

Defining The Way

ANNUAL REPORT **2013**
April 1, 2012–March 31, 2013





One goal of this year's Annual Report is to inform our stakeholders about the characteristics and strengths that Toray has evolved through more than 80 years of experience, and about our vision and future direction.

I believe that materials have the power to bring about fundamental transformations in our lives and culture. That is why I am proud to be involved in the management of Toray as it fulfills its vital role as a materials manufacturer.

Toray was established in 1926 to manufacture viscous rayon, the world's first man-made fiber. In the eight decades since, we have become one of the world's leading manufacturers of advanced materials. The ultimate goal of Toray Group is to become the world's number one manufacturer of advanced materials. We continue to use the potential of the materials that we have created during those years to provide solutions for the many challenges confronting the human race in the 21st century, including global environment problems.

In this year's Annual Report, we tell the corporate story of Toray, so that, by knowing our origins and heritage, stakeholders might more fully understand our characteristics as a company, the strengths acquired from our wide-ranging experience, and our thinking—together, they define our way.

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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.



Akihiro Nikkaku
President



Birth

New Basic Materials—the Challenge of the Unknown

“Finally done it. Produced the wonderful new fiber. Quality excellent.”

Such a message was telegraphed to Yunosuke Yasukawa, Chairman of Toyo Rayon Co., Ltd. (now Toray Industries, Inc.), on August 16, 1927 by James Starley, who was then chief engineer at the Shiga Plant.

In that era, the development of new technology was led by advanced companies in European countries, especially Germany, the United Kingdom and Italy. The creation of new industries was an urgent priority for Japan. Toray furthered that goal by recruiting from advanced countries 27 specialists in various fields and building a manufacturing facility for chemical fibers to recreate the process for rayon, the leading advanced fiber of its day. In August 1927, they achieved their breakthrough. Named in the United States, rayon suggests “bright thread,” highlighting its similarity to silk.

In the same year that Toray began production of artificial fibers in Japan, Charles Lindbergh made the first non-stop flight across the Atlantic. It was also a time when more and more products of modern science were beginning to appear in day-to-day life.

This was the beginning of Toray’s history as a company that uses the most advanced chemistry of the era to create new materials and prepare for challenges just beyond the horizon.





Rise

A New Era Built on Synthetic Chemistry

From its founding and into the 1950s, Toray expanded its major plants in Japan while steadily developing its own technology. The next challenge, in the late 1950s, was the development of nylon fiber, the first new material created using synthetic chemistry in the history of mankind.

Shortly after the end of World War II, Toray began manufacturing nylon fiber using original technology. The year was 1946.

The American company DuPont had pioneered the development of nylon and was acquiring patents. Toray decided that the best way to establish a full-scale nylon manufacturing business was to enter into a technology agreement with DuPont, which would also prevent competitors from using DuPont technology to enter Japan's nylon market. In 1951, Toray acquired exclusive rights to use DuPont's patents relating to nylon fiber. The agreement did not encompass the provision of know-how. Yet, Toray had accumulated fiber-making technology through its experience with rayon and was confident in the future potential of synthetic chemistry. All corporate resources were therefore focused on the creation of a full-scale nylon business.

Toray learned much through the development and commercialization of nylon, including the importance of R&D strategies for advanced materials, and patent strategies in the international business arena. In the 1950s and 1960s, Toray earned vast profits as Japan's first industrial producer of nylon. Those profits would provide the foundation for Toray's future growth and development.

Innovation



Surviving the Shocks

By the early 1960s Toray was the most profitable company in Japan. In addition to nylon, it had begun to produce polyester fibers in 1958 and acrylic fibers in 1964, giving it a business based on the three major synthetic fibers.

However, its profits depended on exports, which were almost one-half of its sales. From the mid-1960s, newcomers began to move into the nylon and polyester markets, and the overheated production triggered a structural recession in the synthetic fiber industry in Japan.

In 1971, the value of the yen began to rise as a result of the Nixon Shock, while the signing of the Japan-U.S. Textile Agreement caused a decline in exports to the United States. The 1973 and 1979 oil shocks added to the challenges of this prolonged period of tribulation.

In 1970, the name of the company was changed from Toyo Rayon to Toray. Toray also began to work toward sustainable growth through diversification into a number of new business areas that today encompass plastics, which includes films and resins, new materials, such as carbon fiber, and life sciences business.


Toray also expanded its production operations into Southeast Asia and other overseas locations to create a structure that would be less vulnerable to exchange rate fluctuations and better able to meet the needs of customers that were also expanding globally.



Global Operations

Experience





The overseas production activities of Toray Group began 50 years ago, in 1963, with the start-up of a fiber production operation in Thailand. Our production operations in Indonesia and Malaysia followed only 10 years later.

Until the 1980s, Toray struggled to earn reliable income from these operations, in part because of the negative impact of the oil shocks and other factors. Toray achieved a clear turnaround in Southeast Asia through in-depth cost management and product quality raised to a level at which it was possible to export to Europe and the United States.

The success of overseas businesses cannot be ensured simply by transferring technology and management systems. It requires efforts over many years, including the establishment of forward-looking management strategies, local training of employees and the establishment of shared values.

Toray Group's overseas infrastructure today serves as a production and supply network for global markets. Achievements based on our past experience form the foundations for our current global operations strategy.

Toray's DNA

Spirit



Throughout its history, Toray has worked constantly to develop advanced technology to support its role as a manufacturer of materials. A key part of the corporate DNA that has been handed down within the Toray organization is our commitment to research and technology development to create the keys for our success in the future. This belief is manifested in a constant drive to maintain and strengthen our research and development capabilities.

Toray's core technologies are organic synthetic chemistry, polymer chemistry, biotechnology and nanotechnology. Our efforts to achieve new advances in these areas individually also lead to the creation of new integrated technologies.

One of the characteristics that make up Toray DNA is our unique approach to marketing through strategic partnerships with customers. In addition to the creation of new materials, Toray has also focused continuously on the development of applications for those materials.

We carefully monitor contemporary needs and work with midstream and downstream partner companies to offer new fashion and lifestyle ideas. This commitment is as much a part of Toray DNA as technology development.





A hand in a white sleeve reaches out from the left side of the frame towards a bird in flight. The background is dark with several other birds in flight, creating a sense of movement and aspiration. The word "Vision" is written in a large, white, serif font, with a small yellow circle above the letter 'i'.

Vision

**Contributing to Society through
Creation of New Value**

Carbon fiber supplied by Toray makes up 50% of the airframe weight of the Boeing 787 Dreamliner, which made its first commercial flight in 2011. The full acceptance of carbon fiber as a material for structural aircraft parts was a long-cherished dream for Toray, which has long led the world in carbon fiber development. By using carbon fiber, it has been possible to reduce the weight of the airframe, which in turn reduces the aircraft's carbon dioxide emissions by 20% and makes air transport more earth-friendly.

As the world's top manufacturer of reverse osmosis membranes for seawater desalination plants, Toray Group is also helping to alleviate water shortages in various parts of the world. The water problem ranks alongside the energy problem as one of the key issues confronting mankind in the 21st century. By helping to solve this problem, Toray is making a major contribution to society.

In the field of energy-related technologies, Toray Group manufactures materials for solar panels, fuel cells and other new energy systems. Toray is also a leader in green innovation, including biomass-derived fibers and resins. In addition, Toray will continue to take up the challenges of contributing to humanity and society through life innovation activities leading to creation of revolutionary new pharmaceuticals and medical devices.



Toward a Brighter Future

We cannot bring about big changes simply by tweaking the shape of existing things. However, we believe that we will help to create new products that can fundamentally transform people's lives by modifying the materials from which all things are made. That belief drives Toray's efforts to develop advanced materials.

In the same light, we will continue to work toward the solution of global environmental problems and other issues affecting all of mankind through green innovation, and we will also help to improve quality of life through our life innovation activities.

We believe that the mission of Toray Group is to offer our customers advanced materials made possible through continuing innovation driven by the power of chemistry.



Toray's way

Toray Profile: Overview and Philosophy

We are involved in global manufacturing, marketing and sales in three business categories covering six segments: Foundation Businesses (Fibers & Textiles, Plastics & Chemicals), Strategically Expanding Businesses (IT-related Products, Carbon Fiber Composite Materials) and Intensively Developing and Expanding Businesses (Environment & Engineering, Life Science).

Our products are found in many everyday items, including apparel, interior products, home appliances and electronic products, as well as in materials and parts for automobiles and aircraft, IT products and water treatment facilities.

Today, we are active in 23 countries and regions. To successfully conduct our day-to-day operations, we rely on the strong chemistry that we have created with our stakeholders, including Toray Group employees, our customers and business partners, the people of the countries and regions in which we are active, our stockholders and people working for financial institutions.

“Contributing to society through the creation of new value with innovative ideas, technologies and products”—this is Toray Group’s corporate philosophy. We will continue to put this philosophy into practice by creating new value in the spirit of respect for all of our stakeholders.

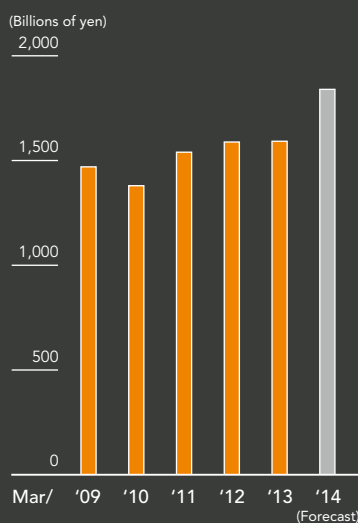
CORPORATE PHILOSOPHY

Contributing to society through the creation of new value with innovative ideas, technologies and products

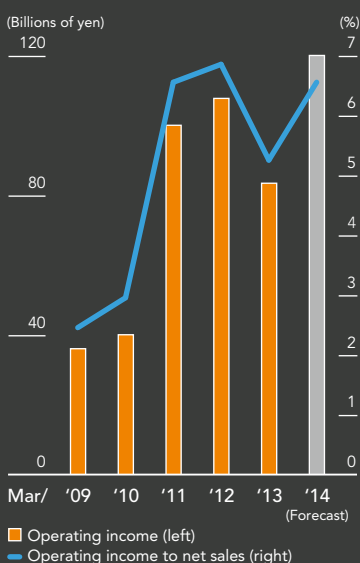
CORPORATE MISSIONS

- For our customers** To provide new value to our customers through high-quality products and superior services
- For our employees** To provide our employees with opportunities for self development in a challenging environment
- For our stockholders** To provide our stockholders with dependable and trustworthy management
- For society** To establish ties and develop mutual trust as a responsible corporate citizen

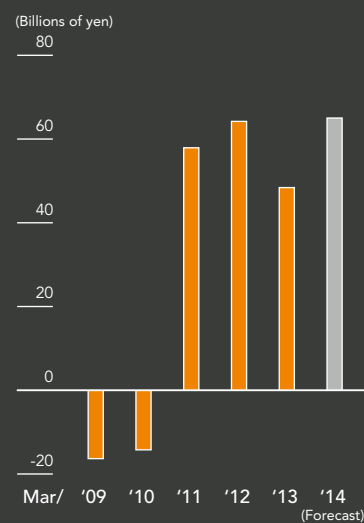
Net Sales



Operating Income and Operating Income to Net Sales



Net Income (Loss)



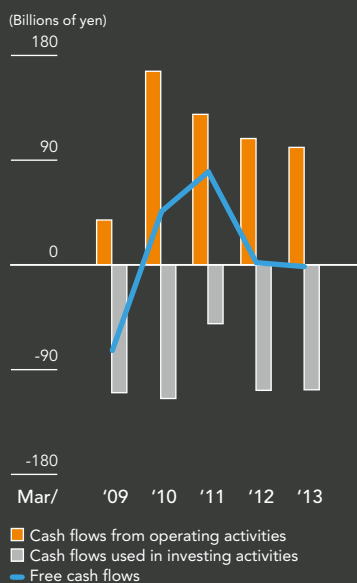
Consolidated Financial Highlights

Toray Industries, Inc. and Consolidated Subsidiaries
Years ended March 31

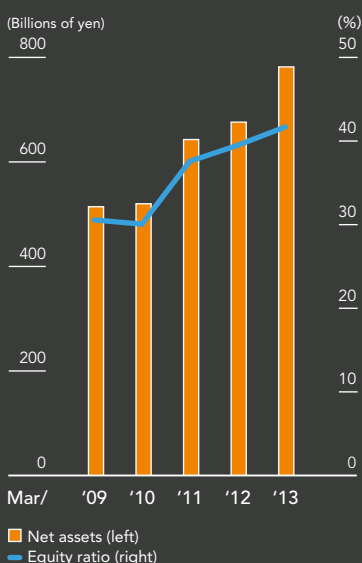
	Millions of yen					Thousands of U.S. dollars
	2013	2012	2011	2010	2009	2013
For the year:						
Net sales	¥1,592,279	¥1,588,604	¥1,539,693	¥1,359,631	¥1,471,561	\$16,939,138
Operating income	83,436	107,721	100,087	40,107	36,006	887,617
Net income (loss)	48,477	64,218	57,925	(14,158)	(16,326)	515,713
Cash flows from operating activities	100,815	104,410	129,214	166,215	38,447	1,072,500
Cash flows used in investing activities	(107,525)	(104,002)	(50,734)	(121,723)	(113,373)	(1,143,883)
Free cash flows	(6,710)	408	78,480	44,492	(74,926)	(71,383)
At year-end:						
Total assets	¥1,731,830	¥1,581,501	¥1,567,470	¥1,556,796	¥1,523,603	\$18,423,723
Net assets	779,615	674,149	640,970	518,216	512,610	8,293,777
Per share of common stock (in yen and U.S. dollars):						
Net income (loss) :						
Basic	¥ 29.75	¥ 39.41	¥ 36.41	¥ (10.12)	¥ (11.66)	\$ 0.32
Diluted	28.90	37.46	34.43	—	—	0.31
Cash dividends	10.00	10.00	7.50	5.00	7.50	0.11
Net assets	444.95	384.90	363.90	336.65	335.04	4.73
Ratios:						
Operating income to net sales	5.2%	6.8%	6.5%	2.9%	2.4%	
Equity ratio	41.9%	39.7%	37.8%	30.3%	30.8%	
ROA	5.0%	6.8%	6.4%	2.6%	2.2%	
ROE	7.2%	10.5%	10.9%	(3.0)%	(3.1)%	
Debt/equity ratio (times)	0.73	0.77	0.83	1.34	1.42	

Note: U.S. dollar amounts have been converted from yen at the exchange rate of ¥94 = US\$1, the approximate exchange rate prevailing on March 31, 2013.

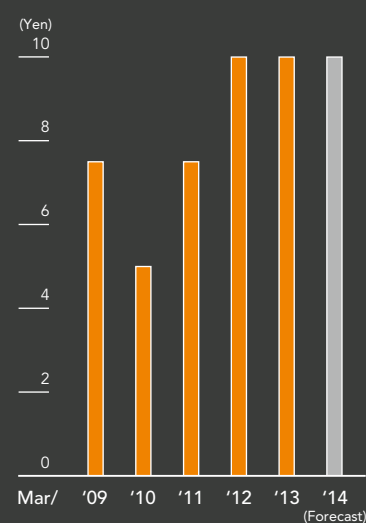
Cash Flows



Net Assets and Equity Ratio



Cash Dividend Per Share



Note: Forecast for year ended March 31, 2014, announced on August 6, 2013.

To Toray Stockholders and Investors

Toray's way

Toray Group is working proactively to achieve sustainable revenue and profit growth under a long-term corporate vision with a 10-year time frame, combined with medium-term management programs designed to realize that vision.

Akihiro Nikkaku
President



Group-wide Projects under the Medium-term Management Program—Project AP-G 2013

Green Innovation Business Expansion (GR) Project

Global development of Green Innovation Businesses based on our strengths in chemistry

Asia and Emerging Country Business Expansion (AE) Project

Proactive development of business in Asia and emerging countries in other regions

Total Cost Reduction (TC-II) Project

Establishment of a robust business footing through initiatives based on group-wide projects

To achieve our long-term corporate vision, we are pursuing group-wide initiatives based on the Green Innovation Business Expansion Project, the Asia and Emerging Country Business Expansion Project and the Total Cost Reduction Project.

I would like to begin this report by expressing our profound gratitude to stockholders and investors for their continuing support.

In the year ended March 31, 2013 (fiscal 2012), we faced challenging conditions in the world economy. Real economic trends in Europe entered a prolonged recession under the impact of Europe's sovereign debt problems, and this problem was compounded by economic deceleration in China and the slowing pace of economic recovery in the United States.

The Japanese economy followed a gradual recovery trend, driven in part by reconstruction demand related to the Great East Japan Earthquake. However, the economy marked time from the summer of 2012 onwards, mainly because of the slowing performance of overseas economies. Some economic indicators began to show signs of improvement, including the correction of the overvalued yen and the revitalization of the stock market, in response to measures implemented by the new Abe administration that took office in late 2012.

Toray Group is responding to this business environment by working under its medium-term management program—Project AP-G 2013—to implement growth strategies centering on business expansion in growth business fields and growth regions. At the same time, we have further intensified our efforts to strengthen our total cost competitiveness.

We are seeking new growth paths through shifting to a proactive management stance under our medium-term management program—Project AP-G 2013.

Since 2002, Toray Group has adopted long-term corporate visions with a 10-year time frame and medium-term management programs covering periods of 3–5 years. We have maintained a process of management reforms while progressively revising our visions and programs.

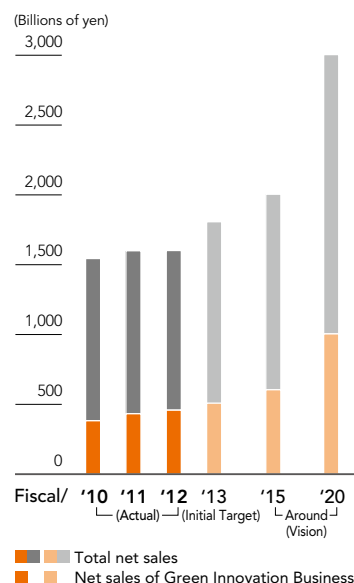
In April 2011, we adopted a new long-term corporate vision—AP-Growth TORAY 2020—as an integrated management guideline for our efforts to build a corporate group that continually increases revenues and profits. We are currently implementing Project AP-G 2013, a medium-term management program covering the first three years under AP-Growth TORAY 2020. Our aims under this program are to expand business in growth business fields and growth regions, and to establish a robust business footing by cost reductions.

Under Project AP-G 2013, we are seeking new paths for growth through shifting to a proactive management stance, while maintaining our commitment to management reforms started under previous medium-term management programs.

The year ended March 2013 was the middle year of Project AP-G 2013. The consolidated net sales of Toray Group increased by 0.2% over the previous year's level to ¥1,592.3 billion. Operating income was 22.5% lower at ¥83.4 billion, and net income declined by 24.5% to ¥48.5 billion.

Business expansion in growth business fields and growth regions was reflected in increased net sales. However, income

Trends in Net Sales of Green Innovation Business



Trends in Net Sales and Ratio of Green Innovation Business

	Fiscal 2010 (Actual)	Fiscal 2012 (Actual)	Around 2015 (Vision)	Around 2020 (Vision)
Net sales	378.0	450.4	600	1,000
Ratio to total net sales	25%	28%	30%	33%

Our Green Innovation Businesses continue to expand steadily, especially in the area of carbon fiber composite materials and water treatment membranes.

was lower year on year, in part because of pressure on selling prices due to a global downturn in demand.

On the other hand, we continued to make steady progress in pursuing the growth strategies and strengthening the earnings base, as defined in Project AP-G 2013.

Continuing Progress under Project AP-G 2013

Under Project AP-G 2013, we are implementing group-wide the Green Innovation Business Expansion (GR) Project, the Asia and Emerging Country Business Expansion (AE) Project and the Total Cost Reduction (TC-II) Project. These three projects are expected to deliver major benefits through group-wide cross-organizational activities.

Green Innovation Business Expansion (GR) Project

The aim of the GR Project is to achieve growth by using the power of chemistry to contribute to the solution of global problems relating to the environment, resources and energy.

We have identified four core business areas for prioritized technology development and business expansion, outlined below:

1. Carbon fiber composite materials

We are the world's No. 1 manufacturer of carbon fiber composite materials, which are used in a wide range of applications, and we aim to achieve further rapid expansion.

2. Water treatment membranes

We are also the leading company in the area of water treatment membranes, and we are determined to consolidate our No. 1 position by stepping up our global expansion efforts.

3. Battery materials for solar cells, fuel cells and lithium-ion batteries

We are determined to use the total capabilities of Toray Group to build a position for ourselves as the world's top manufacturer in the area of battery materials.

4. Biomass materials

We will develop and commercialize new products using plant-derived materials.

In the year ended March 2013, net sales from Green Innovation Businesses amounted to ¥450.4 billion, or 28% of total consolidated net sales. We aim to increase this to ¥600 billion by around 2015 and to ¥1,000 billion by around 2020.

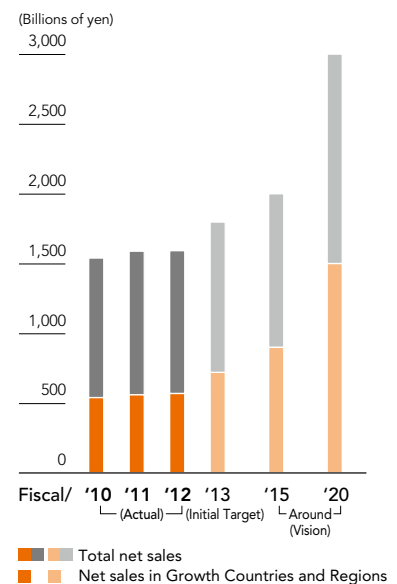
Key GR Project Topics in the Year Ended March 2013

- **Carbon fiber composite materials:** We acquired 100% of the shares in DOME CARBON MAGIC LTD. and 75% of the shares in its production subsidiary in Thailand. These companies are now Toray subsidiaries.
- **Water treatment membranes:** We received orders to supply reverse osmosis (RO) membranes to the Al Zawra Desalination Plant in the Emirate of Ajman and the Ghaliyah Desalination Plant in the Emirate of Ra's al Khaymah in the United Arab Emirates.
- **Printing plates:** We decided to build a new production facility for Toray Textiles Central Europe s.r.o., a subsidiary based in the Czech Republic.

Trends in Net Sales and Ratio of Growth Countries and Regions (Billions of yen)

	Fiscal 2010 (Actual)	Fiscal 2012 (Actual)	Around 2015 (Vision)	Around 2020 (Vision)
Net sales	540.3	569.5	900	1,500
Ratio to total net sales	35%	36%	45%	50%

Trends in Net Sales in Growth Countries and Regions



We are building our business activities in growth countries and regions, by investing in future growth and expansion and establishing or expanding facilities in ASEAN countries, China and the Republic of Korea.

Asia and Emerging Country Business Expansion (AE) Project

Emerging countries in Asia and other regions are expected to achieve major growth in the years ahead. The goal of the AE Project is to harness this growth potential by dynamically expanding Toray Group's business activities in these countries and regions.

Initiatives under the AE Project center on a number of priority goals. First, we aim to develop products to meet needs specific to Asia and emerging countries and to strengthen our marketing and sales capabilities in those countries. Second, we are strengthening the infrastructure of existing production operations and establishing new facilities in markets where we are not yet active. Third, we are speeding up the process of business expansion by forming alliances with leading local companies. Fourth, we are expanding our activities in the field of advanced materials to keep pace with demand growth driven by the expansion of high-net-worth and middle-class populations.

Net sales in Asian emerging countries totaled ¥569.5 billion in the year ended March 2013. Our goal is to increase this to ¥900 billion by around 2015 and to ¥1,500 billion by around 2020.

Key AE Project Topics in the Year under Review

- **ASEAN:** We decided to expand our production facilities in Thailand for nylon fibers used in automobile airbags, to establish a new resin compound facility in Indonesia and to expand our vapor deposition processing capacity for food packaging films in Malaysia.
- **Republic of Korea:** A new carbon fiber carbonization facility became operational.
- **China:** We established a new resin compound company in Chengdu.

- **Emerging countries:** We expanded our sales network in Brazil, and the Istanbul Liaison Office of Toray International Inc. opened for business.

Total Cost Reduction (TC-II) Project

The TC-II Project is a group-wide initiative to establish a robust business footing by reducing variable costs and controlling fixed costs.

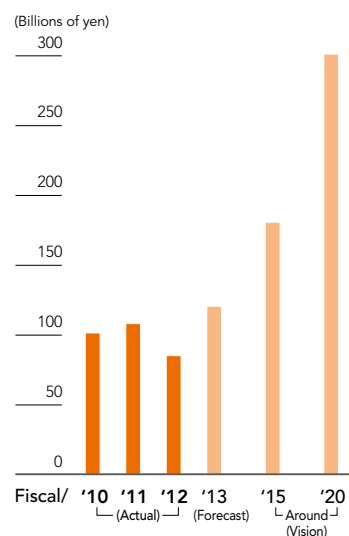
Our target for variable costs is to achieve a reduction of at least 3% per annum (based on the year ended March 2011) and a total three-year reduction of 10% during the three years covered by Project AP-G 2013. In numerical terms, this represents a reduction of more than ¥70 billion. Our strategies for reaching this target include the extension of unit consumption improvement methods used in Toray Japanese plants to our group companies in Japan and overseas, the reduction of procurement and logistics costs through initiatives linked to business strategies and the establishment of global procurement systems. In the year ended March 2013, variable costs were reduced by ¥24.6 billion, or 4.0% compared with the previous year.

We have introduced a new indicator, the "Performance" (P) indicator, as a benchmark for our efforts to maintain an appropriate scale for fixed costs during this business expansion phase. The P indicator is calculated by dividing the rate of increase in fixed costs by rate of increase in marginal profit. We will manage fixed costs for each business division by keeping this indicator at 1.0 or lower, or by maintaining budget ratios.

In the year ended March 2013, we reduced fixed costs by ¥17.3 billion relative to budgets. However, with a P indicator of 1.05, we failed to achieve a budget ratio of 1.00.

Vision Targets for Long-term Financial Indicators

	Fiscal 2010 (Actual)	Fiscal 2012 (Actual)	Around 2015 (Vision)	Around 2020 (Vision)
Net sales	1,539.7	1,592.3	2,000	3,000
Operating income	100.1	83.4	180	300



Under Project AP-G 2013, Toray Group is implementing growth strategies centering on business expansion in growth business fields and growth regions, while also targeting further improvement in total cost competitiveness.

