'TORAY'
Toray Industries, Inc.

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

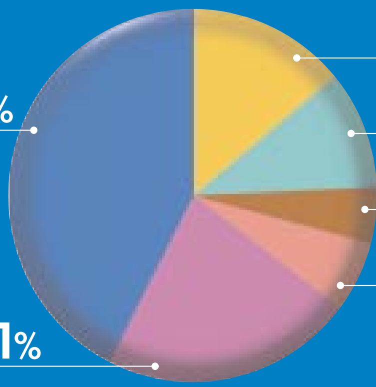
2002

ANNUAL REPORT
April 1, 2001-March 31, 2002
www.toray.co.jp

PROFILE

Toray is a diversified corporate group with operations in 19 countries and regions. Underlying our operations is technological expertise in the three core fields of organic synthetic chemistry, polymer chemistry, and biochemistry. Our foundation businesses—Fibers and Textiles, and Plastics and Chemicals—originated in these technologies. Our operations also diversity into such business fields as Information- and Telecommunications-Related (IT-Related) Products, Housing and Engineering, Pharmaceuticals and Medical Products, and Advanced Composite Materials. Consolidated net sales in the fiscal year ended March 31, 2002, were ¥1,015.7 billion.

CONSOLIDATED SALES, BY SEGMENT



CONTENTS

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

Cautionary Statement with Respect to Forward-Looking Statements

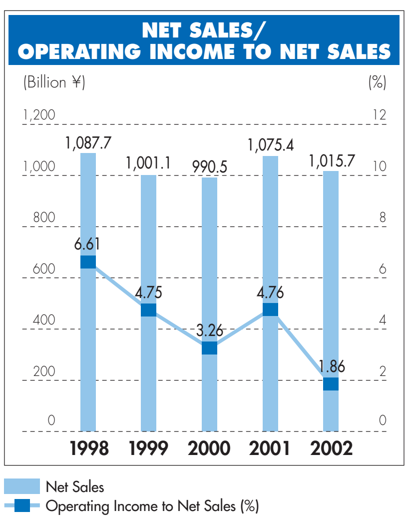
Descriptions of predicted business results, projections and business plans contained in this annual report are based on forecasts and assumptions regarding the future business environment made at the present time. This annual report is not a guarantee of the Company's future business performance.

FINANCIAL HIGHLIGHTS

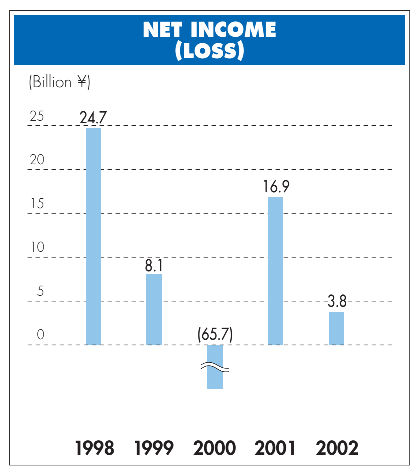
Toray Industries, Inc. and Subsidiaries
Years ended March 31

	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	**2002**
For the year:				
Net sales	**¥1,015,713**	¥1,075,371	¥ 990,487	**$ 7,636,940**
Operating income	**18,845**	51,166	32,320	**141,692**
Net income (loss)	**3,802**	16,937	(65,667)	**28,586**
Net cash provided by operating activities	**68,590**	108,756	57,298	**515,714**
Capital expenditures	**65,367**	60,071	109,514	**491,481**
Per share of common stock (in yen and U.S. dollars):				
Net income (loss):				
Primary	**¥ 2.71**	¥12.09	¥(46.86)	**$0.020**
Fully diluted	**—**	12.02	—	**—**
Net cash provided by operating activities (primary)	**48.94**	77.60	40.88	**0.368**
Cash dividends	**5.00**	7.00	7.00	**0.038**
At year-end:				
Total assets	**¥1,386,507**	¥1,461,133	¥1,470,850	**$10,424,865**
Total stockholders' equity	**413,140**	425,193	415,878	**3,106,316**

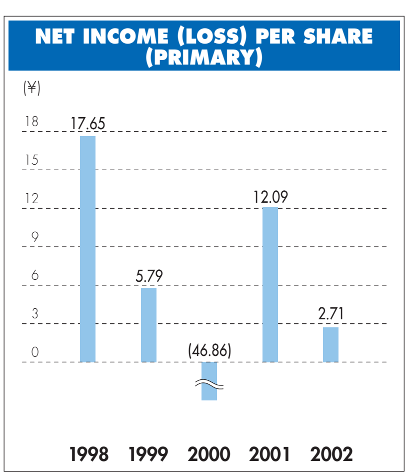
Note: All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at ¥133 to $1.00, the approximate rate of exchange prevailing on March 31, 2002. Billion is used in the American sense of one thousand million.



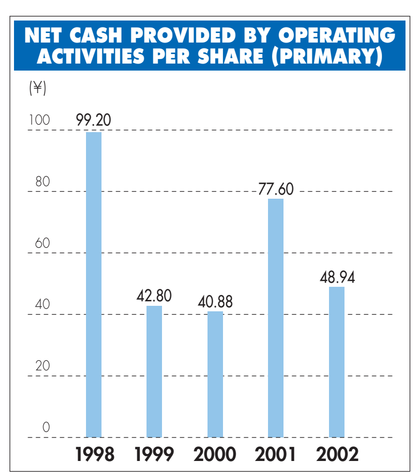
NET SALES/ OPERATING INCOME TO NET SALES



NET INCOME (LOSS)



NET INCOME (LOSS) PER SHARE (PRIMARY)



NET CASH PROVIDED BY OPERATING ACTIVITIES PER SHARE (PRIMARY)

On June 26, 2002, Sadayuki Sakakibara was named to the post of president, chief operating officer and representative director by the Board of Directors. Katsunosuke Maeda took the chair of the Board of Directors, becoming chief executive officer and representative director. As the new top management team, we are pleased to report to stockholders on the results of operations in the fiscal year that ended on March 31, 2002.

Operating Environment and Results

During the fiscal year, the global economy weakened due to broad depression in demand resulting from the downturn in the IT industry and the influence of terrorist attacks in the U.S. In Japan, adverse economic conditions persisted due to structural problems such as non-performing loans of financial institutions and the hollowing out of the manufacturing sector.

Katsunosuke Maeda
Chairman and Chief Executive Officer

Under these business conditions, Toray Group made every effort to focus on lowering of production costs and selling expenses as well as on the reduction of general and administrative expenses. Affected by the decrease in demand, however, consolidated net sales declined 5.5% to ¥1,015.7 billion, operating income fell 63.2% to ¥18.8 billion, and net income dropped 77.6% to ¥3.8 billion.

Although sales for the Advanced Composite Materials business increased, and those for the Fibers and Textiles segment dipped only slightly, overall sales decreased due to decline in sales for the Plastics and Chemicals, Information- and Telecommunications-Related (IT-Related) Products, Housing and Engineering, and Pharmaceuticals and Medical Products segments. Operating income increased in Advanced Composite Materials and in the Housing and Engineering segment; however, decline in the Fibers and Textiles, Plastics and Chemicals, IT-Related Products, and Pharmaceuticals and Medical Products segments contributed to a decrease in consolidated earnings.

Corporate Activities

To ensure solid and lasting growth in the future, we have made consistent investments in production facilities, research and development programs, and human resources. We have also been engaged proactively in environmental preservation and improvement activities, and succeeded in obtaining ISO 14001 environmental management system certification for all twelve domestic plants by the end of the previous fiscal year. Moreover, in October 2001, we set up a company-wide organization to strengthen and promote recycling activities throughout the Group.

Since the establishment of the Toray Science Foundation in 1960, Toray Group has continued to support the advancement of science and technology as a social action program. Furthermore, we extend assistance to culture and the arts, medical care, education, and sports. Overseas, through the Toray Science Foundations established in Indonesia, Malaysia and Thailand, Toray Group has also continued to provide support for the promotion of science and technology in each of these countries.

Management Issues

Toray Group launched its "Project New TORAY 21" ("Project NT21") program on April 1, 2002, in a bid to revitalize itself as a highly profitable business group—a New Toray for the 21st century—through a set of corporate reforms envisioned in the program.

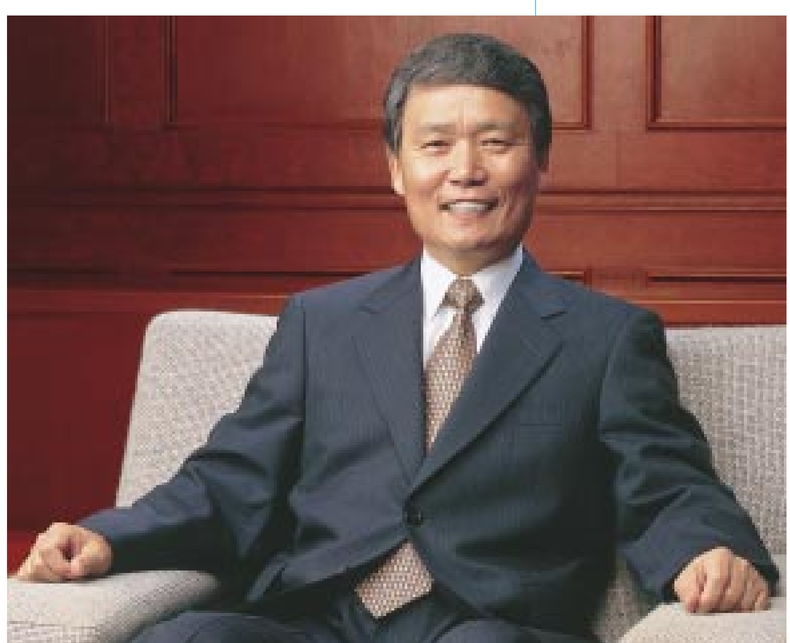
We must be able to compete and win in international markets as structural changes redefine the global economy. The Company deems it imperative to further reinforce its corporate structure to outpace the global competition. To attain this objective, the Company is determined to promote over the initial two business years ending March 2003 and 2004 the following five projects set up in "Project NT21", with management focus being placed on drastic reinforcement of the corporate structure itself.

◆ The first project is further "Promotion of Marketing Innovation", a program kicked off in April 2001, and in pursuit of which the Company aims to thoroughly enhance innovative attitudes and customer-oriented ideas and practices among our sales and marketing staff with regard to the creation of value.

◆ The second project is "Rationalization of Global Production" in the fields of Fibers and Textiles, Plastics and Chemicals. The program aims to enhance and strengthen our global production structure as well as to optimize our domestic production scale from the viewpoint of bolstering our overall global competitiveness.

◆ The third project is "Strengthening Total Cost Competitiveness", by which we aim to further reduce personnel and gross labor costs, fixed production costs, and procurement and logistics expenses as well as head office expenditures through a sweeping review of all cost factors.

◆ The fourth project is "Re-engineering of Toray Group's Business Structure". We will comprehensively review all business units, subsidiaries and affiliates from the standpoint of profitability and growth potential in the future as well as strategic priority—taking into account also



Sadayuki Sakakibara
President and Chief Operating Officer

whether these businesses and companies are suited to the Company's management resources, corporate culture, characteristics and style—for the purpose of restructuring and, if necessary, disposal, to secure profitability and capital efficiency improvement.

◆ The fifth project is further "Strengthening our Financial Structure", the aim being to reduce interest-bearing liabilities by improving efficiency in capital expenditure, curtailing inventory, and disposing of assets the possession of which holds little significance.

As well as implementing these projects for drastically reinforcing our corporate structure, we are tackling medium-term tasks and reforms linked to transformation of Toray Group into a new business structure. Our goal is to transform our business activities from merely those of a traditional manufacturing-oriented corporation into a "New Value Creator" of the 21st century. To achieve this goal, we will develop new business models by which the Group may create new value and provide solutions to its customers through the introduction of "new services" and "new systems of production and distribution".

By making priority investments in three areas of high potential growth, "Information & Telecommunications", "Life Sciences", and "Environment, Safety & Amenity", which have been designated by Toray Group as strategically expanding fields, we aim to nurture these businesses as major driving forces for further growth and expansion of Toray Group in the 21st century.

To achieve these objectives, the Company will not only strive to shore up the functions for research and development but also strategically evolve licensing of intellectual property rights such as patents and brands, while vigorously developing global alliances and other managerial options—including mergers and acquisitions—on a global scale. We also intend to nurture and expand business operations in China, where a high pace of economic growth is expected in the near future, as a major overseas earnings base next to that of the ASEAN countries. In the meantime, to sustain continuous improvements in our operating efficiency, the Company will continue to reduce gross labor costs through such measures as further diversification of forms of employment.

By steadily implementing these management reforms and addressing issues in a united effort, Toray Group is fully committed to transforming itself into a highly profitable global business group, as we have outlined in this message. We respectfully hope all stockholders will grant continued support and understanding in the future.

June 2002

K. Maeda

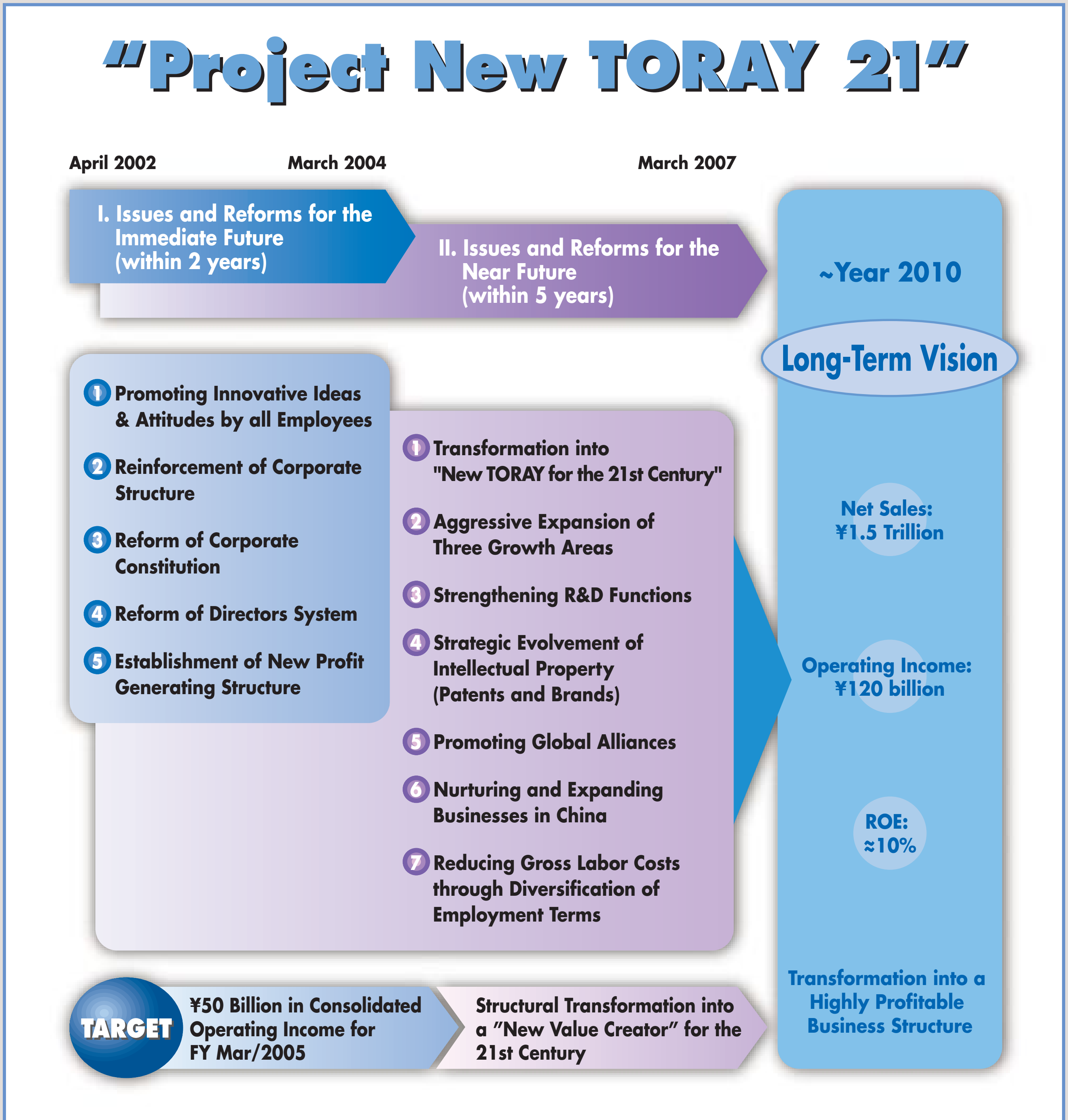
Katsunosuke Maeda
Chairman and CEO

Sadayuki Sakakibara

Sadayuki Sakakibara
President and COO

"Project New TORAY 21" ("Project NT21")
Transformation into New Toray for the 21st Century

A series of measures to secure the structural reform necessary for the transformation into a new Toray for the 21st century, "Project New TORAY 21" ("Project NT21") started from April 2002.



