment securities.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥55.7 billion, compared to ¥33.2 billion provided by financing activities in the previous year. The primary factors affecting this result were the Company's efforts to prune interest-bearing liabilities and, as a result, the repayments of long-term debt being greater than the proceeds from long-term debt.

Consolidated Balance Sheets

Toray Industries, Inc. and Subsidiaries
March 31, 2001 and 2000

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Assets	Millions of yen		Thousands of U.S. dollars (Note 2)
	2001	2000	2001
Current assets:			
Cash.....	¥ 48,016	¥ 28,638	\$ 387,226
Time deposits.....	12,013	12,398	96,879
Marketable securities (Note 6).....	6,100	36,819	49,194
Trade receivables (Note 4):			
Notes receivable.....	63,324	59,699	510,677
Accounts receivable.....	173,923	179,993	1,402,605
Inventories (Note 3).....	222,642	217,350	1,795,500
Deferred tax assets (Note 9).....	16,078	15,070	129,661
Prepaid expenses and other current assets.....	36,140	25,288	291,452
Allowance for doubtful accounts.....	(3,593)	(3,634)	(28,976)
Total current assets.....	574,643	571,621	4,634,218
Property, plant and equipment (Notes 5 and 12):			
Land.....	88,692	86,703	715,258
Buildings.....	381,090	369,540	3,073,306
Machinery and equipment.....	1,273,164	1,232,379	10,267,452
Construction in progress.....	21,617	18,877	174,331
	1,764,563	1,707,499	14,230,347
Accumulated depreciation.....	(1,135,556)	(1,071,008)	(9,157,710)
	629,007	636,491	5,072,637
Investments, long-term loans and other assets:			
Affiliates.....	49,401	38,546	398,395
Marketable equity securities (Notes 5 and 6).....	131,923	55,907	1,063,895
Other securities (Note 6).....	20,204	13,848	162,935
Long-term loans receivable.....	1,863	2,348	15,024
Deferred tax assets (Note 9).....	18,537	49,009	149,492
Other.....	30,141	33,721	243,073
Allowance for doubtful accounts.....	(1,664)	(1,306)	(13,419)
	250,405	192,073	2,019,395
Intangible assets.....	6,828	6,427	55,065
Cost in excess of net assets acquired.....	250	1,515	2,016
Foreign currency translation adjustment.....	—	62,723	—
	¥1,461,133	¥1,470,850	\$11,783,331

See accompanying notes to consolidated financial statements.

Liabilities, Minority Interests and Stockholders' Equity	Millions of yen		Thousands of U.S. dollars (Note 2)
	2001	2000	2001
Current liabilities:			
Bank loans (Note 5)	¥ 175,987	¥ 173,073	\$ 1,419,250
Long-term debt due within one year (Note 5)	89,547	99,253	722,153
Commercial paper	6,400	—	51,613
Trade payables (Note 4):			
Notes payable	51,704	51,429	416,967
Accounts payable	117,040	110,778	943,871
Income taxes payable (Note 9)	15,575	5,397	125,605
Accrued liabilities	44,977	43,770	362,718
Other current liabilities	36,347	31,949	293,121
Total current liabilities	537,577	515,649	4,335,298
Long-term debt (Note 5)	314,789	342,465	2,538,621
Deferred tax liabilities (Note 9)	1,936	1,980	15,613
Employees' retirement benefits (Note 8)	141,734	143,037	1,143,016
Customers' guarantee deposits and other liabilities	8,768	8,909	70,710
	1,004,804	1,012,040	8,103,258
Contingent liabilities (Note 11)			
Minority interests in consolidated subsidiaries	31,136	42,932	251,097
Stockholders' equity (Note 10):			
Common stock:			
Authorized—4,000,000,000 shares			
Issued—1,401,481,403 shares	96,937	96,937	781,750
Additional paid-in capital	85,792	85,792	691,871
Consolidated surplus	237,336	233,152	1,914,000
Unrealized gain on securities	48,838	—	393,855
Foreign currency translation adjustment	(43,708)	—	(352,484)
	425,195	415,881	3,428,992
Treasury stock, at cost	(2)	(3)	(16)
Total stockholders' equity	425,193	415,878	3,428,976
	¥1,461,133	¥1,470,850	\$11,783,331

Consolidated Statements of Income and Surplus

Toray Industries, Inc. and Subsidiaries
Years ended March 31, 2001, 2000 and 1999

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2001	2000	1999	2001
Net sales (Note 4).....	¥1,075,371	¥990,487	¥1,001,117	\$8,672,347
Costs and expenses:				
Cost of sales (Notes 4 and 8)	828,021	763,011	755,900	6,677,589
Selling, general and administrative expenses (Notes 8 and 12).....	156,128	155,100	157,691	1,259,097
Research and development expenses (Note 8)	38,791	38,790	37,915	312,831
Amortization of cost in excess of net assets acquired.....	1,265	1,266	2,047	10,201
	1,024,205	958,167	953,553	8,259,718
Operating income.....	51,166	32,320	47,564	412,629
Other income (expenses):				
Interest expenses	(18,071)	(16,532)	(17,909)	(145,733)
Interest and dividend income	4,188	3,405	4,961	33,774
Equity in earnings of affiliates	8,109	6,050	6,243	65,395
Other, net.....	(4,526)	(316)	601	(36,500)
	(10,300)	(7,393)	(6,104)	(83,064)
Income before special credits (charges)	40,866	24,927	41,460	329,565
Special credits (charges):				
Gain (loss) on disposal of property, plant and equipment, net	348	(1,950)	(2,531)	2,806
Loss on write-down of real estate for commercial sales	—	(12,050)	—	—
Gain (loss) on sale or write-down of investments in securities, net.....	1,080	(2,278)	(4,850)	8,709
Special severance payments and other restructuring expenses	(5,490)	(6,282)	(4,809)	(44,274)
Loss arising from the accounting change for employees' retirement benefits	—	(106,155)	—	—
Exchange loss	(2,687)	(2,460)	(4,328)	(21,669)
Other, net.....	(1,788)	(1,845)	(1,213)	(14,419)
	(8,537)	(133,020)	(17,731)	(68,847)
Income (loss) before income taxes	32,329	(108,093)	23,729	260,718
Income taxes (Note 9):				
Current	16,131	12,754	12,929	130,089
Deferred	(3,814)	(56,316)	357	(30,758)
	12,317	(43,562)	13,286	99,331
Income (loss) from consolidated operations	20,012	(64,531)	10,443	161,387
Minority interests in net income of consolidated subsidiaries	(3,075)	(1,136)	(2,326)	(24,798)
Net income (loss)	16,937	(65,667)	8,117	136,589
Consolidated surplus:				
At beginning of year	233,152	308,770	310,638	1,880,258
	250,089	243,103	318,755	2,016,847
Appropriations:				
Cash dividends	9,810	9,810	9,810	79,113
Bonuses to directors and corporate auditors	—	141	175	—
Surplus of affiliates previously accounted for under the equity method	2,943	—	—	23,734
	12,753	9,951	9,985	102,847
At end of year.....	¥ 237,336	¥233,152	¥ 308,770	\$1,914,000
		Yen		U.S. dollars (Note 2)
Net income (loss) per share (Note 1):				
Primary	¥12.09	¥(46.86)	¥5.79	\$0.098
Fully diluted	12.02	—	—	0.097