We aim to achieve record income in the year ending March 2014, the final year of Project AP-G 2013.

In the year ending March 2014, the world economy is still affected by lingering uncertainty surrounding responses to the European sovereign debt problem. However, the overall economic environment is expected to follow a gradual recovery trend driven by factors that include the growth of China and other emerging economies, and expectations of economic expansion in the United States.

Although there is also uncertainty about the outlook for the Japanese economy, economic performance is expected to move gradually toward recovery thanks to a combination of factors, including an export rally linked to the correction of the overvalued yen, the emergence of post-earthquake reconstruction demand and a rise in confidence based on expectations toward the economic policies of the Abe administration.

Toray Group aims to achieve record sales and operating income in the year ending March 2014 through a continuing focus on initiatives under Project AP-G 2013 and through concerted group-wide efforts to realize growth strategies and strengthen our earnings base.

AP-Growth TORAY 2020—Enhancing the Value of Our Corporate Role

As mentioned earlier, in February 2011 we adopted a long-term corporate vision, known as AP-Growth TORAY 2020, which encapsulates our vision for Toray around 10 years in the future, and Project AP-G 2013, a medium-term management program covering the first three-year period.

In addition to the expansion of business revenue and profit and the achievement of further global business expansion, we are also focusing on and the expansion of our Green Innovation Businesses under our long-term corporate vision—AP-Growth TORAY 2020. Our aim is to build a future as a corporate group capable of continually increasing revenues and profits, while also proactively contributing to social development and environmental stewardship and providing high value to all stakeholders.

Under our medium-term management program, Project AP-G 2013, which is based on this long-term corporate vision, we are pursuing growth strategies and implementing comprehensive and powerful initiatives designed to strengthen our corporate structure during this period of challenging business conditions in Japan and overseas. We are also undertaking facility investment aimed at global expansion in our various business fields and making steady progress on research and development efforts targeted toward the creation of new products and technologies in the future.

Toray's way

The fundamental long-term focus of Toray Group is the continuing realization of our corporate philosophy of “contributing to society through the creation of new value with innovative ideas, technologies and products” based on the development of innovative advanced materials.

Toray Group aims to achieve sustainable growth by providing solutions to various social priorities through the measures described above. We will continue to work toward the realization of the group's corporate philosophy of “contributing to society through the creation of new value with innovative ideas, technologies and products.”

We will help to build a brighter future for society through our role as a supplier of basic materials.

Toray Group remains fundamentally committed to our role as a corporate group that is helping to build a brighter future for society through the supply of basic materials and development of advanced materials based on the power of chemistry. We express this commitment in our corporate slogan “Innovation by Chemistry.”

As the basic building blocks for all products, basic materials have the power to transform society intrinsically. As a leading manufacturer of basic materials, we believe that we must continue to play a pioneering role in meeting the challenge of technological innovation.

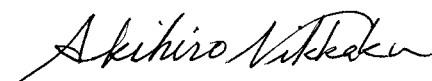
Because the development of advanced materials depends on major breakthroughs, research and development in this field requires a long-term perspective. Long-term development is not sustainable without commitment, and I believe that this commitment is the driving force for innovation.

Toray Group aims to maintain robust growth as one of the world's leading manufacturers of basic materials, while building a reputation as a good and trusted partner for society.

We look forward to the continuing support of our stockholders and investors.

July 2013

President





Toray's Global Operations — Toray's way

Global Expansion Guided by Long-term Perspectives and the “Made in Toray”^{*} Spirit

Toray is continually strengthening and expanding its global production network in Japan and overseas. That network is key to Toray's ability to adapt flexibly to exchange rate fluctuations and demand trends.

^{*}“Made in Toray” guarantees that all Toray Group products, regardless of where in the world they are made, will always meet the same quality standards.



Basic Strategy of Global Operations— Achieve growth through strong local roots

Toray began to develop overseas production operations far earlier than most Japanese companies. Toray Group's first overseas production started in Thailand in 1963. Our production network expanded to encompass Southeast Asia in the 1960s and 1970s, Europe and the United States in the 1980s, and the Republic of Korea and China in the 1990s.

Today, Toray Group is building a global operating structure based on stronger organic cooperation between overseas and Japanese facilities. This structure has given Toray Group a key advantage—the ability to adapt flexibly to exchange rate fluctuations and demand trends.

Regardless of the country or region in which they are made, all Toray products must meet Toray Group's own standard of technology and quality according to "Made in Toray". Our plants in Japan support our global growth strategy through their role as mother plants, including research and development focusing on advanced and innovative technologies, the development of advanced materials, and the development and implementation of innovative processes.

We target business expansion by using this global network of production facilities in Japan and overseas to manufacture each item at the optimal location. Our global expansion is driven by our fundamental determination to

ensure that each production facility established goes on to put down strong local roots and achieve growth and success in partnership with local communities.

50th Anniversary of Business in Thailand

This year marks the 50th anniversary of Toray Group's first overseas production operation, Thai Toray Textile Mills, which was established in 1963 to produce polyester-rayon blend fabrics. Since then we have built a wide range of business operations in Thailand, including Luckytex (Thailand), which spins polyester-cotton fibers, produces textiles for airbags, etc., and weaves and dyes the fabrics, and Thai Toray Synthetics, a manufacturer of nylon and polyester filament yarns.

Thailand will continue to be a key focus for the expansion of Toray Group's business activities in the ASEAN region.

Four Decades of Business Development in Indonesia and Malaysia

Toray first began to develop business operations in Indonesia and Malaysia 40 years ago.

In Indonesia, we established Century Textile Industry, which produces polyester-cotton blend fabrics, and the polyester-rayon blend fabrics manufacturer Indonesia Synthetic Textile Mills, in 1972. Other companies were subsequently established, including production subsidiaries for nylon filament yarns, high-performance polypropylene, non-woven fabrics and other products. These companies achieved strong growth thanks to their excellent cost competitiveness.

Our activities in Malaysia began with the establishment of several textile production sites during the 1970s. Today we have integrated production operations spanning all stages from fibers to textiles, including polyester staple fibers, and spun, woven, dyed and printed polyester-cotton blend products. Our diverse business operations also include the production of resins and films.

Science Foundations

In 1993 and 1994, Toray established science foundations in Indonesia, Malaysia and Thailand. These foundations contribute to the development of scientific technology in the ASEAN region by supporting the improvement and development of scientific technology and culture in all three countries.

Global Expansion of Carbon Fiber Business

Expanding Our Global Production Capacity to Match Demand

World demand for polyacrylonitrile (PAN) carbon fibers expanded to around 39,000 tons in 2012 and is expected to remain on a steep growth trend of 15% growth per year.

Toray leads the global carbon fiber industry as the world's number one producer. Our global production network consists of production facilities in Japan, the United States, France and the Republic of Korea. We plan to invest around ¥45 billion in these four bases to increase our carbon fiber production capacity by 6,000 tons per year. This will bring Toray Group's total capacity to 27,100 tons per year by March 2015, enhancing our ability to stably supply high-quality, high-grade carbon fibers reliably to customers throughout the world.

Active Development of New Applications

Toray Group is actively developing new applications for carbon fibers.

In June 2011, we established a joint venture with the German company Daimler to manufacture and sell automobile parts made from carbon fiber composite materials. This company has dramatically enhanced the productivity of resin transfer molding (RTM) technology based on thermosetting resin. It has started to supply Daimler with mass-produced parts. In April 2013, we acquired DOME CARBON MAGIC LTD., which has an excellent reputation in the automobile industry through its involvement in racing car design and manufacturing. DOME CARBON MAGIC LTD., brings advanced design and analysis technologies and prototyping capabilities—together with a Thai manufacturing subsidiary—giving Toray a robust, vertically integrated supply chain with excellent cost competitiveness.

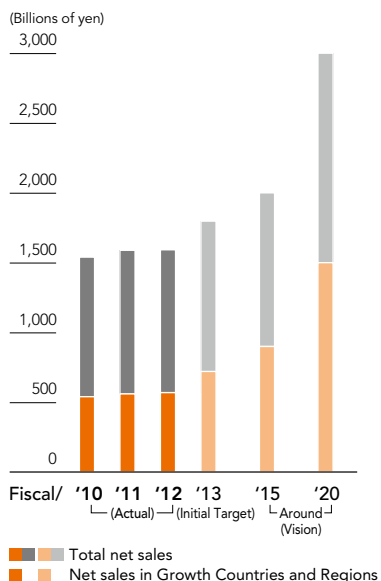
We are also expanding our markets for environmental and energy-related applications. Examples of products in this category include compressed natural gas tanks to meet demand growth resulting from the commercialization of shale gas in the United States.





Expansion of Production Operations in Asia's Emerging Markets

Trends in Net Sales in Growth Countries and Regions



Harnessing the Growth Potential of the ASEAN Region

Toray has shifted to a more proactive management stance under the AP-G 2013 medium-term management program. In line with the basic strategy defined in AP-G 2013, we are focusing our global expansion efforts on countries and regions that offer particularly strong growth potential through group-wide initiatives based on Asia and Emerging Country Business Expansion (AE) Project.

Our target is to raise Toray Group's sales in Asia and emerging countries of other regions from ¥569.5 billion in the year ended March 2013 (fiscal 2012) to ¥1,500 billion by around 2020.

Decision to Establish New Resin Compound Facility

Toray has decided to establish the first resin compound facility for engineering plastics in Indonesia. Demand for engineering plastics in Indonesia is expected to increase by around 9% annually in volume terms, and the creation of local production capacity will allow Toray to respond quickly to the needs of local customers and provide in-depth technical services. As a result, Toray will be able to expand its business by moving quickly and effectively to capture the growing demand for engineering plastics in Indonesia.

The plan calls for the installation of production facilities with capacity for 6,000 tons per year, with a target start-up date of November 2013.

Decision to Increase Production of Nylon Fibers for Airbags

Demand for airbags is growing, in part because of the increasing percentage of airbag-equipped vehicles in emerging markets. Toray is determined to capture this demand growth and has decided to expand its production capacity in Thailand for nylon 66 fiber for automobile airbags. The new facilities, which will have an annual production capacity of about 7,000 tons, are scheduled to come on line in January 2015. This capacity boost will bring Toray's total production capacity for nylon 66 airbag fiber in Japan and Thailand to approximately 32,000 tons per year.

Decision to Expand Production of Packaging Films

Demand for packaging materials in the ASEAN region is expected to increase by 3–5% annually in step with improving living standards. Toray Group aims to harness this demand growth by expanding the capacity of its vapor deposition equipment in Malaysia for packaging films used for food and other products. The new facilities are scheduled to become operational in April 2014.



Continuing Focus on China's Growth Potential

Establishment of New Resin Compound Company

Current projections indicate that China's demand for engineering plastics, especially for use in automobiles and home appliances, will grow by around 12% annually. Growth is expected to be even higher at 17% per annum in western China. In July 2012, Toray established a new resin compound company in Chengdu, in addition to its three existing facilities in southern, eastern and northern China.

Toray plans to expand its involvement to include nylon, PBT and PPS resins for use in automobiles and home appliances. Future plans also include the production of compounds based on carbon fibers with enhanced added value.

Establishment of Facility for Torayca® Resin Compounds

Carbon fiber reinforced thermoplastics (CFRTPs) are made by compounding carbon fibers with materials to increase their strength. World demand for these materials is expected to grow by over 10% annually, rising from around 30,000 tons in 2012 to 70,000 tons in 2020. The rate of growth is likely to be espe-

cially high in China, and Toray has therefore established a production facility for Torayca® resin compounds in southern China.

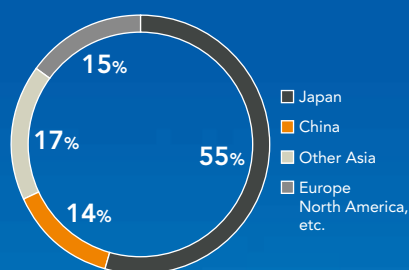
Expansion of Dialysis Business in China

At present imported products are used to meet the majority of demand for dialysis-related products, including dialysis machines and dialyzers. Toray is building supply capacity within China to support a timely response to market needs. A joint venture established with a local company in June 2011 has built a dialysis machine plant and has been producing and selling dialysis machines since April 2012. A production facility for dialyzers is now being built within the grounds of the dialysis machine plant in preparation for the commencement of sales in 2014.

Developing Growth Markets beyond Asia

In addition to its activities in Asia, Toray Group is also laying foundations for business development in emerging markets in other regions.

Toray's business in Brazil is worth around ¥6 billion at present. We aim to expand this to ¥20 billion over the next five years.



Regional Contributions to Net Sales in the Year Ended March 2013 (Fiscal 2012)

In this year, overseas sales were ¥722.0 billion, or 45% of total sales. We use all of the Group's resources and capabilities, such as extensive management resources and our overseas infrastructure, to drive the expansion of our overseas business.

Expansion in Brazil

In November 2012, Toray's local subsidiary in Brazil was restructured under a new management structure. Local staff numbers were increased, and Japanese staff members were assigned to the company for the first time. With double the number of personnel, the potential of this company as a sales base has been significantly enhanced.

With a population of 190 million and a land area over 20 times greater than Japan's Brazil is the biggest country in South America. As the world's sixth biggest economy, Brazil has continued to achieve stable economic growth, as evidenced by an average real GDP growth rate of around 4% over the past five years.

Brazil will host the Soccer World Cup in 2014 and the Olympic Games in 2016. These major international sporting events are expected to provide additional impetus for economic development.

New Representative Office in Turkey

Toray International, the trading arm of Toray Group, has operated a representative office in Istanbul, Turkey's largest city, since July 2012. Around one-half of Turkey's estimated population of 74 million consists of young people aged 29 or below. The Turkish economy continues to expand steadily, and real GDP has grown by an average of about 5% over the past eight years.

Since the opening of its representative office in Istanbul, Toray International has been working to expand Toray Group's business in Turkey and neighboring countries in product categories ranging from industrial fibers and textiles to printing materials. Its approach is based on the utilization of local facilities, such as partnerships with local companies, to provide a timely response to customer needs.



Toray Group Segments

Business Categories

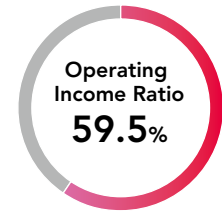
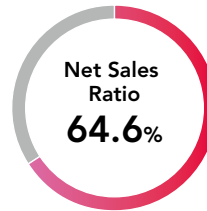
Segments

Main Products

Application Examples

Note: Excludes other businesses, equivalent to ¥14.1 billion (0.9%) in net sales and ¥1.6 billion (1.5%) in operating income, and adjustment of operating income of -¥20.0 billion.

Foundation Businesses



Fibers & Textiles

Filament yarns, staple fibers, and woven and knitted fabrics of nylon, polyester and acrylic fibers, etc.; non-woven fabrics, man-made suede and apparel products

- Women's and men's clothes (coats: man-made suede, dress shirts: polyester-cotton blended fabric, stockings: nylon fiber, apparel products, swimwear)
- Automobiles (car seats: polyester fiber, airbags: nylon fiber, seatbelts: polyester fiber)
- Sportswear
- Furniture & interior (sofas: man-made suede, carpets: BCF nylon, curtains: halogen-free, flame retardant materials)
- Disposable diapers: polypropylene filament yarn non-woven fabric
- Tents: polyester fiber

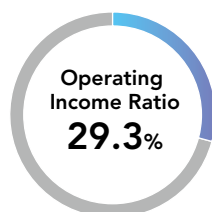
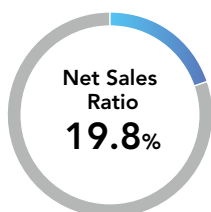


Plastics & Chemicals

Nylon, ABS, PBT, PPS and other resins and molded products, polyolefin foam; polyester, polypropylene, PPS and other films and processed film products; raw materials for synthetic fibers and other plastics; zeolite catalysts; fine chemicals for pharmaceuticals and agrochemicals; veterinary medicine (excludes film and resin covered in IT-related Products segment)

- Automobiles (radiator tanks: nylon resin, intake manifold: nylon resin, connectors: PBT resin, capacitor for hybrid cars: polypropylene film)
- Home appliances (housing for washing machines, vacuum cleaners, air conditioners: ABS resin)
- Power tools (circular tools housing: nylon resin)
- Helmets (nylon resin)
- Solar battery panels (PET film)
- Potato chip bags (polypropylene film)
- Veterinary medicine (for dogs and cats)
- Flat panel display televisions (PET film, PDP)

Strategically Expanding Businesses



IT-related Products

Films and plastic products for information and telecommunications related products; materials for electronic circuits and semiconductors; color filters for LCDs and related materials and equipment; materials for plasma display panels; magnetic recording materials; graphic materials and related equipment

- Flat panel display televisions (PET film, PDP rear panel pastes, LCD color filter manufacturing equipment)
- PCs (circuit materials, PET film, polyimide coatings)
- Cellular phones (color filters, LCP resin, circuit materials, PET film)
- Printing (waterless printing plates, relief printing on resins, printing equipment)
- Digital video camera recording film (PET film)
- In-vehicle multimedia LANs (optical fiber)
- Semiconductors (semiconductor coating materials)

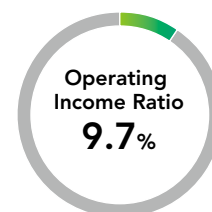
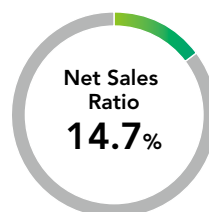


Carbon Fiber Composite Materials

Carbon fibers, carbon fiber composite materials and their molded products

- Aircraft structure (carbon fiber composite materials)
- Bridge pier reinforcement (carbon fiber woven fabrics)
- PC chassis (carbon fiber molded products)
- Wind-power generator blades (carbon fibers)
- Marine vessels (carbon fibers)
- Industrial equipment materials (carbon fiber, carbon fiber composite materials)

Intensively Developing and Expanding Businesses



Environment & Engineering

Comprehensive engineering; condominiums; industrial equipment and machinery; environment-related equipment; water treatment membranes and related equipment; materials for housing, building and civil engineering

- Seawater desalination facilities (water treatment membranes and equipment)
- Sewage and waste-water treatment facilities (water treatment membranes and equipment)
- Condominiums
- Housing (wall siding for houses, interior materials for buildings)
- Plants and manufacturing facilities (comprehensive engineering services)



Life Science

Pharmaceuticals and medical products; analysis, physical evaluation and research services

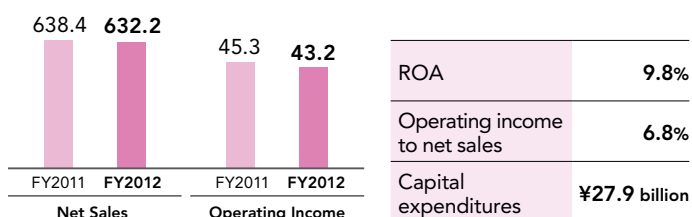
- Pharmaceuticals (natural interferon-beta preparation, prostacyclin, antipruritus drug)
- Medical treatment devices (hemodialyzers, dialyzer and equipment)
- Physical analytical services

Foundation Businesses

Fibers & Textiles

Fiscal	2011	2012	Changes	2013 Forecast
Net sales	638.4	632.2	-1.0%	740.0
Operating income	45.3	43.2	-4.6%	53.0

Fiscal 2013 forecasts announced on Aug. 6, 2013.



Summary of Consolidated Financial Results for the Year Ended March 31, 2013 (Fiscal 2012)

In the Japanese market for industrial applications, sales of automotive applications followed a firm trend in the first half of the year, but the expiry of the eco-car subsidy program was reflected in slower performance in the second half. In the area of apparel applications, there was a strong demand for materials used in functional fall and winter apparel, but demand for general apparel applications remained weak because of the economic recession and other factors.

Trends in overseas markets continued to show the effects of prolonged economic stagnation in Europe and slower demand in Asia due to the deceleration of domestic demand in China. In the first half of the year, production and sales were also impacted by the floods in Thailand.

Net sales for the Fibers & Textiles segment in the year under review were 1.0% lower year on year at ¥632.2 billion, while operating income declined by 4.6% to ¥43.2 billion.

Outlook for the Year Ending March 2014 (Fiscal 2013)

Within Japan, the correction of the strong yen is expected to bring growth in business fields relating to import replacement and exporting. Reconstruction after the Great East Japan Earthquake is also likely to contribute to demand expansion. Overseas, there is concern about the prospect of chronic economic stagnation in Europe, but we anticipate generally firm trends in economic conditions in the United States and China, and also in ASEAN and other emerging economies.

In this business environment, Toray will aggressively pursue demand in growth business fields, such as fibers and textiles for automobile airbags, disposable diaper applications and the environment, and in growth regions, such as China and emerging economies. We will also work to strengthen and expand our garment business, which is structured around a planning and proposal business model based on the development of new materials. By strengthening our corporate structure through cost reduction and other strategies, we aim to achieve earnings growth and global business expansion in keeping with expectations as a Foundation Business.

TOPICS

Decision to Increase Production Capacity of Nylon Fiber for Automobile Airbags in Thailand

Toray has decided to increase its production facilities for Nylon 66 fiber, which is used in automobile airbags, at the Ayutthaya Plant of its subsidiary Thai Toray Synthetics Co., Ltd. in Thailand. When the new facilities become operational in January 2015, they will have production capacity for approximately 7,000 tons per year. The company's current capacity will increase by around 40% to 23,000 tons per year. Toray Group's total production capacity for Nylon 66 fiber for airbags, including production at the Okazaki Plant in Aichi Prefecture, Japan, will expand to 32,000 tons per year.

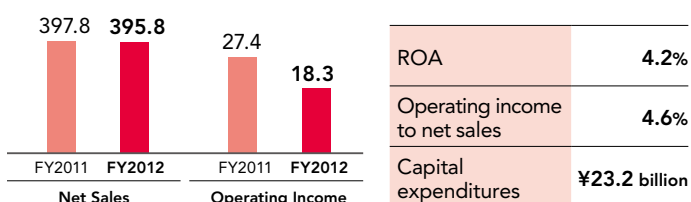
Toray has been expanding its airbag business globally since 2003. Original yarn produced in Japan and Thailand is supplied to textile manufacturing plants in Japan, Thailand, China and the Czech Republic, creating an integrated production chain from yarn to fabric. We will use this integrated structure to enhance our quality competitiveness, while also strengthening our global production network and our research and development and marketing functions. Our aim is to supply products that match global needs.

Foundation Businesses

Plastics & Chemicals

Fiscal	(Billions of yen)			
	2011	2012	Changes	2013 Forecast
Net sales	397.8	395.8	-0.5%	460.0
Operating income	27.4	18.3	-33.2%	24.0

Fiscal 2013 forecasts announced on Aug. 6, 2013.



Summary of Consolidated Financial Results for the Year Ended March 31, 2013 (Fiscal 2012)

There was volume growth in sales of engineering plastics for automotive applications in the first half of the year because of increased production by automobile manufacturers, especially in Japan. However, the expiry of eco-car subsidy scheme brought a decline in demand for plastic resins from the third quarter onwards. Overseas, shipments of general-purpose ABS resins remained slow because of stagnation in the Chinese market. However, there was growth in sales of resin compounds and other automotive applications in the United States.

In the films business, economic stagnation and other factors were reflected in slower demand in domestic and overseas markets. In addition, the global expansion of production resulted in a deteriorating supply-demand balance and escalating price competition.

Net sales for the Plastics & Chemicals segment declined by 0.5% year on year to ¥395.8 billion. Operating income was 33.2% lower at ¥18.3 billion.

Outlook for the Year Ending March 2014 (Fiscal 2013)

Despite continuing uncertainties, including wide fluctuations in the prices of raw materials and fuels, we anticipate increased demand driven by the recovery of the Japanese economy and the expansion of our customers' exports due to the correction of the strong yen. Particularly high growth is expected in high value-added fields. Overseas economies, centered on emerging countries, are expected to lead a recovery in global demand.

In this business environment, through every possible effort we aim to maximize sales of best-selling products in the plastic resins business. We anticipate sales growth in China, ASEAN and emerging countries, and we aim to maintain and expand the spreads between selling prices and fuel and raw material prices by passing on increased costs quickly to selling prices. In the films business, there is likely to be strong price-reduction pressure from customers, but we will focus on the expansion of sales of high value-added packaging and industrial applications.



TOPICS

Expansion of Packaging Film Production in Japan and Asia

Decisions were taken to expand vapor deposition facilities used in the metallization processing of food packaging films at several production sites in Asia. Toray Advanced Film Co., Ltd. (TAF) plans to commence production with a newly installed state-of-the-art vapor deposition equipment for polypropylene (PP) packaging film at its Fukushima Plant in October 2013. In addition, the Malaysian company Penfibre Sdn. Berhad plans to install state-of-the-art vapor deposition equipment with technical support from TAF in preparation for the start of metallized polyester (PET) packaging film production. The advanced vapor deposition equipment installed at the Fukushima Plant is capable of producing 580 tons of film per month and will double the plant's current vapor deposition capacity. The existing PET film-production facilities in Malaysia have a monthly capacity of 3,600 tons. The new facilities will have capacity for 375 tons of metallized PET film per month and will allow the company to newly enter into processed film business.

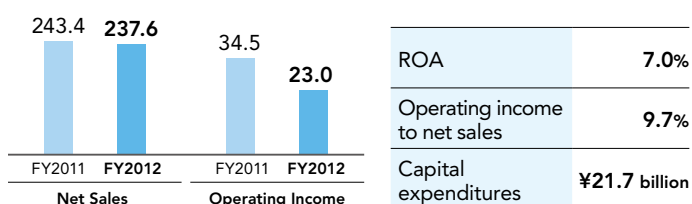
In Thailand, Thai Toray Synthetics, Ltd. completed its vapor deposition capacity for cast polypropylene (CPP) film in October 2012. The total investment by these three companies will amount to approximately ¥3 billion.

Strategically Expanding Businesses

IT-related Products

(Billions of yen)				
Fiscal	2011	2012	Changes	2013 Forecast
Net sales	243.4	237.6	-2.4%	270.0
Operating income	34.5	23.0	-33.5%	35.0

Fiscal 2013 forecasts announced on Aug. 6, 2013.