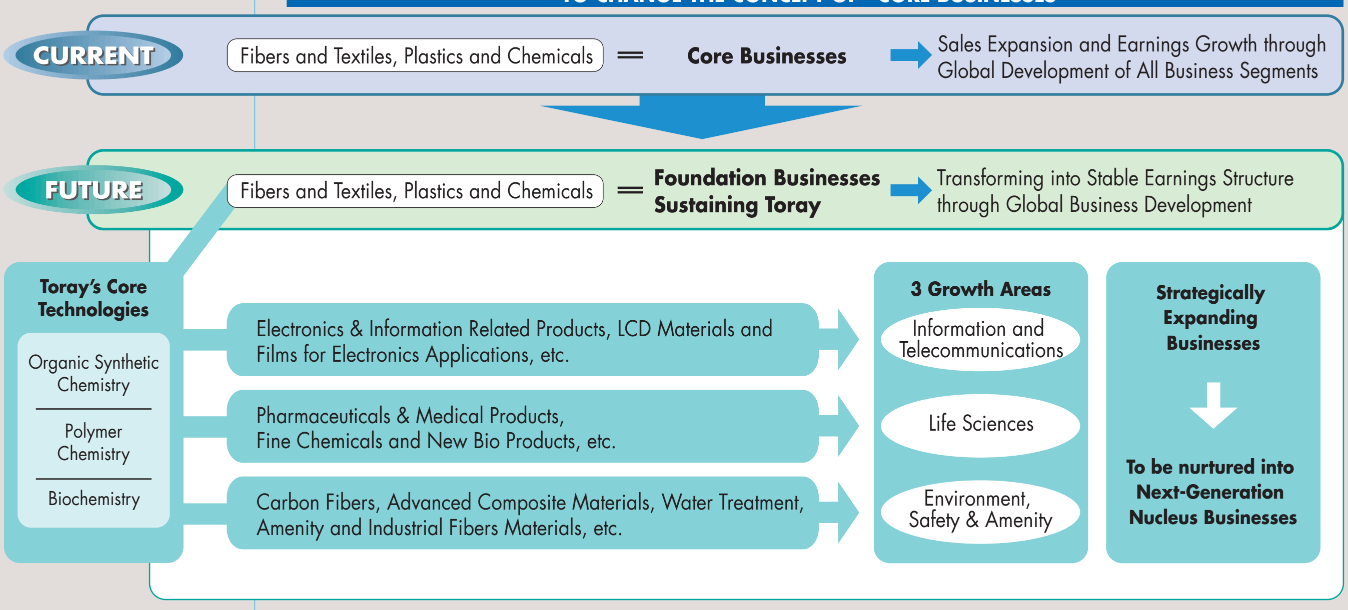
Management Idea that underlies "Project NT21"

"Project New TORAY 21" represents a drastic transformation of Toray's current management ideas that will introduce innovative management ideas in line with the flow of the new era of the 21st century. The gist of the transformation of management ideas is summarized in the following points.

1. To change the concept of "core businesses"

In the past, Toray has designated Fibers and Textiles, Plastics and Chemicals as "core businesses". In the future they will be identified as the "foundation businesses" sustaining Toray and must be transformed into stable earnings structures through global development. Also, the three high-growth areas of "information and telecommunications", "life sciences" and "environment, safety & amenity", which are capable of developing and activating the organic synthetic chemistry, polymer chemistry and biochemistry that have been core technologies since the inception of Toray, will be designated "strategically expanding businesses" and nurtured as the next-generation nucleus businesses. From now on, through priority distribution of management resources, such as assigning more than 50% of Toray Group's R&D personnel to these business areas, we will make them Toray's main sources of earnings with the aim of raising the sales ratio from about 25% as of March 2002 to more than 50% by around fiscal 2010.

TO CHANGE THE CONCEPT OF "CORE BUSINESSES"



AGGRESSIVE EXPANSION OF THREE GROWTH AREAS

Areas	Specific Business Fields
Information and Telecommunications	Circuit materials, IC packaging-related materials, IC packaging/mounting equipment, films for data applications, capacitors, and peeling-off processing Display-related products, printing and photo materials, electro-coating materials, electro-chemical products, electronics-related components and materials, and software-related services
Life Sciences	Pharmaceuticals and medical products, fine chemicals (drug ingredients and agricultural intermediates), new bio-products, health care and other products for the ageing generation
Environment, Safety & Amenity	Carbon fiber components (aerospace, automobile components, large scale structures, parapets, CNG tanks, etc.), separation membranes/systems, waste water treatment, incinerators, safety-related materials and products (airbags and seatbelts, etc.), organic decomposing polymers, fibers and textiles, and film products

2. Transformation into "New Value Creator"

Toray has been operating fundamentally in the business form of manufacturer as a producer of goods. However, now we will transform Toray into a "New Value Creator", a form of business that creates new value by establishing a new business model incorporating wide-ranging expertise and know-how, such as new services and new production and distribution systems, in response to the needs of customers and consumers. This is exactly the goal for Toray Group—to transform itself from a 20th century manufacturing business into a "New Value Creator", a new form of business in the 21st century.

3. To strengthen earnings bases by promoting drastic reinforcement of the corporate structure

Toray must take further steps towards strengthening its corporate structure to win out against fierce international competition. Therefore, over the next two years, we will build up the energy for the next major step by putting managerial emphasis on drastic reinforcement of the corporate structure, including reduction of total labor costs and expenses for procurement and distribution, and the progressive restructuring of low-profit businesses and group companies. In the fiscal year ending March 2004, these constitutional measures are expected to improve operating income by at least 20 billion yen over the fiscal year ending March 2002. Through the realization of these ideas, we will transform ourselves into a corporate group that regards profitability and capital efficiency as the most important managerial issues.

To further strengthen our financial structure in the medium-to-long term, we will optimize consolidated interest-bearing liabilities through more efficient investment in facilities, inventory curtailment, disposal of assets the possession of which is of little significance, and other measures.

MANAGEMENT FOCUS: PROMOTION OF DRASTIC REINFORCEMENT OF CORPORATE STRUCTURE OVER TWO YEARS

Projects	Particulars
Promoting Marketing Innovation	• To thoroughly promote innovative attitudes and customer-oriented ideas and actions by operational staff • To establish performance benchmarks (ROA by divisions, sales and operating income per head, etc.) • To be armed with IT, to secure and nurture appropriate human resources for marketing operations, and to review employees' performance assessment system
Strengthening Total Cost Competitiveness (TC Project)	• To reduce personnel and gross labor costs • To reduce procurement and distribution costs • To reduce head office expenditures
Rationalizing Global Production (GR Project)	• To enhance and strengthen global production structure • To optimize production bases and capacities • To reduce fixed production costs
Re-Engineering of Toray Group's Business Structure (CS Project)	• Comprehensive review of businesses of Toray, subsidiaries and affiliates R Retrenchment, streamlining, restructuring and disposal of low-profit and low-growth businesses with lower strategic priority • To pursue synergy effects and reduction of administrative costs through integration of subsidiaries and affiliates • To promote strategic M&A and global alliances
Strengthening Financial Structure (FK Project)	• To reduce interest-bearing liabilities by improving profitability, efficiency in capital expenditure, inventory curtailment and disposal of assets the possession of which has little significance R To be reduced to an appropriate level by March 2005

4. To optimize domestic production scale

Recently, amidst the rapidly changing business environment in Japan and abroad, it is becoming difficult to continue maintaining domestic production capacity even through maximum sales efforts, increased exports and the linkage of global operation with overseas plants. Under these circumstances, with a view to strengthening international competitiveness in each of the business fields of fibers and textiles, plastics and chemicals, we are taking a hard look at optimizing the production system through partial integration and rationalization of domestic plants to create a more efficient and more cost-competitive global production system ten years ahead. Meanwhile, we will continue to expand the scale of production in areas such as China and ASEAN, where economic growth can be expected.

5. Selective expansion of peripheral businesses and their reorganization, integration and consolidation

Up to now, Toray has deployed its management resources and infrastructure in the expansion of a wide range of peripheral businesses. However, some of these seem to have little prospect of future profitability and growth and there are others that do not conform to the optimization of Toray's business values. With respect to businesses and companies such as these, on the basis of management ideas that pursue the importance of earnings and efficient use of capital, the management will reduce the number of domestic subsidiaries to two-thirds of the present number through rigorous reorganization, integration and consolidation. Meanwhile, management resources will be redeployed for selective expansion of peripheral fields in areas where Toray is dominant.

6. Change to regional headquarters system and reorganization of divisional system at Toray

Toray has controlled each business unit in Japan and abroad according to the concept of a world business headquarters system, with head office divisions serving as global headquarters. In the future, regional supervisory organizations will be established in the growth areas of China, Indonesia, Thailand and Malaysia. By switching to a regional headquarters system, the management pursues business expansion and increased earnings by reinforcing the autonomous operation of each company.

By reorganizing the current Products Business Division and ACE Business Division through the establishment of the new Amenity Business Division and Functional Products Division, the Toray parent company will open up and expand business areas such as safety, hygiene and amenity as well as products for governmental organizations and major customers.

7. Continuation, promotion and exploitation of global alliances

Toray has been involved for more than a decade in strategic acquisitions and alliances overseas. With the entry of China into the World Trade Organization, it is inevitable that international competitiveness will become increasingly fierce in business fields such as fibers and textiles, and plastics and chemicals. Under these circumstances, Toray is actively setting up strategic alliances with leading companies at home and abroad in order to maintain and increase our global competitive strength.

Moreover, through strategic mergers and acquisitions involving businesses related to the three high-growth areas, we are making efforts to nurture and expand these operations rapidly so that they may grow into nucleus businesses.

8. To reduce gross labor costs through diversification of forms of employment

While the work force of the Toray parent company has been reduced since 1987, and gross labor costs for the whole of Toray Group in Japan have been curtailed, the introduction of unique ancillary service companies has made it possible to ensure jobs for Toray Group employees. By utilizing these affiliated companies more effectively, Toray will strive to further diversify employment forms so that the gross labor costs of domestic Toray Group companies will be reduced by 10% by March 2004.

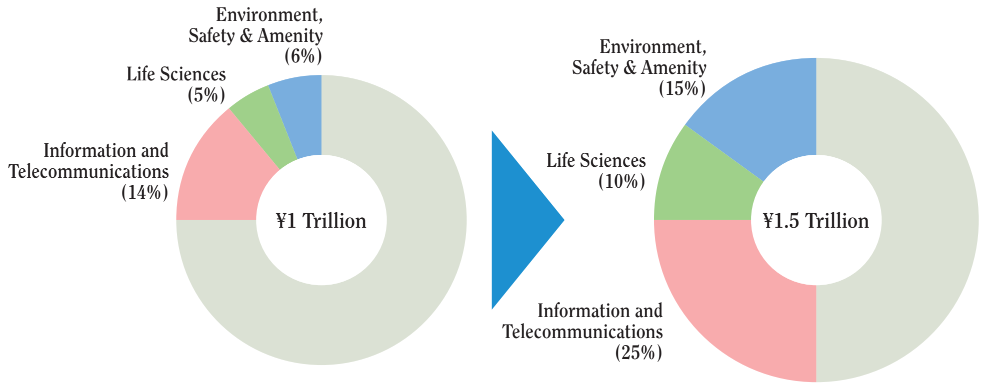
Long-Term Vision

MAIN PROFIT GENERATING BUSINESS FIELDS (CANDIDATES) IN AND AROUND 2010

Operating Income	Toray	Subsidiaries and Affiliates
> ¥10 billion	• Fibers and Textiles (expansion through new business models) • PET Films • Advanced Composite Materials (including LSS) • Pharmaceuticals and Medical Products • Electronic and Information-related Products (including LCD/display materials)	• ASEAN Fibers and Textiles Business • Alcantara/TUA • Overseas Plastics Manufacturing Subsidiaries and Affiliates • Domestic Subsidiaries and Affiliates
> ¥5 billion	• Resins • Water Treatment • New Bio Businesses • Fine Chemicals • Other Films (OPP, Aramid, PPS, PCL, etc.) • Licensing & Brand Royalties	• Business in China

BUSINESS STRUCTURE ENVISIONED IN AND AROUND 2010

Further Expansion of Three Growth Business Areas (Composition Image of Consolidated Net Sales)



Current Share of Three Growth Areas in FY Mar/2002: Approximately 25%

Envisioned Share of Three Growth Areas in and around 2010: > 50%

TORAY'S MAIN PRODUCTS AT A GLANCE

PRINCIPAL PRODUCTS

FIBERS AND TEXTILES

Filament yarns, staple fibers, spun yarns, woven and knitted fabrics of nylon, Tetoron* polyester, and Toraylon* acrylic; Torcon* polyphenylene sulfide (PPS) fiber; Axtar* polyester filament nonwoven fabrics; Ecsaine* man-made suede; sewn products; and computer-aided design/computer-aided manufacturing (CAD/CAM) systems for apparel use

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

Amilan* nylon resin; Toyolac* acrylonitrile butadiene styrene (ABS) resin, Toraycon* polybutylene terephthalate (PBT) resin; Toraypef* polyolefin foam; Torelina* polyphenylene sulfide (PPS) resin; Siveras* liquid crystal polyester (LCP) resin; Amilus* polyacetal resins and their molded products; Lumirror* polyester film; Torayfan* polypropylene film; Mictron* para-based aramid film; Torelina* PPS film; Kapton® † polyimide film; processed film products; caprolactam; Torayblan* high-grade synthetic gypsum; such specialty chemicals as rubber and resin additives; aromatic fine chemicals products; high-functional catalysts; chiral compounds; and Intercat* interferon for cats and dogs

†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; Torelief* photosensitive resin relief printing plate; Toray Waterless Plate*; Toptical* color filters for LCDs; and Raytela* polymer optical fibers

HOUSING AND ENGINEERING

Romembra* reverse-osmosis membrane elements; Spuckturf* artificial turf; Toraysurou* water-permeable ceramic paving materials; Torayvino* home water purifiers; Kanpeki* and Glasal®† wall siding; condominiums and apartments; and fiber plants & machinery

†Glasal® is a trademark of Etex Group S.A. (Belgium)

PHARMACEUTICALS AND MEDICAL PRODUCTS

Feron* natural interferon-b preparation; Dorner* prostacyclin (PGI_2) derivative drug; Filtryzer* poly(methyl methacrylate) hollow-fiber artificial kidney; Toraysulfone* polysulfone hollow-fiber artificial kidneys; Toraymyxin* blood purification device for treating septicemia; Inoue-Balloon catheters; and Anthron* antithrombogenic materials

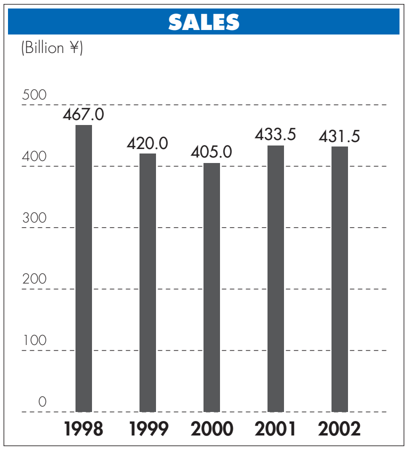
NEW PRODUCTS AND OTHER BUSINESSES

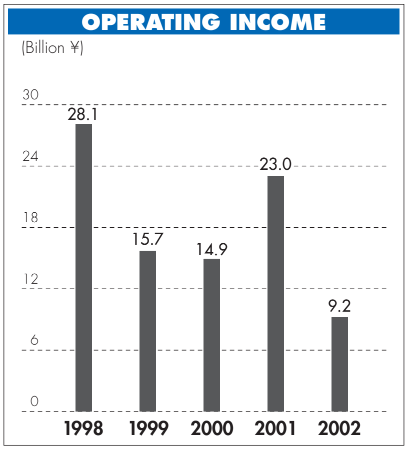
Torayca* polyacrylonitrile-based carbon fibers and advanced composite materials; Breath-O* contact lenses; E-Filter* eye-strain prevention filters for VDTs; Analytical & Physical Evaluation Services; and Systems Integration Services

	Net Sales	Operating Income	Total Assets	Capital Expenditures
	42.5%	51.8%	32.2%	26.6%
	22.1%	9.3%	25.1%	29.4%
	13.9%	7.5%	16.3%	24.1%
	10.4%	3.4%	11.5%	3.1%
	4.9%	10.6%	5.4%	5.3%
	6.2%	17.4%	9.5%	11.5%

Note: All figures are percentages of the respective total and take into account amounts recognized in elimination and corporate.

FIBERS AND TEXTILES





In Fibers and Textiles, sales were ¥431.5 billion, about the same as in the previous fiscal year, and accounted for 42.5% of consolidated net sales. Operating income fell 60.1% to ¥9.2 billion.

Nylon Filament Yarns

In nylon filament yarns, sales increased for industrial applications in the ASEAN region. However, sales in Japan were stagnant due to weak demand in the apparel sector, notably pantyhose and woven fabrics, as well as in all industrial markets. As a result, sales were lower.

Tetoron* Polyester Filament Yarns

In Japan, sales of both filament yarns and textiles decreased. Although sales of filament for automobile seats increased, rising imports and other factors held back demand for use in apparel and general industrial materials. Overseas, chip and polyester filament yarn sales in China declined due to worsening market conditions. However, sales of yarn increased at subsidiaries in South Korea and Thailand, and sales of woven fabrics increased at subsidiaries in China.

To spur the development of new products, the Marketing & Merchandising Development Dept. was formed during the fiscal year. The new department is charged with taking the customers' viewpoint to come up with ideas for products and sales channels. The goal is to supply products that can achieve even higher levels of customer satisfaction. In a major achievement, the department cooperated with a major Japanese retailer to develop a pollen-resistant fabric. Specially processed tightly woven textiles are employed to prevent pollen from penetrating the fabric. The new fabric is being used in casual wear for people who are allergic to pollen.

Tetoron* Polyester Staple Fibers

In Tetoron* polyester staple fibers, poor market conditions held back domestic sales of staples as well as sales of polyester/cotton blended fabrics in Malaysia and other overseas markets. Although results at subsidiaries in Indonesia were relatively strong, total sales of these products turned out to be lower.

Toraylon* Acrylic Staple Fibers

In Toraylon* acrylic staple fibers, exports of staples increased, but weak sales in Japan along with lower global market prices for acrylic fibers caused total sales to decrease.

Micro-fiber Materials

In micro-fiber materials, sales decreased as the benefits of marketing initiatives targeting non-apparel applications in Europe and Japan were offset primarily by falling demand in the U.S. during the second half of the fiscal year.

In domestic trading activities, results improved mainly owing to the success of measures to increase markets for household materials and for specialty private-brand apparel sales. This led to the opening up of new sales channels and the development of new products.

Toray entered into a comprehensive agreement with E. I. du Pont de Nemours & Company (Du Pont) covering technology, manufacturing and marketing rights for 3GT polymer (polytrimethylene terephthalate), a revolutionary material with immense potential. For homofiber, which is made entirely of 3GT polymer, Toray is conducting manufacturing and marketing in Japan and elsewhere in Asia. For bicomponent fiber, Toray has exclusive manufacturing rights in Japan and Du Pont-Toray Co., Ltd. is assigned to market this product. Toray also plans to sell bicomponent fiber textile products worldwide.

To promote the recycling of fibers and textiles products, a thermal recycling activity was launched. Used textiles collected through Toray channels, together with plastic waste generated from manufacturing processes of group companies, are treated to produce RDF (Refuse Derived Fuel). This fuel is used at Toray's Tokai Plant for thermal energy. For some time, Toray has been transforming discarded PET bottles into textile products (material recycling) and collecting discarded Nylon 6 products for reuse as raw materials (chemical recycling). Toray's waste material collection network is currently being expanded and upgraded to create a "total recycling system." The objective is to play a part in creating a society in which all resources are reused in some way.