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Toray Industries, Inc. and Subsidiaries
Years ended March 31, 2001, 2000 and 1999

Thousands of
U.S. dollars
(Note 2)

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	Millions of yen			2001
	2001	2000	1999	
Cash flows from operating activities:				
Income (loss) before income taxes	¥ 32,329	¥(108,093)	¥ 23,729	\$ 260,718
Adjustments to reconcile income (loss) before income taxes to net cash provided by operating activities:				
Depreciation and amortization	82,068	80,698	79,663	661,839
Interest and dividend income	(4,188)	(3,405)	(4,961)	(33,774)
Equity in earnings of affiliates	(8,109)	(6,050)	(6,243)	(65,395)
Interest expenses	18,071	16,532	17,909	145,733
(Gain) loss on sales and disposal of noncurrent assets	(1,377)	4,228	7,381	(11,105)
Loss on write-down of real estate for commercial sales	—	12,050	—	—
(Decrease) increase in retirement benefits	(6,132)	101,225	(828)	(49,452)
Decrease (increase) in trade receivables	5,600	(20,253)	13,069	45,161
Increase in inventories	(2,561)	(18,002)	(21,610)	(20,653)
Increase (decrease) in trade payables and accrued liabilities	6,355	3,261	(29,932)	51,250
Other, net	5,236	14,678	12,974	42,226
Subtotal	127,292	76,869	91,151	1,026,548
Interest and dividend income received	6,503	11,447	8,135	52,444
Interest expenses paid	(18,823)	(17,222)	(17,724)	(151,798)
Income taxes paid	(6,216)	(13,796)	(21,578)	(50,129)
Net cash provided by operating activities.....	108,756	57,298	59,984	877,065
Cash flows from investing activities:				
Capital expenditures	(61,316)	(114,293)	(120,968)	(494,484)
Purchase of investment securities	(15,338)	(4,934)	(16,810)	(123,693)
Proceeds from sales and disposal of noncurrent assets	15,405	12,707	2,095	124,234
Other, net	(2,769)	4,446	3,843	(22,331)
Net cash used in investing activities	(64,018)	(102,074)	(131,840)	(516,274)
Cash flows from financing activities:				
Increase in short-term debt	3,622	13,732	1,595	29,209
Proceeds from long-term debt	71,370	108,859	90,434	575,565
Repayments of long-term debt	(119,077)	(87,877)	(47,727)	(960,298)
Cash dividends paid.....	(11,590)	(12,097)	(12,731)	(93,468)
Proceeds from capital increase by minority interest	—	10,560	—	—
Net cash (used in) provided by financing activities.....	(55,675)	33,177	31,571	(448,992)
Effect of exchange rate changes on cash and cash equivalents.....	789	(1,296)	(2,337)	6,362
Net decrease in cash and cash equivalents	(10,148)	(12,895)	(42,622)	(81,839)
Cash and cash equivalents at beginning of year.....	73,023	85,819	126,852	588,895
Beginning of term balance of cash and cash equivalents at subsidiaries not previously included in consolidated financial statements	15	99	1,589	121
Cash and cash equivalents at end of year	¥ 62,890	¥ 73,023	¥ 85,819	\$ 507,177

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Toray Industries, Inc. and Subsidiaries
Years ended March 31, 2001, 2000 and 1999

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1. Significant Accounting Policies

a) Basis of Presenting Consolidated Financial Statements

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

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

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

b) Principles of Consolidation

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

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

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

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

c) Cash and Cash Equivalents

Cash and cash equivalents for the years ended March 31, 2001 and 2000 include cash, short-term time deposits which may be withdrawn on demand without diminution of principal and highly liquid investments with original maturities of three months or less.

Cash and cash equivalents consisted of:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Cash	¥48,016	¥28,638	\$387,226
Time deposits.....	12,013	12,398	96,879
Less—Time deposits with maturities of over 3 months...	(616)	(15)	(4,968)
Marketable securities and others with maturities of 3 months or less	3,477	32,002	28,040
Cash and cash equivalents.....	¥62,890	¥73,023	\$507,177

d) Financial Instruments

Until the year ended March 31, 2000, marketable securities in current assets and marketable equity securities in noncurrent assets were generally carried at the lower of moving average cost or market. Other securities in noncurrent assets were stated at average cost.

Effective from the year ended March 31, 2001, the Company and its subsidiaries adopted the new Japanese accounting standard for

financial instruments, which is effective for periods beginning on or after April 1, 2000. The adoption of the new method had no material impact on net income.

Derivatives:

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

Securities:

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

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

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

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

Under the new standard, debt securities due within one year are presented as "current" and all the other securities are presented as "noncurrent." The securities held by the Company and its subsidiaries have been reclassified as of April 1, 2000 (the beginning of year). As a result of such reclassification, securities in the current portfolio decreased by ¥1,505 million (\$12,137 thousand) and securities in the noncurrent portfolio increased by the same amount.

Having made current market valuations of the other securities, investment securities increased by ¥84,642 million (\$682,597 thousand), a deferred tax liability (noncurrent liabilities) of ¥35,862 million (\$289,210 thousand) was perceived, minority interests in consolidated subsidiaries decreased by ¥58 million (\$468 thousand) and an appropriation of ¥48,838 million (\$393,855 thousand) was made as "unrealized gain on securities" item in stockholders' equity.