Summary of Consolidated Financial Results for the Year Ended March 31, 2013 (Fiscal 2012)

With LCD panel production adjustments necessitated by a slump in the flat-screen television market mostly completed, a gradual recovery trend emerged. While this produced a recovery trend in demand for products used in flat-screen televisions, such as films and processed film products, price competition intensified. In the area of materials for small and medium-sized flat panel displays (FPDs), sales of smartphone-related products remained strong, but demand for other applications was generally slow.

Net sales for the IT-related Products segment in the year under review were 2.4% lower year on year at ¥237.6 billion. Operating income declined by 33.5% to ¥23.0 billion.

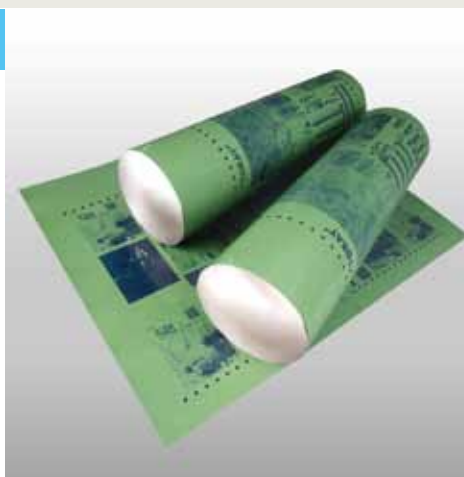
Sub-segments

(Billions of yen)			
Fiscal	2011	2012	Changes
Display Materials	90.3	79.0	-13%
Electronic components, semiconductors, electric circuit materials	86.2	96.6	+12%
Data storage materials	34.1	31.2	-8%
Equipment, others	32.8	30.7	-6%

Outlook for the Year Ending March 2014 (Fiscal 2013)

With television demand in China lacking in buoyancy, the outlook for manufacturers of medium and large flat-screen televisions looks increasingly uncertain. This is reflected in continuing price-reduction pressure from customers. Demand for materials used in smartphones is expected to remain on a growth trend.

Our priority in this business environment is to increase sales of and expand our market shares for high value-added films and processed film products for use in displays and electronic components. Our approach to this goal will include capacity expansion. We will also work to increase sales of organic EL materials, semiconductor materials and graphic materials.



TOPICS

New Plant for Waterless Printing Plates in the Czech Republic

Toray, decided to build a new plant for waterless printing plates at Toray Textiles Central Europe s.r.o. (TTCE), its subsidiary in the Czech Republic. Waterless printing plates are extremely friendly to the environment. They do not require dampening agents containing isopropyl alcohol (IPA), which is subject to environmental restrictions, and because alkaline developing solution is not used, the waste effluent is not contaminated. In addition, these products reduce production losses and improve printing quality and stability while also helping to reduce printing costs. The environment-friendly characteristics of waterless plates have earned considerable recognition in Europe, where there is a strong awareness of environmental issues.

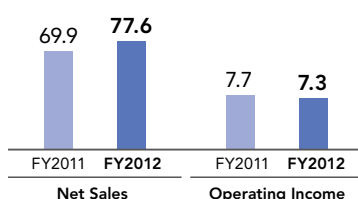
Toray already has a production facility in Japan, but the new facility will be the first large-scale dedicated production plant in Europe. The addition of the new facility to the plant in Okazaki, Japan will double total production capacity for waterless plates.

Strategically Expanding Businesses

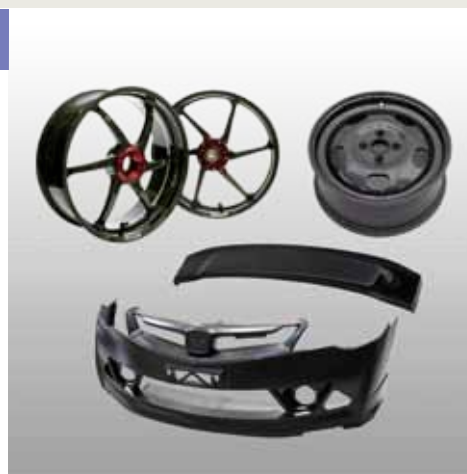
Carbon Fiber Composite Materials

(Billions of yen)				
Fiscal	2011	2012	Changes	2013 Forecast
Net sales	69.9	77.6	+11.0%	105.0
Operating income	7.7	7.3	-4.8%	13.0

Fiscal 2013 forecasts announced on Aug. 6, 2013.



ROA	3.4%
Operating income to net sales	9.4%
Capital expenditures	¥15.3 billion



Summary of Consolidated Financial Results for the Year Ended March 31, 2013 (Fiscal 2012)

Expanding demand for aircraft and environment and energy-related products such as compressed natural gas (CNG) tanks, was reflected in firm trends in sales of aerospace and industrial applications. Delayed recovery in demand for sporting goods applications, affected by global economic stagnation, resulted in escalating price competition.

Net sales for the Carbon Fiber Composite Materials segment increased by 11.0% year on year to ¥77.6 billion in the year under review. At ¥7.3 billion, operating income was 4.8% below the previous year's level.

Sub-segments

(Billions of yen)			
Fiscal	2011	2012	Changes
Aircraft	26.7	30.4	+14%
Sporting goods	13.3	12.2	-8%
Industrial	29.9	35.0	+17%

Outlook for the Year Ending March 2014 (Fiscal 2013)

World demand for carbon fiber is expected to remain on a steady growth trend, led by aircraft applications and environment and energy-related applications. However, due to an oversupply situation, especially in Europe and Asia, severe share competition is predicted in the commodity areas of industrial and sporting goods applications, and the recovery of market prices is likely to take a little longer.

In these business circumstances, we anticipate continued strong sales of aircraft applications, including for Boeing for the 787. In addition, we will also expand our sales to manufacturers of environment and energy-related products, take advantage of continuing market growth in those areas. In sporting goods applications, we will make efforts to shift our sales to high value-added products, and normalize prices of commodity products.

TOPICS

Acquisition of DOME CARBON MAGIC LTD.

In April 2013, we purchased the entire stake in DOME CARBON MAGIC LTD. from the DOME Group, a racing car designer and manufacturer highly acclaimed by the automobile industry, in order to expand our carbon fiber composite materials business, especially for automotive applications. (The newly acquired company was renamed as Toray Carbon Magic Co., Ltd.) We also acquired a 75% stake in Dome Composites (Thailand) Co., Ltd., the DOME Group's manufacturing subsidiary in Thailand, and renamed it Carbon Magic (Thailand) Co., Ltd.

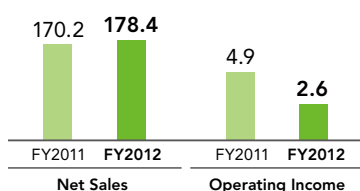
These acquisitions dramatically enhance Toray's CFRP (Carbon Fiber Reinforced Plastic) parts design technology, and the synergy effects with its existing various CFRP molding technologies should strengthen the Toray Group's ability to rapidly respond to customer requirements. We will also be able to build a highly competitive supply chain linking all stages from materials, parts designing and prototype proposal to mass production.

Intensively Developing and Expanding Businesses

Environment & Engineering

Fiscal	2011	2012	Changes	2013 Forecast
Net sales	170.2	178.4	+4.8%	195.0
Operating income	4.9	2.6	-46.2%	6.0

Fiscal 2013 forecasts announced on Aug. 6, 2013.



ROA	1.5%
Operating income to net sales	1.5%
Capital expenditures	¥4.3 billion



Summary of Consolidated Financial Results for the Year Ended March 31, 2013 (Fiscal 2012)

The water treatment business was affected by slow demand in key markets, including Europe, the United States, the Middle East and China. We continued our efforts to expand global sales of reverse osmosis (RO) and other water treatment membranes and reduce costs.

Japanese subsidiaries were generally able to increase their sales. However, construction and real estate subsidiaries were affected by cost increases, while the order prices of an engineering subsidiary were eroded by increasing competition.

In the year under review, the net sales for the Environment & Engineering segment increased by 4.8% year on year to ¥178.4 billion. Operating income was 46.2% lower at ¥2.6 billion.

Outlook for the Year Ending March 2014 (Fiscal 2013)

In the water treatment business, we anticipate continuing strong trends in Asia and a gradual recovery in the markets of the United States and China. We will target further sales growth while working to minimize costs.

We still face challenges in the business environment for the engineering business. However, we aim to expand orders for industrial, solar cell-related and lithium-ion battery-related equipment.

TOPICS

Continuing Orders for ROMEMBRA® Reverse Osmosis (RO) Membranes for Two Seawater Desalination Plants in the United Arab Emirates

In recent years, the Arabian Gulf countries have been extensively investing in infrastructure using profits from rising oil prices. Of particular significance is the proliferation of plans for the construction of seawater desalination plants to secure drinking water supplies. Toray is already the industry leader in the area of RO membranes, having supplied products to seawater desalination plants in Bahrain, Kuwait, Saudi Arabia and other Arabian Gulf countries. This track record allowed Toray to win continuing orders for the supply of RO membranes to two seawater desalination plants at Al Zawra, Emirate of Ajman and Ghalilah, Emirate of Ra's Al Khaimah in the United Arab Emirates.

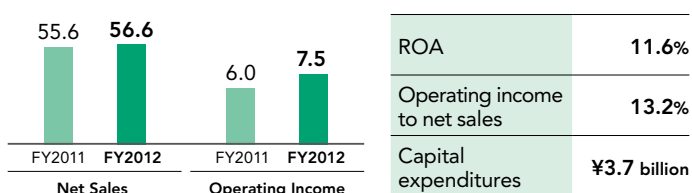
Toray supply RO membranes to plants with the capacity to produce more than 30.7 million cubic meters of water per day. This equals enough water for home use for 120 million people (about 1.7% of the world population). The RO membranes Toray has shipped for seawater desalination to these plants cumulatively produce more than 7 million cubic meters per day, giving Toray the biggest market share in this field.

Intensively Developing and Expanding Businesses

Life Science

(Billions of yen)				
Fiscal	2011	2012	Changes	2013 Forecast
Net sales	55.6	56.6	+1.9%	65.0
Operating income	6.0	7.5	+24.7%	7.0

Fiscal 2013 forecasts announced on Aug. 6, 2013.



Summary of Consolidated Financial Results for the Year Ended March 31, 2013 (Fiscal 2012)

Toray Group recorded increased sales of medical devices, including the polysulfone membrane dialyzer TORAYLIGHT™ NV, and TORAYMYXIN™, a hemoperfusion absorption column for removing endotoxin. Sales of pharmaceuticals were affected by escalating competition and lowering of selling prices following the April 2012 adjustments to the national health insurance pricing scheme.

In the year under review, net sales for the Life Science segment amounted to ¥56.6 billion, a year-on-year increase of 1.9%. Operating income was 24.7% higher at ¥7.5 billion.

Outlook for the Year Ending March 2014 (Fiscal 2013)

In general we expect the market for pharmaceuticals and medical devices to expand. However, competition is likely to remain intense because of expanding sales of generic pharmaceuticals.

One of our goals in the area of pharmaceuticals in this environment is to achieve further growth in sales of REMITCH®*, an oral pruritus improvement drug for hemodialysis patients. In the medical products field, we will work to expand sales of dialyzers including TORAYLIGHT™ NV and dialysis machines, including TR-3000MA.

*REMITCH® is a registered trademark of Torii Pharmaceutical Co., Ltd.



TOPICS

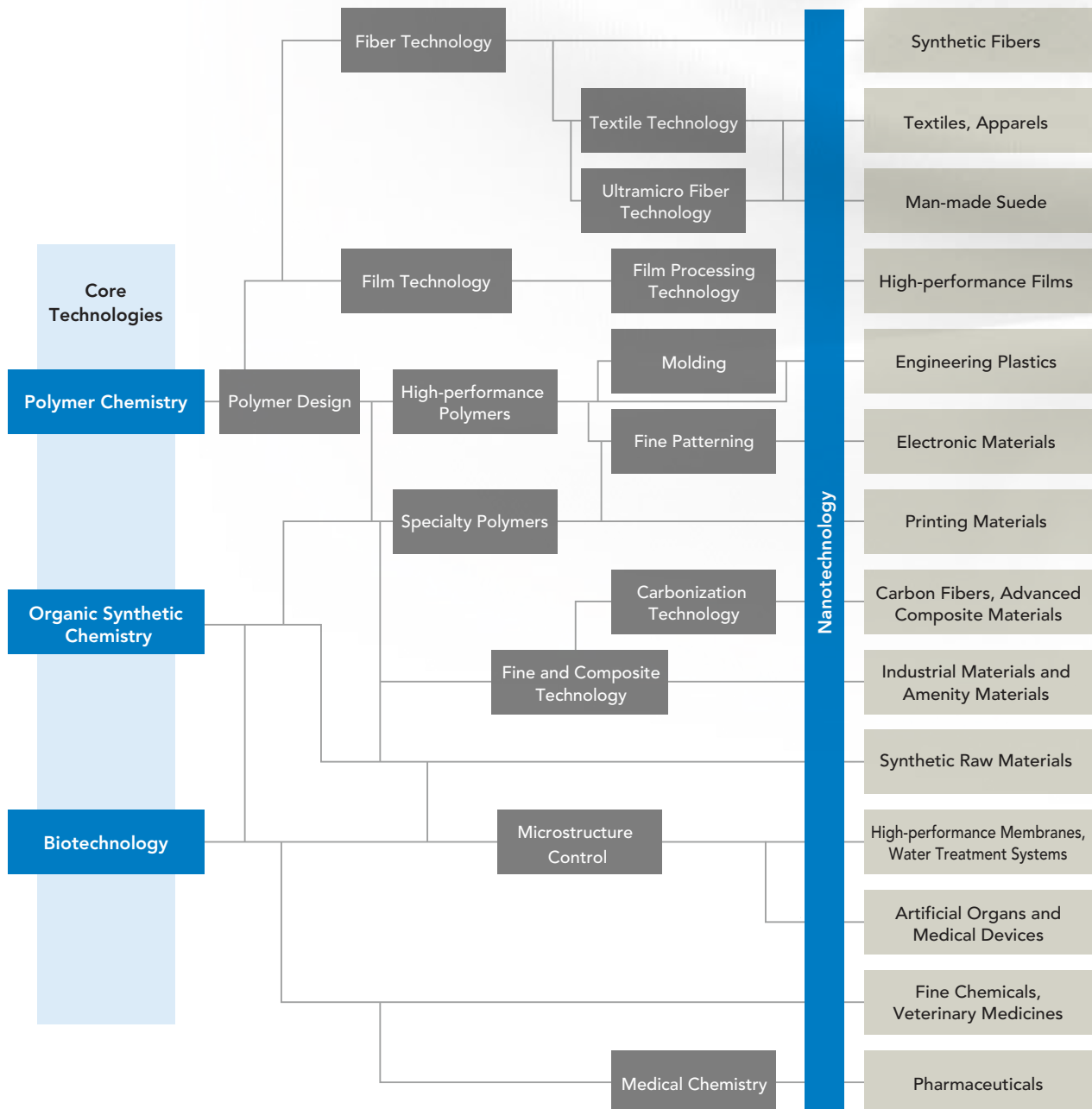
Construction of New Production Facility for TORAYMYXIN™

Toray decided to build a new production facility for TORAYMYXIN™ at the Okazaki Plant. TORAYMYXIN™ has been manufactured at the Shiga Plant, but we now have a plan to invest approximately ¥1.8 billion to construct a new facility, which has double the production capacity, at the Okazaki Plant. The aims of this movement are to expand our business on a full scale all over the world including Europe and the United States and to aggregate and intensify the efficiency of the development and manufacturing of medical devices.

TORAYMYXIN™ is a hemoperfusion column approved for use in endotoxin removal with a blood purification treatment. First launched in Japan in 1994, it is now clinically used in many countries to treat patients complicated with severe sepsis and septic shock leading to multiorgan dysfunction.

R&D and Intellectual

Toray is built on research and development, and as a manufacturer of basic materials, will continue to pursue highly original advances and technologies.



Property

Basic R&D Policy—Characteristics and Strengths

Toray's Approach to R&D

Founded on the belief that its future would be built on a foundation of research and technological development, Toray has worked continually to create new technologies and expand the scope of its technological resources.

Our mission is to protect the environment of the planet on which we all live and bring safety and security to everyone's life by continually creating advanced materials through

technological innovation. The concepts that guide these continuing efforts are the pursuit of new breakthrough technologies, and the convergence of technologies. Toray's four core fields of technology are organic synthetic chemistry, polymer chemistry, biotechnology and nanotechnology. We create new value and contribute to society through the creation of advanced materials based on these four fields.

Characteristics and Strengths

●Culture of Commitment to Basic Research

Toray has maintained a culture of commitment to basic research as a vital step toward the development of revolutionary materials. Continuing R&D are the sources of our competitiveness. Our carbon fiber materials and RO membranes have reached their present stage of development and gained market recognition thanks to a management policy that emphasizes R&D based on long-term perspectives.

●Expertise from Many Fields

Toray's team of specialists develops world-class advanced materials using their wide-ranging experience and knowledge in fields that include polymer design, functional enhancement technology, drug development and formulation and pharmacology. All of this work is linked to Toray's four core fields of technology: organic synthetic chemistry, polymer chemistry, biotechnology and nanotechnology.

●Integrated R&D Organization

Toray's unified R&D organization works as a single, undivided unit. At the core of the organization is the Technology Center, which formulates company-wide R&D strategies and proposes key projects. By supporting cross-organizational technology sharing, this structure provides an environment that is conducive to inspiration, new ideas and technology convergence. In addition, individual technologies and basic

chemical materials combined with those created in other fields can make major contributions to a variety of business activities through this structure.

●Leadership in Research Based on Industry-government-academia Collaboration

As part of its commitment to the continuous creation of revolutionary advanced materials, Toray Group is strengthening its involvement in external collaboration linking industry, the government and academia, including national projects, and global open innovation. We also accelerate the creation of advanced materials by working with leading companies and venture businesses in Japan and overseas through strategic partnerships and other relationships.

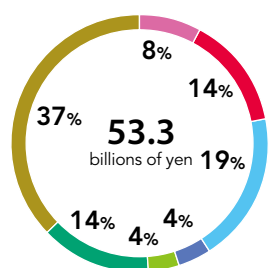
●Advanced Analytical Capabilities

Toray Research Center Inc. (TRC), which was spun off from Toray's R&D organization as an independent company in 1978, provides technical support based on its analytical technology, including the analysis of physical properties. TRC has improved its technology through the process surviving against fierce competition from independent analysis. It continues to contribute to maintenance of Toray Group's advanced analytical capabilities through by carrying out analyses, including analyses of physical properties, in response to requests from Toray for assistance with identifying the causes of the problems and finding solutions.

R&D Expenditure and Achievements

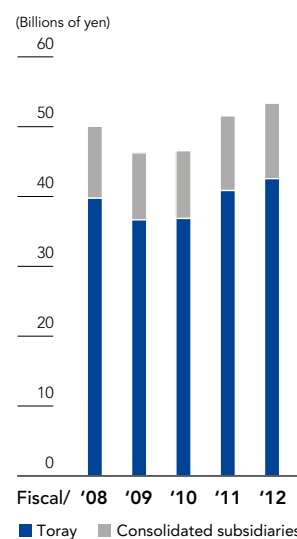
Through its R&D activities, Toray Group aims to expand its earnings by building and strengthening reliable income streams in two Foundation Businesses: Fibers & Textiles and Plastics & Chemicals. R&D also plays a major role in our ability to supply advanced materials in four major growing business fields: environment, water-related and energy; information, telecommunications and electronics; automobiles and aircraft, and life science. R&D expenses by Toray Group in the year ended March 31, 2013 (fiscal 2012) amounted to ¥53.3 billion.

Percentages of Total R&D Expenses in Fiscal 2012



- Fibers & Textiles
- Plastics & Chemicals
- IT-related Products
- Carbon Fiber Composite Materials
- Environment & Engineering
- Life Science
- Head Office R&D

R&D Expenses



R&D Achievements

Fibers & Textiles

Our goal is to strengthen stable income streams and expand earnings in this foundation business area through the pursuit of breakthrough technologies that lead to the creation and expansion of high-performance products and advanced materials.

One key success in this segment was the development of the world's thinnest modified cross-section nanofibers. We also developed UTS-Melange™, ultramicro polyester filament yarns that provide a mottled effect based on a mixture of colors. Another development success was Poliloft™ NP, which helps to reduce environmental loads as a polyester filament yarn with dye-affinity at normal atmospheric pressure.

Plastics & Chemicals

R&D activities in this foundation business segment are targeted toward the reinforcement and expansion of a stable income structure, and the development of a sustainable recycling-based society.

A key achievement was the full-scale start of sales of OS ("Zero S") Grade, a new type of Toraypef® polyolefin foam with superior flexibility and formability. We also developed a high-plant grade of the environment-friendly biomass resin Ecodear®. Over 50% of the polylactic resin in the new product is plant-derived.

IT-related Products

Our R&D activities in this field reflect its status as a core strategically expanding business area.

A major achievement was the development of an olefin-based mold release film that combines the previously incompatible characteristics of heat resistance and enhanced formability. We also installed the PS Laboratory, a semiconductor mounting R&D system, at the Shiga Plant to improve the efficiency and speed of R&D relating to semiconductor materials and expand the range of applications. In addition, we won the National Commendation for Invention award for the invention of a light-sensitive paste for use in plasma display barriers.

Carbon Fiber Composite Materials

This is a key area of market leadership for Toray, and has been targeted for strategic expansion as a business area offering key environmental benefits.

Significant achievements include the acquisition of all shares in DOME CARBON MAGIC LTD. from the Dome Group, which became a wholly owned subsidiary, with the aim of strengthening our design technology. In addition, Toray received the

Prime Minister Prize in the 41st Japan Industrial Grand Prix for the development of carbon fiber and prepreg materials for use in the Boeing 787, as well as the Chemical Society of Japan's 61st Chemical Technology Award for the commercialization of a lightweight composite material for use in aircraft.

Environment & Engineering

R&D activities in these areas reflect this segment's selection for intensive development and expansion.

An important success in the field of water treatment was the winning of an order for the supply of ROMEMBRA® reverse osmosis (RO) membranes for seawater desalination plants in the United Arab Emirates. In addition, the Torayvino™ Cassetty™ 205MX won the 2012 Good Design Award. We also commenced sales of the Torayvino™ PT304V, a pot-type water purifier that combines large capacity with ease of storage.

Life Science

R&D activities in this area reflect the Life Science segment's status as a field selected for intensive development and expansion.

In the medical area, we concluded a licensing agreement for the injectable antipruritic agent TRK-820, which was jointly developed with Fresenius Medical Care AG&Co KGaA, the world's biggest supplier of dialysis services and related equipment. Another success in the medical products field was the development of the Filtryzer® NF. Developed using membrane processing technology, this new dialyzer uses polymethylmethacrylate (PMMA) membranes to provide improved functionality compared with earlier products.

Basic Research, Development of Foundational Technologies

Though not linked to any particular business segment, basic research and the development of foundational technologies are a priority for Toray because of their importance to the creation of new businesses and products for the future.

Our management policy in relation to bio-based polymers, innovative battery materials and organic membrane solar panels is to contribute to the establishment of a sustainable low-carbon society by making the global environment the focus for all business strategies. We have also decided to make a full commitment to the development of Nanoalloy® technology as a technology brand because of its potential to enhance the performance and functions of polymer materials. Toray holds basic patents, key manufacturing patents and application patents.



TOPICS 1

Development of the World's Thinnest Innovative Nanofibers

Toray has succeeded in developing the world's thinnest filament nanofiber with a diameter of just 150nm—just one-half the thickness of previous minimum fiber diameter of 300nm, and a Y-shaped modified cross-section nanofiber with a diameter of 500nm. These fibers allow a greater surface area per unit of fiber weight than was previously possible. In addition, the spaces between the fibers can be modified at will to enhance various characteristics, including moisture absorption, water absorption, water retention and friction coefficients. It will also be possible to achieve higher levels of filtration, separation and elimination performance.

The functional properties of the innovative nanofibers created using this technology will be ideal for use in apparel and sportswear providing new levels of comfort and functionality. There are many other potential applications, including filter materials, medical materials and other high-performance industrial materials.

TOPICS 2

Environment-friendly Biodegradable Microporous Film

Toray has succeeded in the development of a biodegradable microporous polylactic* film that can be used as a new material for various applications, including agricultural multifilm, healthcare products, such as disposable diapers, and disposable heat packs. There are still issues with existing microporous polyethylene film products, including waste disposal and the environmental load. The newly developed microporous polylactic film is expected to make an important contribution to the development of a sustainable, recycling-based society, since all of the polymers used are biodegradable, and the product is largely based on biomass materials. Toray is determined to commercialize the product as soon as possible and has accelerated efforts to develop mass-production technology.

*Polylactic polymers are biodegradable substances synthesized from starch obtained from maize and other biomass materials.

Basic Policy and Priority Strategies on Intellectual Property

Intellectual Property Strategies

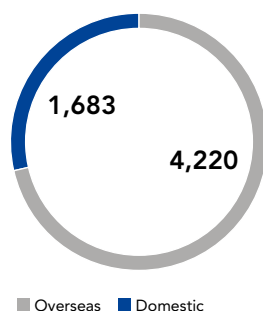
Intellectual property strategies must be organically linked to business strategies and R&D strategies. Toray is pursuing intellectual property strategies based on an integrated trinity of these elements in line with management policies.

One priority of the medium-term management program AP-G 2013 is the expansion of Green Innovation Businesses. Toray is currently filing patent applications and strengthening its rights in four major growing business fields: environment, water-related and energy; information, telecommunications and electronics; automobiles and aircraft; and life science. We are building a patent portfolio in fields with the potential to solve to the world's increasingly urgent and significant environmental problems.

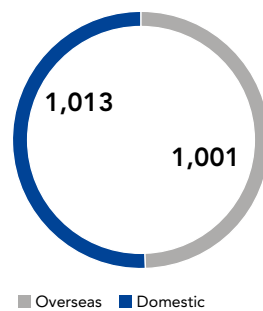
To support business expansion in growth business fields and regions, we are strategically moving to converge the R&D activities and intellectual property activities of the global Toray Group. The parent company will step up its efforts to secure overseas patents and rights, while overseas group companies will work to protect inventions made at Toray Group R&D facilities in various countries by intensifying their patent application activities and efforts to secure rights.

In the year ended March 31, 2013 (fiscal 2012), Toray Group filed 1,683 applications in Japan and 4,220 in other countries. The Group holds 1,013 patents in Japan and 1,001 overseas.