Capital expenditures primarily targeted facilities capable of raising sales and earnings by meeting rising demand in growing markets of non-apparel fields. Major projects included the expansion of Micro-fiber Materials production capacity at Alcantara S.p.A. in Italy and of industrial polyester filament production capacity at Toray Nylon Thai Co., Ltd. in Thailand. In nylon business, a new project has started on the expansion of production facilities in Japan and Thailand for nylon used in automobile airbags.

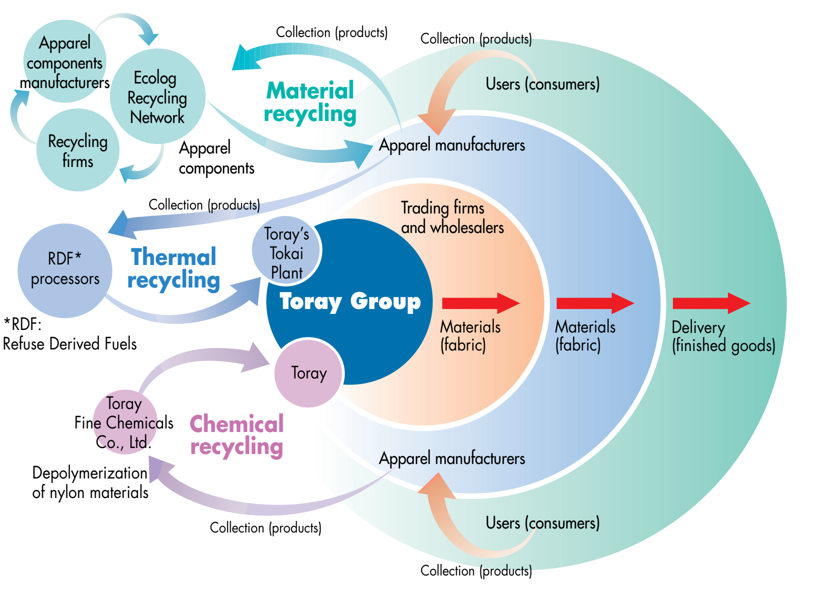
Operating Environment and Outlook

In fiscal 2003, industrial demand for fibers and textiles is expected to grow. Apparel-related demand, though, is likely to remain weak in Japan because of the considerable impact of the consistently high volume of imports. Toray plans to aim for higher sales and earnings in China, where solid growth in demand is forecast, while conducting exhaustive programs to cut fixed costs in order to absorb the increasing cost of raw materials. Other steps to improve operating results include developing new sales channels, increasing exports of value-added textiles and raising sales of materials formulated to perform specific functions.

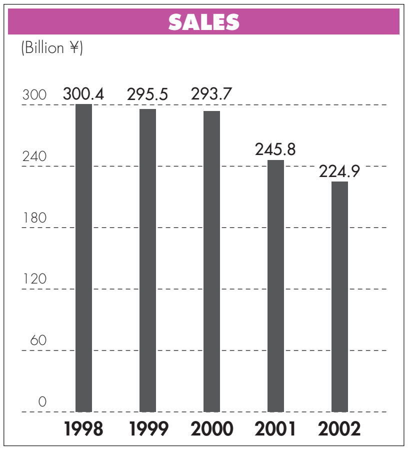
Anti-Pollen, a revolutionary material for making pollen-resistant textile*

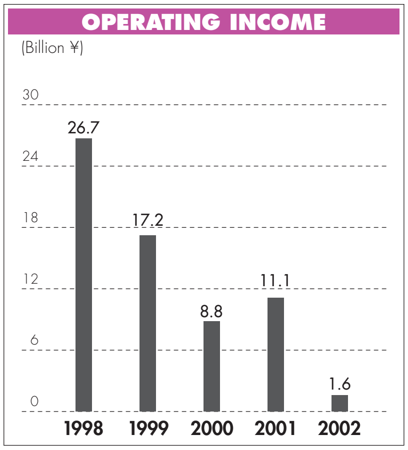
Lisboa polyester material, which is made by Toray Textiles Europe Ltd., featured in the uniforms of eight national teams that took part in the June 2002 FIFA World Cup Korea/Japan.*

TORAY'S NETWORK FOR THE RECYCLING OF FIBERS AND TEXTILES



PLASTICS AND CHEMICALS





** Figures for '98–'00 are not adjusted to reflect the new segmentation.*

Plastics and Chemicals sales decreased 8.5% to ¥224.9 billion, accounting for 22.1% of consolidated net sales. Operating income declined by 85.2% to ¥1.6 billion.

Resins

In the resins business, sales of Toyolac* acrylonitrile butadiene styrene (ABS) resin decreased because of weakness in the automotive, home appliance and office equipment markets in Japan and overseas. The nylon resin Amilan*, the polybutylene terephthalate (PBT) resin Toraycon* and other engineering plastics (EP) posted favorable sales in Japan for automotive application. However, total EP sales decreased due to a downturn in demand in the electric appliances and building materials sectors.

Toray's plastics business network was strengthened in December 2001 with the acquisition in the U.S. of the resin compound manufacturing facilities of Nippisun Indiana Corp., a Japanese-owned company, by Michigan-based subsidiary Toray Resin Company (TREC). TREC established a fully integrated business for nylon, PBT, and other EP compounds, performing all steps from manufacturing through sales. The company will provide highly focused and speedy services to its North American customers. In another step to expand the EP compounds business, a Toray subsidiary in Thailand increased annual output capacity from 6,000 to 10,000 tons to meet strong growth in demand in the ASEAN region. In Europe, Toray completed its supply network by tapping the facilities of an EP compound manufacturer. In China, we cooperated with Mitsui Chemicals, Inc. to expand production capacity at the company Shanghai Mitsui Plastic Compounds Ltd., and a subsidiary, LIBI Plastic Compounding (Shenzhen) Co., Ltd., to further bolster our infrastructure in EP compounds globally.

Films

In the film business, total sales of our mainstay Lumirror* polyester (PET) film decreased due mainly to a weak demand for film used in general industrial applications and a decline in prices in Japan. However, the sales volume for use as packaging materials in Japan and overseas increased favorably. Torayfan* polypropylene film was adversely affected by weak demand for industrial applications in Japan.

Yihua Toray Polyester Film Co., Ltd. was established in July 2001 in Jiangsu, China, as a 50/50 joint venture with Yihua Group. Manufacturing and marketing operations were started in the following month. The new company can produce 6,000 tons of polyester film annually, meeting growing demand in China for packaging materials and general-purpose industrial materials.

Chemicals

In chemicals, sales of caprolactam, a raw material for nylon, were reduced in response to deteriorating market prices in Asia, leading to lower sales of total raw materials businesses. Sales of fine chemicals decreased—a combination of generally flat results at domestic subsidiaries and weak sales at the parent company of ingredients used in agrochemicals.

As part of the structural reforms in the chemicals business, subsidiaries Toray Fine Chemicals Co., Ltd. (TFC) and Toray

Thiokol Co., Ltd. were integrated in April 2002 to increase synergies and reduce general and administrative expenses. At the end of this May, the parent company's functional polymer business, which mainly represents acrylic resins used in coatings, was transferred to this new company, which retains the TFC name. This creates a single platform for all functional polymers, such as cleaning solvent for IC manufacturing processes and architectural sealants. TFC is thus positioned to pursue one of the world's leading fine chemical suppliers in its chosen special markets.

In the field of organic synthesis, Toray has developed a new asymmetric synthesis technology for efficient production of optically active alcohols and other compounds. The pilot production has already been completed and the obtained quality is excellent. The estimated cost is more than 20% lower than with the conventional optical resolution method. This novel technology is believed to enable a selective production of targeted optically active substances for drug intermediates.

We implemented two major investment projects during the fiscal year. Film processing capabilities were expanded at a subsidiary in Japan. In Malaysia, production capacity expansion of Toyolac* ABS resin manufacturing facilities is proceeding at subsidiary Toray Plastics (Malaysia) Sdn. Berhad. Slated for coming on stream in July 2002, this plant will raise annual output by 50,000 tons to 220,000 tons.

Operating Environment and Outlook

In fiscal 2003, demand for resins is expected to remain sluggish because of the ongoing shift of electric appliances and other manufacturing activities from Japan to other countries. Offsetting this negative outlook are expectations of higher demand in Japan and overseas for resins used in automotive products. In films, indications point to more growth in markets for packaging materials in Japan and overseas; however, a rebound in other industrial materials markets can be expected primarily overseas.

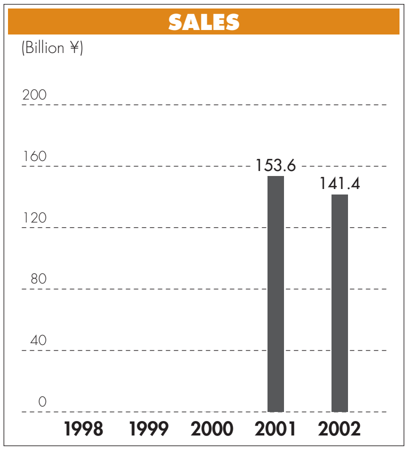
Processed products, which offer more opportunities to add value, will be the strategic focus in both resins and films. In chemicals, emphasis will be placed on improvement of profitability by strengthening domestic sales of caprolactam.

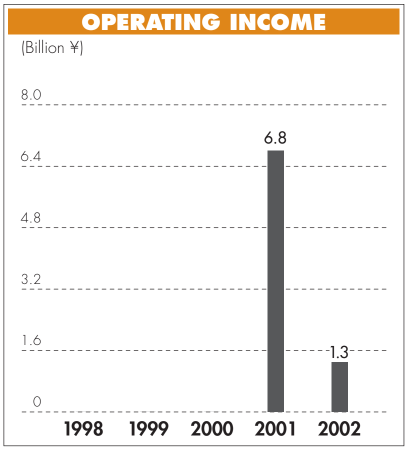
Amilan nylon resin, an engineering plastic that features superior toughness, heat and oil resistance, is used in many applications.*

Engineering plastics compounds manufactured and sold by U.S. subsidiary Toray Resin Co. and their application

Yihua Toray Polyester Film Co., Ltd. was established in China in July 2001.

IT-RELATED PRODUCTS





** Figures for '98–'00 are not adjusted to reflect the new segmentation.*

Sales of Information- and Telecommunications-Related Products decreased 7.9% to ¥141.4 billion, accounting for 13.9% of consolidated net sales. Operating income fell 80.6% to ¥1.3 billion.

In resins for IT-related applications, though domestic and overseas resin processing subsidiaries performed favorably, total sales declined chiefly because of lower sales volumes at the parent company. In IT-related films, sales rose in Asia, Europe and North America. However, total sales of films decreased as domestic sales volumes shrank in line with falling demand in such key markets as magnetic recording materials and optical and electronic components.

In the electronics- and information-related products businesses, the global IT recession caused sales to fall. There were steep declines in sales volumes, primarily in Japan, of Toptical* thin-film transistor (TFT) display color filters for compact mobile devices, and materials used in circuits and semiconductors. However, notable growth was posted by electronic circuit products businesses in Korea.

A plasma display panel TV set manufactured by Matsushita PDP Co., Ltd., which is 25% owned by Toray

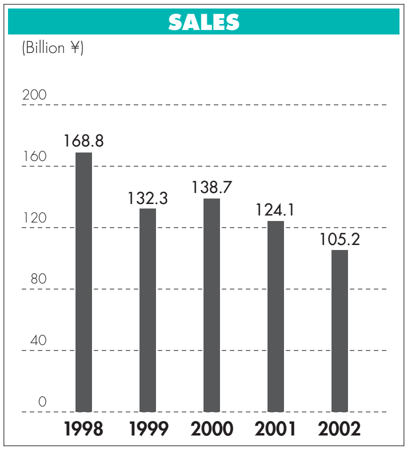
Major capital expenditures include such projects as new production facilities under construction in Japan for extremely high-grade ultra-thin polyester films at the Mishima Plant and additional processing capacity for IT-related films in Japan and South Korea.

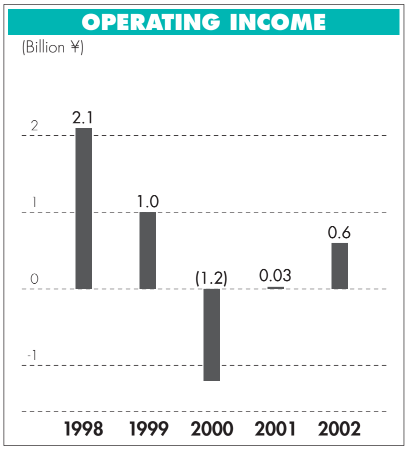
Operating Environment and Outlook

The operating climate in fiscal 2003 is somewhat encouraging due to forecasts for a gradual recovery in global demand in the IT sector. However, mounting competitive forces are likely to exert increasing pressure on prices. In this environment, resources will be channeled to the development and marketing of value-added processed products such as resins, films, and electronics- and information-related materials in a move to improve profitability. In LCD color filters, Toray established a single organization that integrates manufacturing, sales and new product development activities in April 2002. This will make it possible to introduce new, value-added products more quickly and manufacture products more efficiently—improvements that will contribute directly to higher earnings.

Work is proceeding at the Mishima Plant on production facilities for high-performance ultra-thin films.

HOUSING AND ENGINEERING





** Figures for '98–'00 are not adjusted to reflect the new segmentation.*

In the Housing and Engineering segment, sales decreased 15.2% to ¥105.2 billion, representing 10.4% of consolidated net sales, and operating income increased ¥0.6 billion to ¥0.6 billion.

Toray's condominium construction and sales subsidiary posted lower sales due to a decline in orders for large-scale projects. Profitability improved in the exterior wall materials and siding board business—mainly a reflection of the benefits of streamlining and other restructuring actions.

In the engineering sector, a good performance by industrial machinery systems was offset by lower orders for fiber production plants, causing total sales to fall. At the parent company, the Water Treatment Division posted higher sales in the year's first half; however, sales for the full year were lower because of weak demand for reverse-osmosis membrane elements used by semiconductor manufacturers.

In Japan, a subsidiary was formed exclusively for the purpose of providing specialized maintenance services for water treatment facilities. This represented an important step toward enlarging the water treatment business into a full line of services extending to the operation and maintenance of plants.

Earnings in this segment benefited from programs enacted in the prior fiscal year to improve profitability.

Operating Environment and Outlook

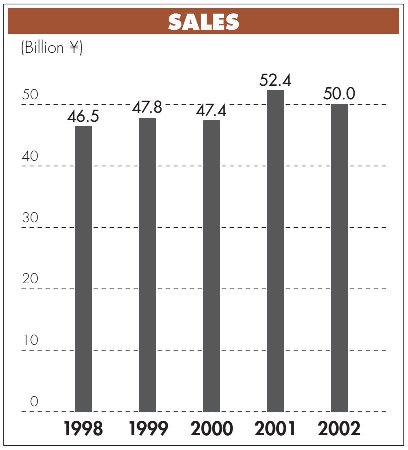
In fiscal 2003, the outlook remains challenging, particularly in engineering, due to the impact of weak public-works expenditures and private-sector capital investments. In condominium sales, steady progress is being made in sales promotion for new projects. In water treatment, the expansion of business activities on a global scale is accelerating.

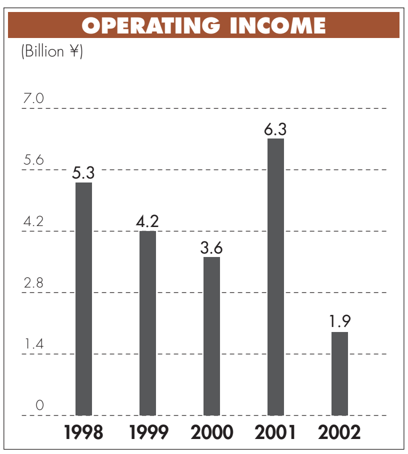
In the engineering sector, the synthetic fiber making machinery business operated by subsidiary Toray Engineering Co., Ltd. was spun off and integrated with those of industry leaders such as Murata Machinery, Ltd., and Teijin Seiki Textile Machinery Co., Ltd. A holding company was formed in April 2002 by the three companies for this purpose. The new company can draw on the collective strengths of its three owners to develop next-generation machinery while combining manufacturing activities to become more cost-competitive in global markets. Initially, the holding company will handle only sales and new product development activities. From the spring of 2003, all manufacturing activities are to be handled by the holding company as well, yielding a fully integrated fiber-making and textile machinery corporation.

Water purification system using PAN-based hollow-fiber membranes

A press conference to announce the establishment of TMT Machinery, Inc., a holding company to integrate the synthetic fiber and textile machinery operations of Toray Engineering, Teijin Seiki and Murata Machinery

PHARMACEUTICALS AND MEDICAL PRODUCTS





In Pharmaceuticals and Medical Products businesses, segment sales decreased 4.6% to ¥50.0 billion, 4.9% of consolidated net sales, and operating income declined by 70.0% to ¥1.9 billion.

Pharmaceuticals

In pharmaceuticals, sales of beraprost sodium (BPS) declined due to the lack of receipt in the previous fiscal year of revenues for the licensing-out of development and marketing rights. Regarding the natural interferon-b preparation Feron*, sales decreased because of a slowdown in shipments prior to the April 2002 reduction in the Japanese National Health Insurance reimbursement price.

Medical Products

In medical products, sales rose along with sales volumes of the two major products: the Toraysulfone* artificial kidney, a polysulfone hollow-fiber dialyzer; and Toraymyxin*, a blood purification device for treating severe septicemia by removing endotoxins from the blood.

Operating income in this segment declined—mainly the result of the fall in royalties and competitive pressure on prices in medical products.

Toraysulfone polysulfone hollow-fiber kidney dialyzer*

In the development of new pharmaceuticals, joint research was conducted on BPS, the basic ingredient used to make Dorner*, to increase its efficacy as a treatment for intermittent claudication.

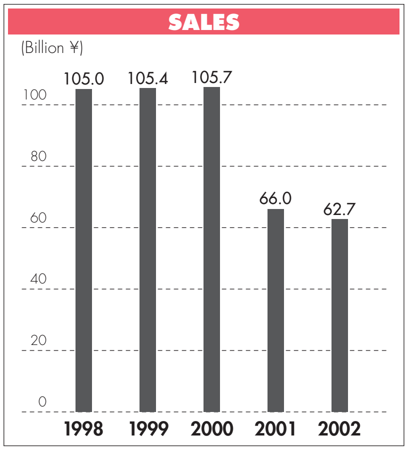
The two subsidiaries that had been conducting the kidney dialysis device production business were merged to create a vertically integrated organization, and a new plant was built at Shizuoka. Toray Medical Co., Ltd. now has a much broader base for providing customers with services of the highest quality.