Hedge Accounting:

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

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

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

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

e) Allowance for Doubtful Accounts

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

f) Inventories

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

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

g) Property, Plant and Equipment

Property, plant and equipment are stated at cost.

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

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

h) Leases

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

i) Income Taxes

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants taxes and enterprise taxes. Income taxes are determined using the asset and liability approach, where deferred tax assets and liabilities are recognized for temporary differences between the tax basis of assets and liabilities

and their reported amount in the financial statements. The Company also provides for the anticipated tax effect of future remittances of retained earnings from overseas subsidiaries and affiliated companies.

j) Retirement Benefits

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

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

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

Until the year ended March 31, 1999, the liability for the unfunded lump-sum benefit plan as shown in the balance sheet represented 50% of the amount which would have been required if all employees voluntarily terminated their service at the balance sheet date. The liability for the funded pension plan, if any, was not recorded on the balance sheet. The contribution for the funded pension plan had been charged to income when paid until the year ended March 31, 1999.

At March 31, 2000, the Company changed its accounting policy for employees' retirement benefits. Under this policy, the liability, including both the unfunded lump-sum benefit plan and the funded pension plan, was calculated as the difference between the discounted expected future retirement and pension payments, and the related assets set aside to meet such future payments. The effect of this change was to increase loss before income taxes by ¥106,155 million compared with the previous accounting policy. The resulting adjustment was disclosed as a "loss arising from the accounting change for employees' retirement benefits" in the accompanying consolidated statements of income and surplus.

Effective from the year ended March 31, 2001, the Company and its subsidiaries adopted the new Japanese accounting standard for retirement benefits, which is effective for periods beginning on or after April 1, 2000. In accordance with the new standard, the reserve for retirement benefits as of March 31, 2001 represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets except that, as permitted under the new standard, unrecognized actuarial differences are amortized on a straight-line basis over the period of 15 years from the year following the year in which they arise. The adoption of the new method had no material impact on the accompanying financial statements.

Allowance for retirement benefits for directors and corporate auditors ("officers") of the Company and certain of its domestic subsidiaries is provided based on the companies' pertinent rules and is

calculated as the estimated amount which would be payable if all officers were to retire at the balance sheet date. Any amounts payable to officers upon retirement are subject to approval at the annual stockholders' meeting. The amount is included in customers' guarantee deposits and other liabilities on the consolidated balance sheets.

k) Appropriation of Consolidated Surplus

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

l) Foreign Currency Transactions

Until the year ended March 31, 2000, the method of foreign currency transactions, which the Company and its domestic subsidiaries had adopted, was as follows:

Noncurrent receivables and payables of the Company and its domestic subsidiaries denominated in foreign currencies were translated into Japanese yen at historical exchange rates. Other current receivables and payables denominated in foreign currencies were 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 were included in net income or loss.

Effective from the year ended March 31, 2001, the Company and its domestic subsidiaries adopted the new Japanese accounting standard for foreign currency translation, which is effective for periods beginning on or after April 1, 2000. Under the new standard, all monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net income or loss for the period.

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 ¥124 to \$1.00, the approximate exchange rate

The adoption of the new method had no material impact on the accompanying consolidated financial statements.

m) Translation of Foreign Currency Financial Statements

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

Until the year ended March 31, 2000, differences in yen amounts arising from the use of different rates were presented as "foreign currency translation adjustment" in assets.

Effective from the year ended March 31, 2001, the Company adopted the new Japanese accounting standard for foreign currency translation. In accordance with the new standard, the difference is represented as "foreign currency translation adjustment" in stockholders' equity in the amount of ¥43,708 million (\$352,484 thousand), except for the portion belonging to minority stockholders, which is included in "minority interests in consolidated subsidiaries" in the amount of ¥15,048 million (\$121,355 thousand).

n) Net Income per Share

The computation of net income per share of common stock shown in the consolidated statements of income and surplus 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 the dilutive effect on net income assuming potential issues of new shares of common stock upon the conversion of convertible debt securities with the related reduction of interest expenses.

prevailing on March 31, 2001. The inclusion of such U.S. dollar amounts is solely for the convenience of readers outside Japan and is not intended to imply that yen amounts and assets and liabilities that originated in yen have been or could be readily converted, realized or settled in U.S. dollars at this or at any other rate.

3. Inventories

At March 31, 2001 and 2000, inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Finished goods and work in process	¥178,152	¥176,759	\$1,436,710
Raw materials and supplies	44,490	40,591	358,790
	¥222,642	¥217,350	\$1,795,500

4. Account Balances and Transactions with Affiliates

Account balances at March 31, 2001 and 2000 and transactions for the years then ended with unconsolidated subsidiaries and affiliated companies were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Trade receivables	¥12,744	¥12,885	\$102,774
Trade payables	7,079	8,531	57,089
Sales	43,911	47,604	354,121
Purchases	31,960	33,510	257,742

5. Bank Loans and Long-Term Debt

Bank loans at March 31, 2001 and 2000 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, 2001 and 2000 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Loans principally from banks and insurance companies with interest rates primarily from 0.463% to 7.190%, maturing serially through 2012:			
Collateralized	¥ 3,428	¥ 2,619	\$ 27,645
Unsecured	172,153	200,758	1,388,331
Medium-term notes of consolidated subsidiaries with various interest rates			
due 2001 to 2005 (including zero coupon notes)	19,762	23,348	159,371
Mortgage bonds with an interest rate of 2.3% due 2006	500	500	4,032
Convertible debentures with an interest rate of 1.7% due 2002	29,493	29,493	237,847
Yen notes with an interest rate of 4.25% due 2001	—	20,000	—
Yen notes with an interest rate of 2.65% due 2001	10,000	10,000	80,645
Yen notes with an interest rate of 2.40% due 2009	20,000	20,000	161,290
Yen notes with an interest rate of 2.275% due 2004	15,000	15,000	120,968
Yen notes with an interest rate of 2.25% due 2001	20,000	20,000	161,290
Yen notes with an interest rate of 2.20% due 2003	15,000	15,000	120,968
Yen notes with an interest rate of 2.05% due 2003	1,000	1,000	8,065
Yen notes with an interest rate of 2.03% due 2008	10,000	10,000	80,645
Yen notes with an interest rate of 2.00% due 2013	10,000	—	80,645
Yen notes with an interest rate of 1.95% due 2009	10,000	10,000	80,645
Yen notes with an interest rate of 1.94% due 2010	10,000	—	80,645
Yen notes with an interest rate of 1.93% due 2009	10,000	10,000	80,645
Yen notes with an interest rate of 1.925% due 2005	20,000	20,000	161,290
Yen notes with an interest rate of 1.40% due 2001	—	5,000	—
Yen notes with an interest rate of 1.40% due 2004	10,000	10,000	80,645
Yen notes with an interest rate of 1.31% due 2001	—	1,000	—
Yen notes with an interest rate of 1.05% due 2004	10,000	10,000	80,645
Yen floating rate notes due 2002	8,000	8,000	64,517
	404,336	441,718	3,260,774
Less amounts due within one year	89,547	99,253	722,153
	¥314,789	¥342,465	\$2,538,621