Toray Patents Filed in Year Ended March 31, 2013

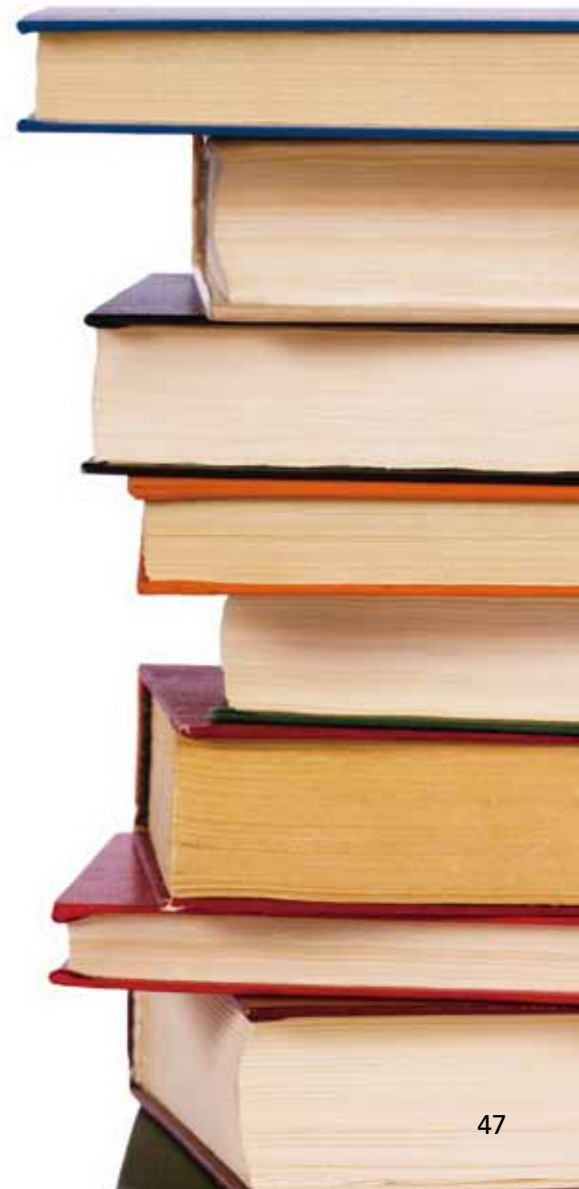


Total Patents Held to Date

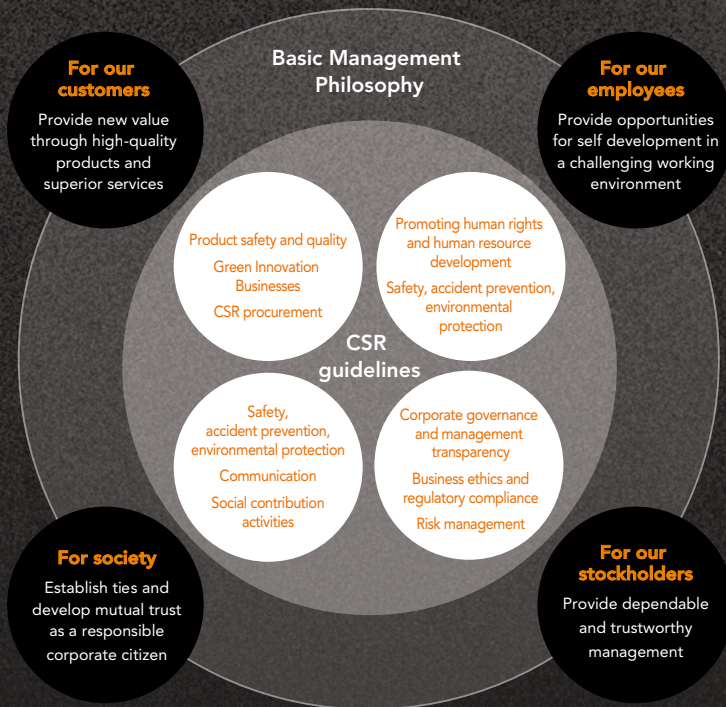


➔ http://www.toray.com/ir/library/lib_005.html

For detailed information, please refer to the Intellectual Property Report, which describes intellectual property initiatives by Toray Group



Sustainable Management



Sustainable Management

We regard safety, accident prevention and environmental preservation as well as corporate ethics and legal compliance as the most important management priorities for Toray Group. Our goal is to earn respect and support in the international community and provide high value for all stakeholders by contributing to society through our core business activities.

CSR Initiatives

Toray Group's Corporate Philosophy and CSR Activities

The Corporate Philosophy of Toray Group is expressed in the words "Contributing to society through the creation of new value with innovative ideas, technologies and products." Throughout our history, we have sought to contribute to society through our core business activities. Today we continue to put this philosophy into effect through carefully planned CSR activities.

Our Corporate Missions identify four key types of stakeholders: stockholders, customers, employees and society. Our commitment to good corporate citizenship is reflected in our Corporate Guiding Principles, which set targets for the conduct of individual employees. Our Corporate Philosophy is also supported by our Corporate Ethics and Legal Compliance Code of Conduct, which define specific standards of conduct to which all employees can refer.

General plans for CSR activities are shared across the entire Toray Group, and we formulate CSR road maps as the basis for continuing initiatives based on a continual PDCA cycle. In the year ended March 31, 2013 (fiscal 2012), our progress along our CSR roadmap was generally in line with our plans. However, there were some key performance indicators (KPIs) that were not achieved. We will continue to work dynamically toward the achievement of our targets for the end of fiscal 2013.

Toray's Management Philosophy and Code of Conduct



Environmental Management Initiatives

Promotion of LCM-based Environmental Management

Toray Group's approach to environmental management is based on lifecycle management (LCM). With the LCM concept, all business activities are viewed from the perspective of product and service lifecycles. The aim is to improve economic and social value while reducing environmental loads. Our Green Innovation products all embody this concept. Our LCM initiatives include the introduction of lifecycle assessment and the T-E2A efficiency analysis tool. We are now working to disseminate and consolidate these concepts.

A key source of impetus for LCM-based environmental management has been the guidelines used to calculate contributions to the reduction of CO₂ emissions. We are currently using the Japanese guidelines, which were published by the Japan Chemical Industry Association in February 2012. Global guidelines are now being developed and should be completed before the end of 2013. Toray is cooperating fully in the formulation of both the Japanese and international versions of the guidelines.

Initiatives to Fight Global Warming

Since 2000, Toray Group has enhanced and expanded its efforts to prevent global warming and contribute to the emergence of a recycling-oriented society through independent initiatives under Three-year Environmental Plans.

Fiscal 2011 was the first year of the Fourth Medium-Term Environmental Plan, under which we will further expand our environmental initiatives. We are working systematically to reduce greenhouse gas (GHG) emissions. For example, we have reduced energy consumption through process improvements, and we have switched from fuel oil to city gas. The entire Toray Group is implementing carefully planned measures to ensure the achievement of targets under this plan, which runs through fiscal 2015.

Voluntary Reduction of Atmospheric Emission of Chemical Substances

Toray Group regards the reduction of environmental loads, including releases of chemical substances into the atmosphere, as one of its most important priorities. We are working to achieve this goal through group-level initiatives.

Under the Fourth Medium-Term Environmental Plan, launched in April 2011, we are systematically implementing voluntary initiatives to resolutely achieve the targets of fiscal 2015 for reducing emissions of substances covered by the PRTR law and volatile organic substances (VOCs).

CSR Initiatives



Initiatives to Prevent Air and Water Pollution

Measures to prevent air and water pollution are an important part of Toray Group's efforts to protect the environment at the production stage. We have reduced SOx emissions by installing desulfurization systems and switching to alternative fuels at our facilities, including those in other countries. We are also working to reduce chemical oxygen demand (COD) levels by expanding our wastewater treatment facilities.

Water Resource Management Initiatives

Toray Group has long relied on the following policies to develop solutions to water resource problems around the world through water treatment projects and other initiatives from its business activities.

1. Toray Group recognizes that water is one of the most important resources for the human race, and that people in many parts of the world face problems relating to water resources.
2. Toray Group will contribute to the solution of the world's water resource problems through its products, technology and services.
3. Toray Group is committed to the appropriate management of water resources, in line with its basic policy that the status of water resources in each region should be constantly monitored so that regional communities can share these precious resources.

Initiatives to Reduce Waste

As part of its contribution to a sustainable, recycling-oriented society, Toray Group aims to achieve zero-emission status. Related initiatives under the Fourth Medium-Term Environmental Plan are based on numerical targets linked to specific indicators for fiscal 2015, including simple disposal ratios, landfill disposal ratios and recycling ratios.

Biodiversity Conservation Initiatives

Together with the reduction of greenhouse gas emissions, biodiversity conservation is recognized by Toray Group as a key global environmental priority. Our initiatives relating to biodiversity conservation and sustainable use are guided by the Toray Group Biodiversity Basic Policy, which was adopted in 2010.

Mapping the Relationship between Business Activities and Biodiversity

Biodiversity is affected by the business activities of Toray Group at all lifecycle stages, starting with the procurement of raw materials. An in-house working group has analyzed this relationship from the perspectives of risks and opportunities and produced a relationship map.

CSR Procurement and Purchasing

CSR Procurement and Purchasing Activities

As a manufacturer of advanced materials, Toray places considerable importance on source control linked to end-user needs in a number of areas, such as raw materials used to make the materials and products that it supplies, and also in relation to its production facilities. This perception, and our commitment to fair trade, are reflected in our Basic Purchasing Policies. We have also formulated CSR Procurement Guidelines, which call for the development of value chains that allow us to fulfill our social responsibilities in partnership with our suppliers, and for the supply of environmentally and socially responsible materials and products to our customers. Toray has also adopted CSR procurement compliance rules covering all corporate activities to ensure that it is able to provide customers with accurate reports about its CSR initiatives.

Toray has established contact points for CSR procurement, through which we manage and internally share customer and supplier information.

Environmentally Conscious Distribution Policies

Toray's Basic Distribution Policies defines key policies relating to the equity and fairness of business transactions, and to environmental preservation. In addition to our ongoing efforts to reduce logistics-related environmental loads and improve quality, we also hold annual briefings on our Basic Distribution Policies to ensure that our logistics partners are fully conversant with Toray policies on logistics, and to enhance performance.

Training and Human Rights

Promoting Human Rights

Toray Group regards respect for human rights as a vital aspect of its business operations. In addition to our efforts to improve awareness of human rights, we totally prohibit discrimination based on ethnicity, beliefs, gender, educational background, nationality, religion, physical characteristics or other attributes. This prohibition applies to recruitment activities, deployment, remuneration, education and retirement. In compliance with international rules, including the United Nations Universal Declaration of Human Rights and the ILO Convention, we also prohibit forced labor and child labor. In addition, we are committed to full compliance with the laws and regulations of each country and region.

Retaining Key Employees

Protection of employment is a basic management policy of Toray Industries, Inc. Staffing adjustments are not made for short-term reasons, and we aim to provide stable, continuous employment for our core employees, regardless of economic trends or corporate performance.

Toray Group needs highly motivated employees capable of working globally and will actively recruit and train talented people in Japan and overseas. We will also continue to provide a wide range of training programs to strengthen the management and market skills of employees at all levels and in all areas, to improve their knowledge of production technology and other specialist fields, and to enhance their ability to adapt to a globalized environment.

Promoting Diversity

Toray Group promotes diversity as part of its efforts to create energetic workplaces in which people from wide-ranging backgrounds can achieve their full potential. Throughout its history Toray has actively employed women and sought to create amenable working environments for them. In recent years, we have improved our systems to help both male and female workers achieve a healthy work-life balance for their chosen lifestyles. Our systems, which provide readily accessible support according to the circumstances of individual employees, exceed the legally mandated requirements relating to childcare, care for aged and infirm family members, and maternity protection.



CSR Initiatives

Communication Activities

All of our business activities depend on good dialog with stakeholders. Toray Group is committed to communication in good faith, including the timely disclosure of accurate information, as the basis for mutual understanding with our wide-ranging stakeholders, including stockholders, customers, employees and local communities.

Stakeholder Communication

One way we communicate with stockholders and investors is through quarterly financial presentations. We also hold requisite briefings for individual investors. In addition, we communicate directly with investors and analysts in individual meetings, as required. We also ensure fair disclosure of information by distributing annual reports and other documents, and by posting information that is useful to stockholders and investors on our website.

Toray lives up to its reputation for putting the customer first by actively communicating with our customers, primarily through our sales and marketing divisions. Many customers also attend our exhibitions and briefings.

Various media, including in-house newsletters, the intranet and other methods, are used to communicate with employees. In addition to messages from the President, these channels are also used to share information about management and business topics and build understanding about these and other matters.

Dialog with the local communities surrounding group companies, offices and plants is an important priority for Toray Group. Regular gatherings are held for local residents, including briefings on our business activities and products. We also build friendly relations with communities through initiatives, including clean-up projects for rivers and roads near our plants.

Principal SRI indexes in which Toray is included

- FTSE KLD Global Climate 100 Index
- Morningstar Socially Responsible Investment Index
(as of March 31, 2013)

→ <http://www.toray.com/csr/index.html>

The Toray Group CSR Report contains information about the CSR activities of Toray Group. Detailed information can be found at this website.

Social Contribution Activities

Our Social Contribution Policy

Through our core business activities, we fulfill our Corporate Philosophy of "Contributing to society through the creation of new value with innovative ideas, technologies and products." We also contribute to society in various other ways under the Toray Group Social Initiative Policies. Our wide-ranging activities include the provision of funding for the Toray Science Foundation (Public Interest Incorporated Foundation), which was founded in 1960.

Contributing to Future Generations

Children will inherit the future. Toray Group supports education by providing products, technology and human resources. Employees act as special instructors for elementary and junior high school programs that teach children to enjoy scientific experiments and understand the role of technology in solving global environmental problems. Toray and Toray Research Center Inc. host science camps, which are science and technology experiment programs for high school students with an interest in science. Front-line researchers and engineers use experiments and other activities to provide direct instruction to high schools students from throughout Japan.



TOPICS

Helping to Establish the Toray USM Knowledge Transfer Centre

Toray has been active in Malaysia since the 1970s. Today there are four group companies involved in fibers & textiles, plastics and other fields. Our fundamental approach to activities is to achieve growth through our local roots. In 1993, we established the Malaysia Toray Science Foundation with the aim of contributing to the advancement of science and technology in Malaysia. Each year the Foundation awards prizes and grants, including support from Toray Group companies in Malaysia.

To commemorate the 40th anniversary of Toray's presence in Malaysia, we donated 4 million ringgits (approximately ¥110 million) to the Universiti Sains Malaysia (USM) in Penang. The funds will be used to establish the Toray USM Knowledge Transfer Centre, a place for human resource development and the



preservation and study of Malaysia's culture, history and traditions. A building for the facility will be built on the main USM campus and is expected to complete in 2015.

The USM is one of Malaysia's leading educational institutions. It is highly regarded for its research activity and was selected by the Ministry of Higher Education as the base for the Accelerated Programme for Excellence (APEX). USM graduates work for Toray Group companies in Malaysia, and Toray Industries Inc. supports internship training for USM students.

In keeping with its corporate philosophy of "contributing to society through the creation of new value with innovative ideas, technologies and products," Toray Group carries out a variety of CSR initiatives focused on local communities.



Corporate Governance

Toray Group's Basic Policy on Corporate Governance

Toray Group's basic policy on corporate governance is contained in our Corporate Missions, which requires us to provide stockholders with dependable and trustworthy management. Our Corporate Guiding Principles require us to obtain the trust of society and meet the expectations by acting fairly while maintaining high ethical standards and a strong sense of responsibility and maintaining transparency in management.

We regard these as our most important management policies.

Outline of Corporate Governance Structure and Reasons for Adoption

Our Board of Directors has 26 members. As a company in the basic material sector, Toray is involved in a wide range of business fields globally based on our core technologies, including organic synthetic chemistry, polymer chemistry, biotechnology and nanotechnology. Our present governance structure reflects our belief that when decisions are taken by members of the Board who have extensive knowledge of our business activities it helps us accomplish our management responsibilities to stockholders.

Toray operates under a corporate auditor system. Two members of the four-member Board of Corporate Auditors are

outside corporate auditors. To ensure management transparency and objective and impartial management oversight, the Board of Corporate Auditors is completely independent from the Board of Directors. The selection of outside corporate auditors is based on the stock exchange standards for decisions concerning the independence of independent auditors. The task of the outside corporate auditors is to improve oversight of the performance of duties by members of the Board from an independent perspective.

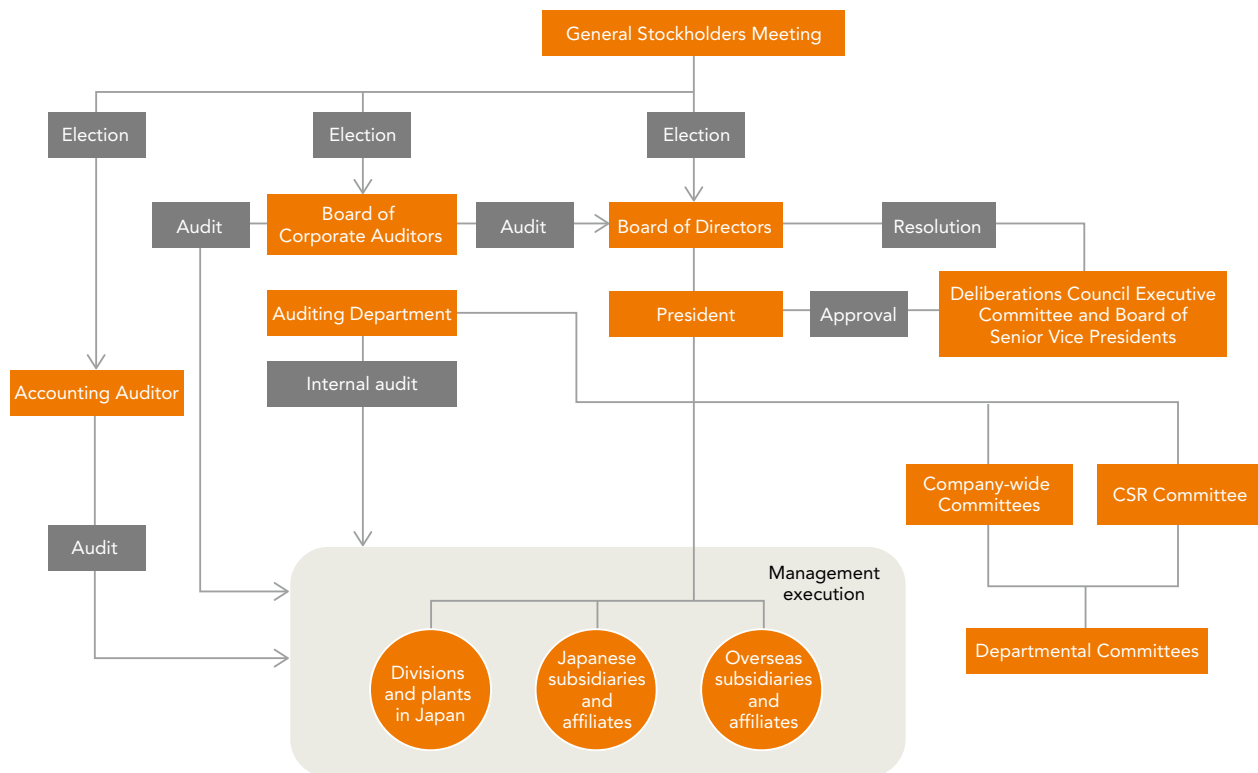
Basic Policy on Internal Control Systems and Their Development

We develop and maintain internal control systems as a framework for the development of appropriate organizational structures, the formulation of rules and regulations, the dissemination of information and the monitoring of business operations. The purpose of these systems is to ensure that all Toray Group executives and employees are able to realize the Corporate Philosophy, Corporate Missions and Corporate Guiding Principles of Toray Group, as expressed in the words "contributing to society through the creation of new value with innovative ideas, technologies and products." We review and improve these systems as required to ensure that our business operations are conducted efficiently and in compliance with the law. The following specific systems have been established.

- System to ensure that the execution of duties by members of the Board and employees comply with laws and regulations and the Company's Articles of Incorporation
- System to ensure the efficient execution of duties by members of the Board
- System for preserving and managing information pertaining to the execution of duties by the members of the Board
- Rules and other systems pertaining to controls over risks of loss
- System of reporting to corporate auditors and other systems for ensuring effective implementation of audits by corporate auditors
- Items pertaining to employees assisting with corporate auditors' duties and items pertaining to the independence of said employees
- System for ensuring appropriate business operations by Toray Group

Governance Structure

Toray Group is determined to justify the trust placed in it by society by working in good faith to maintain highly transparent governance systems.



Auditing by Corporate Auditors, Internal Auditors

The corporate auditors, including the outside corporate auditors, possess considerable expertise of financial matters and accounting. They thoroughly monitor the execution of duties by members of the Board by attending important corporate meetings, including meetings of the Board of Directors, and meeting with all members of the Board, divisional and departmental general managers, and by conducting on-site audits of Toray offices and plants worldwide, including subsidiaries and affiliated companies.

The corporate auditors also work closely with internal

control organizations. For example, they attend as observers at meetings of the Corporate Ethics Committee, which was established to promote corporate ethics and regulatory compliance as key elements of corporate social responsibility, and the Company-Wide Legal Compliance Committee.

The Audit Department, which reports directly to the President, was established as part of our internal control structure. Its task is to conduct internal audits of Toray and its subsidiaries and affiliated companies. Information is continually exchanged. For example, all audit reports submitted to the President by the Audit Department are also submitted to the corporate auditors.

Corporate Governance

Remuneration

1. Details of Remuneration

Position	Total remuneration (millions of yen)	Total remuneration (millions of yen) by type				Recipients
		Basic	Bonuses	Provision for the allowance for retirement benefits	Stock options as remuneration	
Members of the Board	1,568	1,153	125	32	257	33
Corporate auditors (excluding outside corporate auditors)	85	79	6	—	—	3
Outside corporate auditors	21	19	2	—	—	2

Notes: 1. Recipients included seven directors who retired during fiscal 2012, and one corporate auditor (excluding outside corporate auditors).
2. Total amounts of remuneration do not include ¥84 million paid in salaries to eleven employee-directors.

2. Total Remuneration Received by Members of the Board and Corporate Auditors

Name	Total consolidated remuneration (millions of yen)	Position	Status of company	Total remuneration (millions of yen) by type			
				Basic	Bonuses	Provision for the allowance for retirement benefits	Stock options as remuneration
Sadayuki Sakakibara	149	Member of the Board	Filing company	115	13	—	21
Akihiro Nikkaku	132	Member of the Board	Filing company	98	13	—	21

Note: Information about consolidated remuneration is shown only for persons receiving more than ¥100 million.

3. Policy on Remuneration for Members of the Board and Corporate Auditors

Remuneration for members of the Board and corporate auditors consists of monthly remuneration, a bonus and stock acquisition rights in the form of stock options. The purpose of this structure is to ensure management transparency and fairness, and to provide enhanced incentives for the improvement of financial performance and corporate value in the short-, medium- and long-term perspectives. Remuneration for corporate auditors consists of monthly remuneration and a bonus.

Furthermore, the amount of remuneration to directors and auditors members of the Board and corporate auditors is determined while taking into account the results of research conducted by a third-party organization to ensure objectivity.

The maximum total amount of monthly remuneration is determined by resolution at the Ordinary General Meeting of Stockholders. Resolutions are passed as required to determine whether or not bonuses should be paid and the amount of such bonuses.

General Ordinary Meetings of Stockholders set upper limits for the number of stock options granted to members of the Board as remuneration, and for the total amount of remuneration provided. The Board of Directors determines the number of stock options granted to members of the Board within those limits according to internal regulations established by the Company.

Corporate Ethics and Legal Compliance

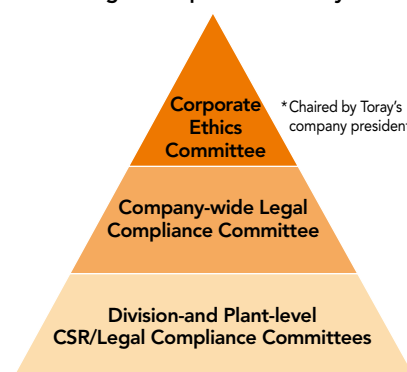
Corporate ethics and legal compliance are among Toray Group's most important management priorities. Our top management

has established clear guidelines and provides proactive leadership with the aim of ensuring that all Toray Group employees will maintain high ethical standards and a strong commitment to compliance with laws and regulations.

Framework for Promoting Corporate Ethics and Legal Compliance

Toray has established a Corporate Ethics Committee under the chairmanship of the President as a framework for cooperative initiatives by labor and management. This committee deliberates on all policies pertaining to corporate ethics. The Company-Wide Legal Compliance Committee works under the auspices of the Corporate Ethics Committee to promote independent activities, and is specifically tasked with advancing initiatives relating

Framework for Promoting Corporate Ethics and Legal Compliance in Toray



to company-wide priorities. The committee's administration is based on close communication between committee members, who are mainly section managers from each business line, and top management. All divisions, offices and plants have established CSR/Legal Compliance Committees to carry out activities involving individual employees in their workplaces.

To ensure that all executives and employees, including contract, part-time and temporary employees, are fully informed about compliance requirements, we distribute copies of the Corporate Ethics and Legal Compliance Handbook, which defines standards of conduct and provides detailed information about aspects that require special care. The Handbook is updated as required, such as when laws and regulations are amended.

The subsidiaries and affiliated companies in Japan and overseas have also established CSR/Legal Compliance Committees and are working to ensure consistent compliance by compiling similar codes of conduct, guidelines, handbooks and other materials.

Risk Management

We regard risk management as a fundamental element in the corporate management of Toray Group. Under our corporate risk management policies, which are administered over three-year cycles, we aim to identify and reduce potential risk factors in our business activities and prevent recurrences. We have also formulated Crisis Management Regulations as the basis for the development and administration of an Emergency Quick Response System designed to prevent emergency situations from expanding and ensuring the early restoration of normal operations.

Promotion of Group-Wide Risk Management

Under the corporate risk management system introduced in fiscal 2008, we evaluate potential risk factors that could affect the business operations of Toray Group from a group-wide perspective. This system consists of a series of specific steps based on the Plan-Do-Check-Act cycle.