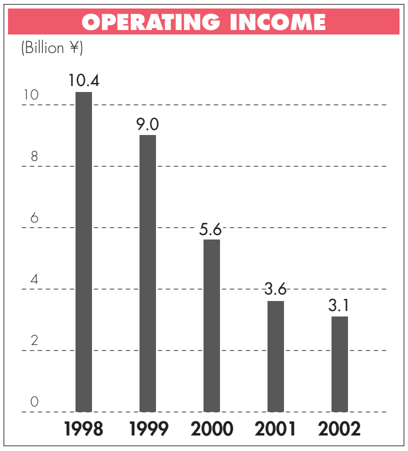
Operating Environment and Outlook

Although Toray will be affected by the NHI list price downward revisions introduced in April 2002, we will continue to aim for increased sales of volume of Feron*, Dorner*, Toraymyxin*, and Toraysulfone*—products for which growing demand is foreseen. To strengthen genome-related research is another task. Toray researchers are working with the Institute of Physical and Chemical Research to perform highly sophisticated analysis of proteins. The aim is to speed up the identification of compounds that can form the basis for new pharmaceuticals.

Toraymyxin is a blood purification device for the treatment of septicemia.*

NEW PRODUCTS AND OTHER BUSINESSES





** Figures for '98–'00 are not adjusted to reflect the new segmentation.*

Sales in New Products and Other Businesses decreased 4.9% to ¥62.7 billion, accounting for 6.2% of consolidated net sales. Operating income decreased 15.4% to ¥3.1 billion.

In Advanced Composite Materials, a major business unit in this segment, composite materials business posted lower sales due to weakness in demand for use in medical devices and notebook PC housing. In the carbon fiber business, results improved as growth in sales of materials for sporting goods and industrial applications exceeded the impact of slowing shipments of materials used in aircraft.

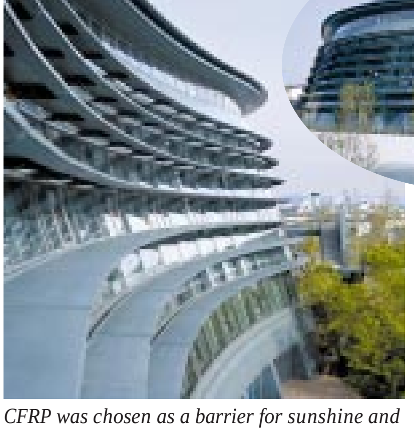
However, total sales in this segment decreased because of the divesture at the end of the prior fiscal year-end of a consolidated subsidiary in the service businesses.

One highlight of the year was the development of new sources of demand for carbon fiber reinforced plastics (CFRP). In the construction materials market, Toray succeeded in creating the world's first practical CFRP material for soundproofing walls for elevated railroad lines, an application previously reserved exclusively for concrete. This offers many benefits, including lower cost and faster installation time than concrete, and the elimination of dangers posed as concrete deteriorates with age. With Obayashi Corporation and Sika Japan, Toray jointly developed a new technique for repairing and reinforcing concrete buildings. Growing demand is expected for this technology, which makes it easy to revitalize and extend the useful lives of buildings. Furthermore, with Mitsubishi Heavy Industries, Ltd., Toray developed a revolutionary technology for efficiently forming unitized components for major aircraft components, an advance that will contribute to the development of next-generation, high-performance passenger airliners. Such unitized components will be essential to achieving very high speeds and holding down fuel consumption.

Operating Environment and Outlook

In fiscal 2003, lower production levels at aircraft manufacturers are tentatively expected to limit sales of carbon fiber materials. However, sales of advanced composite materials are likely to benefit from growth in demand for carbon fiber and CFRP in such diverse industrial applications as high-pressure gas storage tanks, turbine blades for wind power electricity generating systems, civil engineering materials, fuel cell-related items, and components for automobiles and marine vessels.

Toray's carbon fiber reinforced plastics (CFRPs) are used for soundproofing on an elevated railway line.

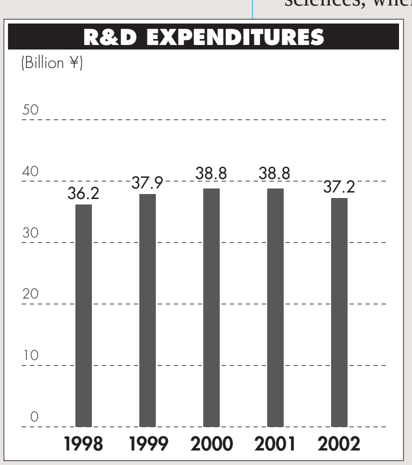


CFRP was chosen as a barrier for sunshine and rain in the Kyoto West Kyogoku Sports Center, which was completed in June 2002.

Fiscal 2002 R&D Expenditures Total ¥37.2 Billion

Toray Group is further heightening emphasis on R&D activities in accordance with the philosophy that the creation of new technologies represents the very future of Toray. R&D remains a priority in the "Project New TORAY 21" management reform program that started in April 2002. Over the medium-term, Toray will leverage strengths in three core competences: organic synthetic chemistry, polymer chemistry and biochemistry. The project calls for the Group to take the offensive to improve earnings by growing in established businesses as well as in strategic new markets.

As one way to achieve the goals of this project, four strategic themes have been established to bolster R&D activities. The first is speeding up the introduction of new ideas from the laboratory to the market by concentrating on research themes closely linked to management and business strategies. The second is constantly seeking to create innovative technologies that are unique to Toray. This entails the development of concepts that are at the leading edge of their respective fields. The third is laying the groundwork for businesses that will define Toray in the 21st century in four strategic areas: processed advanced composite materials; water treatment; materials and products with textile-like properties; and processed film products. The fourth theme is building a powerful presence in the areas of life sciences, where biotechnology expertise will be critical; and new polymer sciences, where we will apply skills in nanotechnology. During the fiscal year ending in March 2002, Toray Group started building the facilities and organizational framework required to conduct research that draws on both nano and biotechnology disciplines at once.



Developing technologies and products that are unique to Toray naturally leads to growth in intellectual property such as patents and brands. Plans therefore include measures to make more effective use of these assets on a global scale.

There are currently about 2,800 people engaged in R&D at Toray Group. Approximately 60% are assigned to the three high-growth business domains of Information and Telecommunications, Life Sciences, and Environment, Safety & Amenity.

New Technology for Nanocomposite Materials

During the past fiscal year, Toray developed a new compounding method that uniformly disperses a nanometer-sized inorganic filler throughout a polymer. Making this possible is the control of the polymer's crystalline structure at the nanometer level. This nanocomposite technology will lead to formulations of nylon, PBT and other resins with much more strength, elasticity, heat resistance and other desirable properties. Conventional polymerization methods require large amounts of filling materials. This prevented the accurate control of polymer viscosity. With this new compounding method, however, even the use of a large amount of filler does not harm the material's rigidity and heat resistance. Furthermore, the uniform dispersion of the filler means that the desired viscosity of the polymer can be preserved. This remarkable technology is also suitable for increasing the strength of glass fibers through the combining of polymers into alloys.

The Pioneering Research Laboratories in Kamakura are scheduled for completion in spring 2003.

Demonstrating its leadership in nanotechnology, Toray has continued to focus on developing and bringing to market major new materials that exhibit dramatic improvements in key properties of conventional high molecular weight materials. Toray has successfully developed a new nano-alloy technology, in which different polymers are combined on a nanometer-order scale. Our technology makes it possible to disperse many types of organic polymers to fabricate nano-scale structures. The nano-scale structures of these computer-designed alloys can be controlled using our unique kneading, precision extrusion and biaxial drawing technologies.

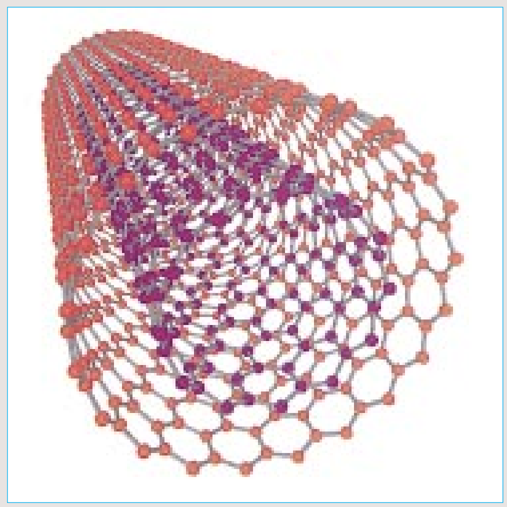
Leveraging this technology, Toray created a new film that exhibits dramatic improvements in heat resistance, strength, dimensional stability and other key properties over conventional films. The new film, based on conventional polyester and manufactured in existing production facilities, is expected to find a wide array of applications in large-capacity storage devices and other items for IT areas and is also expected to open the way to the development of other high-performance products.

Red Element for Organic Electroluminescent Displays (OELDs)

Toray's red emitting organic electroluminescent (EL) device with high luminance efficiency and excellent color chromaticity opens the way to create full-color EL displays. The upper image shows the level of quality most recently achieved by Toray.

Electroluminescent (EL) displays are regarded by many as the next generation technology for flat-panel displays. Toray has devised a technology to produce an element that emits red light at the highest level of luminance and efficiency in the world. With practical green and blue elements already developed, red has remained an obstacle in EL technology. Only red-orange elements have been available, preventing the creation of true full-color EL displays. Toray's achievement is expected to spark much more development work on practical organic EL displays that are both slender and energy-efficient. Toray plans to use this red EL device to accelerate growth in its display-related business activities.

New Basic Technology for Mass Production of Quality Carbon Nanotubes



The double-walled carbon nanotube developed at Toray features remarkable strength and durability.
Reference: Illustration from "Fundamentals of the Carbon Nanotube" (Tokyo, Corona Publishing, 1998).

Working with a Nagoya University research group led by Professor Hisanori Shinohara, Toray discovered a revolutionary technology for the mass production of carbon nanotubes (CNTs), a material fabricated using nanotechnology. The university group's synthesis method and Toray's catalyst technology were combined to enable the selective synthesis of single- or double-walled CNTs. Much potential exists for this material in electronics applications. Research is also focusing on the creation of nano-composite materials by mixing these CNTs with resins. Plans currently call for starting production of these materials at commercial volumes in about two years.

ENVIRONMENTAL ACTIVITIES

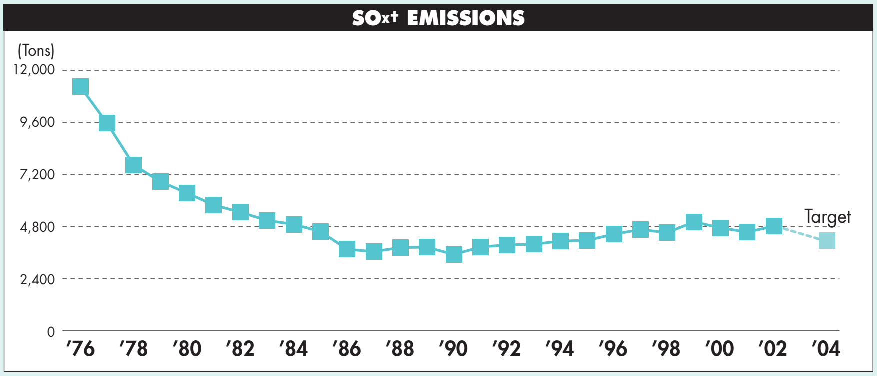
(Except for Air Pollutive Chemical Substances, all data in graphs refer to the parent company only.)

Toray Group is conducting Responsible Care activities for all its processes—from the procurement of raw materials through to the manufacture, use, and disposal of products—to ensure safety and environmental preservation on a voluntary basis.

PREVENTION OF AIR POLLUTION

Reduction of SOx Emissions

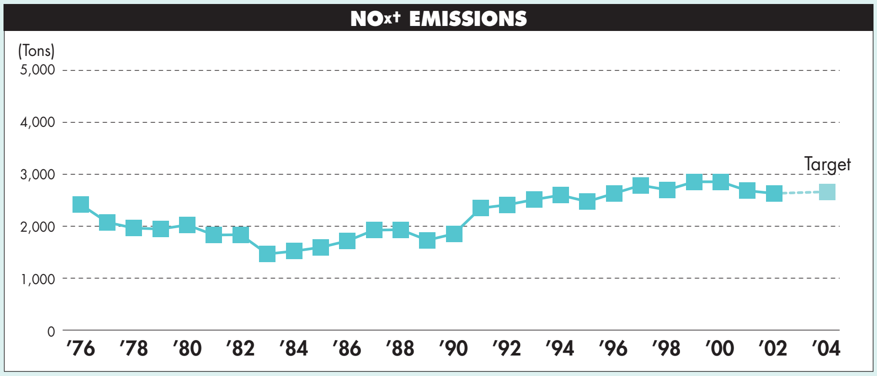
Installing exhaust-desulfurizing equipment and using low-sulfur fuels has helped us reduce SOx emissions greatly. In fiscal 2002, however, these emissions totaled 4,810 tons, a 6.2% increase compared with the previous year. We are installing new exhaust-desulfurizing equipment at our Ehime Plant by the end of 2002 to reduce SOx emissions.



†SOx: Sulfur Oxide Compounds

Reduction of NOx Emissions

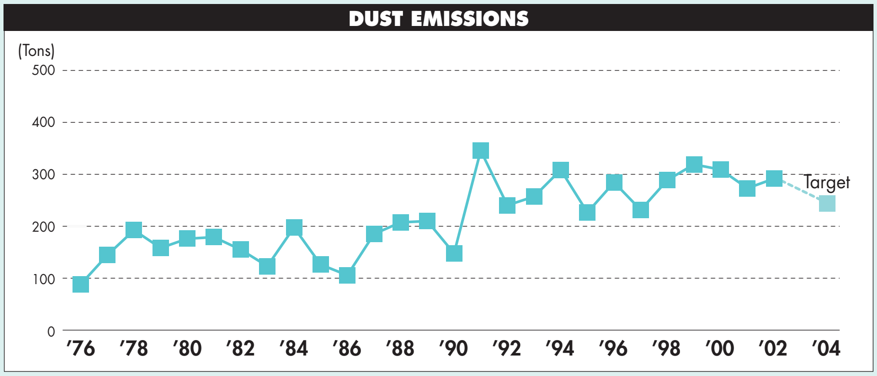
NOx emissions have risen since 1990. In fiscal 2002, however, emissions of NOx were down 1.9% compared with the previous year, to 2,630 tons; moreover, we installed new denitration equipment at our Tokai Plant in May 2002.



†NOx: Nitrogen Oxide Compounds

Reduction of Dust Emissions

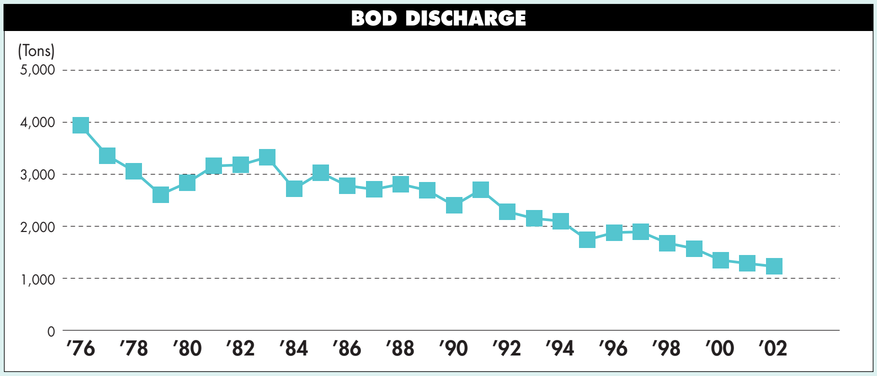
Dust emissions in fiscal 2002 increased 7.4% compared with the previous year. Dust emissions will be reduced through the installation of new exhaust-desulfurizing equipment at the Ehime Plant, as mentioned above.



PREVENTION OF WATER CONTAMINATION

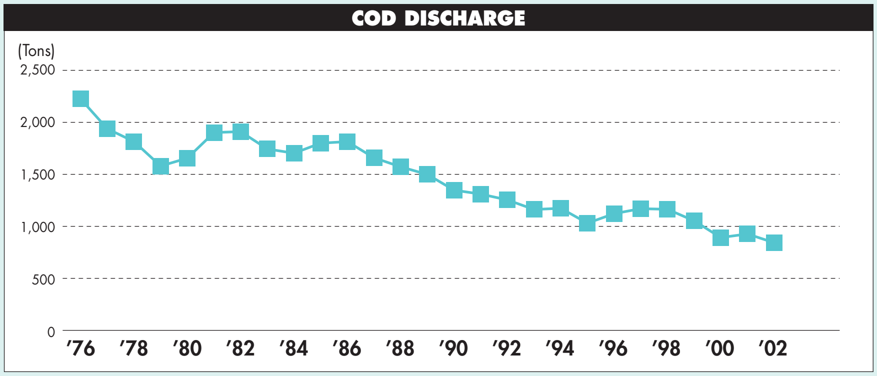
Reduction of BOD Discharge

The discharge amount of biochemical oxygen demand (BOD) from wastewater in fiscal 2002 was 1,230 tons, down 5.4% compared with the previous year.



Reduction of COD Discharge

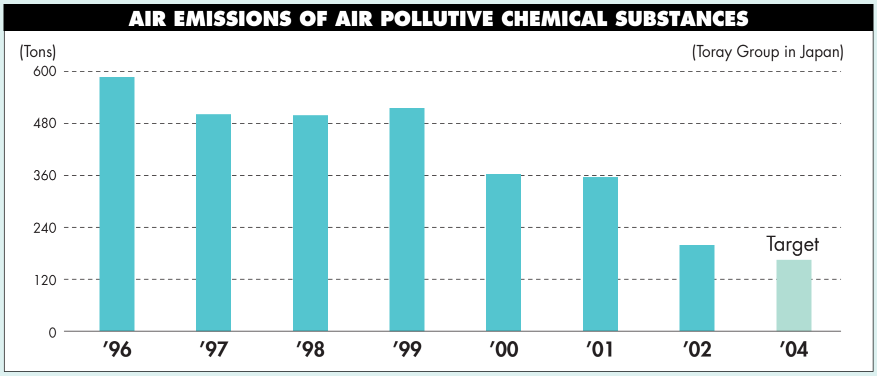
The discharge amount of chemical oxygen demand (COD) from wastewater in fiscal 2002 was 840 tons, down 9.7% compared with the previous year.