At March 31, 2001, assets pledged as collateral for short-term bank loans and collateralized loans and certain mortgage bonds of subsidiaries were as follows:

	Millions of yen	Thousands of U.S. dollars
Investments in securities at carrying value	¥ 130	\$ 1,048
Property, plant and equipment, at cost, less accumulated depreciation.....	10,136	81,742
	¥10,266	\$82,790

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 (\$7.40) per share at March 31, 2001.

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

	Millions of yen	Thousands of U.S. dollars
Years ending March 31:		
2002	¥ 89,547	\$ 722,153
2003	78,238	630,952
2004	55,255	445,605
2005	46,765	377,137
2006	39,521	318,718
2007 and thereafter.....	95,010	766,209
	¥404,336	\$3,260,774

6. Securities

At March 31, 2001, the carrying amount and aggregate fair value of the securities classified as held-to-maturity debt securities and other securities for which market quotations were available were as follows:

	Millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
Year ended March 31, 2001:				
Held-to-maturity debt securities	¥ 29	¥ —	¥ —	¥ 29
Other securities	47,281	85,327	685	131,923
	Thousands of U.S. dollars			
	Cost	Unrealized gains	Unrealized losses	Fair value
Year ended March 31, 2001:				
Held-to-maturity debt securities	\$ 234	\$ —	\$ —	\$ 234
Other securities	381,298	688,121	5,524	1,063,895

At March 31, 2001, the carrying amount of the securities classified as held-to-maturity debt securities and other securities for which market quotations were unavailable were as follows:

	Millions of yen	Thousands of U.S. dollars
Year ended March 31, 2001:		
Held-to-maturity debt securities	¥ 7,289	\$ 58,782
Other securities	18,822	151,790

The carrying values of the securities by contractual maturities for securities classified as held-to-maturity debt securities and other securities at March 31, 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	Held-to-maturity debt securities	Other securities	Held-to-maturity debt securities	Other securities
Year ended March 31, 2001:				
Due within one year	¥4,001	¥20	\$32,266	\$161
Due over one year.....	3,317	14	26,750	113

Carrying amounts and aggregate market values of current and noncurrent marketable securities included in marketable securities and marketable equity securities at March 31, 2000 were as follows:

Year ended March 31, 2000:	Millions of yen		
	Carrying amount	Aggregate market value	Unrealized gain (loss)
Current.....	¥ 9,814	¥ 14,698	¥ 4,884
Noncurrent.....	58,501	185,790	127,289

The difference between the above carrying value and the amounts shown in the accompanying consolidated balance sheets principally consisted of marketable debt securities investments.

7. Derivatives

The Company and its subsidiaries had the following derivatives contracts outstanding at March 31, 2001 and 2000:

	Millions of yen					
	2001			2000		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts:						
Buying U.S. dollar	¥14,490	¥15,543	¥1,053	¥16,750	¥15,455	¥(1,295)
Buying Japanese yen	249	229	(20)	—	—	—
Buying other currencies	—	—	—	578	596	18
Selling U.S. dollar	1,858	2,123	(265)	2,742	2,604	138
Selling Hong Kong dollar	7,869	8,615	(746)	9,493	8,362	1,131
Selling euro	1,268	1,267	1	2,054	1,982	72
Selling British pound	133	128	5	—	—	—
Selling other currencies	—	—	—	915	908	7
Interest rate swaps:						
Fixed-rate receipt, floating-rate payment	—	—	—	51,549	1,418	1,418
Fixed-rate payment, floating-rate receipt	—	—	—	26,378	(188)	(188)

	Thousands of U.S. dollars		
	2001		
	Contract amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts:			
Buying U.S. dollar	\$116,885	\$125,347	\$8,492
Buying Japanese yen	2,008	1,847	(161)
Selling U.S. dollar	14,984	17,121	(2,137)
Selling Hong Kong dollar	63,460	69,476	(6,016)
Selling euro	10,226	10,218	8
Selling British pound	1,072	1,032	40

8. Retirement Benefit Plan

The reserve for retirement benefits as of March 31, 2001 was analyzed as follows:

	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations.....	¥320,918	\$2,588,048
Plan assets	154,322	1,244,532
	166,596	1,343,516
Unrecognized actuarial differences	24,899	200,798
	141,697	1,142,718
Prepaid pension cost.....	37	298
	¥141,734	\$1,143,016

The above table includes the amounts related to the portion subject to the Japanese Welfare Pension Insurance Law.

Net pension expense related to the retirement benefits for the year ended March 31, 2001 was as follows:

	Millions of yen	Thousands of U.S. dollars
Service cost	¥13,074	\$105,436
Interest cost.....	10,342	83,403
Expected return on plan assets	(5,813)	(46,879)
Amortization of transition amount.....	48	387
Net pension expense	¥17,651	\$142,347

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

	2001
Discount rate	3.5%
Expected rate of return on plan assets	3.5%
Method of attributing the projected benefits to periods of services.....	straight-line basis
Amortization period of transition amount.....	1 year
Amortization period of unrecognized actuarial differences	15 years

9. Income Taxes

The statutory tax rate used for calculating deferred tax assets and deferred tax liabilities in the years ended March 31, 2001, 2000 and 1999 was 42.3%.