Step 1 (Plan): A risk survey is carried out using questionnaires and interviews. **Step 2:** Results from these surveys are used to assess risks, and the seriousness of potential risks is calculated by multiplying probability by impact. **Step 3 (Do):** A risk map is compiled based on findings from Step 2. This is used to provide an overview of all risks and identify major risks. **Step 4:** Priority risks are selected from among the risks identified through Step 3 (Group-Wide Risk Management Committee and CSR Committee) and countermeasures are implemented by the units concerned. **Step 5 (Check, Act):** Activities undertaken to reduce priority risks are checked and added, and follow-up measures are implemented (Group-Wide Risk Management Committee and CSR Committee).

Risk reduction measures relating to priority risks are implemented by the units responsible for each risk category, or by working groups. The Group-Wide Risk Management Committee

receives regular reports about priority risks and assesses progress toward the reduction of risks after seeking input from the director in charge of each area.

Working groups are established to take action in relation to the following types of priority risks.

1. Information security risks

Toray uses e-learning to provide security training for its executives. A total of 1,108 executives have completed this program to date, which is designed to improve awareness among front-line management personnel.

2. Supply-chain risks

Toray has developed initiatives to ensure that customer inquiries about conflict minerals are answered promptly and efficiently. Steps taken by affiliated companies in Japan and overseas in relation to conflict minerals are also checked.

Crisis Management System

Toray's Crisis Management Regulations set out basic principles for a group-wide response to serious risks affecting Toray Group. The purpose of the regulations is to ensure a consistent and comprehensive response in a crisis situation.

When anti-Japanese demonstrations occurred in China in August 2012, Toray immediately established an Emergency Response Headquarters in accordance with the Crisis Management Regulations. By implementing timely and effective measures, we were able to minimize the impact on Toray Group.

Promotion of Business Continuity Plan (BCP)

We have always regarded major earthquakes as a significant risk factor. Activities under our Major Earthquake Business Continuity Plan include drills concerning the confirmation of personnel safety systems, including its effect on the supply chain.

In the year ended March 31, 2013 (fiscal 2012), we applied lessons learned through the Great East Japan Earthquake to the development administration guidelines for a Company-Wide Response Headquarters. We also conducted division-level drills on setting up a company-wide earthquake response headquarters based on a scenario in which a Tokyo is directly hit by a major earthquake. Around 1,000 people took part.

In April 2013, the Tokyo Metropolitan Government enacted an ordinance concerning measures to assist people stranded by natural disasters. In accordance with the ordinance, Toray implemented an e-learning program for all employees at its Tokyo Office concerning initial response measures in the event of a major earthquake.

Other measures include the introduction of a system to check the safety and whereabouts of employees at all Toray offices and plants, a program of earthquake strengthening for plant buildings, a review of continuity planning for corporate functions and key business operations, and the identification of potential problems affecting supply chains for each product. We are continually working to mitigate risk factors with the potential to affect business continuity.

Corporate Information

Board of Directors and Corporate Auditors

(As of June 26, 2013)



Chairman of the Board and
Representative Member of
the Board

Sadayuki Sakakibara



President and
Representative Member of
the Board

Akihiro Nikkaku



Executive Vice President and
Representative Member of
the Board

Junichi Fujikawa

In charge of General Administration &
Legal Division (Security Trade
Administration Department);
General Manager, Corporate
Strategic Planning Division; General
Manager, IT Business SBU



Executive Vice President and
Representative Member of
the Board

Eizo Tanaka

In charge of Marketing and Sales;
In charge of Corporate Marketing
Planning Department, Automotive
Material Strategic Planning Department
and branches; General Manager,
Fibers & Textiles Division;
General Manager, Osaka Head Office



Executive Vice President and
Representative Member of
the Board

Nobuo Suzui

In charge of Purchasing &
Logistics Division; Product Safety &
Quality Assurance Planning Depart-
ment; General Manager,
Manufacturing Division

Senior Vice President and
Representative Member of the Board
(Member of the Executive Committee)

Koichi Abe

Senior Vice Presidents
(Members of the Board &
Members of the Executive Committee)

Moriyuki Onishi
Shinichi Okuda
Kazushi Hashimoto
Ryo Murayama

Senior Vice Presidents
(Members of the Board)

Akira Uchida
Susumu Yamaguchi
Shogo Masuda
Akira Umeda
Yukichi Deguchi
Hiroshi Murakami
Akio Sato

Vice Presidents
(Members of the Board)

Hisae Sasaki
Hiroshi Otani
Minoru Yoshinaga
Kunihiko Yoshida
Toru Fukasawa
Mitsuo Oya
Satoru Hagiwara
Yasuo Suga
Hirofumi Kobayashi

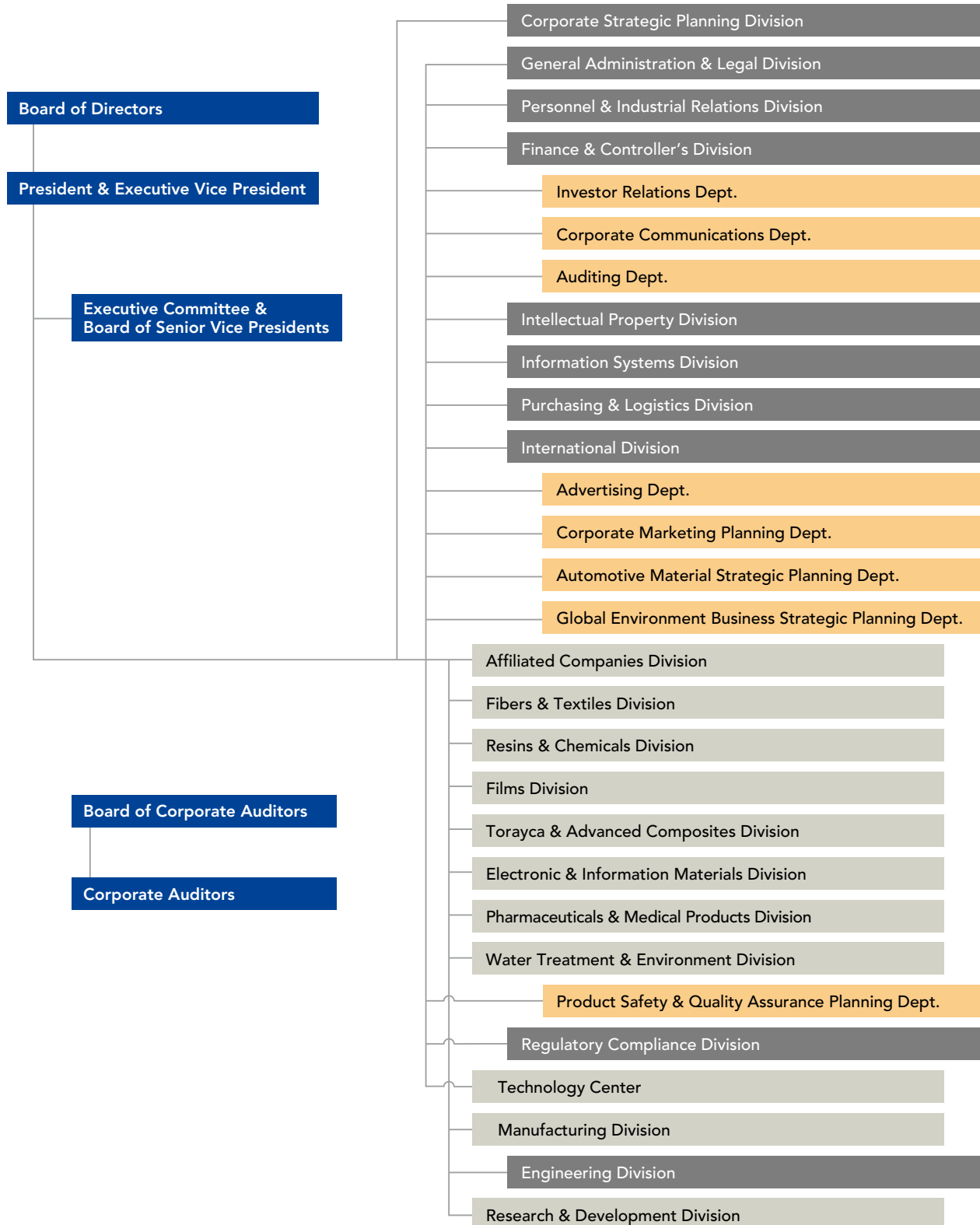
Corporate Auditors
(Full-time)

Kiyoshi Fukuchi
Motoyuki Yagita

Corporate Auditors
Mitsuaki Yahagi
Makoto Matsuo

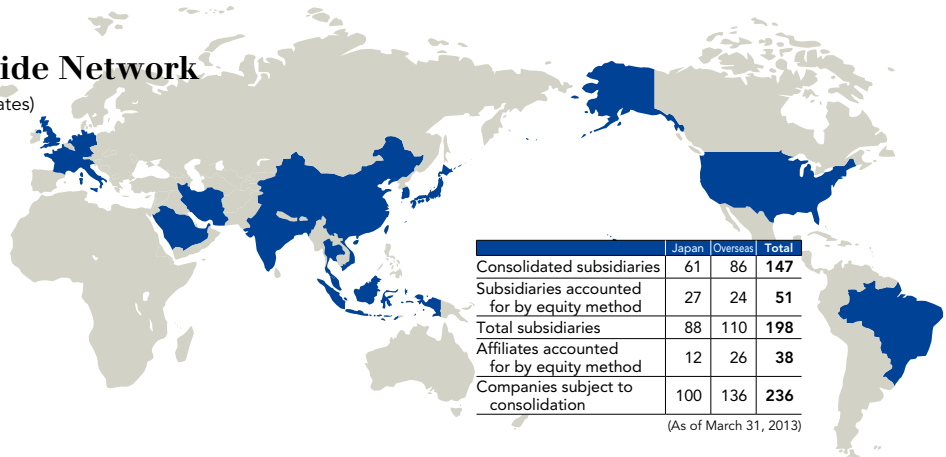
Organization

(As of July 1, 2013)



Toray Group Worldwide Network

(Major consolidated subsidiaries and affiliates)
(As of March 31, 2013)



EUROPE

United Kingdom

Consolidated Subsidiaries

- Toray Textiles Europe Ltd. (TTEL)
- Toray International U.K. Ltd. (TIUK)

France

Consolidated Subsidiaries

- Toray Films Europe S.A.S. (TFE)
- Toray Carbon Fibers Europe S.A. (CFE)

Switzerland

Subsidiary Accounted for by Equity Method

- Toray Membrane Europe AG (TMEu)

Italy

Consolidated Subsidiaries

- Alcantara S.p.A.

Subsidiary Accounted for by Equity Method

- Toray International Italy S.r.l. (TIIT)

Czech Republic

Consolidated Subsidiaries

- Toray Textiles Central Europe s.r.o. (TTCE)

Germany

Consolidated Subsidiaries

- Toray International Europe GmbH (TIEU)
- Others

ASIA

China

Consolidated Subsidiaries

- Toray Industries (China) Co., Ltd. (TCH)
- Toray Fibers (Nantong) Co., Ltd. (TFNL)
- Toray Sakai Weaving & Dyeing (Nantong) Co., Ltd. (TSD)
- Toray Polytech (Nantong) Co., Ltd. (TPN)
- Toray Jifa (Qingdao) Textile Co., Ltd. (TJQ)
- Toray Plastics (Shenzhen) Ltd. (TPSZ)
- Toray Plastics (China) Co., Ltd. (TPCH)
- Toray Sanko Precision (Zhongshan) Ltd. (RKZ)
- Toray Sanko Precision (Hong Kong) Ltd. (RKH)
- Toray Industries (H.K.) Ltd. (THK)
- Toray International (China) Co., Ltd. (TICH)
- Toray Film Products (Zhongshan) Ltd.
- Toray Film Products (Hong Kong) Ltd.
- Toray BlueStar Membrane Co., Ltd. (TBMC)
- Others

Subsidiaries Accounted for by Equity Method

- Toray Industries (South China) Co., Ltd. (TSCH)
- Others

Affiliate Accounted for by Equity Method

- Yihua Toray Polyester Film Co., Ltd. (YTP)

Republic of Korea

Consolidated Subsidiaries

- Toray Advanced Materials Korea Inc.
- STEMCO, Ltd. (STEMCO)

Affiliates Accounted for by Equity Method

- STECO, Ltd. (STECO)
- Others

Chinese Taipei

Subsidiary Accounted for by Equity Method

- Toray International Taipei Inc. (TIIP)
- Others

Malaysia

Consolidated Subsidiaries

- Penfabric Sdn. Berhad (PAB)
- Penfibre Sdn. Berhad (PFR)
- Toray Plastics (Malaysia) Sdn. Berhad (TPM)
- Others

Subsidiary Accounted for by Equity Method

- Toray Industries (Malaysia) Sdn. Berhad (TML)

Affiliate Accounted for by Equity Method

- Toray BASF PBT Resin Sdn. Berhad (TBPR)

Singapore

Consolidated Subsidiary

- Toray International Singapore Pte. Ltd. (TISP)

Japan

Consolidated Subsidiaries

- Ichimura Sangyo, Co., Ltd.
- Toray Fine Chemicals Co., Ltd.
- Toyo Plastic Seiko Co., Ltd.
- Toray Advanced Film Co., Ltd.
- Toray KP Films Inc.
- Toray Battery Separator Film Co., Ltd.
- Soda Aromatic Co., Ltd.
- Toray Engineering Co., Ltd.
- Toray Construction Co., Ltd.
- Suido Kiko Kaisha, Ltd.
- Toray Medical Co., Ltd.
- Toray Research Center Inc.
- Toray International, Inc.
- Chori Co., Ltd.
- Others

Subsidiaries Accounted for by Equity Method

- Toyo Business Support Inc.
- Others

Affiliates Accounted for by Equity Method

- Du Pont-Toray Co., Ltd.
- Toray Opelontex Co., Ltd.
- Dow Corning Toray Co., Ltd.
- Sanyo Chemical Industries, Ltd.
- Others

Indonesia

Consolidated Subsidiaries

- P.T. Acryl Textile Mills (ACTEM)
- P.T. Century Textile Industry Tbk (CENTEX)
- P.T. Easterntex (ETX)
- P.T. Indonesia Synthetic Textile Mills (ISTEM)
- P.T. Indonesia Toray Synthetics (ITS)

Subsidiaries Accounted for by Equity Method

- P.T. Toray Industries Indonesia (TIN)
- Others

Affiliates Accounted for by Equity Method

- P.T. Petnesia Resindo (PNR)
- Others

Thailand

Consolidated Subsidiaries

- Luckytex (Thailand) Public Co., Ltd. (LTX)
- Thai Toray Textile Mills Public Co., Ltd. (TTTM)
- Toray Synthetics Co., Ltd. (TTS)

Subsidiary Accounted for by Equity Method

- Toray Industries (Thailand) Co., Ltd. (TTH)

Affiliate Accounted for by Equity Method

- Thai PET Resin Co., Ltd. (TPRC)

NORTH AMERICA

U.S.A.

Consolidated Subsidiaries

- Toray Fluorofibers (America), Inc. (TFA)
- Toray International America Inc. (TIAM)
- Toray Plastics (America), Inc. (TPA)
- Toray Resin Co. (TREC)
- Toray Carbon Fibers America, Inc. (CFA)
- Toray Composites (America), Inc. (TCA)
- Toray Membrane USA, Inc. (TMUS)
- Others

Regional Supervisory Organization

- Fibers & Textiles
- Plastics & Chemicals
- IT-related Products
- Carbon Fiber Composite Materials
- Environment & Engineering
- Life Science & Other Businesses
- Trading

Major Offices in Japan

2nd Head Office Building

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Telephone: 81 (47) 350-6001
Facsimile: 81 (47) 350-6075

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Toray Industries, Inc., Europe Office (TEU)
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London, WC1X 8NH, U.K.
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Facsimile: 44 (20) 7663-7770

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10th Floor, LG Mapo Bldg., 275,
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Toray Industries, Inc., India Liaison Office
Unit No. 504, 5th Floor, Vatika City Point,
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122002, India
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Facsimile: 91 (12) 4387-7901

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Toray do Brasil Ltda.
Av. Paulista, 1048-Conj 71 Bela Vista
Sao Paulo - SP 01310-100, Brasil
Telephone/Facsimile: 55 (11) 4314-7792

Financial Section

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SIX-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Toray Industries, Inc. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen					
	2013	2012	2011	2010	2009	2008
Net sales*	¥1,592,279	¥1,588,604	¥1,539,693	¥1,359,631	¥1,471,561	¥1,649,670
Fibers & Textiles	632,150	638,375	584,115	525,204	568,996	637,343
Plastics & Chemicals	395,835	397,815	382,299	332,735	377,644	404,015
IT-related Products	237,593	243,404	262,027	230,433	229,421	283,734
Carbon Fiber Composite Materials	77,620	69,914	67,018	50,676	70,390	83,580
Environment & Engineering	178,355	170,247	178,183	159,787	160,207	173,213
Life Science	56,599	55,554	52,430	46,656	—	—
Others	14,127	13,295	13,621	14,140	—	—
Life Science & Other Businesses	—	—	—	—	64,903	67,785
Operating income	83,436	107,721	100,087	40,107	36,006	103,429
Income (loss) before income taxes and minority interests	77,828	101,091	82,893	(2,415)	(19,751)	78,565
Net income (loss)	48,477	64,218	57,925	(14,158)	(16,326)	48,069
Net cash provided by operating activities	100,815	104,410	129,214	166,215	38,447	110,367
Depreciation and amortization	67,588	67,443	70,479	74,904	83,764	86,423
Capital expenditures	99,135	98,384	55,942	57,073	92,349	146,787
Total assets	1,731,830	1,581,501	1,567,470	1,556,796	1,523,603	1,698,226
Property, plant and equipment, net	627,240	561,923	531,595	580,344	596,261	680,993
Interest-bearing liabilities	532,002	481,906	493,509	632,160	663,945	591,182
Net assets	779,615	674,149	640,970	518,216	512,610	642,159

	Yen					
Per share of common stock:						
Net income (loss):						
Basic	¥ 29.75	¥ 39.41	¥ 36.41	¥ (10.12)	¥ (11.66)	¥ 34.34
Diluted	28.90	37.46	34.43	—	—	—
Cash dividends	10.00	10.00	7.50	5.00	7.50	10.00
Net assets	444.95	384.90	363.90	336.65	335.04	423.78
Ratios:						
Operating income to net sales	5.24%	6.78%	6.50%	2.95%	2.45%	6.27%
Net income (loss) to net sales	3.04	4.04	3.76	(1.04)	(1.11)	2.91
Equity ratio	41.9	39.7	37.8	30.3	30.8	34.9
Return on equity	7.2	10.5	10.9	(3.0)	(3.1)	8.1
Debt/equity ratio (times)	0.73	0.77	0.83	1.34	1.42	1.00

	Yen					
Common stock price range:						
High	¥ 654	¥ 631	¥ 643	¥ 591	¥ 694	¥ 998
Low	421	511	420	390	350	529
Number of employees	42,584	40,227	38,740	37,936	37,924	38,565

* Effective from the year ended March 31, 2011, "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Accounting Standards Board of Japan (ASBJ) Statement No.17, March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20, March 21, 2008) are applied. Accordingly, segment information for the year ended March 31, 2010 is restated.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

During the period covered by year ended March 31, 2013 (fiscal 2012), the global economy on the whole remained under harsh conditions, as the European real economy's protracted struggle with its sovereign debt problems continued while the Chinese economy and the U.S. economic recovery slowed down. The Japanese economy recovered at a gradual pace on the back of mainly reconstruction demand related to the Great East Japan Earthquake, though the recovery leveled off from summer reflecting primarily the global economic slowdown. Since the end of 2012, there have been some positive signs on the back of expectations for the economic measures by the administration led by Prime Minister Shinzo Abe.

Under such circumstances, Toray Group has been implementing the growth strategy with focus on pursuing business expansion in growth business fields and growth regions and further bolstering its total cost competitiveness in accordance with the medium-term management program "Project AP-G 2013."

As a result, Toray Group achieved an increase in revenues from the previous fiscal year but earnings fell during the same period.

INCOME ANALYSIS

Net Sales

Consolidated net sales in the year ended March 31, 2013 amounted to ¥1,592.3 billion, up 0.2% or ¥3.7 billion from the previous fiscal year. Sales increased in the Carbon Fiber Composite Materials, the Environment & Engineering, the Life Science segments and the Others.

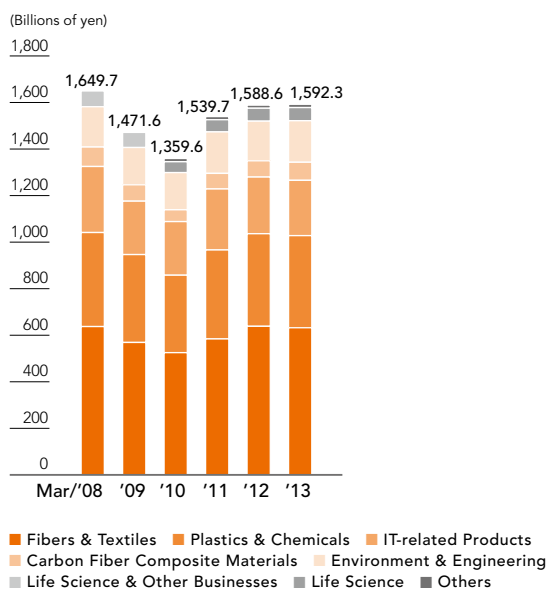
Sales by Segment

Fibers & Textiles

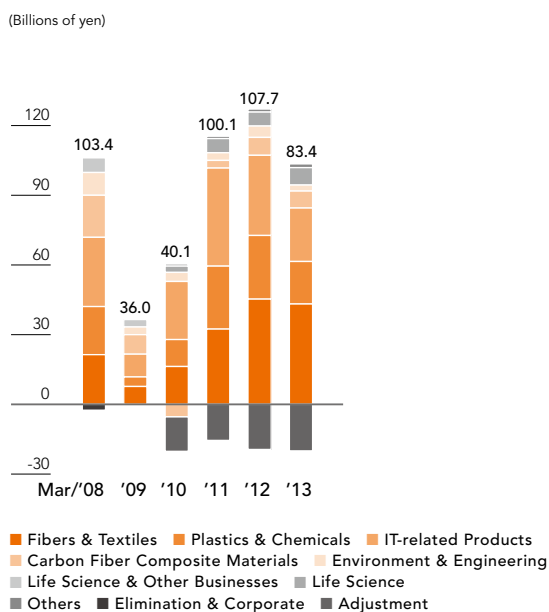
Total sales in this segment declined ¥6.2 billion, or 1.0%, to ¥632.2 billion.

In Japan, while sales of industrial-use materials grew strongly fueled by factors including rising sales for automotive applications reflecting production expansion by automobile manufacturers in the first half, the demand showed a decelerating trend in the second half as the subsidies for purchase of eco-cars ended. Demand for apparel applications remained weak due to the slowing economy, except for functional apparel materials for fall and winter, sales of which were strong. Overseas, in addition to sluggish demand in Asia given the impact of the slowdown in the United States and European economies and deceleration of China's domestic demand, both production and sales in the first half were affected by the floods in Thailand.

Net Sales by Segment



Operating Income by Segment



*1 Effective from the year ended March 31, 2011, "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17 of March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20 of March 21, 2008) are applied. Accordingly, segment information for the year ended March 31, 2010 is restated.

*2 Operating income by segment that is not attributable to any segment is included in "Elimination & Corporate" for the fiscal years ended March 31, 2008 and 2009, respectively, and included in "Adjustment" for the fiscal years ended March 31, 2010, 2011, 2012 and 2013, respectively.

Plastics & Chemicals

Total sales in this segment decreased ¥2.0 billion, or 0.5%, to ¥395.8 billion.

Sales volume of engineering plastics for automotive applications in the resin business increased in the first half on expanded production primarily by automobile manufacturers in Japan, though demand declined from the third quarter due to the ending of subsidies for purchase of eco-cars. Overseas, while freight movement of general-purpose ABS resins remained sluggish reflecting the continued stagnation in the Chinese market, sales of resin compounds, etc. for automotive applications in the United States expanded. Demand for film products remained sluggish in Japan and overseas due to the worldwide economic slowdown, while price competition continued to intensify.

IT-related Products

Total sales in this segment declined ¥5.8 billion, or 2.4%, to ¥237.6 billion.

Despite production adjustments for LCD panels caused by the slowdown in the flat-screen television market being almost over and production showing signs of recovery, the flat-screen television-related products including films and processed film products did not reach the levels marked in the same period a year earlier, as recovery in demand was slow, and price competition intensified. Among materials for small and mid-sized displays, sales of smartphone-related products increased, while those for other applications remained sluggish in general.

Carbon Fiber Composite Materials

Total sales in this segment rose ¥7.7 billion, or 11.0%, to ¥77.6 billion.

Sales in aerospace and general industrial applications were strong, as demand for aircraft applications grew and that for environmental and energy-related applications, including compressed natural gas tank applications, expanded. The recovery of the market for sporting goods applications stalled reflecting the economic slowdown in Japan and abroad, and price competition has been intensifying.

Environment & Engineering

Total sales in this segment increased ¥8.1 billion, or 4.8%, to ¥178.4 billion.

Demand for water treatment membranes was sluggish in main markets such as Europe, the United States, Middle East and China. Japanese subsidiaries in general expanded sales, while an engineering subsidiary was affected by order price declines due to intensifying competition.

Life Science

Total sales in this segment were up ¥1.0 billion, or 1.9%, to ¥56.6 billion.

Sales of medical products including TORAYLIGHT™ NV, a polysulfone membrane dialyzer, and TORAYMYXIN™ a hemoperfusion absorption column for removing endotoxins, increased strongly. Sales of pharmaceutical products, however, were affected by intensified competition as well as the lowering

of the selling price under the National Health Insurance price revision in April 2012.

Others

Net sales rose ¥0.8 billion, or 6.3%, to ¥14.1 billion.

Costs and Expenses

The ratio of total costs and expenses to net sales for the year was 94.8%, up 1.5 percentage points from the previous fiscal year.

Consolidated net sales increased 0.2% year on year, and cost of sales increased 1.5%. As a result, the cost of sales ratio increased 1.0 percentage points to 80.4%.

Selling, general and administrative expenses increased ¥8.4 billion, or 3.8%, to ¥228.2 billion. The ratio of selling, general and administrative expenses to net sales increased 0.5 percentage points to 14.3%.

R&D expenses increased ¥1.9 billion, or 3.7%, to ¥53.3 billion.