CONTROL OF CHEMICAL SUBSTANCE EMISSIONS

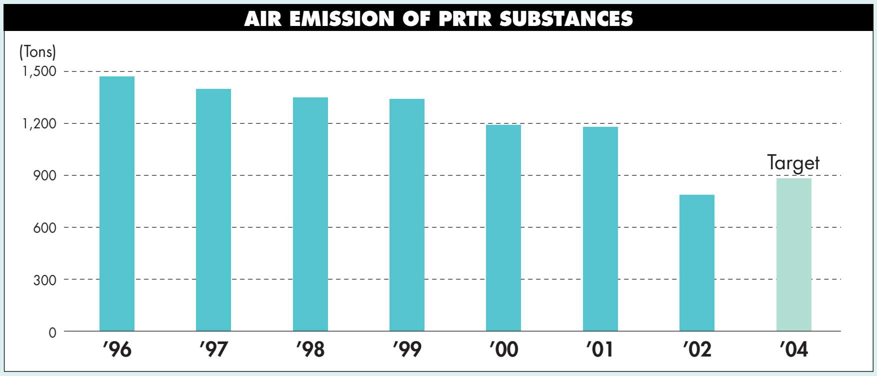
Control of Air Pollutive Chemical Substances

Toray Group is effectively controlling the air emission volumes of seven chemical substances specified in Japan's Air Pollution Control Law as substances to be voluntarily monitored and controlled. We plan to reduce emissions of these substances voluntarily by 75% compared with their fiscal 1996 levels by the fiscal year 2004, and have installed unique distillate-recovery systems, absorption-recovery equipment, etc. In fiscal 2002, this reduction rate reached 70%.



PRTR Correspondence

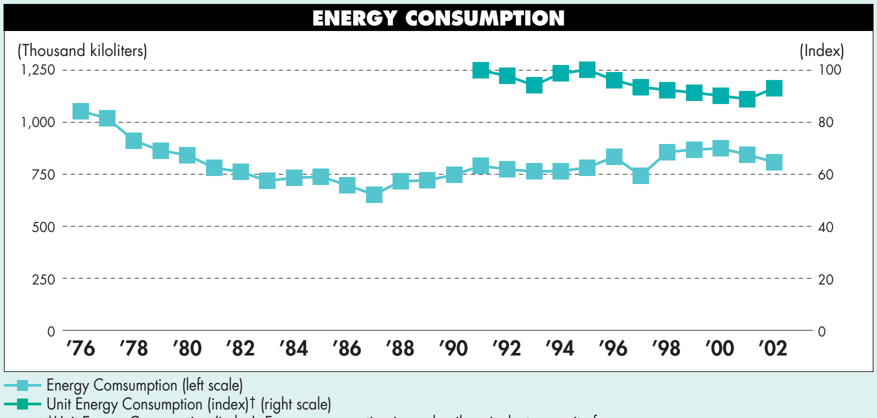
Toray's target emission volumes for all chemical substances specified by the Japan Chemical Industry Association (JCIA) in its Pollutant Release and Transfer Register (PRTR) are to be reduced by 40% compared with their fiscal 1996 levels by fiscal 2004. Installation of regenerative thermal oxidizers for organic exhaust emissions and improved manufacturing processes have resulted in a 46% reduction in emission volumes for fiscal 2002 compared with fiscal 1996.



PREVENTION OF GLOBAL WARMING

Energy Saving

We are promoting energy saving with the aim of reducing our unit energy consumption by 1% each year. In fiscal 2002, although we made great efforts in energy saving, the unit energy consumption increased 6.8% compared with the previous year due to decrease in production volume.

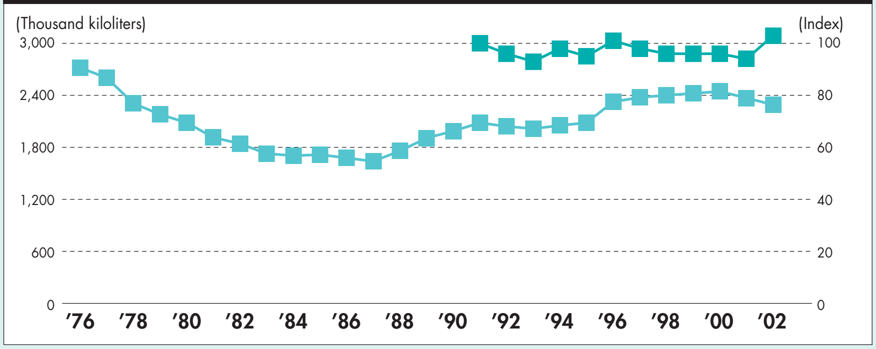


†Unit Energy Consumption (index): Energy consumption in crude oil equivalent per unit of production, with the value for fiscal 1991 set to an index value of 100

Reduction of Greenhouse Gas Emissions

Carbon dioxide (CO_2) is the only greenhouse gas that Toray discharges. Toray continues to make efforts to reduce CO_2 emissions through its energy saving activities.

CO_2 EMISSIONS

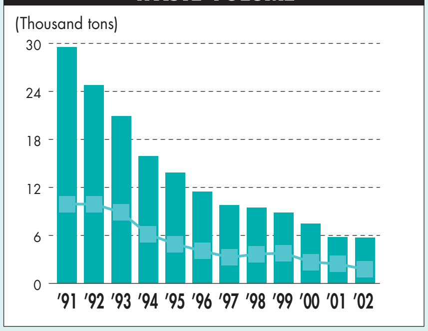


CO_2 Emissions (left scale)
CO_2 Emissions per Unit of Production Volume (index)† (right scale)
†CO_2 Emissions per Unit of Production Volume (index): Emissions per unit of production quantity, with the value for fiscal 1991 set to an index value of 100

INDUSTRIAL WASTE REDUCTION

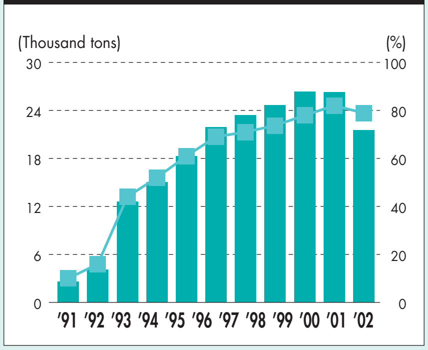
Toray succeeded in its "Second Waste Reduction Plan", the aim of which was to reduce waste to 6,800 tons or less and raise the recycled waste ratio to 80% or more by the end of fiscal 2002. In fiscal 2002, the volume of waste was 5,800 tons, and the recycled waste ratio was 81% (including the volume of waste that began to be sold after the start of the plan).

LANDFILL WASTE VOLUME AND WASTE VOLUME



Landfill Waste Volume
Waste Volume

RECYCLED WASTE VOLUME AND RATIO

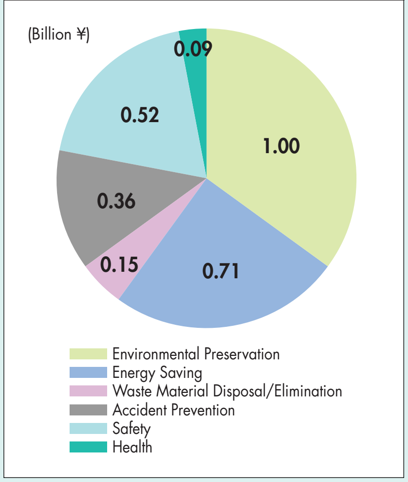


Recycling Ratio
Recycled Waste Volume

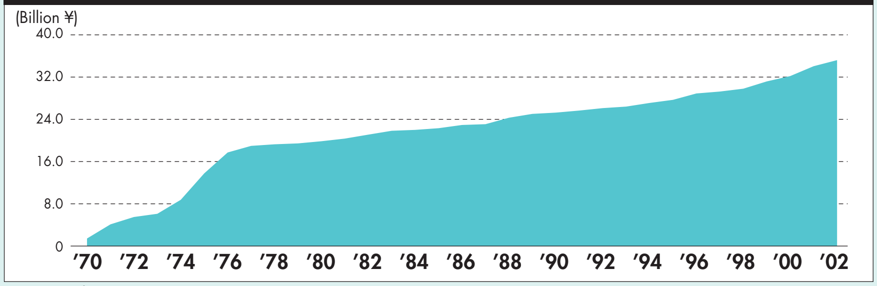
ENVIRONMENTAL ACCOUNTING

Fiscal 2002 environmental accounting is shown in the table below right. Toray's total environmental investment for fiscal 2002 was ¥1.91 billion, and total environment-related expenses were ¥6.01 billion.

FISCAL 2002 INVESTMENT IN SAFETY, HEALTH, ENVIRONMENT AND ENERGY SAVING



ENVIRONMENTAL FACILITIES INVESTMENT (ENVIRONMENTAL PRESERVATION+WASTE DISPOSAL)



Cumulative Investment Amounts

Fiscal 2002 Environment Accounting

Costs (Million ¥)

Item	Subcategory	Capital Investment	Expense
1. Cost pertaining to business area (1) Pollution prevention cost	A. Air (including chlorofluoro-carbon reduction)	¥ 452	¥1,067
	B. Water	490	2,385
	C. Noise/vibration	13	19
	D. Greenification	21	390
	E. Other	24	53
(2) Global environmental cost	Energy saving and prevention of global warming	714	—
(3) Resource circulation cost	Waste volume reduction, recycling, and disposal (landfill, incineration)	151	1,094
2. Cost of upstream and downstream	(1) Product recycling	46	7
	(2) Container and packaging recycling	0	2
3. Management activity cost	Indirect labor costs, ISO certification, and maintenance, public relations regarding the environment, environmental education	0	302
4. Social activity cost	Regional activities, and support of environmental organizations	0	22
5. Environmental damage costs	SOx levies, donations, and litigation-related expenses	0	700
Total		¥1,911	¥6,014

Effects (Million ¥)

Item	Amount
1. Reduction of costs achieved by energy saving	¥750
2. Reduction of waste processing costs achieved by waste reduction activity	94
3. Revenue on sale of recycling-related materials	450

"To contribute to society through the creation of new value" is the corporate philosophy that also guides community and social programs at Toray Group. Supplying quality products is one facet of this commitment. In another respect, too, we are an active citizen of the communities around the world where our factories and research facilities are located: We also extend support of various kinds to scientific, technological, educational, artistic, cultural, sports and other activities.

◆ As responsible members of their host communities, our factories conduct programs ranging from tree-planting projects and factory site greening efforts to the implementation of measures to preserve the local environment. We also work 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.

◆ In support of science education, Toray set a pioneering example when, in 1960, it established the Toray Science Foundation in Japan. The Toray Science Foundation is our main vehicle for promoting science education and scientific and technological advances in the wider community. Moreover, Toray Science Foundations were established in Indonesia and Malaysia in fiscal 1994 and in Thailand in fiscal 1995 with a view to their carrying out similar activities in their respective countries.

◆ In the performing and visual arts, Toray is proud to sponsor the traditional Japanese theater genres Noh and Bunraku both in Japan and overseas, donating costumes for these performances. Moreover, the Company assists in art exhibitions and has sponsored, since 1996, the Digital Creation Awards, a program designed to attract submissions of digital art of outstanding merit from all over the world.

◆ In sports, Toray has sponsored since 1984 the annual Toray Pan Pacific Open Tennis Tournament, Asia's largest and most prestigious women's tennis tournament. Furthermore, since 1997, the Company, together with the Shanghai Sports Federation, has sponsored the Toray Cup Shanghai International Marathon, an event designed to promote friendly relations between Japan and China.

◆ The Toray name is a familiar sight in many sports, which serves both to increase the value of our corporate brand and provide additional encouragement and motivation to our employees. Three sports teams have been victorious thus far in 2002. Both the Toray men's and women's volleyball teams, the "Arrows", finished first in the 51st "Kurowashiki Pennant" All-Japan Volleyball Tournament, winning the Emperor's and Empress' Cup. Another victory was achieved by our men's eight in May 2002 in the 55th Asahi Regatta.

Always seeking to have a positive impact, we at Toray are committed to making a substantial contribution to every country and community we serve through our global operations and presence as a corporate citizen.

The 19th Toray Pan Pacific Open Tennis Tournament was held in Tokyo from January 26 to February 3 in 2002.

Toray's men's and women's teams, the "Arrows", were both victorious in the 51st "Kurowashiki Pennant" All-Japan Volleyball Tournament.

BOARD OF DIRECTORS

(As of June 26, 2002)

Chairman of the Board and Chief Executive Officer and Representative Director

Katsunosuke Maeda

Vice Chairman of the Board and Director

Katsuhiko Hirai

President and Chief Operating Officer and Representative Director

Sadayuki Sakakibara

Executive Vice President and Representative Director

Hin Igarashi

Senior Managing Directors and Representative Directors

Kazuo Tomiita
Hirotaka Nakashima
Akikazu Shimomura

Senior Managing Directors

Satoru Masuzaki
Kiyoteru Wakasugi
Shinji Koyama
Masao Katsurauma

Managing Directors

Noboru Fujihara
Hiroaki Kobayashi
Motoo Yoshikawa
Keizo Sano
Chiaki Tanaka
Shunji Nakazawa
Nobuyuki Matsubara
Shinsuke Imamura
Osamu Nakatani

Directors

Koichi Minorikawa
Masayoshi Kamiura
Katsutoshi Ono
Tsuneo Sasaki
Kenji Hayashi
Hidehiro Okamoto
Junichi Fujikawa
Kozo Nagai
Eizo Tanaka
Akihiro Nikkaku

Corporate Auditors

Akira Sawamura
Tomojiro Morigaki
Kunihisa Hama
Keno Yamamoto

SIX-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Toray Industries, Inc. and Subsidiaries
Years ended March 31

	Millions of yen					
	2002	2001	2000	1999	1998	1997
Net sales	**¥1,015,713**	¥1,075,371	¥ 990,487	¥1,001,117	¥1,087,713	¥1,046,837
Fibers and Textiles	**431,483**	433,500	404,966	420,040	466,973	466,326
Plastics and Chemicals	**224,895**	245,804	293,736	295,537	300,420	281,874
IT-Related Products	**141,424**	153,612	—	—	—	—
Housing and Engineering	**105,153**	124,055	138,692	132,343	168,797	146,015
Pharmaceuticals and Medical Products	**50,015**	52,425	47,439	47,796	46,514	45,769
New Products and Other Businesses	**62,743**	65,975	105,654	105,401	105,009	106,853
Operating income	**18,845**	51,166	32,320	47,564	71,919	71,661
Income (loss) before income taxes	**13,140**	32,329	(108,093)	23,729	58,955	44,866
Net income (loss)	**3,802**	16,937	(65,667)	8,117	24,740	23,276
Net cash provided by operating activities	**68,590**	108,756	57,298	59,984	139,023	76,687
Depreciation and amortization	**79,391**	82,068	80,698	79,663	74,633	77,530
Capital expenditures	**65,367**	60,071	109,514	120,968	150,700	96,182
Total assets	**1,386,507**	1,461,133	1,470,850	1,437,360	1,427,291	1,392,496
Property, plant and equipment, net	**633,345**	629,007	636,491	643,914	622,689	590,230
Interest-bearing liabilities	**585,269**	586,723	619,707	611,693	569,291	564,410
Total stockholders' equity	**413,140**	425,193	415,878	491,497	493,366	478,596
	Yen					
Per share of common stock:						
Net income (loss):						
Primary	**¥ 2.71**	¥ 12.09	¥ (46.86)	¥ 5.79	¥ 17.65	¥ 16.61
Fully diluted	**—**	12.02	—	—	17.43	16.41
Cash dividends	**5.00**	7.00	7.00	7.00	7.00	7.00
Stockholders' equity	**294.80**	303.39	296.74	350.70	352.03	341.49
Ratios:						
Operating income to net sales	**1.86%**	4.76%	3.26%	4.75%	6.61%	6.85%
Net income (loss) to net sales	**0.37**	1.57	(6.63)	0.81	2.27	2.22
Equity ratio	**29.8**	29.1	28.3	34.2	34.6	34.4
Return on equity	**0.9**	3.9	(14.5)	1.6	5.1	4.9
Debt/equity ratio (times)	**1.42**	1.38	1.49	1.24	1.15	1.18
	Yen					
Common stock price range:						
High	**¥585**	¥530	¥665	¥745	¥841	¥790
Low	**299**	374	326	501	507	642
Number of employees	**34,910**	35,686	35,516	34,263	32,852	33,790

Note: Net sales of the IT-Related Products segment were included in those of the Plastics and Chemicals, Housing and Engineering, and New Products and Other Businesses segments prior to the year ended March 31, 2001.

OVERVIEW

During fiscal 2002, the year ended March 31, 2002, the global economy weakened as the IT recession and terrorist attacks in the U.S. caused demand to fall. In Japan, market conditions remained challenging due to structural issues such as bad debts and the hollowing out of the manufacturing sector.

To deal with these difficulties, Toray (the "Company") and its Group companies focused on cutting manufacturing costs as well as selling, general and administrative expenses. However, these actions were unable to offset the impact of lower demand and other unfavorable trends. As a result, consolidated sales and earnings declined.

INCOME ANALYSIS

Net Sales

Fiscal 2002 consolidated net sales decreased ¥59.7 billion, or 5.5%, to ¥1,015.7 billion. Sales went down in all industrial segments. Results by segment are as follows.

Sales by Industrial Segment

◆ Fibers and Textiles

In Japan, demand for nylon both for use in apparel and for industrial use fell. Sales of Tetoron* polyester yarn were lower as well. Although sales volumes were higher for industrial use, chiefly in automobiles, net sales fell as the apparel market weakened and imports increased. On the other hand, sales in the trading business continued to grow.

Overseas, sales were largely the same as in the previous fiscal year despite the general weakening of the global economy. Results were highlighted by growth in sales of polyester filament textiles in China.