At March 31, 2001 and 2000, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Deferred tax assets:			
Inventories	¥ 4,773	¥ 5,009	\$ 38,492
Rebates	768	703	6,194
Accrued bonuses	3,461	2,361	27,911
Accrued enterprise taxes	1,262	807	10,177
Allowance for doubtful accounts	1,465	2,053	11,815
Long-term prepaid expenses	1,196	1,222	9,645
Employees' retirement benefits	52,357	50,612	422,234
Tax loss carryforwards	14,188	12,084	114,419
Unrealized earnings	13,959	14,038	112,572
Other	10,226	6,793	82,468
	103,655	95,682	835,927
Valuation allowance	(5,583)	(5,501)	(45,024)
Total deferred tax assets	98,072	90,181	790,903
Deferred tax liabilities:			
Reserve for advanced depreciation	14,290	13,591	115,242
Reserve for special depreciation	1,095	2,316	8,831
Depreciation	6,773	5,955	54,621
Undistributed earnings of foreign subsidiaries and affiliates	6,383	5,203	51,476
Unrealized gain on securities	35,862	—	289,209
Other	1,162	1,095	9,371
Total deferred tax liabilities	65,565	28,160	528,750
Net deferred tax assets	¥ 32,507	¥62,021	\$262,153

At March 31, 2001 and 2000, a reconciliation of the statutory tax rate and the effective income tax rate was as follows:

	2001	2000
Statutory tax rate	(42.3)%	(42.3)%
Increase (decrease) in taxes resulting from:		
Permanent differences	(1.3)	0.0
Losses by subsidiaries not utilizing deferred tax accounting	(7.3)	2.7
Equity in earnings of affiliates	10.6	(2.4)
Other	2.2	1.7
Effective income tax rate	(38.1)%	(40.3)%

10. Stockholders' Equity

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

Changes of common stock and additional paid-in capital for the years ended March 31, 2001, 2000 and 1999 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, 1999	1,401,481	¥96,937		¥85,792	
March 31, 2000	1,401,481	96,937		85,792	
March 31, 2001	1,401,481	96,937	\$781,750	85,792	\$691,871

At the June 2001 annual stockholders' meeting, stockholders approved the payment of cash dividends of ¥3.50 per share, aggregating ¥4,905 million (\$39,556 thousand).

11. Contingent Liabilities

At March 31, 2001, contingent liabilities were as follows:

	Millions of yen	Thousands of U.S. dollars
As guarantors of loans to:		
Affiliates	¥14,373	\$115,911
Others	6,387	51,508
	¥20,760	\$167,419
Obligations of guarantee	¥ 79	\$ 637
Notes discounted	¥ 4,960	\$ 40,000
Buyback obligations associated with securitization of receivables	¥ 1,946	\$ 15,694

12. Leases

The Group leases certain machinery, equipment and vehicles and other assets (fixtures and tools). Total lease payments under these leases were ¥1,542 million (\$12,435 thousand) and ¥1,670 million for the years ended March 31, 2001 and 2000, respectively.

Pro forma information relating to acquisition costs, accumulated depreciation and future minimum lease payments for property held under finance leases which do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2001 and 2000 was as follows:

	Millions of yen		
	Machinery, equipment and vehicles	Other (fixtures and tools)	Total
Year ended March 31, 2001:			
Acquisition costs.....	¥461	¥6,018	¥6,479
Accumulated depreciation	321	3,529	3,850
Net leased property	¥140	¥2,489	¥2,629

	Millions of yen		
	Machinery, equipment and vehicles	Other (fixtures and tools)	Total
Year ended March 31, 2000:			
Acquisition costs.....	¥998	¥5,744	¥6,742
Accumulated depreciation	801	3,949	4,750
Net leased property	¥197	¥1,795	¥1,992

	Thousands of U.S. dollars		
	Machinery, equipment and vehicles	Other (fixtures and tools)	Total
Year ended March 31, 2001:			
Acquisition costs	\$3,718	\$48,532	\$52,250
Accumulated depreciation	2,589	28,459	31,048
Net leased property	\$1,129	\$20,073	\$21,202

Future minimum lease payments under finance leases as of March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Due within one year	¥1,140	¥1,157	\$ 9,194
Due over one year	1,489	835	12,008
Total	¥2,629	¥1,992	\$21,202

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

13. Segment Information

Results by Industrial Segment

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

Because of the expanded business fields and importance of information and telecommunications businesses, the Company began from this fiscal year to manage a new business sector, "IT-Related Products." Therefore, the relevant businesses previously included in Plastics and Chemicals, Housing and Engineering, and New Products and Other Businesses are now reclassified as an independent business unit.

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 (except films and plastic products included in IT-Related Products stated below). Operations in the IT-Related Products segment involve the production and sale of magnetic recording materials, films and plastic products for such information- and telecommunications-related products as electronic devices, electronic circuits, graphic materials and their related equipment, optical fibers and color filters for LCDs. 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 as well as the provision of services in such diverse areas as research support and hotel chain operation.

As described in Note 1, effective April 1, 2000, the Company adopted new Japanese accounting standards.

The adoption of the new standard for retirement benefits had no material impact on the results by industrial segment.

Having made current market valuations of the other securities, assets in the Fibers and Textiles segment were ¥16,629 million (US\$134,105 thousand) higher, those for the Plastics and Chemicals segment were ¥11,923 million (US\$96,153 thousand) higher, those for the IT-Related Products segment were ¥9,302 million (US\$75,016 thousand) higher, those for the Housing and Engineering segment were ¥3,338 million (US\$26,919 thousand) higher, those for the Pharmaceuticals and Medical Products segment were ¥3,379 million (US\$27,250 thousand) higher, and those for the New Products and Other Businesses segment were ¥4,377 million (US\$35,298 thousand) higher in the year ended March 31, 2001 than they would have been had the method used in the year ended March 31, 2000 been applied.

Because of the adoption of the new standard for foreign currency translation, total assets were ¥58,756 million (US\$473,839 thousand) lower in the year ended March 31, 2001 than they would have been had the method used in the year ended March 31, 2000 been applied.