Operating Income and Net Income

Operating income fell ¥24.3 billion, or 22.5%, from the previous fiscal year, to ¥83.4 billion, while operating income to net sales fell 1.5 percentage points to 5.2%.

By segment, operating income decreased in all segments except for the Life Science segment and Others.

Operating income in the Fibers & Textiles segment fell ¥2.1 billion, or 4.6%, from the previous fiscal year to ¥43.2 billion. Demand was soft in the Asia region, due to the economic situation in Europe and the United States and to the slowdown in Chinese demand, while first-half results were also affected by the floods in Thailand.

In the Plastics & Chemicals segment, operating income decreased ¥9.1 billion, or 33.2% to ¥18.3 billion. In the resin business, demand decreased for automotive applications in Japan due to the end of eco-car subsidies, while overseas, the continued slowdown in the Chinese market led to lower movement of goods. In the film business, there was weakening demand due to such factors as the worldwide economic slowdown, as well as the continued intensification of price competition.

Operating income in the IT-related Products segment fell ¥11.6 billion, or 33.5%, to ¥23.0 billion. A major contributor was the weakness that emerged in small and mid-size display-related materials outside of smartphone-related products.

In the Carbon Fiber Composite Materials segment, operating income decreased from the previous fiscal year by ¥0.4 billion, or 4.8%, to ¥7.3 billion. Major contributors were the slow speed of demand recovery for sporting goods applications, as a result of a weak economy, both in Japan and overseas, and intensifying price competition.

Operating income in the Environment & Engineering segment fell ¥2.3 billion, or 46.2%, to ¥2.6 billion. Major factors include cost increases at a construction and real estate subsidiary and falling order prices stemming from intense price competition at an engineering subsidiary.

In the Life Science segment, operating income rose ¥1.5 billion, or 24.7%, to ¥7.5 billion, boosted by strong sales expansion in medical products and other factors.

Operating income of Others increased ¥0.2 billion, or 16.7%, to ¥1.6 billion.

In net other income (expenses), Toray Group reported ¥5.6 billion in expenses, a ¥1.0 billion year-on-year decrease. Interest and dividend income was generally even at ¥3.2 billion, while interest expense fell ¥0.3 billion to ¥5.5 billion. This led to a ¥0.4 billion improvement in net financial expenses to ¥2.2 billion. Equity in earnings of unconsolidated subsidiaries and affiliated companies increased ¥2.2 billion to ¥7.4 billion. Loss on impairment of fixed assets increased ¥1.7 billion year on year to ¥2.0 billion. Loss on sales and disposal of property, plant and equipment, net, increased by ¥0.4 billion to ¥4.4 billion.

As a result of the above, income before income taxes and minority interests decreased ¥23.3 billion to ¥77.8 billion. After deductions for income taxes and minority interests in earnings of consolidated subsidiaries, net income amounted to ¥48.5 billion, down ¥15.7 billion from the previous fiscal year.

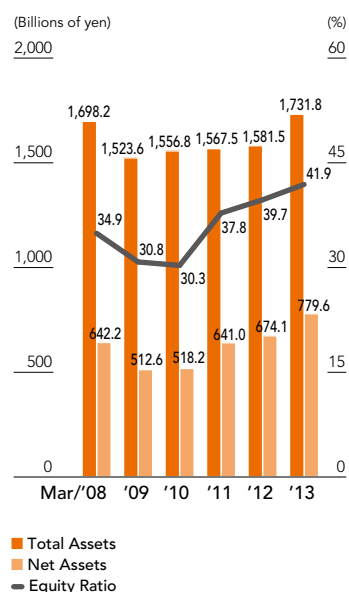
Net income per share was ¥29.75, a decrease of ¥9.66. The Company declared a year-end cash dividend of ¥5.00 per share in light of the profit conditions for the year under review and the profit outlook for the next fiscal term. Added to the interim cash dividend, this brought the total annual dividend to ¥10.00 per share.

FINANCIAL POSITION

Assets

Total assets on March 31, 2013, stood at ¥1,731.8 billion, up ¥150.3 billion or 9.5% from the end of the previous fiscal year. This was mainly due to the increases in cash and time deposits, in inventories and in property, plant and equipment, net of depreciation.

Total Assets and Net Assets



Current Assets

Current assets were up 9.7%, or ¥70.5 billion, to ¥796.7 billion. Cash and time deposits were up 33.5%, or ¥27.3 billion, to ¥108.7 billion. Inventories rose to ¥313.7 billion, up ¥18.0 billion or 6.1%.

Property, Plant and Equipment

Property, plant and equipment, net of depreciation compared with the end of the previous fiscal year grew 11.6%, or ¥65.3 billion, to ¥627.2 billion. Capital expenditures totaled ¥98.0 billion, up 3.9% or ¥3.7 billion based on our policy of investing selectively in prospective growth areas while streamlining and modernizing production facilities to enhance production efficiency.

In the Fibers & Textiles segment, capital expenditures totaled ¥27.9 billion, which included new polypropylene spunbond production facilities at P.T. Toray Polytech Jakarta. In the Plastics & Chemicals segment, capital expenditures amounted to ¥23.2 billion, which included additional PPS resin production facilities at the Company. Capital expenditures in the IT-related Products segment were ¥21.7 billion, which included new polyolefin film production facilities at Toray Advanced Film Kaohsiung Co., Ltd. In the Carbon Fiber Composite Materials segment, capital expenditures amounted to ¥15.3 billion, which included additional carbon fiber production facilities at Toray Carbon Fibers Europe S.A. and new one at Toray Advanced Materials Korea Inc. In the Environment & Engineering segment, capital expenditures amounted to ¥4.3 billion. In the Life Science segment, capital expenditures amounted to ¥3.7 billion, which included new dialyzer production facilities at Toray Medical (Qingdao) Co., Ltd.

Liabilities

Total liabilities increased ¥44.9 billion, or 4.9%, to ¥952.2 billion. A major factor was the increase in total interest-bearing liabilities—consisting of short-term bank loans, current portion of long-term debt, commercial paper, long-term debt and lease obligations—up ¥50.1 billion, or 10.4%, to ¥532.0 billion.

Net Assets

Net assets came to ¥779.6 billion and net assets less minority interests in consolidated subsidiaries and stock acquisition rights stood at ¥725.0 billion. As a result, net assets per share increased ¥60.05 to ¥444.95. The equity ratio rose 2.2 percentage points to 41.9%, while the debt/equity ratio improved by 0.03 point to 0.73.

CASH FLOWS

In the year ended March 31, 2013, net cash used in investing activities exceeded net cash provided by operating activities by ¥6.7 billion. On the other hand, net cash provided by financing activities was ¥26.2 billion due mainly to an increase in interest-bearing liabilities. As a result of these and other factors, cash and cash equivalents at fiscal year-end stood at ¥107.7 billion, up ¥26.4 billion or 32.5% from the end of the previous fiscal year.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥100.8 billion, down ¥3.6 billion from the previous fiscal year. Major factors for provision of cash include income before income taxes and minority interests of ¥77.8 billion and depreciation and amortization of ¥67.6 billion, while major factors for use of cash include an increase in trade receivables of ¥10.2 billion, and income taxes paid of ¥20.9 billion.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥107.5 billion, up ¥3.5 billion from the previous fiscal year. Main factors include capital expenditures of ¥105.1 billion.

Cash Flows from Financing Activities

Net cash provided by financing activities was ¥26.2 billion, up ¥49.8 billion from the previous fiscal year. Main factors include proceeds from long-term debt of ¥101.6 billion, which contrasted with repayment of long-term debt of ¥53.8 billion and cash dividends paid of ¥17.2 billion.

BUSINESS RISKS

Operational and other risks faced by Toray Group that could have a major influence on the decisions of investors are described below. Toray Group works constantly to avoid such potential risks, minimize their impact, and build a system to enable swift responses and accurate information disclosure on

the occurrence of unforeseen situations. Please note that the risks described below are those identified by Toray Group when this annual report was produced, and do not represent all the operational and other risks that could affect Toray Group.

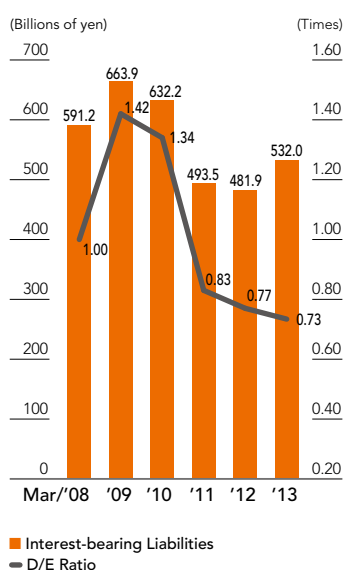
(1) Domestic and overseas demand and market trends

As a supplier of basic materials to a broad range of industries, Toray Group is exposed to various factors that could cause a sharp drop in demand for its products. These include changes in both worldwide and regional supply-demand conditions, increased use of substitute materials, and changes to the purchasing policies of business partners. In addition to severe competition with other companies, Toray Group's various businesses also face the risk of new players entering the market. Price fluctuations, stemming from the reduction of National Health Insurance (NHI) drug prices and reimbursement prices, also affect the pharmaceuticals and medical products business. Although Toray Group takes steps to maintain its competitive advantage, a decline in demand for, or falling prices of, such items, or the appearance of a credit risk affecting Toray Group's business partners, could have a negative impact on Toray Group's results of operations and financial conditions.

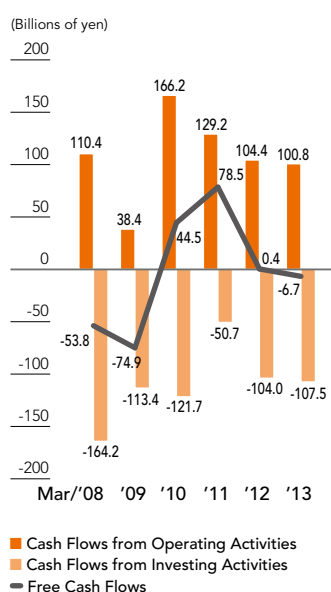
(2) Rising prices of fuel and raw materials

The prices of petrochemical raw materials and fuel used by Toray Group are subject to significant fluctuations. If Toray Group is unable to fully pass the increases in such prices on to its product prices, or cannot raise its product prices due to lack of progress in shifting to high-value-added products, its results of operations and financial conditions could be negatively affected.

Interest-bearing Liabilities and D/E Ratio



Cash Flows



(3) Capital expenditures, joint ventures, alliances and acquisitions

Toray Group makes capital expenditures in a wide range of business fields. Its other activities include formation of various joint ventures or strategic alliances with third parties, as well as business acquisitions.

When Toray Group becomes involved in capital expenditures, joint ventures, alliances and acquisitions, it considers the potential for profitability and return on investment. However, there is not necessarily any guarantee that the outcome will be consistent with expectations. If unforeseen market changes or significant discrepancies between actual results and initial business plans occur due to sudden changes in the operating environment, there could be a loss on impairment of fixed assets or equity in losses of unconsolidated subsidiaries and affiliated companies. As a result, Toray Group's results of operations and financial conditions could be negatively affected.

(4) Foreign currency, interest rate and securities market fluctuations

Foreign currency exchange rate fluctuations affect Toray Group's consolidated financial statements when the financial statements of the overseas operations presented in local currencies are translated into yen. Toray Group takes measures, such as entering forward exchange contracts, to alleviate risks associated with transactions denominated in foreign currencies. However, unforeseen exchange rate fluctuations could have an impact on Toray Group's results of operations and financial conditions.

Moreover, changes in interest rates and other aspects of financial markets, as well as changes in the value of securities and pension assets held by Toray Group, may have an impact on Toray Group's results of operations and financial conditions.

(5) Changes in assumptions on which forecasts are based that might affect employee retirement benefit obligations and deferred tax assets

Toray's consolidated financial statements contain employee retirement benefit obligations based on future pension payments calculated in accordance with certain criteria, as well as deferred tax assets stated according to likely tax refunds based on taxable income estimates for the future fiscal years. However, if changes in the criteria used to calculate pension payments were to occur, or if fluctuations arose in the estimates of future taxable income, Toray Group's results of operations and financial conditions could be affected.

(6) Overseas operations

Toray Group is developing a broad geographical presence, with operations in various countries of Asia, Europe, and the Americas. Some of the major potential risks associated with various regions are summarized below. If such risks were to become reality, Toray Group's results of operations and financial conditions could be negatively affected.

- Unforeseen introduction, changes or abolition of laws and regulations such as changes in taxation systems
- Unforeseen economic or political events
- Social upheaval, including acts of terror or war

(7) Product liability

Toray Group strives to supply the world's best-in-class product quality. However, it cannot always guarantee against a major unforeseen quality problem. If quality-related serious situations were to occur, Toray Group's results of operations and financial conditions could be negatively affected.

(8) Lawsuits

In the course of conducting its wide range of business activities, Toray Group faces the risk of being targeted by legal action pertaining to various matters such as intellectual property, product liability, environment, and labor issues. If Toray Group were subject to a major lawsuit, its results of operations and financial conditions could be negatively affected.

(9) Laws and regulations, taxes, competition policies and internal controls

Various laws and regulations apply in the countries and regions where Toray Group conducts its business. These laws and regulations include regulations related to the environment, commercial trading, labor, intellectual property, taxation and foreign exchange, investment approval protocols and import/export controls, and policies on competition based on antitrust laws. Through the establishment and maintenance of internal control systems, Toray Group endeavors to comply with all such laws and regulations. However, changes to such laws and regulations, including the introduction of new environmental regulations and taxes, as well as changes to the corporate income tax rate could affect Toray Group's results of operations and financial conditions. Also, if Toray Group is judged as having violated such laws and regulations, is subject to government sanctions initiated by a fair trade commission, receives a notice of correction from tax authorities, has an employee who engages in illicit behavior, or is unable to uphold internal controls pertaining to financial statements, its results of operations and financial conditions could be negatively affected.

(10) Natural disasters and accidents

Toray Group places top priority on safety, accident prevention, and environmental preservation. To minimize losses caused by the suspension of production, Toray Group conducts regular accident prevention inspections, maintenance of its manufacturing facilities, and safety activities. However, the advent of a major natural disaster or unprecedented accident could cause damage to Toray Group's manufacturing facilities, or could cause inadequate supply of raw materials, which could have a negative impact on its results of operations and financial conditions.

CONSOLIDATED BALANCE SHEETS

Toray Industries, Inc. and Consolidated Subsidiaries
March 31, 2013 and 2012

Assets	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	2013
Current assets:			
Cash (Note 5)	¥ 87,276	¥ 63,519	\$ 928,468
Time deposits (Notes 4 and 5)	21,390	17,879	227,553
Trade receivables (Notes 5 and 7):			
Notes receivable	32,747	34,935	348,372
Accounts receivable	275,483	248,693	2,930,670
Inventories (Note 3)	313,707	295,745	3,337,309
Deferred tax assets (Note 10)	21,405	18,220	227,713
Prepaid expenses and other current assets (Notes 5 and 6)	46,852	49,517	498,426
Allowance for doubtful accounts	(2,128)	(2,269)	(22,638)
Total current assets	796,732	726,239	8,475,872
Property, plant and equipment (Notes 4 and 13):			
Land	69,672	69,595	741,191
Buildings	489,399	454,542	5,206,372
Machinery and equipment	1,572,900	1,439,318	16,732,979
Construction in progress	62,998	76,971	670,191
	2,194,969	2,040,426	23,350,734
Accumulated depreciation	(1,567,729)	(1,478,503)	(16,677,968)
Property, plant and equipment, net	627,240	561,923	6,672,766
Intangible assets (Note 13):			
Goodwill	29,767	31,862	316,670
Other	12,853	10,758	136,734
Total intangible assets	42,620	42,620	453,404
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliated companies (Note 5)	78,031	72,023	830,117
Investment securities (Notes 4, 5 and 6)	120,851	98,949	1,285,649
Long-term loans receivable	929	1,236	9,883
Deferred tax assets (Note 10)	19,399	34,067	206,372
Other (Note 8)	48,144	46,836	512,170
Allowance for doubtful accounts	(2,116)	(2,392)	(22,511)
Total investments and other assets	265,238	250,719	2,821,681
Total assets	¥ 1,731,830	¥ 1,581,501	\$ 18,423,723

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	2013
Current liabilities:			
Short-term bank loans (Notes 4, 5 and 7)	¥ 98,633	¥ 101,758	\$ 1,049,287
Current portion of long-term debt (Notes 4, 5 and 7)	98,225	56,246	1,044,947
Commercial paper (Note 5)	30,000	25,000	319,149
Trade payables (Notes 5 and 7):			
Notes payable	31,077	35,756	330,606
Accounts payable	154,850	146,315	1,647,340
Income taxes payable (Note 10)	9,764	12,494	103,872
Accrued liabilities	45,593	43,969	485,032
Other current liabilities (Notes 4 and 10)	82,136	94,291	873,787
Total current liabilities	550,278	515,829	5,854,021
Long-term debt (Notes 4, 5 and 7)	302,739	295,961	3,220,628
Deferred tax liabilities (Note 10)	9,214	5,674	98,021
Accrued employees' retirement benefits (Note 8)	68,101	65,684	724,479
Customers' guarantee deposits and other liabilities (Note 4)	21,883	24,204	232,798
Total liabilities	952,215	907,352	10,129,947
Commitments and contingent liabilities (Note 12)			
Net assets (Note 11):			
Stockholders' equity:			
Common stock:			
Authorized—4,000,000,000 shares			
Issued—1,631,481,403 shares	147,873	147,873	1,573,117
Capital surplus	136,748	136,740	1,454,766
Retained earnings	462,536	430,365	4,920,596
Treasury stock, at cost	(1,170)	(1,194)	(12,447)
Total stockholders' equity	745,987	713,784	7,936,032
Accumulated other comprehensive income:			
Net unrealized gains on securities	35,388	20,659	376,468
Net deferred losses on hedges	(883)	(78)	(9,394)
Foreign currency translation adjustments	(55,515)	(107,254)	(590,585)
Total accumulated other comprehensive income	(21,010)	(86,673)	(223,511)
Stock acquisition rights (Note 9)	566	287	6,021
Minority interests in consolidated subsidiaries	54,072	46,751	575,234
Total net assets	779,615	674,149	8,293,777
Total liabilities and net assets	¥1,731,830	¥1,581,501	\$18,423,723

CONSOLIDATED STATEMENTS OF INCOME

Toray Industries, Inc. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	2013
Net sales	¥1,592,279	¥1,588,604	\$16,939,138
Costs and expenses:			
Cost of sales (Notes 3, 8, 13 and 14)	1,280,649	1,261,114	13,623,926
Selling, general and administrative expenses (Notes 8, 13 and 14)	228,194	219,769	2,427,596
	1,508,843	1,480,883	16,051,521
Operating income	83,436	107,721	887,617
Other income (expenses):			
Interest expense	(5,460)	(5,766)	(58,085)
Interest and dividend income	3,247	3,200	34,543
Equity in earnings of unconsolidated subsidiaries and affiliated companies	7,431	5,194	79,053
Loss on sales and disposal of property, plant and equipment, net	(4,444)	(4,064)	(47,277)
Loss on impairment of fixed assets	(1,972)	(232)	(20,979)
Gain on sales and loss on write-down of investment securities, net	(1,267)	(49)	(13,479)
Restructuring costs	(287)	(1,629)	(3,053)
Other, net	(2,856)	(3,284)	(30,383)
	(5,608)	(6,630)	(59,660)
Income before income taxes and minority interests	77,828	101,091	827,957
Income taxes (Note 10):			
Current	17,876	18,639	190,170
Deferred	8,870	14,689	94,362
	26,746	33,328	284,532
Income before minority interests	51,082	67,763	543,426
Minority interests in earnings of consolidated subsidiaries	(2,605)	(3,545)	(27,713)
Net income	¥ 48,477	¥ 64,218	\$ 515,713

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Toray Industries, Inc. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	2013
Income before minority interests	¥ 51,082	¥ 67,763	\$ 543,426
Other comprehensive income (Note 15)			
Net unrealized gains (losses) on securities	14,981	(441)	159,372
Net deferred losses on hedges	(807)	(185)	(8,585)
Foreign currency translation adjustments	52,466	(13,778)	558,149
Share of other comprehensive income of unconsolidated subsidiaries and affiliated companies accounted for by the equity method	2,607	(706)	27,734
Total other comprehensive income	69,247	(15,110)	736,670
Comprehensive income	¥120,329	¥ 52,653	\$1,280,096
Total comprehensive income attributable to:			
Owners of the parent	¥114,140	¥ 50,528	\$1,214,255
Minority interests	6,189	2,125	65,840

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Toray Industries, Inc. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen											
	Stockholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total stockholders' equity	Net unrealized gains on securities	Net deferred losses on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income	Stock acquisition rights	Minority interests in consolidated subsidiaries	Total net assets
Balance as of April 1, 2011	¥147,873	¥136,739	¥382,454	¥(1,160)	¥665,906	¥21,164	¥ 105	¥(94,252)	¥(72,983)	¥ —	¥48,047	¥640,970
Changes in:												
Dividends			(16,302)		(16,302)							(16,302)
Net income			64,218		64,218							64,218
Acquisition of treasury stock				(38)	(38)							(38)
Disposition of treasury stock		1		4	5							5
Other			(5)		(5)							(5)
Items other than stockholders' equity, net						(505)	(183)	(13,002)	(13,690)	287	(1,296)	(14,699)
Total changes	—	1	47,911	(34)	47,878	(505)	(183)	(13,002)	(13,690)	287	(1,296)	33,179
Balance as of March 31, 2012	¥147,873	¥136,740	¥430,365	¥(1,194)	¥713,784	¥20,659	¥ (78)	¥(107,254)	¥(86,673)	¥287	¥46,751	¥674,149
Balance as of April 1, 2012	¥147,873	¥136,740	¥430,365	¥(1,194)	¥713,784	¥20,659	¥ (78)	¥(107,254)	¥(86,673)	¥287	¥46,751	¥674,149
Changes in:												
Dividends			(16,302)		(16,302)							(16,302)
Net income			48,477		48,477							48,477
Acquisition of treasury stock				(36)	(36)							(36)
Disposition of treasury stock		8		60	68							68
Other			(4)		(4)							(4)
Items other than stockholders' equity, net						14,729	(805)	51,739	65,663	279	7,321	73,263
Total changes	—	8	32,171	24	32,203	14,729	(805)	51,739	65,663	279	7,321	105,466
Balance as of March 31, 2013	¥147,873	¥136,748	¥462,536	¥(1,170)	¥745,987	¥35,388	¥(883)	¥ (55,515)	¥(21,010)	¥566	¥54,072	¥779,615

	Thousands of U.S. dollars (Note 2)											
	Stockholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total stockholders' equity	Net unrealized gains on securities	Net deferred losses on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income	Stock acquisition rights	Minority interests in consolidated subsidiaries	Total net assets
Balance as of April 1, 2012	\$1,573,117	\$1,454,681	\$4,578,351	\$(12,702)	\$7,593,447	\$219,777	\$ (830)	\$(1,141,000)	\$(922,053)	\$3,053	\$497,351	\$7,171,798
Changes in:												
Dividends			(173,426)		(173,426)							(173,426)
Net income			515,713		515,713							515,713
Acquisition of treasury stock				(383)	(383)							(383)
Disposition of treasury stock		85		638	723							723
Other			(43)		(43)							(43)
Items other than stockholders' equity, net						156,691	(8,564)	550,415	698,543	2,968	77,883	779,394
Total changes	—	85	342,245	255	342,585	156,691	(8,564)	550,415	698,543	2,968	77,883	1,121,979
Balance as of March 31, 2013	\$1,573,117	\$1,454,766	\$4,920,596	\$(12,447)	\$7,936,032	\$376,468	\$(9,394)	\$(590,585)	\$(223,511)	\$6,021	\$575,234	\$8,293,777

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Toray Industries, Inc. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	2013
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 77,828	¥ 101,091	\$ 827,957
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	67,588	67,443	719,021
Loss on impairment of fixed assets	1,972	232	20,979
Interest and dividend income	(3,247)	(3,200)	(34,543)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(7,431)	(5,194)	(79,053)
Interest expense	5,460	5,766	58,085
Loss on sales and disposal of property, plant and equipment, net	4,444	4,064	47,277
Gain and loss on sales and loss on write-down of investment securities, net	1,442	54	15,340
Increase (decrease) in accrued employees' retirement benefits	1,844	(1,116)	19,617
Increase in trade receivables	(10,223)	(2,301)	(108,755)
Increase in inventories	(4,473)	(26,210)	(47,585)
(Decrease) increase in trade payables	(5,170)	1,810	(55,000)
Other, net	(12,364)	(18,055)	(131,532)
Subtotal	117,670	124,384	1,251,809
Interest and dividends received	9,647	7,569	102,628
Interest paid	(5,565)	(5,896)	(59,202)
Income taxes paid	(20,937)	(21,647)	(222,734)
Net cash provided by operating activities	100,815	104,410	1,072,500
Cash flows from investing activities:			
Capital expenditures	(105,093)	(90,284)	(1,118,011)
Purchases of investment securities	(1,951)	(5,509)	(20,755)
Proceeds from sales of property, plant and equipment	1,635	1,236	17,394
Proceeds from sales of investment securities	257	299	2,734
Additional acquisition of shares of consolidated subsidiaries	(374)	(4,389)	(3,979)
Other, net	(1,999)	(5,355)	(21,266)
Net cash used in investing activities	(107,525)	(104,002)	(1,143,883)
Cash flows from financing activities:			
Net (decrease) increase in short-term debt	(5,788)	56,197	(61,574)
Proceeds from long-term debt	101,565	22,341	1,080,479
Repayment of long-term debt	(53,806)	(85,094)	(572,404)
Cash dividends paid	(17,210)	(17,067)	(183,085)
Other, net	1,406	(22)	14,957
Net cash provided by (used in) financing activities	26,167	(23,645)	278,372
Effect of exchange rate changes on cash and cash equivalents	6,811	(1,658)	72,457
Net increase (decrease) in cash and cash equivalents	26,268	(24,895)	279,447
Cash and cash equivalents at beginning of year	81,289	105,257	864,777
Beginning balance of cash and cash equivalents at subsidiaries not previously included in consolidation	133	927	1,415
Cash and cash equivalents at end of year	¥ 107,690	¥ 81,289	\$ 1,145,638

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Toray Industries, Inc. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Toray Industries, Inc. (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

For the preparation of consolidated financial statements, the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should be unified, in principle. However, financial statements prepared by overseas subsidiaries in accordance with International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process. In addition, some items should be adjusted in the consolidation process so that net income is accurately accounted for, unless they are not material.