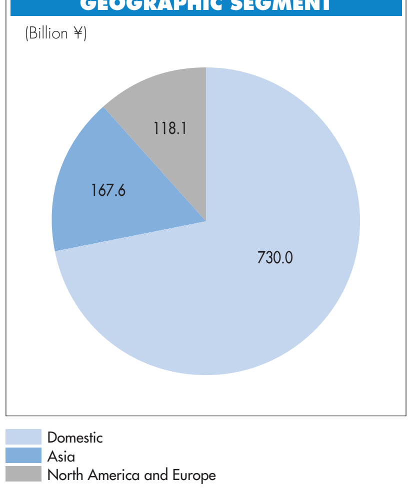
Due to these factors, total segment sales decreased ¥2.0 billion, or 0.5%, to ¥431.5 billion.

◆ Plastics and Chemicals

In resins, sales of the ABS resin Toyolac* declined as domestic automobile demand shrank and electric appliance manufacturers moved more production outside Japan. Sales were lower overseas, too, mainly a reflection of poor market conditions in Hong Kong and China. The nylon resin Amilan* and PBT resin Toraycon* also posted lower sales. Demand grew for automotive applications as more components switched to resins from other materials. Offsetting this increase was weakness in electrical machinery and other user industries.

In the film business, Lumirror*, a mainstay polyester film product, posted higher sales volumes in Japan and overseas for use in packaging applications. However, net sales were lower because of sluggish demand in industrial markets. Sales of the polypropylene film Torayfan* were lower, too, mainly as a result

FISCAL 2002 SALES BY GEOGRAPHIC SEGMENT



of soft demand in the domestic industrial market. As a consequence, total sales of films decreased.

In chemicals, sales were lower because of poor market conditions for caprolactam—a raw material for nylon—and lower sales of fine chemicals such as agricultural chemicals.

Total segment sales, therefore, decreased ¥20.9 billion, or 8.5%, to ¥224.9 billion.

◆ IT-Related Products

In IT-related resins and films, total sales were lower. Sales grew outside Japan. Two contributors were precision resin-molded products in China and films products for magnetic-tape use in South Korea. In Japan, sales went down in tandem with the decrease in demand for IT-related products used in electronic components, liquid crystal displays (LCDs), capacitors and other items.

In electronic and information-related products, sales decreased as growth in the electronic circuit materials business in South Korea was outweighed by the impact of deteriorating markets in Japan.

In LCD materials, sales of Toptical*, a high-quality TFT color filter for LCDs, increased in the second half of the fiscal year due to a rebound in output of LCDs used as monitors. However, this growth was insufficient to cover the impact of soft demand and falling prices in the year's first half, and total sales for the year were lower.

Due to these factors, total segment sales decreased ¥12.2 billion, or 7.9%, to ¥141.4 billion.

◆ Housing and Engineering

Segment sales were down ¥18.9 billion, or 15.2%, to ¥105.2 billion. This was primarily attributable to weakness in the construction industry caused by sluggish demand for both public-works and private-sector projects.

◆ Pharmaceuticals and Medical Products

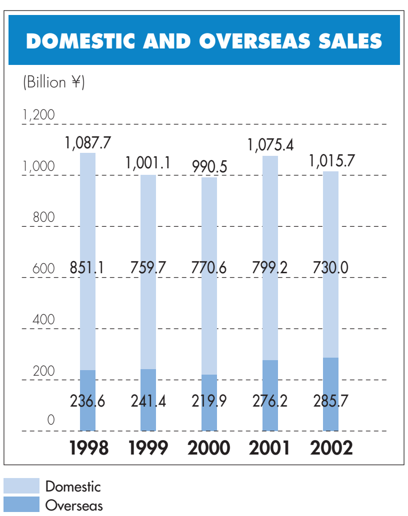
Sales of pharmaceuticals decreased mainly because of lower income from the licensing-out of development and marketing rights to allied drug manufacturers.

Sales of medical products increased along with sales volumes of Toraysulfone*, a polysulfone-based artificial kidney, and Toraymyxin*, a device for treating septicemia by removing endotoxins from the blood.

Total segment sales decreased ¥2.4 billion, or 4.6%, to ¥50.0 billion.

◆ New Products and Other Businesses

In advanced composite materials, growth in demand for aerospace applications was minimal due to the impact of the terrorist attacks in the U.S. Total sales were higher, though, because of growth in demand for industrial and sports applications.



In information and services, the sale of subsidiaries in the previous fiscal year and other factors caused sales to decline.

Total segment sales decreased ¥3.2 billion, or 4.9%, to ¥62.7 billion.

Sales by Geographic Segment

◆ Japan

Although there was growth in the trading business, the impact of worsening market conditions caused sales in Japan to decline ¥69.2 billion, or 8.7%, to ¥730.0 billion. As a result, sales in Japan decreased from 74.3% to 71.9% of total net sales.

◆ Asia

In the Asia segment, which includes China, Indonesia, Thailand, Malaysia and South Korea, there was growth in the polyester filament textiles business in China and in the film products for magnetic-tape use and TAB tape business in South Korea. These increases, along with other factors, lifted sales by ¥1.0 billion, or 0.6%, to ¥167.6 billion. Sales in Asia thus rose from 15.5% to 16.5% of total net sales.

◆ North America and Europe

This segment includes the United States, United Kingdom, France, Italy and the Czech Republic. Growth in the European film business and a solid performance by advanced composite materials resulted in an increase of ¥8.6 billion, or 7.8%, in segment sales to ¥118.1 billion. As a share of total net sales, this region rose from 10.2% to 11.6%.

Export Sales and Sales by Overseas Subsidiaries

Sales outside Japan, that is, the sum of export and overseas subsidiary sales, were lower in Asia because of the weak market for caprolactam and in North America, Europe and other areas because of lower exports from Japan. Total sales outside Japan decreased ¥17.0 billion, or 4.0%, to ¥411.2 billion, climbing 0.7 percentage point to 40.5% of total sales. Asia accounted for 22.9% of total sales at ¥232.2 billion and North America, Europe and other areas for 17.6% at ¥179.0 billion.

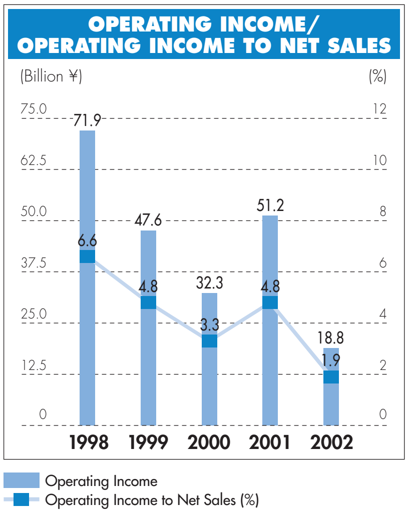
Costs and Expenses

Total sales decreased 5.5% and the cost of sales was down 2.9%. This caused the cost of sales to increase 2.2 percentage points to 79.2% of sales.

Selling, general and administrative expenses decreased ¥0.8 billion, or 0.5%, to ¥155.3 billion, rising 0.8 percentage point as a share of sales to 15.3%.

R&D expenses decreased ¥1.6 billion, or 4.1%, to ¥37.2 billion.

Amortization of cost in excess of net assets acquired was ¥0.3 billion, ¥1.0 billion less than in the previous fiscal year.



Due to these factors, total operating expenses increased by 2.9 percentage points as a share of sales, rising from 95.2% to 98.1%.

Operating Income and Net Income

Operating income was ¥18.8 billion, that is, ¥32.3 billion, or 63.2%, less than in the previous fiscal year. Operating income to net sales thus fell 2.9 percentage points to 1.9%. By industrial segment, only Housing and Engineering posted an increase in operating income. Fibers and Textiles earnings were down by ¥13.8 billion, or 60.1%, to ¥9.2 billion. Plastics and Chemicals earnings decreased ¥9.5 billion, or 85.2%, to ¥1.6 billion. In IT-Related Products, earnings fell ¥5.5 billion, or 80.6%, to ¥1.3 billion. In Housing and Engineering, earnings were ¥0.6 billion, an increase of ¥0.6 billion. In Pharmaceuticals and Medical Products, earnings were down ¥4.4 billion, or 70.0%, to ¥1.9 billion. In New Products and Other Businesses, earnings decreased ¥0.6 billion, or 15.4%, to ¥3.1 billion.

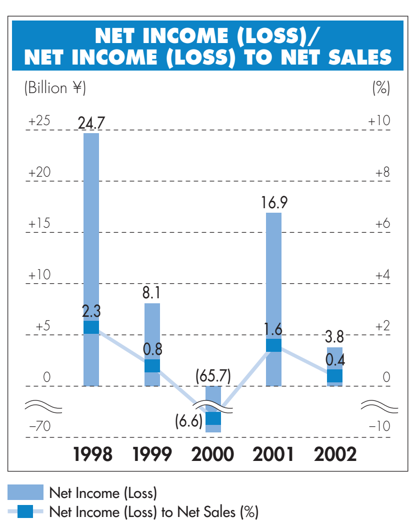
By geographic segment, operating income was higher in North America and Europe and down in Japan and Asia. In Japan, earnings fell ¥28.4 billion, or 85.5%, to ¥4.8 billion. In Asia, earnings decreased ¥5.4 billion, or 35.2%, to ¥9.9 billion. In North America and Europe, earnings rose ¥0.5 billion, or 21.9%, to ¥3.0 billion.

Net other income (expenses) improved ¥0.4 billion, or 3.8%, to ¥9.9 billion in expenses. Interest and dividend income decreased ¥1.4 billion to ¥2.8 billion and interest expenses decreased ¥3.4 billion to ¥14.7 billion. This resulted in a ¥2.0 billion decrease in net finance expenses to ¥11.9 billion. Other income (expenses), other, net, improved ¥1.7 billion to ¥2.8 billion in expenses. Equity in earnings of affiliates was ¥4.8 billion, ¥3.3 billion less than in the previous fiscal year.

Special credits increased ¥18.1 billion to ¥29.2 billion. The main reason was a ¥17.5 billion gain on contribution of securities to a retirement benefit trust.

Special charges increased ¥5.3 billion to ¥25.0 billion. The main reason was a ¥10.8 billion loss on write-down or disposal of inventories at the Company and subsidiaries in the Housing and Engineering segment. Offsetting this was a smaller loss on write-down of investments in securities than in the previous fiscal year.

As a result, income before income taxes fell ¥19.2 billion to ¥13.1 billion. After income taxes and minority interests in net income of consolidated subsidiaries, net income was down ¥13.1 billion to ¥3.8 billion. Net income per share decreased ¥9.38 to ¥2.71. Due to the lower earnings and the outlook for the current fiscal year, cash dividends per share applicable to fiscal 2002 were reduced by ¥2.00 to ¥5.00.



FINANCIAL POSITION

Assets

Total assets as of March 31, 2002 were ¥1,386.5 billion, ¥74.6 billion, or 5.1%, less than one year earlier. The primary reasons for the decline were the decrease in trade receivables, decreases in the market value of stock held in listed companies and the decline in investment securities caused by the contribution of securities to retirement benefit trust. Assets outside Japan increased 2.3 percentage points to 29.5% of total assets.

Current Assets

Current assets decreased ¥58.8 billion, or 10.2%, to ¥515.9 billion. Liquid assets, representing cash, time deposits and short-term investment securities, decreased ¥11.7 billion, or 17.6%, to ¥54.5 billion. This was mainly due to the decision to reduce liquid assets for the purpose of efficient use of cash and cash equivalents on hand. Trade receivables, the sum of notes and accounts receivables, were down ¥40.5 billion, or 17.1%, to ¥196.8 billion. Inventories decreased ¥0.5 billion, or 0.2%, to ¥222.1 billion.

Property, Plant and Equipment

Property, plant and equipment, net of depreciation, increased ¥4.3 billion, or 0.7%, to ¥633.3 billion. Capital expenditures increased ¥5.3 billion, or 8.8%, to ¥65.4 billion. This growth reflected the policy of concentrating investments in areas with significant growth potential. Substantial investments to upgrade production facilities and make production activities more efficient were another reason for the increase in capital expenditures.

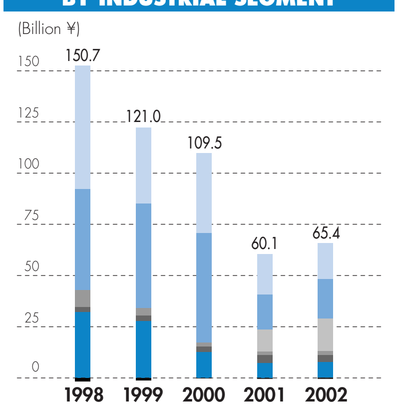
In the Fibers and Textiles segment, capital expenditures totaled ¥17.5 billion, including expenditures to improve synthetic suede production facilities at Alcantara S.p.A. In Plastics and Chemicals, expenditures were ¥19.3 billion, including projects to increase polyester film output capacity at the Company and build ammonia tanks. In IT-Related Products, capital expenditures of ¥15.9 billion included additional production facilities for polyester film at the Company, film for electronic circuit processing equipment at Toyo Metalizing Co., Ltd., and additional TAB tape production facilities at STEMCO Ltd. Capital expenditures were ¥2.0 billion in Housing and Engineering, ¥3.5 billion in Pharmaceuticals and Medical Products, and ¥7.6 billion in New Products and Other Businesses.

Liabilities

Total liabilities decreased ¥63.7 billion, or 6.3%, to ¥941.1 billion. The major reasons were declines in trade payables and reserve for employees' retirement benefits.

Current liabilities were ¥497.3 billion, that is, ¥40.3 billion, or 7.5%, less than one year earlier. Short-term bank loans increased

CAPITAL EXPENDITURES BY INDUSTRIAL SEGMENT



	1998	1999	2000	2001	2002
Fibers and Textiles	60.4	37.2	39.1	19.8	17.5
Plastics and Chemicals	49.1	51.1	53.3	17.0	19.3
IT-Related Products	—	—	—	10.7	15.9
Housing and Engineering	8.3	3.7	2.0	1.9	2.0
Pharmaceuticals and Medical Products	2.6	2.7	2.8	3.8	3.5
New Products and Other Businesses	32.1	27.6	12.5	7.3	7.6
Elimination and Corporate	−1.7	−1.2	−0.2	−0.4	−0.5

¥3.0 billion to ¥179.0 billion, and long-term debt due within one year decreased ¥7.9 billion to ¥81.6 billion.

Long-term debt, including the portion due within one year, decreased ¥5.1 billion to ¥399.3 billion.

Interest-bearing liabilities, the sum of short-term bank loans, long-term debt and commercial paper, was down ¥1.5 billion, or 0.2%, to ¥585.3 billion.

Stockholders' Equity

Stockholders' equity decreased ¥12.1 billion, or 2.8%, to ¥413.1 billion. This reflected net income of ¥3.8 billion, dividends applicable to the previous fiscal year of ¥8.4 billion, directors' bonuses of ¥0.1 billion, a decline of ¥22.3 billion in unrealized gains on securities and a ¥15.0 billion decrease in the foreign currency translation adjustment (deduction item) due to depreciation of the yen. The net result was an ¥8.59 decrease in stockholders' equity per share to ¥294.80. The equity ratio increased 0.7 percentage point to 29.8%.

Cash Flows

Net cash provided by operating activities exceeded net cash used in investing activities by ¥21.4 billion mainly as a result of capital expenditures being less than depreciation and amortization. Financing activities used net cash of ¥34.4 billion due to actions to reduce interest-bearing liabilities and strengthen the Company's financial position. As a result, free cash flow amounted to ¥21.4 billion. The net result was an ¥11.4 billion decrease in cash and cash equivalents to ¥51.5 billion.

Cash Flows from Operating Activities

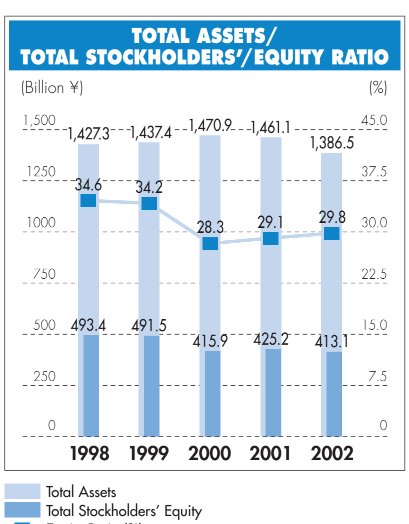
Net cash provided by operating activities decreased ¥40.2 billion to ¥68.6 billion. Income before income taxes was ¥13.1 billion, depreciation and amortization was ¥79.4 billion, and there was a ¥46.3 billion decline in trade receivables. Reducing cash flows were decreases of ¥21.9 billion in the reserve for employees' retirement benefits and ¥33.7 billion in trade payables and accrued liabilities, and income tax payments of ¥21.0 billion.

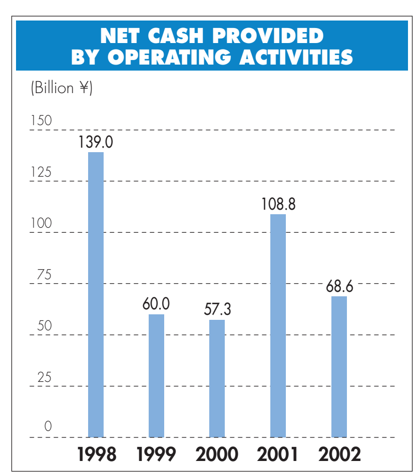
Cash Flows from Investing Activities

Net cash used in investing activities decreased ¥16.8 billion to ¥47.2 billion. Sales of non-strategic investment securities totaled ¥12.7 billion, while capital expenditures amounted to ¥62.0 billion.

Cash Flows from Financing Activities

Net cash used in financing activities decreased ¥21.3 billion to ¥34.4 billion. The main reason was that repayments of long-term debt exceeded proceeds from long-term debt by ¥17.7 billion.