Year ended March 31, 2001:	Millions of yen								Consolidated total
	Fibers and Textiles	Plastics and Chemicals	IT- Related Products	Housing and Engineering	Pharmaceuticals and Medical Products	New Products and Other Businesses	Total	Elimination and corporate	
Sales to outside customers	¥433,500	¥245,804	¥153,612	¥124,055	¥52,425	¥ 65,975	¥1,075,371	¥ —	¥1,075,371
Intersegment sales	370	24,475	6,690	32,711	182	19,216	83,644	(83,644)	—
Total sales	¥433,870	¥270,279	¥160,302	¥156,766	¥52,607	¥ 85,191	¥1,159,015	¥(83,644)	¥1,075,371
Operating income	¥ 23,005	¥ 11,108	¥ 6,837	¥ 34	¥ 6,255	¥ 3,649	¥ 50,888	¥ 278	¥ 51,166
Assets	¥476,240	¥383,041	¥249,976	¥188,457	¥78,174	¥146,874	¥1,522,762	¥(61,629)	¥1,461,133
Depreciation and amortization	27,468	24,009	16,198	2,475	2,681	9,925	82,756	(1,953)	80,803
Capital expenditures	19,846	16,958	10,682	1,880	3,777	7,320	60,463	(392)	60,071

Year ended March 31, 2000:	Millions of yen							Elimination and corporate	Consolidated total
	Fibers and Textiles	Plastics and Chemicals	Housing and Engineering	Pharmaceuticals and Medical Products	New Products and Other Businesses	Total			
Sales to outside customers	¥404,966	¥293,736	¥138,692	¥47,439	¥105,654	¥ 990,487	¥ —	¥ 990,487	
Intersegment sales	581	22,339	42,239	51	20,934	86,144	(86,144)	—	
Total sales	¥405,547	¥316,075	¥180,931	¥47,490	¥126,588	¥1,076,631	¥(86,144)	¥ 990,487	
Operating income (loss)	¥ 14,869	¥ 8,763	¥ (1,224)	¥ 3,580	¥ 5,607	¥ 31,595	¥ 725	¥ 32,320	
Assets	¥462,525	¥513,638	¥199,091	¥71,415	¥215,657	¥1,462,326	¥ 8,524	¥1,470,850	
Depreciation and amortization	27,163	31,404	2,517	2,558	16,822	80,464	(1,032)	79,432	
Capital expenditures	39,143	53,318	1,995	2,845	12,482	109,783	(269)	109,514	

Year ended March 31, 2001:	Thousands of U.S. dollars							Elimination and corporate	Consolidated total
	Fibers and Textiles	Plastics and Chemicals	IT- Related Products	Housing and Engineering	Pharmaceuticals and Medical Products	New Products and Other Businesses	Total		
Sales to outside customers	\$3,495,968	\$1,982,290	\$1,238,807	\$1,000,444	\$422,782	\$ 532,056	\$ 8,672,347	\$ —	\$ 8,672,347
Intersegment sales	2,984	197,379	53,951	263,798	1,468	154,968	674,548	(674,548)	—
Total sales	\$3,498,952	\$2,179,669	\$1,292,758	\$1,264,242	\$424,250	\$ 687,024	\$ 9,346,895	\$(674,548)	\$ 8,672,347
Operating income	\$ 185,524	\$ 89,581	\$ 55,137	\$ 274	\$ 50,444	\$ 29,427	\$ 410,387	\$ 2,242	\$ 412,629
Assets	\$3,840,645	\$3,089,040	\$2,015,936	\$1,519,815	\$630,435	\$1,184,468	\$12,280,339	\$(497,008)	\$11,783,331
Depreciation and amortization	221,516	193,621	130,629	19,960	21,621	80,040	667,387	(15,750)	651,637
Capital expenditures	160,048	136,758	86,145	15,162	30,460	59,032	487,605	(3,161)	484,444

Restated segment information for the year ended March 31, 2000 to conform with the new segmentation was as follows:

Year ended March 31, 2000:	Millions of yen							Elimination and corporate	Consolidated total
	Fibers and Textiles	Plastics and Chemicals	IT- Related Products	Housing and Engineering	Pharmaceuticals and Medical Products	New Products and Other Businesses	Total		
Sales to outside customers	¥404,966	¥221,230	¥125,599	¥123,615	¥47,439	¥ 67,638	¥ 990,487	¥ —	¥ 990,487
Intersegment sales	581	22,320	6,257	38,815	51	18,539	86,563	(86,563)	—
Total sales	¥405,547	¥243,550	¥131,856	¥162,430	¥47,490	¥ 86,177	¥1,077,050	¥(86,563)	¥ 990,487
Operating income (loss)	¥ 14,869	¥ 4,442	¥ 5,577	¥ (1,840)	¥ 3,580	¥ 4,967	¥ 31,595	¥ 725	¥ 32,320
Assets	¥462,525	¥369,457	¥232,931	¥178,924	¥71,415	¥149,033	¥1,464,285	¥ 6,565	¥1,470,850
Depreciation and amortization	27,163	22,982	14,189	2,475	2,558	11,234	80,601	(1,169)	79,432
Capital expenditures	39,143	31,397	25,754	1,705	2,845	8,967	109,811	(297)	109,514

Results by Geographic Segment

The adoption of the new standard for retirement benefits had no material impact on results by geographic segment.

Having made current market valuations of the other securities, assets in Japan were ¥48,948 million (US\$394,742 thousand) higher in the year ended March 31, 2001 than they would have been had the method used in the year ended March 31, 2000 been applied.

Because of the adoption of the new standard for foreign currency translation, total assets were ¥58,756 million (US\$473,839 thousand) lower in the year ended March 31, 2001 than they would have been had the method used in the year ended March 31, 2000 been applied.