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 of the 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 have been eliminated in consolidation. The difference between the acquisition cost and the underlying net assets of the subsidiaries is recognized as goodwill and amortized principally over its estimated useful life not exceeding twenty years on a straight-line method.

c) Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2013 and 2012 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
	2013	2012	2013
Cash	¥ 87,276	¥63,519	\$ 928,468
Time deposits	21,390	17,879	227,553
Less — Time deposits with maturities of over 3 months	(976)	(109)	(10,383)
Cash and cash equivalents	¥107,690	¥81,289	\$1,145,638

d) Financial Instruments

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 consolidated 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 net assets 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 a separate item of net assets at a net-of-tax amount 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 consolidated subsidiaries are principally interest rate swaps and forward foreign 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 consolidated subsidiaries.

The Company and its consolidated 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 consolidated subsidiaries evaluate the effectiveness of 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 consolidated 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 over claims.

f) Inventories

Inventories are stated at the lower of acquisition cost, principally determined by the moving average method, or net selling value to reflect any decreased profitability of inventories.

g) Property, Plant and Equipment

Property, plant and equipment are stated at cost.

Depreciation for property, plant and equipment (except leased assets) of the Company and its domestic consolidated subsidiaries is principally computed by the declining balance method, and depreciation for those of its overseas consolidated 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

Principally, a depreciation method of leased assets is identical to the method applicable to its own fixed assets. In the Company and its domestic consolidated subsidiaries, finance lease transactions which do not transfer ownership of the leased assets whose lease inceptions are on or before March 31, 2008 are accounted for by a method similar to the method applicable to ordinary operating lease transactions.

h) Income Taxes

Income taxes of the Company and its domestic consolidated subsidiaries consist of corporate income taxes, local inhabitants taxes and enterprise taxes. Deferred 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.

i) Retirement Benefits

The Company and its domestic consolidated subsidiaries have an unfunded lump-sum benefit plan, a funded contributory pension plan and a defined contribution 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 funded contributory pension plan and the defined contribution pension plan provide, in general, pension payments for life commencing from age 60.

Accrued employees' 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 standard, unrecognized actuarial differences and unrecognized prior service cost are amortized on a straight-line basis over a period of 15 years.

Allowance for retirement benefits for members of the Board

and corporate auditors ("executives") of the Company and certain of its domestic consolidated subsidiaries is provided based on the companies' pertinent rules and is calculated as the estimated amount which would be payable if all executives were to retire at the balance sheet date. Any amounts payable to executives 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.

j) Appropriation of Retained Earnings

Cash dividends are recorded in the fiscal year when the proposed appropriation of retained earnings is approved by the Board of Directors and/or stockholders.

k) Foreign Currency Transactions

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.

l) 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 principally translated at the average exchange rates during the year. Differences in yen amounts arising from the use of different rates are presented as "foreign currency translation adjustments" in net assets except for the portion belonging to minority stockholders, which is included in "minority interests in consolidated subsidiaries" in net assets.

m) Standards Issued but Not Yet Adopted

On May 17, 2012, the Accounting Standards Board of Japan (ASBJ) issued "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25), which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009.

(1) Overview

Revisions apply mainly to the accounting treatments for unrecognized actuarial differences as well as unrecognized prior service costs, the calculation methods for projected benefit obligations as well as service costs, and broadening disclosure taking into consideration improvements to financial reporting and international trends.

(2) Scheduled Date of Adoption

The revised accounting standard and guidance are scheduled to be adopted from the end of the fiscal year

ending March 31, 2014. However, revisions to the calculation methods for projected benefit obligations and service costs are scheduled to be adopted from the beginning of the fiscal year ending March 31, 2015.

(3) Impact of Adopting Revised Accounting Standard and Guidance

The impact of adopting the revised accounting standard and guidance on consolidated financial statements is currently under evaluation.

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 ¥94 to \$1.00, the approximate exchange rate prevailing on March 31, 2013. 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, 2013 and 2012, inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Merchandise and finished goods	¥175,553	¥161,757	\$1,867,585
Work in process	70,121	73,032	745,968
Raw materials and supplies	68,033	60,956	723,755
	¥313,707	¥295,745	\$3,337,309

Losses recognized and charged to cost of sales as a result of valuation at March 31, 2013 and 2012 were ¥2,139 million (\$22,755 thousand) and ¥3,593 million, respectively.

4. SHORT-TERM BANK LOANS, LONG-TERM DEBT AND LEASE OBLIGATIONS

Short-term bank loans at March 31, 2013 and 2012 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 and lease obligations at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Loans principally from banks and insurance companies with interest rates primarily from 0.04% to 7.05%, maturing serially through 2020:			
Unsecured	¥320,964	¥282,207	\$3,414,511
Lease obligations maturing serially through 2022:			
Unsecured	2,405	2,941	25,585
Yen notes with an interest rate of 2.00% due 2013	—	10,000	—
Yen notes with an interest rate of 1.61% due 2013	10,000	10,000	106,383
Yen notes with an interest rate of 0.93% due 2022	20,000	—	212,766
Zero coupon convertible bonds due 2014	50,000	50,000	531,915
	403,369	355,148	4,291,160
Less amounts due within one year	99,115	57,044	1,054,415
	¥304,254	¥298,104	\$3,236,745

At March 31, 2013, assets pledged as collateral were as follows:

	Millions of yen	Thousands of U.S. dollars
Time deposits	¥ 8	\$ 85
Property, plant and equipment, net	5,933	63,117
Investment securities	633	6,734
Others	376	4,000
	¥6,950	\$73,936

The annual maturities of long-term debt and lease obligations subsequent to March 31, 2013 were as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31:		
2014	¥ 99,115	\$1,054,415
2015	69,548	739,872
2016	57,291	609,479
2017	30,661	326,181
2018	59,002	627,681
2019 and thereafter	87,752	933,532
	¥403,369	\$4,291,160

5. FINANCIAL INSTRUMENTS

Conditions of Financial Instruments

a) Policy in Relation to Financial Instruments

The policy of the Company and its consolidated subsidiaries is to manage funds only by short-term deposits, etc. and to raise funds by borrowing from banks and issuing corporate bonds. The Company and its consolidated subsidiaries use derivatives to hedge risks associated with foreign currency exchange rates and fluctuations of borrowing interest rates and do not enter into derivative transactions for speculative or trading purposes.

b) Contents and Risk of Financial Instruments and Risk Management System

Trade receivables are operating receivables and therefore are exposed to customer credit risk. Under their internal regulations, the Company and its consolidated subsidiaries carefully manage payment periods for receivables and outstanding balances of all customers and regularly monitor the credit standing of major clients. Operating receivables and payables denominated in foreign currencies that arise from the global business operations are also exposed to foreign currency exchange risk. The Company and its consolidated subsidiaries hedge this risk mainly through the use of forward exchange contracts against positions after netting receivables and payables denominated in the same foreign currencies. Likewise, the Company and its consolidated subsidiaries mainly use currency swaps to hedge the foreign currency exchange risk of bank loans denominated in foreign currencies.

Investment securities are exposed to the risk of market price fluctuations. Most of these securities are the shares of corporations with which the Company and its consolidated subsidiaries have business relationships.

The fair value and financial positions of the issuing entities

(clients) are regularly monitored.

Trade payables are operating payables, most of which are due and payable within one year.

Short-term bank loans and commercial paper are financing instruments mainly for operating transactions, while long-term bank loans and bonds (due within ten years, in principle) are primarily for capital expenditures. Bank loans and bonds are exposed to the risk of interest rate fluctuation. Bank loans at floating interest rates carry the risk of higher interest expenses when rates rise, while bank loans and bonds at fixed interest rates carry the risk of higher interest expenses when rates fall. The Company and its consolidated subsidiaries use derivative transactions (interest rate swap transactions) to minimize the risk of interest rate fluctuation, taking into consideration the balance between fixed interest rates and floating interest rates.

Hedging instruments, hedged items, the policy for utilizing such hedging instruments and the method for evaluating the effectiveness of hedging activities are described in Note 1. SIGNIFICANT ACCOUNTING POLICIES d) Financial Instruments, Hedge Accounting in the Notes to the Consolidated Financial Statements.

Derivative transactions are executed and managed in accordance with the internal regulations prescribing the authorization for transactions. To mitigate credit risk, the Company and its consolidated subsidiaries carry out derivative transactions only with highly rated financial institutions.

c) Supplemental Explanation on Fair Value of Financial Instruments

The fair value of financial instruments is based on market prices, or reasonable estimate of fair value for instruments for which market prices are not available. Estimates of fair value are

subject to fluctuation because they employ various factors and assumptions. In addition, the contract amount of derivatives in Note 7. DERIVATIVES in the Notes to the Consolidated Financial

Statements is not an indicator of market risk associated with derivative transactions.

Fair Value of Financial Instruments

Carrying value, fair value and unrealized gain (loss) as of March 31, 2013 and 2012 were as follows.

In addition, financial instruments, for which it is extremely difficult to measure the fair value, are not included. (Please refer to Note 2 below).

	Millions of yen		
	2013		
	Carrying value	Fair value	Unrealized gain (loss)
Cash and time deposits	¥108,666	¥108,666	¥ —
Trade receivables	308,230	308,230	—
Investment securities			
Held-to-maturity debt securities	92	92	—
Investment securities in subsidiaries and affiliated companies	15,355	9,817	(5,538)
Other securities	115,575	115,575	—
Assets	¥547,918	¥542,380	¥(5,538)
Trade payables	¥185,927	¥185,927	¥ —
Short-term bank loans	98,633	98,633	—
Commercial paper	30,000	30,000	—
Bonds *1	80,000	80,222	222
Long-term bank loans *2	320,964	327,307	6,343
Liabilities	¥715,524	¥722,089	¥ 6,565
Derivative transactions *3			
Hedge accounting is not applied	¥ 426	¥ 426	¥ —
Hedge accounting is applied	(1,145)	(1,145)	—
Derivative transactions	¥ (719)	¥ (719)	¥ —

	Millions of yen		
	2012		
	Carrying value	Fair value	Unrealized gain (loss)
Cash and time deposits	¥ 81,398	¥ 81,398	¥ —
Trade receivables	283,628	283,628	—
Investment securities			
Held-to-maturity debt securities	177	177	—
Investment securities in subsidiaries and affiliated companies	14,674	10,564	(4,110)
Other securities	92,962	92,962	—
Assets	¥472,839	¥468,729	¥(4,110)
Trade payables	¥182,071	¥182,071	¥ —
Short-term bank loans	101,758	101,758	—
Commercial paper	25,000	25,000	—
Bonds *1	70,000	69,861	(139)
Long-term bank loans *2	282,207	288,507	6,300
Liabilities	¥661,036	¥667,197	¥ 6,161
Derivative transactions *3			
Hedge accounting is not applied	¥ 955	¥ 955	¥ —
Hedge accounting is applied	3,408	3,408	—
Derivative transactions	¥ 4,363	¥ 4,363	¥ —

Thousands of U.S. dollars

	2013		
	Carrying value	Fair value	Unrealized gain (loss)
Cash and time deposits	\$1,156,021	\$1,156,021	\$ —
Trade receivables	3,279,043	3,279,043	—
Investment securities			
Held-to-maturity debt securities	979	979	—
Investment securities in subsidiaries and affiliated companies	163,351	104,436	(58,915)
Other securities	1,229,521	1,229,521	—
Assets	\$5,828,915	\$5,770,000	\$(58,915)
Trade payables	\$1,977,947	\$1,977,947	\$ —
Short-term bank loans	1,049,287	1,049,287	—
Commercial paper	319,149	319,149	—
Bonds *1	851,064	853,426	2,362
Long-term bank loans *2	3,414,511	3,481,989	67,479
Liabilities	\$7,611,957	\$7,681,798	\$ 69,840
Derivative transactions *3			
Hedge accounting is not applied	\$ 4,532	\$ 4,532	\$ —
Hedge accounting is applied	(12,181)	(12,181)	—
Derivative transactions	\$ (7,649)	\$ (7,649)	\$ —

*1: Bonds include bonds due within one year.

*2: Long-term bank loans include long-term bank loans due within one year.

*3: Receivables and payables arising from derivative transactions are indicated in net amounts. Total net payables, if any, are shown in parentheses.

Notes:

1. Estimation method for fair value of financial instruments and items related to securities and derivative transactions

Assets

Cash and time deposits and Trade receivables

Carrying value is used for fair value since the items will be settled within the short term and the fair value is approximately equal to the carrying value.

Investment securities

Securities are valued at quoted market price. Debt securities are valued at quoted market price or at the price provided by correspondent financial institutions. For information on securities classified by holding purpose, please refer to Note 6. SECURITIES of the Notes to the Consolidated Financial Statements.

Liabilities

Trade payables, Short-term bank loans and Commercial paper

Carrying value is used for fair value since the items will be settled within the short term and the fair value is approximately equal to the carrying value.

Bonds

The fair value of bonds issued by the Company is based on market price. However, in cases where the special accounting method for interest rate swaps is applied, the fair value is approximately equal to the carrying value because the interest rates fluctuate and are adjusted periodically. Therefore, the fair value is based on the carrying value.

Long-term bank loans

The fair value of long-term bank loans is estimated by discounting the principal amounts and interest based on estimated interest rates if similar new loans were entered into in the current period. The fair value of long-term bank loans for which the special accounting method for interest rate swaps is applied is estimated by discounting the total principal amount and interest (accounted for together with the interest rate swaps) based on estimated interest rates if similar new loans were entered into in the current period. For long-term bank loans at floating interest rates, however, the fair value is approximately equal to the carrying value because the interest rates are adjusted periodically. Therefore, the fair value is based on the carrying value.

Derivative transactions

Please refer to Note 7. DERIVATIVES in the Notes to the Consolidated Financial Statements.

2. Financial instruments for which it is extremely difficult to determine the fair value

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unlisted securities	¥54,075	¥52,382	\$575,266

Unlisted securities have no quoted market price and the fair value is extremely difficult to determine. Therefore, they are not included in the preceding table.

3. Redemption schedule for receivables and investment securities with maturities at March 31, 2013 and 2012

	Millions of yen			
	2013			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposits	¥108,666	¥ —	¥ —	¥ —
Trade receivables	308,230	—	—	—
Investment securities				
Held-to-maturity debt securities	14	72	6	—
Other securities	—	574	10	800
	¥416,910	¥646	¥16	¥800

	Millions of yen			
	2012			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposits	¥ 81,398	¥ —	¥ —	¥ —
Trade receivables	282,738	890	—	—
Investment securities				
Held-to-maturity debt securities	22	147	8	—
Other securities	—	504	—	800
	¥364,158	¥1,541	¥ 8	¥800

	Thousands of U.S. dollars			
	2013			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposits	\$1,156,021	\$ —	\$ —	\$ —
Trade receivables	3,279,043	—	—	—
Investment securities				
Held-to-maturity debt securities	149	766	64	—
Other securities	—	6,106	106	8,511
	\$4,435,213	\$6,872	\$170	\$8,511

4. The redemption schedule for long-term debt is disclosed in Note 4. SHORT-TERM BANK LOANS, LONG-TERM DEBT AND LEASE OBLIGATIONS of the Notes to the Consolidated Financial Statements.

6. SECURITIES

At March 31, 2013 and 2012, information on securities classified as held-to-maturity debt securities was as follows:

	Millions of yen				Thousands of U.S. dollars			
	2013				2013			
	Carrying value	Fair value	Unrealized gains	Unrealized losses	Carrying value	Fair value	Unrealized gains	Unrealized losses
Held-to-maturity debt securities	¥92	¥92	¥—	¥—	\$979	\$979	\$—	\$—

	Millions of yen			
	2012			
	Carrying value	Fair value	Unrealized gains	Unrealized losses
Held-to-maturity debt securities	¥177	¥177	¥—	¥—

At March 31, 2013 and 2012, information on securities classified as other securities was as follows:

	Millions of yen				Thousands of U.S. dollars			
	2013				2013			
	Carrying value	Acquisition cost	Unrealized gains	Unrealized losses	Carrying value	Acquisition cost	Unrealized gains	Unrealized losses
Other securities	¥115,575	¥62,341	¥56,236	¥3,002	\$1,229,521	\$663,202	\$598,255	\$31,936

	Millions of yen			
	2012			
	Carrying value	Acquisition cost	Unrealized gains	Unrealized losses
Other securities	¥92,962	¥62,569	¥36,611	¥6,218

7. DERIVATIVES

The Company and its consolidated subsidiaries had the following derivative contracts outstanding at March 31, 2013 and 2012:

Hedge accounting is not applied

	Millions of yen			Thousands of U.S. dollars		
	2013			2013		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:						
Buying U.S. dollar	¥4,468	¥292	¥292	\$47,532	\$3,106	\$3,106
Buying euro	281	0	0	2,989	0	0
Buying Thai baht	422	116	116	4,489	1,234	1,234
Buying Japanese yen	362	(9)	(9)	3,851	(96)	(96)
Selling U.S. dollar	5,314	(30)	(30)	56,532	(319)	(319)
Selling euro	218	0	0	2,319	0	0
Selling British pound	147	0	0	1,564	0	0
Selling Chinese yuan	50	1	1	532	11	11
Selling Japanese yen	823	16	16	8,755	170	170
Foreign currency swaps:						
Receiving U.S. dollar, paying Korean won	1,477	(31)	(31)	15,713	(330)	(330)
Foreign currency options:						
Buying Japanese yen (put)	600	76	76	6,383	809	809
Selling Japanese yen (call)	600	0	0	6,383	0	0
Interest rate swaps:						
Floating-rate receipt, fixed-rate payment	693	(5)	(5)	7,372	(53)	(53)
	¥ —	¥426	¥426	\$ —	\$4,532	\$4,532

	Millions of yen		
	2012		
	Contract amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:			
Buying U.S. dollar	¥6,532	¥238	¥238
Buying euro	260	13	13
Buying Indonesian rupiah	466	0	0
Buying Thai baht	485	43	43
Buying Japanese yen	306	(4)	(4)
Selling U.S. dollar	3,639	(71)	(71)
Selling euro	139	2	2
Selling British pound	88	(2)	(2)
Selling Chinese yuan	5	0	0
Selling Japanese yen	787	(6)	(6)
Foreign currency swaps:			
Receiving Japanese yen, paying U.S. dollar	3,140	807	807
Receiving U.S. dollar, paying Korean won	1,978	(52)	(52)
Receiving U.S. dollar, paying Malaysian ringgit	829	(5)	(5)
Interest rate swaps:			
Floating-rate receipt, fixed-rate payment	622	(8)	(8)
	¥ —	¥955	¥955

Hedge accounting is applied

Millions of yen

		2013		
Hedge accounting method	Type of derivative and principal hedged items	Contract amount	Fair value	Estimation method for fair value
Deferral hedge method	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables			
	Buying U.S. dollar	¥ 26	¥ 2	Forward foreign exchange quotes
	Buying euro	199	7	
	Buying Japanese yen	5,818	(463)	
	Selling U.S. dollar	402	8	
	Selling euro	107	2	
	Selling Japanese yen	783	86	
	Foreign currency options:			
	Accounted for as part of trade payables			
Buying Japanese yen (call)	5,787	(520)	The price provided by	
Selling Japanese yen (put)	2,974	269	correspondent financial institutions	
Interest rate swaps:				
Accounted for as part of long-term bank loans			The price provided by	
Floating-rate receipt, fixed-rate payment	8,386	(224)	correspondent financial institutions	
Special accounting method for interest rate swaps	Interest rate swaps:			
	Accounted for as part of bonds and long-term bank loans			
	Floating-rate receipt, fixed-rate payment	72,500 ^{*1}		
	Floating-rate receipt, floating-rate payment	49,400		—
Fixed-rate receipt, floating-rate payment	48,000			
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables (Forecasted transactions)			
	Buying U.S. dollar	20,183	501	Forward foreign exchange quotes
	Buying euro	1,232	18	
	Buying Canadian dollar	467	(5)	
	Buying Czech koruna	1,800	(33)	
	Buying Chinese yuan	510	100	
	Selling U.S. dollar	14,639	(639)	
	Selling euro	2,070	(61)	
	Selling British pound	3	0	
	Selling Chinese yuan	1	0	
	Foreign currency swaps:			
	Accounted for as part of long-term bank loans (Forecasted transactions)			The price provided by
	Receiving U.S. dollar, paying Japanese yen	20,000	(193)	correspondent financial institutions
	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables			
	Buying U.S. dollar	15,161 ^{*2}		
	Buying euro	44		
	Buying Canadian dollar	3		
	Buying Thai baht	4		
Selling U.S. dollar	30,361		—	
Selling euro	4,258			
Selling British pound	15			
Selling Canadian dollar	21			
Selling Thai baht	75			
Foreign currency swaps:				
Accounted for as part of long-term bank loans				
Receiving U.S. dollar, paying Japanese yen	44,417 ^{*2}		—	
Receiving Australian dollar, paying Japanese yen	3,129			
	¥ —	¥(1,145)		

Millions of yen

		2012		
Hedge accounting method	Type of derivative and principal hedged items	Contract amount	Fair value	Estimation method for fair value
Deferral hedge method	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables			
	Buying U.S. dollar	¥ 81	¥ (1)	Forward foreign exchange quotes
	Buying Japanese yen	1,314	81	
	Selling U.S. dollar	54	0	
	Selling euro	125	0	
	Foreign currency swaps:			
	Accounted for as part of long-term bank loans			The price provided by correspondent financial institutions
	Receiving Japanese yen, paying U.S. dollar	10,715	3,708	
	Interest rate swaps:			
Accounted for as part of long-term bank loans			The price provided by correspondent financial institutions	
Floating-rate receipt, fixed-rate payment	8,624	(207)		
Interest rate caps:			The price provided by correspondent financial institutions	
Accounted for as part of long-term bank loans	216	0		
Special accounting method for interest rate swaps	Interest rate swaps:			
	Accounted for as part of long-term bank loans			
	Floating-rate receipt, fixed-rate payment	81,200 ^{*1}		—
	Floating-rate receipt, floating-rate payment	30,700		
Fixed-rate receipt, floating-rate payment	28,000			
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables (Forecasted transactions)			
	Buying U.S. dollar	16,396	225	Forward foreign exchange quotes
	Buying euro	7,051	58	
	Buying Canadian dollar	8	0	
	Buying Chinese yuan	1,668	(44)	
	Buying Korean won	1,423	10	
	Selling U.S. dollar	10,376	(364)	
	Selling euro	1,950	(57)	
	Selling British pound	18	0	
	Selling Thai baht	9	(1)	
	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables			
	Buying U.S. dollar	11,659 ^{*2}		—
	Buying euro	57		
	Selling U.S. dollar	27,433		
	Selling euro	3,987		
	Selling British pound	20		
	Selling Canadian dollar	40		
	Selling Thai baht	75		
Foreign currency swaps:				
Accounted for as part of long-term bank loans				
Receiving U.S. dollar, paying Japanese yen	16,138 ^{*2}		—	
	¥ —	¥3,408		

Thousands of U.S. dollars

		2013		
Hedge accounting method	Type of derivative and principal hedged items	Contract amount	Fair value	Estimation method for fair value
Deferral hedge method	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables			
	Buying U.S. dollar	\$ 277	\$ 21	Forward foreign exchange quotes
	Buying euro	2,117	74	
	Buying Japanese yen	61,894	(4,926)	
	Selling U.S. dollar	4,277	85	
	Selling euro	1,138	21	
	Selling Japanese yen	8,330	915	
	Foreign currency options:			
	Accounted for as part of trade payables			
Buying Japanese yen (call)	61,564	(5,532)	The price provided by	
Selling Japanese yen (put)	31,638	2,862	correspondent financial institutions	
Interest rate swaps:				
Accounted for as part of long-term bank loans			The price provided by	
Floating-rate receipt, fixed-rate payment	89,213	(2,383)	correspondent financial institutions	
Special accounting method for interest rate swaps	Interest rate swaps:			
	Accounted for as part of bonds and long-term bank loans			
	Floating-rate receipt, fixed-rate payment	771,277 ^{*1}		
	Floating-rate receipt, floating-rate payment	525,532		—
Fixed-rate receipt, floating-rate payment	510,638			
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables (Forecasted transactions)			
	Buying U.S. dollar	214,713	5,330	Forward foreign exchange quotes
	Buying euro	13,106	191	
	Buying Canadian dollar	4,968	(53)	
	Buying Czech koruna	19,149	(351)	
	Buying Chinese yuan	5,426	1,064	
	Selling U.S. dollar	155,734	(6,798)	
	Selling euro	22,021	(649)	
	Selling British pound	32	0	
	Selling Chinese yuan	11	0	
	Foreign currency swaps:			
	Accounted for as part of long-term bank loans (Forecasted transactions)			The price provided by
	Receiving U.S. dollar, paying Japanese yen	212,766	(2,053)	correspondent financial institutions
	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables			
	Buying U.S. dollar	161,287 ^{*2}		
	Buying euro	468		
	Buying Canadian dollar	32		
	Buying Thai baht	43		
	Selling U.S. dollar	322,989		—
	Selling euro	45,298		
Selling British pound	160			
Selling Canadian dollar	223			
Selling Thai baht	798			
Foreign currency swaps:				
Accounted for as part of long-term bank loans				
Receiving U.S. dollar, paying Japanese yen	472,521 ^{*2}		—	
Receiving Australian dollar, paying Japanese yen	33,287			
		\$ —	\$(12,181)	

*1 The fair value of interest rate swaps to which a special accounting method is applied is included in the fair value of bonds and long-term bank loans in Note 5. FINANCIAL INSTRUMENTS of the Notes to the Consolidated Financial Statements because such interest rate swaps are accounted for together with the corresponding bonds and long-term bank loans.

*2 The fair value of forward foreign exchange contracts to which the allocation method is applied, except for forecasted transactions, is included in the fair value of trade receivables, trade payables and long-term bank loans in Note 5. FINANCIAL INSTRUMENTS of the Notes to the Consolidated Financial Statements since such forward foreign exchange contracts are accounted for together with the corresponding trade receivables, trade payables and long-term bank loans.