CONSOLIDATED BALANCE SHEETS

Toray Industries, Inc. and Subsidiaries
March 31, 2002 and 2001

Assets	Millions of yen 2002	Millions of yen 2001	Thousands of U.S. dollars (Note 2) 2002
Current assets:			
Cash	¥ 42,226	¥ 48,016	$ 317,489
Time deposits	8,708	12,013	65,474
Short-term investment securities (Note 6)	3,544	6,100	26,647
Trade receivables (Note 4):			
Notes receivable	43,475	63,324	326,880
Accounts receivable	153,287	173,923	1,152,534
Inventories (Note 3)	222,140	222,642	1,670,225
Deferred tax assets (Note 9)	11,221	16,078	84,368
Prepaid expenses and other current assets	34,806	36,140	261,699
Allowance for doubtful accounts	(3,545)	(3,593)	(26,654)
Total current assets	515,862	574,643	3,878,662
Property, plant and equipment (Notes 5 and 12):			
Land	88,943	88,692	668,744
Buildings	398,916	381,090	2,999,368
Machinery and equipment	1,331,807	1,273,164	10,013,587
Construction in progress	26,593	21,617	199,947
	1,846,259	1,764,563	13,881,646
Accumulated depreciation	(1,212,914)	(1,135,556)	(9,119,654)
	633,345	629,007	4,761,992
Investments, long-term loans and other assets:			
Affiliates	52,684	49,401	396,121
Marketable equity securities (Notes 5 and 6)	88,563	131,923	665,887
Other securities (Note 6)	12,828	20,204	96,451
Long-term loans receivable	1,263	1,863	9,496
Deferred tax assets (Note 9)	44,192	18,537	332,271
Other	32,053	30,141	241,000
Allowance for doubtful accounts	(1,827)	(1,664)	(13,737)
	229,756	250,405	1,727,489
Intangible assets	7,544	6,828	56,722
Cost in excess of net assets acquired	—	250	—
	¥1,386,507	¥1,461,133	$10,424,865

See accompanying notes to consolidated financial statements.

Liabilities, Minority Interests and Stockholders' Equity	Millions of yen 2002	Millions of yen 2001	Thousands of U.S. dollars (Note 2) 2002
Current liabilities:			
Bank loans (Note 5)	**¥ 179,019**	¥ 175,987	**$ 1,346,008**
Long-term debt due within one year (Note 5)	**81,627**	89,547	**613,737**
Commercial paper	**7,000**	6,400	**52,632**
Trade payables (Note 4):			
Notes payable	**42,875**	51,704	**322,368**
Accounts payable	**104,066**	117,040	**782,451**
Income taxes payable (Note 9)	**4,932**	15,575	**37,083**
Accrued liabilities	**43,445**	44,977	**326,654**
Other current liabilities	**34,340**	36,347	**258,195**
Total current liabilities	**497,304**	537,577	**3,739,128**
Long-term debt (Note 5)	**317,623**	314,789	**2,388,143**
Deferred tax liabilities (Note 9)	**2,248**	1,936	**16,902**
Reserve for employees' retirement benefits (Note 8)	**115,671**	141,734	**869,707**
Customers' guarantee deposits and other liabilities	**8,294**	8,768	**62,361**
	941,140	1,004,804	**7,076,241**
Commitments and contingent liabilities (Note 11)			
Minority interests in consolidated subsidiaries	**32,227**	31,136	**242,308**
Stockholders' equity (Note 10):			
Common stock:			
Authorized—4,000,000,000 shares			
Issued—1,401,481,403 shares	**96,937**	96,937	**728,850**
Additional paid-in capital	**85,792**	85,792	**645,053**
Consolidated surplus	**232,594**	237,336	**1,748,827**
Unrealized gain on securities	**26,558**	48,838	**199,684**
Foreign currency translation adjustment	**(28,727)**	(43,708)	**(215,993)**
	413,154	425,195	**3,106,421**
Treasury stock, at cost	**(14)**	(2)	**(105)**
Total stockholders' equity	**413,140**	425,193	**3,106,316**
	¥1,386,507	¥1,461,133	**$10,424,865**

CONSOLIDATED STATEMENTS OF INCOME AND SURPLUS

Toray Industries, Inc. and Subsidiaries
Years ended March 31, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2002	2001	2000	**2002**
Net sales (Note 4)	**¥1,015,713**	¥1,075,371	¥990,487	**$7,636,940**
Costs and expenses:				
Cost of sales (Notes 4, 8 and 12)	**804,116**	828,021	763,011	**6,045,985**
Selling, general and administrative expenses (Notes 8 and 12)	**155,289**	156,128	155,100	**1,167,586**
Research and development expenses (Notes 8 and 12)	**37,213**	38,791	38,790	**279,797**
Amortization of cost in excess of net assets acquired	**250**	1,265	1,266	**1,880**
	996,868	1,024,205	958,167	**7,495,248**
Operating income	**18,845**	51,166	32,320	**141,692**
Other income (expenses):				
Interest expenses	**(14,650)**	(18,071)	(16,532)	**(110,150)**
Interest and dividend income	**2,769**	4,188	3,405	**20,819**
Equity in earnings of affiliates	**4,823**	8,109	6,050	**36,263**
Other, net	**(2,849)**	(4,526)	(316)	**(21,421)**
	(9,907)	(10,300)	(7,393)	**(74,489)**
Income before special credits (charges)	**8,938**	40,866	24,927	**67,203**
Special credits (charges):				
(Loss) gain on disposal of property, plant and equipment, net	**(2,113)**	348	(1,950)	**(15,887)**
Loss on write-down or disposal of inventories	**(10,785)**	—	—	**(81,090)**
Loss on write-down of real estate for commercial sales	**—**	—	(12,050)	**—**
Gain (loss) on sale or write-down of investments in securities, net	**5,644**	1,080	(2,278)	**42,436**
Adjustment on acquisition cost of property, plant and equipment in foreign subsidiary due to the change of local accounting standards	**2,316**	—	—	**17,413**
Special severance payments and other restructuring expenses	**(6,743)**	(5,490)	(6,282)	**(50,699)**
Gain on contribution of securities to retirement benefit trust (Note 1)	**17,473**	—	—	**131,376**
Loss arising from the accounting change for employees' retirement benefits	**—**	—	(106,155)	**—**
Exchange loss	**—**	(2,687)	(2,460)	**—**
Other, net	**(1,590)**	(1,788)	(1,845)	**(11,955)**
	4,202	(8,537)	(133,020)	**31,594**
Income (loss) before income taxes	**13,140**	32,329	(108,093)	**98,797**
Income taxes (Note 9):				
Current	**10,185**	16,131	12,754	**76,579**
Deferred	**(3,807)**	(3,814)	(56,316)	**(28,624)**
	6,378	12,317	(43,562)	**47,955**
Income (loss) from consolidated operations	**6,762**	20,012	(64,531)	**50,842**
Minority interests in net income of consolidated subsidiaries	**(2,960)**	(3,075)	(1,136)	**(22,256)**
Net income (loss)	**3,802**	16,937	(65,667)	**28,586**
Consolidated surplus:				
At beginning of year	**237,336**	233,152	308,770	**1,784,482**
	241,138	250,089	243,103	**1,813,068**
Appropriations:				
Cash dividends	**8,409**	9,810	9,810	**63,226**
Bonuses to directors and corporate auditors	**135**	—	141	**1,015**
Surplus of affiliates previously accounted for under the equity method	**—**	2,943	—	**—**
	8,544	12,753	9,951	**64,241**
At end of year	**¥ 232,594**	¥ 237,336	¥233,152	**$1,748,827**

	Yen			U.S. dollars (Note 2)
Net income (loss) per share (Note 1):				
Primary	**¥2.71**	¥12.09	¥(46.86)	**$0.020**
Fully diluted	**—**	12.02	—	**—**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Toray Industries, Inc. and Subsidiaries
Years ended March 31, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2002	2001	2000	**2002**
Cash flows from operating activities:				
Income (loss) before income taxes	**¥13,140**	¥32,329	¥(108,093)	**$ 98,797**
Adjustments to reconcile income (loss) before income taxes to net cash provided by operating activities:				
Depreciation and amortization	**79,391**	82,068	80,698	**596,925**
Interest and dividend income	**(2,769)**	(4,188)	(3,405)	**(20,819)**
Equity in earnings of affiliates	**(4,823)**	(8,109)	(6,050)	**(36,263)**
Interest expenses	**14,650**	18,071	16,532	**110,150**
(Gain) loss on sales and disposal of noncurrent assets	**(3,499)**	(1,377)	4,228	**(26,308)**
Adjustment on acquisition cost of property, plant and equipment in foreign subsidiary due to the change of local accounting standards	**(2,316)**	—	—	**(17,414)**
Loss on write-down of real estate for commercial sales	**—**	—	12,050	**—**
(Decrease) increase in reserve for employees' retirement benefits	**(21,922)**	(6,132)	101,225	**(164,827)**
Decrease (increase) in trade receivables	**46,282**	5,600	(20,253)	**347,985**
Decrease (increase) in inventories	**13,859**	(2,561)	(18,002)	**104,203**
(Decrease) increase in trade payables and accrued liabilities	**(33,700)**	6,355	3,261	**(253,384)**
Other, net	**1,178**	5,236	14,678	**8,857**
Subtotal	**99,471**	127,292	76,869	**747,902**
Interest and dividend income received	**5,305**	6,503	11,447	**39,887**
Interest expenses paid	**(15,189)**	(18,823)	(17,222)	**(114,203)**
Income taxes paid	**(20,997)**	(6,216)	(13,796)	**(157,872)**
Net cash provided by operating activities	**68,590**	108,756	57,298	**515,714**
Cash flows from investing activities:				
Capital expenditures	**(61,963)**	(61,316)	(114,293)	**(465,887)**
Purchase of investment securities	**(11,822)**	(15,338)	(4,934)	**(88,887)**
Proceeds from sales and disposal of noncurrent assets	**18,568**	15,405	12,707	**139,609**
Other, net	**7,983**	(2,769)	4,446	**60,022**
Net cash used in investing activities	**(47,234)**	(64,018)	(102,074)	**(355,143)**
Cash flows from financing activities:				
(Decrease) increase in short-term debt	**(5,272)**	3,622	13,732	**(39,639)**
Proceeds from long-term debt	**81,051**	71,370	108,859	**609,406**
Repayments of long-term debt	**(98,753)**	(119,077)	(87,877)	**(742,504)**
Cash dividends paid	**(11,427)**	(11,590)	(12,097)	**(85,917)**
Proceeds from capital increase by minority interest	**—**	—	10,560	**—**
Other, net	**(12)**	—	—	**(90)**
Net cash (used in) provided by financing activities	**(34,413)**	(55,675)	33,177	**(258,744)**
Effect of exchange rate changes on cash and cash equivalents	**1,437**	789	(1,296)	**10,805**
Net decrease in cash and cash equivalents	**(11,620)**	(10,148)	(12,895)	**(87,368)**
Cash and cash equivalents at beginning of year	**62,890**	73,023	85,819	**472,857**
Beginning of term balance of cash and cash equivalents at subsidiaries not previously included in consolidated financial statements	**215**	15	99	**1,616**
Cash and cash equivalents at end of year	**¥51,485**	¥ 62,890	¥ 73,023	**$387,105**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Toray Industries, Inc. and Subsidiaries
Years ended March 31, 2002, 2001 and 2000

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, 2002 and 2001 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
	2002	2001	**2002**
Cash	**¥42,226**	¥48,016	**$317,489**
Time deposits	**8,708**	12,013	**65,474**
Less—Time deposits with maturities of over 3 months	**(162)**	(616)	**(1,218)**
Short-term investment securities and others with maturities of 3 months or less	**713**	3,477	**5,360**
Cash and cash equivalents	**¥51,485**	¥62,890	**$387,105**

d) Financial Instruments

Until the year ended March 31, 2000, short-term investment 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:

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.

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 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 April 1, 1999, 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 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 and unrecognized prior service cost are amortized on a straight-line basis over a period of 15 years. The adoption of the new method had no material impact on the accompanying financial statements.

In the year ended March 31, 2002, the Company contributed marketable equity securities to retirement benefit trust. Such contribution to the plan has been measured at fair value in the amount of ¥22,005 million, and the difference between the fair value and the book value was recorded as a "gain on contribution of securities to retirement benefit trust" in the amount of ¥17,473 million, on the basis that it is an irrevocable transfer to the plan.

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. 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.

Differences in yen amounts arising from the use of different rates are presented as "foreign currency translation adjustment" in stockholders' equity except for the portion belonging to minority stockholders, which is included in "minority interests in consolidated subsidiaries".

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.

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 ¥133 to $1.00, the approximate exchange rate prevailing on March 31, 2002. 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, 2002 and 2001, inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Finished goods and work in process	**¥178,121**	¥178,152	**$1,339,255**
Raw materials and supplies	**44,019**	44,490	**330,970**
	¥222,140	¥222,642	**$1,670,225**

4. Account Balances and Transactions with Affiliates

Account balances at March 31, 2002 and 2001 and transactions for the years then ended with unconsolidated subsidiaries and affiliated companies were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Trade receivables	**¥12,095**	¥12,744	**$ 90,940**
Trade payables	**5,335**	7,079	**40,113**
Sales	**¥45,005**	¥43,911	**$338,383**
Purchases	**26,132**	31,960	**196,481**

5. Bank Loans and Long-Term Debt

Bank loans at March 31, 2002 and 2001 represented 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, 2002 and 2001 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Loans principally from banks and insurance companies with interest rates primarily from 0.2525% to 5.9500%, maturing serially through 2012:			
Collateralized	**¥ 6,632**	¥ 3,428	**$ 49,865**
Unsecured	**176,081**	172,153	**1,323,917**
Medium-term notes of consolidated subsidiaries with various interest rates due 2002 to 2005 (including zero coupon notes)	**5,544**	19,762	**41,684**
Mortgage bonds with an interest rate of 2.3% due 2006	**500**	500	**3,759**
Convertible debentures with an interest rate of 1.7% due 2002	**29,493**	29,493	**221,752**
Yen notes with an interest rate of 2.65% due 2001	**—**	10,000	**—**
Yen notes with an interest rate of 2.40% due 2009	**20,000**	20,000	**150,376**
Yen notes with an interest rate of 2.275% due 2004	**15,000**	15,000	**112,782**
Yen notes with an interest rate of 2.25% due 2001	**—**	20,000	**—**
Yen notes with an interest rate of 2.20% due 2003	**15,000**	15,000	**112,782**
Yen notes with an interest rate of 2.05% due 2003	**1,000**	1,000	**7,519**
Yen notes with an interest rate of 2.03% due 2008	**10,000**	10,000	**75,188**
Yen notes with an interest rate of 2.00% due 2013	**10,000**	10,000	**75,188**
Yen notes with an interest rate of 1.95% due 2009	**10,000**	10,000	**75,188**
Yen notes with an interest rate of 1.94% due 2010	**10,000**	10,000	**75,188**
Yen notes with an interest rate of 1.93% due 2009	**10,000**	10,000	**75,188**
Yen notes with an interest rate of 1.925% due 2005	**20,000**	20,000	**150,376**
Yen notes with an interest rate of 1.48% due 2011	**20,000**	—	**150,376**
Yen notes with an interest rate of 1.40% due 2004	**10,000**	10,000	**75,188**
Yen notes with an interest rate of 1.05% due 2004	**10,000**	10,000	**75,188**
Yen notes with an interest rate of 0.60% due 2006	**20,000**	—	**150,376**
Yen floating rate notes due 2002	**—**	8,000	**—**
	399,250	404,336	**3,001,880**
Less amounts due within one year	**81,627**	89,547	**613,737**
	¥317,623	¥314,789	**$2,388,143**

At March 31, 2002, 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	¥ 60	$ 451
Property, plant and equipment, at cost, less accumulated depreciation	21,318	160,286
	¥21,378	$160,737

The trust deeds covering the 1.7% convertible debentures provide for the conversion, subject to adjustment under specified conditions, into 32,162 thousand shares of common stock at ¥917 ($6.89) per share at March 31, 2002.

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

	Millions of yen	Thousands of U.S. dollars
Years ending March 31:		
2003	¥81,627	$ 613,737
2004	60,540	455,188
2005	59,748	449,233
2006	45,663	343,331
2007	34,231	257,376
2008 and thereafter	117,441	883,015
	¥399,250	$3,001,880

6. Securities

At March 31, 2002 and 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							
	2002				2001			
	Cost	Unrealized gains	Unrealized losses	Fair value	Cost	Unrealized gains	Unrealized losses	Fair value
Held-to-maturity debt securities	**¥ 10**	**¥ —**	**¥ —**	**¥ 10**	¥ 29	¥ —	¥ —	¥ 29
Other securities	**42,523**	**47,578**	**1,548**	**88,553**	47,281	85,327	685	131,923

	Thousands of U.S. dollars			
	2002			
	Cost	Unrealized gains	Unrealized losses	Fair value
Held-to-maturity debt securities	**$ 75**	**$ —**	**$ —**	**$ 75**
Other securities	**319,722**	**357,729**	**11,639**	**665,812**

At March 31, 2002 and 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
	2002	2001	**2002**
Held-to-maturity debt securities	**¥ 3,553**	¥ 7,289	**$26,714**
Other securities	**12,779**	18,822	**96,083**

The difference between the above fair value, carrying amount and the amounts shown in the accompanying consolidated balance sheets principally consisted of subscription certificates.