	Millions of yen					Consolidated total
	Japan	Asia	North America and Europe	Total	Elimination and corporate	
Year ended March 31, 2001:						
Sales to outside customers	¥ 799,168	¥166,643	¥109,560	¥1,075,371	¥ —	¥1,075,371
Intersegment sales	59,799	22,986	4,483	87,268	(87,268)	—
Total sales	¥ 858,967	¥189,629	¥114,043	¥1,162,639	¥(87,268)	¥1,075,371
Operating income	¥ 33,262	¥ 15,267	¥ 2,479	¥ 51,008	¥ 158	¥ 51,166
Assets	¥1,082,091	¥236,479	¥168,016	¥1,486,586	¥(25,453)	¥1,461,133

Year ended March 31, 2000:

Sales to outside customers	¥ 770,548	¥115,915	¥104,024	¥ 990,487	¥ —	¥ 990,487
Intersegment sales	55,259	14,317	6,561	76,137	(76,137)	—
Total sales	¥ 825,807	¥130,232	¥110,585	¥1,066,624	¥(76,137)	¥ 990,487
Operating income	¥ 21,317	¥ 5,474	¥ 4,559	¥ 31,350	¥ 970	¥ 32,320
Assets	¥1,064,618	¥215,084	¥153,052	¥1,432,754	¥ 38,096	¥1,470,850

	Thousands of U.S. dollars					Consolidated total
	Japan	Asia	North America and Europe	Total	Elimination and corporate	
Year ended March 31, 2001:						
Sales to outside customers	\$6,444,903	\$1,343,895	\$ 883,549	\$ 8,672,347	\$ —	\$ 8,672,347
Intersegment sales	482,250	185,371	36,153	703,774	(703,774)	—
Total sales	\$6,927,153	\$1,529,266	\$ 919,702	\$ 9,376,121	\$(703,774)	\$ 8,672,347
Operating income	\$ 268,242	\$ 123,121	\$ 19,992	\$ 411,355	\$ 1,274	\$ 412,629
Assets	\$8,726,540	\$1,907,089	\$1,354,968	\$11,988,597	\$(205,266)	\$11,783,331

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

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

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

Export Sales and Sales by Overseas Subsidiaries

	Millions of yen		
	Asia	North America, Europe and other areas	Total
Year ended March 31, 2001:			
Export sales and sales by overseas subsidiaries	¥235,210	¥193,000	¥428,210
Percentage of such sales against consolidated net sales	21.9%	17.9%	39.8%

Year ended March 31, 2000:

Export sales and sales by overseas subsidiaries	¥182,333	¥181,107	¥363,440
Percentage of such sales against consolidated net sales	18.4%	18.3%	36.7%

	Thousands of U.S. dollars		
	Asia	North America, Europe and other areas	Total
Year ended March 31, 2001:			
Export sales and sales by overseas subsidiaries	\$1,896,855	\$1,556,451	\$3,453,306

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

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

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

14. Directors' Interests

None of the Company's directors held a material interest in any contract significant to the Company or its affiliates at any time during the three years in the period ended March 31, 2001. 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, 2001.

Report of Independent Certified Public Accountants

ChuoAoyama Audit Corporation

PRICEWATERHOUSECOOPERS 

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The Board of Directors
Toray Industries, Inc.

We have audited the accompanying consolidated balance sheets of Toray Industries, Inc. and its subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of income and surplus, and cash flows for each of the three years in the period ended March 31, 2001, all expressed in Japanese Yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in *Japan* and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Toray Industries, Inc. and its subsidiaries as of March 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2001 in conformity with accounting principles and practices generally accepted in *Japan* (see Note 1) applied on a consistent basis, except for the change, with which we concur made for the year ended March 31, 2001 in the Segment Information, as described in Note 13.

As described in Note 1, effective from the year ended March 31, 2001, Toray Industries, Inc. and its domestic subsidiaries have adopted new Japanese accounting standards for financial instruments, retirement benefits, and foreign currency translation.

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

ChuoAoyama Audit Corporation

ChuoAoyama Audit Corporation
Tokyo, Japan
June 27, 2001

The Toray Group

(As of March 31, 2000)

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	SUBSIDIARIES (170 COMPANIES)		
	CONSOLIDATED SUBSIDIARIES		
FIBERS, TEXTILES & FASHION (74 COMPANIES)	Japan (26 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. Toray Advanced Computer Solution, Inc. Others	U.S.A. (1 Company) Toray Ultrasuede (America), Inc. United Kingdom (1 Company) Toray Textiles Europe Ltd. Italy (1 Company) Alcantara S.p.A. Czech Republic (1 Company) Toray Textiles Central Europe s.r.o. Indonesia (5 Companies) P.T. Indonesia Toray Synthetics P.T. Indonesia Synthetic Textile Mills P.T. Acryl Textile Mills P.T. Easterntex P.T. Century Textile Industry 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 Weaving & Dyeing (Nantong) Co., Ltd. Toray Fibers (Nantong) Co., Ltd. Other Hong Kong, China (4 Companies) TAL Knits Ltd. Others
TRADING (14 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.	Hong Kong, China (2 Companies) Toray Industries (H.K.) Ltd. Other (9 Companies)
PLASTICS & CHEMICALS (32 COMPANIES)	Japan (10 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. SODA AROMATIC Co., Ltd. Others	U.S.A. (1 Company) Toray Plastics (America), Inc. France (1 Company) Toray Plastics Europe S.A. China (2 Companies) LIBI Plastic Compounding (Shenzhen) Co., Ltd. Toray Sanko Precision (Zhongshan) Co., Ltd.	Hong Kong, China (2 Companies) LIBI Plastic Compounding (Hong Kong) Co., Ltd. Toray Sanko Precision (Hong Kong) Co., Ltd. Malaysia (3 Companies) Pensanko Precision Sdn. Berhad Toray Plastics (Malaysia) Sdn. Berhad Other South Korea (1 Company) Toray Saehan Inc.
HOUSING & ENGINEERING (23 COMPANIES)	Japan (12 Companies) Toray Construction Co., Ltd. Toray Engineering 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)
PHARMACEUTICALS & MEDICAL PRODUCTS (4 COMPANIES)	Japan (1 Company) Toray Medical Co., Ltd.		(1 Company)
NEW PRODUCTS & OTHER BUSINESSES (8 COMPANIES)	U.S.A. (2 Companies) Toray Composites (America), Inc. Toray Carbon Fibers America, Inc.	France (1 Company) Société des Fibres de Carbone S.A. South Korea (1 Company) STEMCO, Ltd.	(4 Companies)
INFORMATION & SERVICES (45 COMPANIES)	Japan (11 Companies) 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. Others	U.S.A. (3 Companies) Toray Industries (America), Inc. Toray Holding (U.S.A.), Inc. Toray Capital (America), Inc. The Netherlands (1 Company) Toray Capital (Europe) B.V.	
TOTAL: 200 COMPANIES			115 COMPANIES

SUBSIDIARIES ACCOUNTED FOR BY EQUITY METHOD		AFFILIATES (30 COMPANIES)	
SUBSIDIARIES ACCOUNTED FOR BY EQUITY METHOD		AFFILIATES ACCOUNTED FOR BY EQUITY METHOD	
<p>Japan (9 Companies) Toyo Flocking Co., Ltd. Toyo Waso Kogyo Co., Ltd. Toray Ecsaine Plaza, Inc. Others</p> <p>Indonesia (2 Companies) P.T. Jakarta Triapparel P.T. OST Fibre Industries</p> <p>Vietnam (1 Company) Vietnam TNT Fibers Co., Ltd.</p> <p>Hong Kong, China (1 Company)</p> <p>Brazil (1 Company)</p> <p style="text-align: right;">(14 Companies)</p>		<p>Japan (3 Companies) Du Pont-Toray Co., Ltd. Matsumoto Textiles Co., Ltd. Pennyblack Marella Japan Co., Ltd.</p> <p>United Kingdom (1 Company)</p> <p>Indonesia (1 Company)</p> <p>Thailand (1 Company) Thai Toray Textile Mills Public Company Limited</p> <p>Malaysia (2 Companies)</p> <p>Singapore (1 Company)</p> <p style="text-align: right;">(9 Companies)</p>	
<p>Italy (1 Company) Toray Italia S.r.l.</p> <p>Indonesia (1 Company) P.T. Toray Trading Indonesia</p> <p>China (1 Company) Toray Trading (Shanghai) Co., Ltd.</p> <p style="text-align: right;">(4 Companies)</p>	<p>Chinese Taipei (1 Company) Tong Shing Inc.</p> <p style="text-align: right;">(4 Companies)</p>	<p>Japan (1 Company) Chori Co., Ltd.</p> <p style="text-align: right;">(1 Company)</p>	
<p>Japan (2 Companies)</p> <p>U.S.A. (1 Company) Toray Resin Co.</p> <p>South Korea (1 Company) KTP Industries Inc.</p> <p style="text-align: right;">(4 Companies)</p>		<p>Japan (4 Companies) East Three Technology Co., Ltd. Dow Corning Toray Silicone Co., Ltd. Sanyo Chemical Industries, Ltd. Other</p> <p>Indonesia (1 Company) P.T. Petnesia Resindo</p> <p style="text-align: right;">(8 Companies)</p>	<p>Thailand (1 Company) 3TM Plastics Co., Ltd.</p> <p>Chinese Taipei (2 Companies)</p>
<p>Japan (3 Companies) Chuno Cetech Co., Ltd. Toray Fine Machinery Co., Ltd. Other</p> <p style="text-align: right;">(4 Companies)</p>	<p>U.S.A. (1 Company) Toray Membrane America, Inc.</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;">(3 Companies)</p>	<p>Switzerland (1 Company) Ropur AG</p>
<p>Japan (2 Companies)</p> <p style="text-align: right;">(2 Companies)</p>		<p>Japan (1 Company)</p> <p style="text-align: right;">(1 Company)</p>	
<p>Chinese Taipei (1 Company) Advanced Sporting Composites Inc.</p> <p style="text-align: right;">(1 Company)</p>		<p>Japan (2 Companies) Sakai Composites Co., Ltd. Matsushita PDP Co., Ltd.</p> <p style="text-align: right;">(3 Companies)</p>	<p>South Korea (1 Company) STECO, Ltd.</p>
<p>Japan (24 Companies) Toray Corporate Business Research, Inc. Toray Travel Co., Ltd. Toray Techno Co., Ltd. Toray Intellectual Property Experts Co., Ltd. Kanto General Service Inc. Shiga Shokusan Inc. Toyo Shokusan Inc. Meinan Service Inc. Toyo Service Inc. Okazaki Shokusan Inc. Mishima Shokusan Inc.</p> <p style="text-align: right;">(26 Companies)</p>	<p>Gifu Shokusan Inc. Ishikawa Shokusan Inc. Chiba Shokusan Inc. Tsuchiura Shokusan Inc. Others</p> <p>U.S.A. (1 Company)</p> <p>Indonesia (1 Company) P.T. Jabato International</p> <p style="text-align: right;">(26 Companies)</p>	<p>Japan (5 Companies) Chiryu Hotel Corp. Shiga Cable Network Inc. Eitopia K.K. Others</p> <p style="text-align: right;">(5 Companies)</p>	
55 COMPANIES		30 COMPANIES	

Global Network

(As of June 29, 2001)

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Shanghai Toray Industries, Inc., Shanghai Office

Hong Kong Toray Industries (H.K.) Ltd. **Taipei** Tong Shing Inc.

Bangkok Luckytex (Thailand) Public Company Limited

Penang Penfabric Sdn. Berhad

Singapore Toray Industries (Singapore) Pte. Ltd.

Jakarta P.T. Indonesia Toray Synthetics

New York
Toray Industries (America), Inc.

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(As of March 31, 2001)

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

Osaka Head Office

6-20, Dojima 1-chome,
Kita-ku, Osaka 530-8222, Japan
Telephone: 81 (6) 6445-4101
Facsimile: 81 (6) 6452-7774

Established: January 1926

Number of Employees:

Parent company	8,791
Domestic subsidiaries	8,829
Overseas subsidiaries	18,066
Total	<u>35,686</u>

Common Stock Price Range	2001		2000	
	High	Low	High	Low
First quarter.....	¥444	¥374	¥665	¥565
Second quarter	455	376	635	501
Third quarter	447	403	587	392
Fourth quarter	530	396	484	326

Cash Dividends per Share	2001	2000
Total for the year	¥7.00	¥7.00
Interim	3.50	3.50

Composition of Stockholders	Percent of total	Thousands of shares
Financial institutions	47.08%	659,841
Securities companies	0.48	6,641
Other corporations	6.36	89,141
Foreign investors.....	16.73	234,500
Individuals and others.....	29.35	411,356

Common Stock:

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

Number of Stockholders: 156,334

Listings:

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

Transfer Agent:

The Chuo Mitsui Trust and
Banking Co., Ltd.
7-1, Kyobashi 1-chome, Chuo-ku,
Tokyo 104-8345, Japan



Toray Industries, Inc.

2-1, Nihonbashi-Muromachi 2-chome,

Chuo-ku, Tokyo 103-8666, Japan

Telephone: 81 (3) 3245-5113

Facsimile: 81 (3) 3245-5459

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