The carrying values of the securities by contractual maturities for securities classified as held-to-maturity debt securities and other securities at March 31, 2002 and 2001 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2002		2001		2002	
	Held-to-maturity debt securities	Other securities	Held-to-maturity debt securities	Other securities	Held-to-maturity debt securities	Other securities
Due within one year	**¥3,516**	**¥14**	¥4,001	¥20	**$26,436**	**$105**
Due over one year	**47**	**10**	3,317	14	**353**	**75**

7. Derivatives

The Company and its subsidiaries had the following derivatives contracts outstanding at March 31, 2002 and 2001:

	Millions of yen					
	2002			2001		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts:						
Buying U.S. dollar	**¥11,391**	**¥11,339**	**¥(52)**	¥14,490	¥15,543	¥1,053
Buying euro	**169**	**174**	**5**	—	—	—
Buying Japanese yen	**155**	**153**	**(2)**	249	229	(20)
Selling U.S. dollar	**1,401**	**1,316**	**85**	1,858	2,123	(265)
Selling Hong Kong dollar	**471**	**531**	**(60)**	7,869	8,615	(746)
Selling euro	**1,127**	**1,106**	**21**	1,268	1,267	1
Selling British pound	**47**	**47**	**0**	133	128	5

	Thousands of U.S. dollars		
	2002		
	Contract amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts:			
Buying U.S. dollar	**$85,647**	**$85,256**	**$(391)**
Buying euro	**1,271**	**1,308**	**37**
Buying Japanese yen	**1,165**	**1,150**	**(15)**
Selling U.S. dollar	**10,534**	**9,895**	**639**
Selling Hong Kong dollar	**3,541**	**3,992**	**(451)**
Selling euro	**8,474**	**8,316**	**158**
Selling British pound	**353**	**353**	**0**

8. Retirement Benefit Plan

The reserve for employees' retirement benefits as of March 31, 2002 and 2001 was analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Projected benefit obligations	**¥342,321**	¥320,918	**$2,573,842**
Plan assets	**172,687**	154,322	**1,298,398**
	169,634	166,596	**1,275,444**
Unrecognized actuarial differences	**60,727**	24,899	**456,594**
Unrecognized prior service cost	**(6,697)**	—	**(50,353)**
	115,604	141,697	**869,203**
Prepaid pension cost	**67**	37	**504**
	¥115,671	¥141,734	**$ 869,707**

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

Net pension expense related to the employees' retirement benefits for the year ended March 31, 2002 and 2001 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Service cost	**¥12,102**	¥13,074	**$ 90,992**
Interest cost	**10,493**	10,342	**78,895**
Expected return on plan assets	**(5,212)**	(5,813)	**(39,188)**
Amortization of actuarial differences	**1,667**	—	**12,534**
Amortization of prior service cost	**(420)**	—	**(3,158)**
Amortization of transition amount	**—**	48	**—**
Net pension expense	**¥18,630**	¥17,651	**$140,075**

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

	2002	2001
Method of attributing the projected benefits to periods of services	**straight-line basis**	straight-line basis
Discount rate	**primarily 3.0%**	3.5%
Expected rate of return on plan assets	**primarily 3.5%**	3.5%
Amortization period of prior service cost	**primarily 15 years**	—
Amortization period of actuarial differences	**primarily 15 years**	primarily 15 years
Amortization period of transition amount	**—**	1 year

9. Income Taxes

The statutory tax rate used for calculating deferred tax assets and deferred tax liabilities in the years ended March 31, 2002, 2001 and 2000 was 42.3%.

At March 31, 2002 and 2001, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Deferred tax assets:			
Inventories	**¥ 5,701**	¥ 4,773	**$ 42,865**
Accrued bonuses	**3,489**	3,461	**26,233**
Allowance for doubtful accounts	**2,391**	1,465	**17,977**
Long-term prepaid expenses	**1,202**	1,196	**9,038**
Reserve for employees' retirement benefits	**44,428**	52,357	**334,045**
Tax loss carryforwards	**26,729**	14,188	**200,970**
Unrealized earnings	**13,092**	13,959	**98,436**
Other	**13,433**	12,256	**101,000**
	110,465	103,655	**830,564**
Valuation allowance	**(12,995)**	(5,583)	**(97,707)**
Total deferred tax assets	**97,470**	98,072	**732,857**
Deferred tax liabilities:			
Reserve for advanced depreciation	**14,250**	14,290	**107,143**
Reserve for special depreciation	**857**	1,095	**6,444**
Depreciation	**5,231**	6,773	**39,331**
Undistributed earnings of foreign subsidiaries and affiliates	**3,554**	6,383	**26,722**
Unrealized gain on securities	**19,500**	35,862	**146,616**
Other	**1,188**	1,162	**8,932**
Total deferred tax liabilities	**44,580**	65,565	**335,188**
Net deferred tax assets	**¥ 52,890**	¥ 32,507	**$397,669**

At March 31, 2002 and 2001, a reconciliation of the statutory tax rate and the effective income tax rate was as follows:

	2002	2001
Statutory tax rate	**(42.3)%**	(42.3)%
Increase (decrease) in taxes resulting from:		
Permanent differences	**(9.4)**	(1.3)
Losses by subsidiaries not utilizing deferred tax accounting	**(8.8)**	(7.3)
Equity in earnings of affiliates	**15.5**	10.6
Other	**(3.5)**	2.2
Effective income tax rate	**(48.5)%**	(38.1)%

10. Stockholder's Equity

The Japanese Commercial Code requires that at least 50% of the paid-in capital of new share issues be transferred to common stock. Additional paid-in capital, recorded pursuant to the Japanese Commercial Code, primarily consists of proceeds on issuance of shares of common stock of the Company that were not recorded as common stock.

Changes of common stock and additional paid-in capital for the years ended March 31, 2002, 2001 and 2000 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, 2000	1,401,481	¥96,937		¥85,792	
March 31, 2001	1,401,481	96,937		85,792	
March 31, 2002	**1,401,481**	**96,937**	**$728,850**	**85,792**	**$645,053**

At the June 2002 annual stockholders' meeting, stockholders approved the payment of cash dividends of ¥2.50 per share, aggregating ¥3,504 million ($26,346 thousand).

11. Commitments and Contingent Liabilities

At March 31, 2002, commitment line of credit was as follows:

	Millions of yen	Thousands of U.S. dollars
Total commitment line of credit	¥7,260	$54,586
Outstanding borrowings	3,025	22,744
Balance	¥4,235	$31,842

This commitment does not necessarily imply that the Company will extend borrowings to the maximum limit.

At March 31, 2002 and 2001, contingent liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
As guarantors of loans to:			
Affiliates	**¥15,067**	¥14,373	**$113,286**
Others	**5,856**	6,387	**44,030**
	¥20,923	¥20,760	**$157,316**
Obligations of guarantee	**¥ 66**	¥ 79	**$ 496**
Notes discounted	**¥ 143**	¥ 4,960	**$ 1,075**
Buyback obligations associated with securitization of receivables	**¥ 4,910**	¥ 1,946	**$ 36,917**

12. Leases

The Group holds certain machinery, equipment and vehicles and other assets (fixtures and tools) by leases. Total lease payments under these leases were ¥1,540 million ($11,579 thousand) and ¥1,542 million for the years ended March 31, 2002 and 2001, 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, 2002 and 2001 was as follows:

	Millions of yen		
Year ended March 31, 2002:	Machinery, equipment and vehicles	Other (fixtures and tools)	Total
Acquisition costs	**¥717**	**¥5,467**	**¥6,184**
Accumulated depreciation	**538**	**2,194**	**2,732**
Net leased property	**¥179**	**¥3,273**	**¥3,452**

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

	Thousands of U.S. dollars		
Year ended March 31, 2002:	Machinery, equipment and vehicles	Other (fixtures and tools)	Total
Acquisition costs	**$5,391**	**$41,105**	**$46,496**
Accumulated depreciation	**4,045**	**16,496**	**20,541**
Net leased property	**$1,346**	**$24,609**	**$25,955**

Future minimum lease payments under finance leases as of March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Due within one year	**¥1,327**	¥1,140	**$ 9,977**
Due over one year	**2,125**	1,489	**15,978**
Total	**¥3,452**	¥2,629	**$25,955**

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.

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 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, 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.

	Millions of yen								
Year ended March 31, 2002:	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	Consolidated total
Sales to outside customers	**¥431,483**	**¥224,895**	**¥141,424**	**¥105,153**	**¥50,015**	**¥ 62,743**	**¥1,015,713**	**¥ —**	**¥1,015,713**
Intersegment sales	**445**	**23,398**	**5,943**	**43,593**	**54**	**19,307**	**92,740**	**(92,740)**	**—**
Total sales	**¥431,928**	**¥248,293**	**¥147,367**	**¥148,746**	**¥50,069**	**¥ 82,050**	**¥1,108,453**	**¥(92,740)**	**¥1,015,713**
Operating income	**¥ 9,174**	**¥ 1,640**	**¥ 1,327**	**¥ 594**	**¥ 1,879**	**¥ 3,087**	**¥ 17,701**	**¥ 1,144**	**¥ 18,845**
Assets	**¥464,945**	**¥361,556**	**¥234,414**	**¥165,599**	**¥78,568**	**¥136,495**	**¥1,441,577**	**¥(55,070)**	**¥1,386,507**
Depreciation and amortization	**26,145**	**23,995**	**16,076**	**2,481**	**2,649**	**9,521**	**80,867**	**(1,726)**	**79,141**
Capital expenditures	**17,531**	**19,342**	**15,912**	**2,034**	**3,461**	**7,606**	**65,886**	**(519)**	**65,367**
Year ended March 31, 2001:									
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

	Thousands of U.S. dollars								
Year ended March 31, 2002:	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	Consolidated total
Sales to outside customers	**$3,244,233**	**$1,690,940**	**$1,063,338**	**$ 790,624**	**$376,053**	**$ 471,752**	**$ 7,636,940**	**$ —**	**$ 7,636,940**
Intersegment sales	**3,346**	**175,925**	**44,684**	**327,767**	**406**	**145,165**	**697,293**	**(697,293)**	**—**
Total sales	**$3,247,579**	**$1,866,865**	**$1,108,022**	**$1,118,391**	**$376,459**	**$ 616,917**	**$ 8,334,233**	**$(697,293)**	**$ 7,636,940**
Operating income	**$ 68,977**	**$ 12,331**	**$ 9,977**	**$ 4,466**	**$ 14,128**	**$ 23,211**	**$ 133,090**	**$ 8,602**	**$141,692**
Assets	**$3,495,827**	**$2,718,466**	**$1,762,512**	**$1,245,105**	**$590,737**	**$1,026,278**	**$10,838,925**	**$(414,060)**	**$10,424,865**
Depreciation and amortization	**196,579**	**180,414**	**120,872**	**18,654**	**19,917**	**71,587**	**608,023**	**(12,978)**	**595,045**
Capital expenditures	**131,812**	**145,428**	**119,639**	**15,293**	**26,023**	**57,188**	**495,383**	**(3,902)**	**491,481**

Results by Geographic Segment

	Millions of yen					
Year ended March 31, 2002:	Japan	Asia	North America and Europe	Total	Elimination and corporate	Consolidated total
Sales to outside customers	**¥729,966**	**¥167,600**	**¥118,147**	**¥1,015,713**	**¥ —**	**¥1,015,713**
Intersegment sales	**64,084**	**27,809**	**3,927**	**95,820**	**(95,820)**	**—**
Total sales	**¥794,050**	**¥195,409**	**¥122,074**	**¥1,111,533**	**¥(95,820)**	**¥1,015,713**
Operating income	**¥ 4,825**	**¥ 9,888**	**¥ 3,022**	**¥ 17,735**	**¥ 1,110**	**¥ 18,845**
Assets	**¥995,302**	**¥247,897**	**¥168,628**	**¥1,411,827**	**¥(25,320)**	**¥1,386,507**
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

	Thousands of U.S. dollars					
Year ended March 31, 2002:	Japan	Asia	North America and Europe	Total	Elimination and corporate	Consolidated total
Sales to outside customers	**$5,488,466**	**$1,260,150**	**$ 888,324**	**$ 7,636,940**	**$ —**	**$ 7,636,940**
Intersegment sales	**481,835**	**209,090**	**29,526**	**720,451**	**(720,451)**	**—**
Total sales	**$5,970,301**	**$1,469,240**	**$ 917,850**	**$ 8,357,391**	**$(720,451)**	**$ 7,636,940**
Operating income	**$ 36,278**	**$ 74,346**	**$ 22,722**	**$ 133,346**	**$ 8,346**	**$ 141,692**
Assets	**$7,483,474**	**$1,863,887**	**$1,267,880**	**$10,615,241**	**$(190,376)**	**$10,424,865**

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		
Year ended March 31, 2002:	Asia	North America, Europe and other areas	Total
Export sales and sales by overseas subsidiaries	**¥232,221**	**¥178,965**	**¥411,186**
Percentage of such sales against consolidated net sales	**22.9%**	**17.6%**	**40.5%**
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, 2002:	Thousands of U.S. dollars		
Export sales and sales by overseas subsidiaries	**$1,746,023**	**$1,345,601**	**$3,091,624**

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, 2002. 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, 2002.

REPORT OF INDEPENDENT ACCOUNTANTS

ChuoAoyama Audit Corporation

PRICEWATERHOUSECOOPERS

Kasumigaseki Bldg. 32nd Floor
3-2-5, Kasumigaseki, Chiyoda-ku,
Tokyo 100-6088, Japan

The Board of Directors
Toray Industries, Inc.

We have audited the accompanying consolidated balance sheets of Toray Industries, Inc. and its consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income and surplus, and cash flows for each of the three years in the period ended March 31, 2002, 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 consolidated subsidiaries as of March 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2002 in conformity with accounting principles and practices generally accepted in *Japan* (see Note 1) applied on a consistent basis.

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 26, 2002

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(As of June 26, 2002)

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TORAY GROUP

(As of March 31, 2002)

	SUBSIDIARIES (170 Companies)		
	CONSOLIDATED SUBSIDIARIES		
FIBERS, TEXTILES & FASHION (68 Companies)	**Japan** (23 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) Toray Coatex Co., Ltd. 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. San e Origin Co., Ltd 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 **China** (3 Companies) Toray Sakai Weaving & Dyeing (Nantong) Co., Ltd. Toray Fibers (Nantong) Co., Ltd. Taltex (Zhuhai) Ltd. **Hong Kong, China** (4 Companies) TAL Knits Ltd. Others (47 Companies)
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 (34 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. (20 Companies)
HOUSING & ENGINEERING (24 Companies)	**Japan** (13 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) (17 Companies)
PHARMACEUTICALS & MEDICAL PRODUCTS (4 Companies)	**Japan** (1 Company) Toray Medical Co., Ltd.		(1 Company)
NEW PRODUCTS & OTHER BUSINESSES (9 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. **Mexico** (1 Company) Toray Composites Mexico, S.A. de C.V.	**South Korea** (1 Company) STEMCO, Ltd. (5 Companies)
INFORMATION & SERVICES (46 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.	(15 Companies)
Total: 199 Companies	**114 Companies**		

	AFFILIATES (29 Companies)
SUBSIDIARIES ACCOUNTED FOR BY EQUITY METHOD	**AFFILIATES ACCOUNTED FOR BY EQUITY METHOD**
Japan (10 Companies) Toyo Flocking Co., Ltd. Toyo Waso Kogyo Co., Ltd. Toray Ecsaine Plaza, Inc. Others **Indonesia** (2 Companies) P.T. Jakarta Triapparel P.T. OST Fibre Industries **Vietnam** (1 Company) Vietnam TNT Fibers Co., Ltd. **Brazil** (1 Company) (14 Companies)	**Japan** (2 Companies) Du Pont–Toray Co., Ltd. Matsumoto Textiles Co., Ltd. **Indonesia** (1 Company) **Thailand** (1 Company) Thai Toray Textile Mills Public Company Limited **Malaysia** (2 Companies) **Singapore** (1 Company) (7 Companies)
Italy (1 Company) Toray Italia S.r.l. **Indonesia** (1 Company) P.T. Toray Trading Indonesia **China** (1 Company) Toray Trading (Shanghai) Co., Ltd. **Chinese Taipei** (1 Company) Tong Shing Inc. (4 Companies)	**Japan** (1 Company) Chori Co., Ltd. (1 Company)
Japan (2 Companies) **U.S.A.** (1 Company) Toray Resin Co. **South Korea** (1 Company) KTP Industries Inc. **Hong Kong, China** (1 Company) Toray Film Products (Hong Kong) Ltd. (5 Companies)	**Japan** (4 Companies) East Three Technology Co., Ltd. Dow Corning Toray Silicone Co., Ltd. Sanyo Chemical Industries, Ltd. Other **Indonesia** (1 Company) P.T. Petnesia Resindo **Thailand** (1 Company) 3TM Plastics Co., Ltd. **Chinese Taipei** (2 Companies) **China** (1 Company) Yihua Toray Polyester Film Co., Ltd. (9 Companies)
Japan (3 Companies) Chuno Cetech Co., Ltd. Toray Water Treatment Maintenance Co., Ltd. Other **U.S.A.** (1 Company) Toray Membrane America, Inc. (4 Companies)	**U.S.A.** (1 Company) **South Korea** (1 Company) Daehan Precision Co., Ltd. **Switzerland** (1 Company) Ropur AG (3 Companies)
Japan (2 Companies) (2 Companies)	**Japan** (1 Company) (1 Company)
Chinese Taipei (1 Company) Advanced Sporting Composites Inc. (1 Company)	**Japan** (2 Companies) Sakai Composites Co., Ltd. Matsushita PDP Co., Ltd. **South Korea** (1 Company) STECO, Ltd. (3 Companies)
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. Gifu Shokusan Inc. Ishikawa Shokusan Inc. Chiba Shokusan Inc. Tsuchiura Shokusan Inc. Others **U.S.A.** (1 Company) **Indonesia** (1 Company) P.T. Jabato International (26 Companies)	**Japan** (5 Companies) Chiryu Hotel Corp. Shiga Cable Network Inc. Eitopia K.K. Others (5 Companies)
56 Companies	**29 Companies**

INVESTOR INFORMATION

(As of March 31, 2002)

Toray Industries, Inc.

Head Office

2-1, Nihonbashi-Muromachi 2-chome,
Chuo-ku, Tokyo 103-8666, Japan
Telephone: 81 (3) 3245-5113
Facsimile: 81 (3) 3245-5459
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2nd Head Office Building

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

Osaka Head Office

Nakanoshima-Mitsui Building,
3-3, Nakanoshima 3-chome,
Kita-ku, Osaka 530-8222, Japan
Telephone: 81 (6) 6445-4101
Facsimile: 81 (6) 7688-3774

Established: January 1926

Number of Employees

Parent company	8,271
Domestic subsidiaries	8,872
Overseas subsidiaries	17,767
Total	34,910

Common Stock Price Range	2002 High	2002 Low	2001 High	2001 Low
First quarter	**¥585**	**¥470**	¥444	¥374
Second quarter	**528**	**300**	455	376
Third quarter	**356**	**300**	447	403
Fourth quarter	**376**	**299**	530	396

Cash Dividends per Share	**2002**	2001
Total for the year	**¥5.00**	¥7.00
Interim	**2.50**	3.50

Composition of Stockholders	Percent of total	Thousands of shares
Financial institutions	43.96%	616,118
Securities companies	1.23	17,193
Other corporations	5.73	80,328
Foreign investors	17.31	242,659
Individuals and others	31.77	445,180
National and regional governmental organizations	0.00	2

Common Stock:

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

Number of Stockholders: 165,672

Listings:

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

Transfer Agent:

The Chuo Mitsui Trust and Banking Co., Ltd.
33-1, Shiba 3-chome, Minato-ku,
Tokyo 105-0014, Japan

TORAY

Toray Industries, Inc.

2-1, Nihonbashi-Muromachi 2-chome,
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