8. RETIREMENT BENEFIT PLAN

Accrued employees' retirement benefits as of March 31, 2013 and 2012 were analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Projected benefit obligations	¥(181,735)	¥(190,661)	\$(1,933,351)
Plan assets	117,661	115,172	1,251,713
	(64,074)	(75,489)	(681,638)
Unrecognized actuarial differences	44,204	59,886	470,255
Unrecognized prior service cost	(19,222)	(22,174)	(204,489)
	(39,092)	(37,777)	(415,872)
Prepaid pension cost (included in other assets)	29,009	27,907	308,606
Accrued employees' retirement benefits	¥ (68,101)	¥ (65,684)	\$ (724,479)

The components of net periodic benefit cost related to the employees' retirement benefits for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Service cost	¥ 5,552	¥ 5,728	\$ 59,064
Interest cost	3,782	3,863	40,234
Expected return on plan assets	(3,359)	(3,575)	(35,734)
Amortization of actuarial differences	6,976	6,834	74,213
Amortization of prior service cost	(2,871)	(2,965)	(30,543)
Net periodic benefit cost	10,080	9,885	107,234
Contribution to defined contribution pension plan and other	4,706	3,657	50,064
	¥14,786	¥13,542	\$157,298

In addition to the above, special severance payments of ¥752 million (\$8,000 thousand) and ¥1,283 million were charged to net income for the years ended March 31, 2013 and 2012, respectively.

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

	2013	2012
Method of attributing the projected benefits to periods of services	straight-line basis	straight-line basis
Discount rate	primarily 2.0%	primarily 2.0%
Expected rate of return on plan assets	primarily 3.0%	primarily 3.0%
Amortization period of prior service cost	primarily 15 years	primarily 15 years
Amortization period of actuarial differences	primarily 15 years	primarily 15 years

9. STOCK OPTION PLANS

1. Stock option expense included in selling, general and administrative expenses amounted to ¥345 million (\$3,670 thousand) and ¥287 million for the years ended March 31, 2013 and 2012, respectively.

2. Information on stock options issued

The following table summarizes the stock options outstanding as of March 31, 2013.

		No.1 Stock Option Plan	No.2 Stock Option Plan
Position and number of grantees	Members of the Board of the Company	28	26
	Directors of the Company	32	32
Type and number of shares to be issued upon exercise	Common stock	747,000 shares	844,000 shares
Grant date		August 20, 2011	August 4, 2012
Vesting conditions		Based on the number of months that have elapsed during the vesting period	Based on the number of months that have elapsed during the vesting period
Vesting period		June 24, 2011 – June 22, 2012	June 22, 2012 – June 26, 2013
Exercise period		August 21, 2011 – August 20, 2041	August 5, 2012 – August 4, 2042

The following table summarizes movement of stock options during the year and price information on stock options as of March 31, 2013. Number of stock options are translated into the number of shares.

(1) Number of stock options

	No.1 Stock Option Plan	No.2 Stock Option Plan
Stock acquisition rights not yet vested		
As of March 31, 2012	211,000	—
Granted	—	844,000
Forfeited	—	—
Vested	211,000	607,000
As of March 31, 2013	—	237,000
Stock acquisition rights already vested		
As of March 31, 2012	536,000	—
Vested	211,000	607,000
Exercised	129,000	—
Forfeited	—	—
As of March 31, 2013	618,000	607,000

(2) Price information

	No.1 Stock Option Plan	No.2 Stock Option Plan
Exercise price	¥ 1	¥ 1
Weighted average exercise price	529	—
Fair value per share at the grant date	513	394

U.S. dollars

	No.1 Stock Option Plan	No.2 Stock Option Plan
Exercise price	\$0.01	\$0.01
Weighted average exercise price	5.63	—
Fair value per share at the grant date	5.46	4.19

3. Estimation method and assumptions used for the per share fair value of stock options

(1) Estimation method

Black-Scholes model

(2) Assumptions used for the per share fair value of stock options.

	No.2 Stock Option Plan
Expected volatility *1	32.885%
Expected holding period *2	8 years
Expected dividend *3	¥10 per share (\$0.11)
Risk-free rate *4	0.476%

*1 Expected volatility is based on actual share prices during 8 years from August 5, 2004 to August 3, 2012.

*2 The expected holding period is calculated based on the service period of past members of the Board.

*3 This is based on the dividend for the year ended March 31, 2012.

*4 The risk-free interest rate is the yield on government bonds for the period that corresponds to the remaining life of the option.

Because it is difficult to reasonably estimate the number of options that will expire in the future, only the number of options that have actually forfeited is applied.

10. INCOME TAXES

The statutory tax rates in Japan used for calculating deferred tax assets and liabilities for the years ended March 31, 2013 and 2012 were 38.0% and 40.7%, respectively.

At March 31, 2013 and 2012, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Accrued bonuses	¥ 5,975	¥ 5,923	\$ 63,564
Accrued employees' retirement benefits	27,232	26,777	289,702
Tax loss carryforwards	35,273	26,017	375,245
Unrealized intercompany profits	11,464	11,371	121,957
Investments in subsidiaries and affiliated companies	22,631	33,942	240,755
Other	34,602	35,833	368,106
	137,177	139,863	1,459,330
Valuation allowance	(41,467)	(39,981)	(441,138)
Total deferred tax assets	95,710	99,882	1,018,191
Deferred tax liabilities:			
Reserve for advanced depreciation	10,220	10,507	108,723
Depreciation	14,711	12,190	156,500
Undistributed earnings of overseas subsidiaries and affiliated companies	7,926	6,081	84,319
Unrealized gains on securities	19,181	12,195	204,053
Other	12,091	12,478	128,628
Total deferred tax liabilities	64,129	53,451	682,223
Net deferred tax assets	¥ 31,581	¥ 46,431	\$ 335,968

At March 31, 2013 and 2012, deferred tax assets and liabilities were classified as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets - current	¥21,405	¥18,220	\$227,713
Deferred tax assets - non-current	19,399	34,067	206,372
Deferred tax liabilities - current (included in other current liabilities)	9	182	96
Deferred tax liabilities - non-current	9,214	5,674	98,021

The reconciliation of the statutory tax rates and the effective income tax rates for the years ended March 31, 2013 and 2012 was as follows:

	2013	2012
Statutory tax rates	38.0%	40.7%
Increase (decrease) in taxes resulting from:		
Permanent differences	0.7	0.6
Recognition of certain deferred tax assets by reversal of valuation allowance	(1.1)	(2.5)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(3.6)	(2.1)
Differences of tax rates for overseas consolidated subsidiaries	(7.2)	(6.4)
Undistributed earnings of overseas subsidiaries and affiliated companies	2.4	0.6
Change in statutory tax rate	—	3.4
Differences of tax rates for special reconstruction corporation tax	1.6	—
Amortization of goodwill	1.5	—
Other	2.1	(1.3)
Effective income tax rates	34.4%	33.0%

11. NET ASSETS

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the earned reserve) be transferred to the capital reserve and the earned reserve, respectively, until the sum of the capital reserve and the earned reserve equals 25% of the capital stock account. Such distributions can be made at any

time by resolution of the stockholders, or by the Board of Directors if certain conditions are met.

At the June 2013 annual stockholders' meeting, stockholders approved the payment of cash dividends of ¥5.00 per share, aggregating to ¥8,151 million (\$86,713 thousand) which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2013.

12. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2013, commitment line of credit to unconsolidated subsidiaries and affiliated companies was as follows:

	Millions of yen	Thousands of U.S. dollars
Total commitment line of credit	¥775	\$8,245
Loans receivable outstanding	355	3,777
Balance	¥420	\$4,468

This commitment does not necessarily imply that the unused amount may be fully utilized.

At March 31, 2013 and 2012, contingent liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
As guarantors of loans to:			
Unconsolidated subsidiaries and affiliated companies	¥ 1,432	¥ 1,056	\$ 15,234
Other	6,959	6,368	74,032
	¥ 8,391	¥ 7,424	\$ 89,266
Export bills discounted	¥ 541	¥ 1,564	\$ 5,755
Notes endorsed	640	269	6,809
Contingent liabilities associated with securitization of receivables	¥10,361	¥10,233	\$110,223

13. LEASES

Finance leases

The Group holds certain buildings, machinery and equipment and intangible assets by leases.

Finance lease transactions which do not transfer ownership of the leased assets whose lease inceptions are on or before March 31, 2008 are accounted for by a method similar to the method applicable to ordinary operating lease transactions. Total lease payments under these leases were ¥383 million

(\$4,074 thousand) and ¥729 million for the years ended March 31, 2013 and 2012, respectively. Pro forma information relating to acquisition costs, accumulated depreciation/amortization and accumulated loss on impairment and net book value for property held under finance lease transactions which do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis at March 31, 2013 and 2012 was as follows:

March 31, 2013:	Millions of yen		
	Acquisition costs	Accumulated depreciation/ amortization	Net book value
Machinery and equipment	¥2,160	¥1,793	¥367
	¥2,160	¥1,793	¥367

March 31, 2012:	Millions of yen		
	Acquisition costs	Accumulated depreciation / amortization	Net book value
Buildings	¥ 64	¥ 62	¥ 2
Machinery and equipment	3,503	2,815	688
Intangible assets	458	377	81
	¥4,025	¥3,254	¥771

March 31, 2013:	Thousands of U.S. dollars		
	Acquisition costs	Accumulated depreciation/ amortization	Net book value
Machinery and equipment	\$22,979	\$19,074	\$3,904
	\$22,979	\$19,074	\$3,904

Future minimum lease payments under finance leases subsequent to March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥220	¥405	\$2,340
Due after one year	147	366	1,564
Total	¥367	¥771	\$3,904

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

Operating leases

Future minimum lease payments under noncancellable operating leases subsequent to March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥247	¥203	\$2,628
Due after one year	586	635	6,234
Total	¥833	¥838	\$8,862

14. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2013 and 2012 were ¥53,342 million (\$567,468 thousand) and ¥51,450 million, respectively.

15. OTHER COMPREHENSIVE INCOME

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2013 and 2012.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Net unrealized gains (losses) on securities:			
Amount arising during the year	¥21,611	¥ (3,252)	\$229,904
Reclassification adjustments for gains and losses included in net income	1,467	28	15,606
Before tax effect	23,078	(3,224)	245,511
Tax effect	(8,097)	2,783	(86,138)
Net unrealized gains (losses) on securities	14,981	(441)	159,372
Net deferred losses on hedges:			
Amount arising during the year	(955)	(212)	(10,160)
Reclassification adjustments for gains and losses included in net income	(17)	(124)	(181)
Assets acquisition cost adjustment	(385)	4	(4,096)
Before tax effect	(1,357)	(332)	(14,436)
Tax effect	550	147	5,851
Net deferred losses on hedges	(807)	(185)	(8,585)
Foreign currency translation adjustments:			
Amount arising during the year	51,585	(13,778)	548,777
Reclassification adjustments for gains and losses included in net income	881	—	9,372
Foreign currency translation adjustments	52,466	(13,778)	558,149
Share of other comprehensive income of unconsolidated subsidiaries and affiliated companies accounted for by the equity method:			
Amount arising during the year	2,614	(706)	27,809
Reclassification adjustments for gains and losses included in net income	(7)	—	(74)
Share of other comprehensive income of unconsolidated subsidiaries and affiliated companies accounted for by the equity method	2,607	(706)	27,734
Total other comprehensive income	¥69,247	¥(15,110)	\$736,670

16. SEGMENT INFORMATION

(Segment information)

1. Outline of reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation to the segments and assess performance.

The Company identifies the following six segments according to the nature of the products and market for their products.

Reportable segment	Main products
Fibers & Textiles	Filament yarns, staple fibers, and woven and knitted fabrics of nylon, polyester and acrylic fibers, etc.; non-woven fabrics, man-made suede and apparel products
Plastics & Chemicals	Nylon, ABS, PBT, PPS and other resins and molded products, polyolefin foam; polyester, polypropylene, PPS and other films and processed film products; raw materials for synthetic fibers and other plastics; zeolite catalysts; fine chemicals for pharmaceuticals and agrochemicals; veterinary medicine (excludes film and resin covered in IT-related Products segment)
IT-related Products	Films and plastic products for information and telecommunications related products; materials for electronic circuits and semiconductors; color filters for LCDs and related materials and equipment; materials for plasma display panels; magnetic recording materials; graphic materials and related equipment
Carbon Fiber Composite Materials	Carbon fibers, carbon fiber composite materials and their molded products
Environment & Engineering	Comprehensive engineering; condominiums; industrial equipment and machinery; environment-related equipment; water treatment membranes and related equipment; materials for housing, building and civil engineering
Life Science	Pharmaceuticals and medical products

2. Measurement of sales, income, assets and other material items of reportable segments

The accounting policies for the reportable segments are the same as those described in Note 1. SIGNIFICANT ACCOUNTING POLICIES.

The figures of segment income are based on operating income.

Intersegment sales are determined based on consideration of the market price and related information.

3. Information on sales, income, assets and other material items of reportable segments

Year ended March 31, 2013:	Millions of yen									
	Fibers & Textiles	Plastics & Chemicals	IT-related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Total	Adjustments	Consolidated Total
Sales to outside customers	¥632,150	¥395,835	¥237,593	¥ 77,620	¥178,355	¥56,599	¥14,127	¥1,592,279	¥ —	¥1,592,279
Intersegment sales	839	27,946	7,403	652	64,485	1	16,301	117,627	(117,627)	—
Total sales	¥632,989	¥423,781	¥244,996	¥ 78,272	¥242,840	¥56,600	¥30,428	¥1,709,906	¥(117,627)	¥1,592,279
Segment income	¥ 43,222	¥ 18,302	¥ 22,959	¥ 7,299	¥ 2,628	¥ 7,456	¥ 1,557	¥ 103,423	¥ (19,987)	¥ 83,436
Segment assets	¥456,704	¥456,669	¥334,140	¥233,085	¥176,568	¥69,087	¥47,238	¥1,773,491	¥ (41,661)	¥1,731,830
Depreciation and amortization	15,572	17,704	15,850	11,760	2,626	1,905	1,257	66,674	914	67,588
Investment in unconsolidated subsidiaries and affiliated companies accounted for by the equity method	16,308	36,386	3,205	224	6,938	2,933	5,075	71,069	(631)	70,438
Capital expenditures	27,297	24,521	23,393	15,561	4,251	4,488	889	100,400	(1,265)	99,135

Millions of yen

Year ended March 31, 2012:	Fibers & Textiles	Plastics & Chemicals	IT- related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Total	Adjustments	Consolidated Total
Sales to outside customers	¥638,375	¥397,815	¥243,404	¥ 69,914	¥170,247	¥55,554	¥13,295	¥1,588,604	¥ —	¥1,588,604
Intersegment sales	655	27,829	7,663	679	57,320	1	16,358	110,505	(110,505)	—
Total sales	¥639,030	¥425,644	¥251,067	¥ 70,593	¥227,567	¥55,555	¥29,653	¥1,699,109	¥(110,505)	¥1,588,604
Segment income	¥ 45,327	¥ 27,381	¥ 34,512	¥ 7,671	¥ 4,882	¥ 5,981	¥ 1,334	¥ 127,088	¥ (19,367)	¥ 107,721
Segment assets	¥425,160	¥416,545	¥324,137	¥192,898	¥166,834	¥59,016	¥38,500	¥1,623,090	¥ (41,589)	¥1,581,501
Depreciation and amortization	17,006	17,681	14,593	11,827	2,614	2,030	1,222	66,973	470	67,443
Investment in unconsolidated subsidiaries and affiliated companies accounted for by the equity method	14,641	36,140	2,643	188	5,126	3,038	4,674	66,450	(723)	65,727
Capital expenditures	23,928	24,215	28,271	13,531	3,028	3,913	2,017	98,903	(519)	98,384

Thousands of U.S. dollars

Year ended March 31, 2013:	Fibers & Textiles	Plastics & Chemicals	IT- related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Total	Adjustments	Consolidated Total
Sales to outside customers	\$6,725,000	\$4,211,011	\$2,527,585	\$ 825,745	\$1,897,394	\$602,117	\$150,287	\$16,939,138	\$ —	\$16,939,138
Intersegment sales	8,926	297,298	78,755	6,936	686,011	11	173,415	1,251,351	(1,251,351)	—
Total sales	\$6,733,926	\$4,508,309	\$2,606,340	\$ 832,681	\$2,583,404	\$602,128	\$323,702	\$18,190,489	\$(1,251,351)	\$16,939,138
Segment income	\$ 459,809	\$ 194,702	\$ 244,245	\$ 77,649	\$ 27,957	\$ 79,319	\$ 16,564	\$ 1,100,245	\$ (212,628)	\$ 887,617
Segment assets	\$4,858,553	\$4,858,181	\$3,554,681	\$2,479,628	\$1,878,383	\$734,968	\$502,532	\$18,866,926	\$ (443,202)	\$18,423,723
Depreciation and amortization	165,660	188,340	168,617	125,106	27,936	20,266	13,372	709,298	9,723	719,021
Investment in unconsolidated subsidiaries and affiliated companies accounted for by the equity method	173,489	387,085	34,096	2,383	73,809	31,202	53,989	756,053	(6,713)	749,340
Capital expenditures	290,394	260,862	248,862	165,543	45,223	47,745	9,457	1,068,085	(13,457)	1,054,628

Notes:

- 1) "Others" represents service-related businesses such as analysis, survey and research.
- 2) a) "Adjustments" of segment income for the year ended March 31, 2013 of ¥(19,987) million (\$ (212,628) thousand) includes intersegment eliminations of ¥(27) million (\$ (287) thousand) and corporate expenses of ¥(19,960) million (\$ (212,340) thousand). "Adjustments" of segment income for the year ended March 31, 2012 of ¥(19,367) million includes intersegment eliminations of ¥(793) million and corporate expenses of ¥(18,574) million. The corporate expenses consist of the headquarters' research expenses, etc. that are not allocated to each reportable segment.
b) "Adjustments" of segment assets for the year ended March 31, 2013 of ¥(41,661) million (\$ (443,202) thousand) includes intersegment eliminations of ¥(61,374) million (\$ (652,915) thousand) and corporate assets of ¥19,713 million (\$ (209,713) thousand). "Adjustments" of segment assets for the year ended March 31, 2012 of ¥(41,589) million includes intersegment eliminations of ¥(63,215) million and corporate assets of ¥21,626 million. The corporate assets consist of the headquarters' research assets, etc. that are not allocated to each reportable segment.
- 3) "Segment income" is reconciled to operating income.

(Related information)
Geographic information

Sales to outside customers

Year ended March 31, 2013:	Millions of yen				Total
	Japan	Asia		North America, Europe and other areas	
		China	Others		
Sales to outside customers	¥870,315	¥222,514	¥268,291	¥231,159	¥1,592,279

Year ended March 31, 2012:	Millions of yen				Total
	Japan	Asia		North America, Europe and other areas	
		China	Others		
Sales to outside customers	¥876,224	¥203,419	¥284,430	¥224,531	¥1,588,604

Year ended March 31, 2013:	Thousands of U.S. dollars				Total
	Japan	Asia		North America, Europe and other areas	
		China	Others		
Sales to outside customers	\$9,258,670	\$2,367,170	\$2,854,160	\$2,459,138	\$16,939,138

Sales amounts are allocated to countries or regions according to the customers' location.

Property, plant and equipment, net

March 31, 2013:	Millions of yen				Total
	Japan	Asia		North America, Europe and other areas	
		Republic of Korea	Others		
Property, plant and equipment, net	¥317,658	¥84,534	¥124,686	¥100,362	¥627,240

March 31, 2012:	Millions of yen				Total
	Japan	Asia		North America, Europe and other areas	
		Republic of Korea	Others		
Property, plant and equipment, net	¥319,736	¥60,344	¥92,898	¥88,945	¥561,923

March 31, 2013:	Thousands of U.S. dollars				Total
	Japan	Asia		North America, Europe and other areas	
		Republic of Korea	Others		
Property, plant and equipment, net	\$3,379,340	\$899,298	\$1,326,447	\$1,067,681	\$6,672,766

(Information about loss on impairment of fixed assets by reportable segments)

Year ended March 31, 2013:	Millions of yen								
	Fibers & Textiles	Plastics & Chemicals	IT-related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Elimination & corporate	Total
Loss on impairment	¥150	¥280	¥225	¥264	¥990	¥63	¥—	¥—	¥1,972

Year ended March 31, 2012:

No significant items to be reported.

Year ended March 31, 2013:	Thousands of U.S. dollars								
	Fibers & Textiles	Plastics & Chemicals	IT-related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Elimination & corporate	Total
Loss on impairment	\$1,596	\$2,979	\$2,394	\$2,809	\$10,532	\$670	\$—	\$—	\$20,979

(Information about amortization and balance of goodwill by reportable segments)

Millions of yen									
Year ended March 31, 2013:	Fibers & Textiles	Plastics & Chemicals	IT-related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Elimination & corporate	Total
Amortization of goodwill	¥(248)	¥ 16	¥ 3,132	¥ 238	¥(16)	¥—	¥1	¥—	¥ 3,123
Balance of goodwill	(72)	907	27,871	1,060	—	—	1	—	29,767

Millions of yen									
Year ended March 31, 2012:	Fibers & Textiles	Plastics & Chemicals	IT-related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Elimination & corporate	Total
Balance of goodwill	¥(320)	¥29	¥31,003	¥1,164	¥(16)	¥—	¥2	¥—	¥31,862

Thousands of U.S. dollars									
Year ended March 31, 2013:	Fibers & Textiles	Plastics & Chemicals	IT-related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Elimination & corporate	Total
Amortization of goodwill	\$(2,638)	\$ 170	\$ 33,319	\$ 2,532	\$(170)	\$—	\$11	\$—	\$ 33,223
Balance of goodwill	(766)	9,649	296,500	11,277	—	—	11	—	316,670

"Others" represents service-related businesses such as analysis, survey and research.

17. AMOUNTS PER SHARE

Basic net income per share is computed based on the net income attributable to stockholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Diluted net income per share is computed based on the net income available for distribution to the stockholders and the weighted-average number of shares of common stock outstanding during the year after giving effect to the dilutive

potential of shares of common stock to be issued upon the exercise of warrants and stock acquisition rights.

Amounts per share of net assets are computed based on the net assets available for distribution to the stockholders and the number of shares of common stock outstanding at year end.

Cash dividends per share represent the cash dividends proposed by the Board of Directors applicable to the respective years together with any interim cash dividends paid.

	Yen		U.S. dollars
	2013	2012	2013
Net income:			
Basic	¥ 29.75	¥ 39.41	\$0.32
Diluted	28.90	37.46	0.31
Cash dividends applicable to the year	10.00	10.00	0.11
Net assets	444.95	384.90	4.73

18. RELATED PARTY TRANSACTIONS

Year ended March 31, 2013

Related Party Transactions

No items to be reported.

Year ended March 31, 2012

Related Party Transactions

Name	Toray Battery Separator Film Godo Kaisha
Category	Subsidiary
Location	Tochigi, Japan
Common stock	¥301 million
Description of the business	Production and sales of battery separator film
Ownership percentage of voting rights	Direct 100%
Relationship	Repayment of deposits
The Company's transaction with the related company	
Repayment of deposits	¥28,464 million
Balance at year end	
Other current liabilities	—

Consumption taxes are not included in the above amounts. Toray Tonen Specialty Separator Godo Kaisha, which was formerly disclosed as an affiliated company, became a consolidated subsidiary during the fiscal year ended March 31, 2012, and ceased to qualify as a related party. Therefore, transactions during the period Toray Tonen Specialty Separator Godo Kaisha was an affiliated company are reported. In addition, its name has been changed to Toray Battery Separator Film Godo Kaisha. The interest rate for the deposits received from Toray Battery Separator Film Godo Kaisha is determined based on consideration of market interest rates.



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Fax: +81 3 3503 1197

Independent Auditor's Report

The Board of Directors
Toray Industries, Inc.

We have audited the accompanying consolidated financial statements of Toray Industries, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Toray Industries, Inc. and its consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

June 26, 2013
Tokyo, Japan

Ernst & Young ShinNihon LLC

A member firm of Ernst & Young Global Limited

Investor Information

(As of March 31, 2013)

Common Stock:

Issued: 1,630,179,785 shares
(excluding treasury stock)
Number of Stockholders: 187,006

Annual General Meeting:

The annual general meeting of stockholders is normally held in June in Tokyo.

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 and Luxembourg.

Independent Auditors:

Ernst & Young ShinNihon LLC

Transfer Agent:

Sumitomo Mitsui Trust Bank, Limited 1-4-1,
Marunouchi Chiyoda-ku, Tokyo 100-0005, Japan

Cash Dividends Per Share

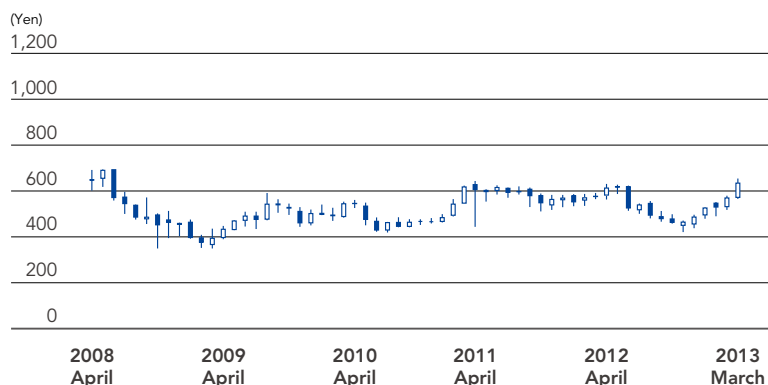
	2013	2012
Total for the year	¥10.00	¥10.00
Interim	5.00	5.00

Principal Stockholders

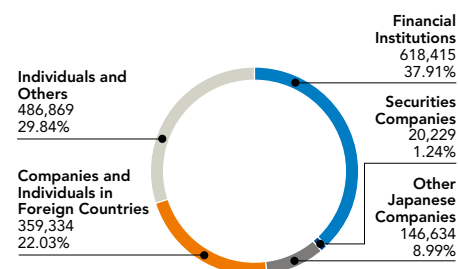
	Percentage of shares held	Thousands of shares
The Master Trust Bank of Japan, Ltd. (Trust account)	7.77	126,677
Japan Trustee Services Bank, Ltd. (Trust account)	4.76	77,522
Nippon Life Insurance Co.	4.37	71,212
Mitsui Life Insurance Co., Ltd.	2.21	35,961
SSBT OD05 OMNIBUS ACCOUNT — TREATY CLIENTS	1.90	30,966
Sumitomo Mitsui Banking Corporation	1.84	30,022
Japan Trustee Services Bank, Ltd. (Trust 4 account)	1.38	22,550
Mitsui Fudosan Co., Ltd.	1.19	19,460
Mitsui Sumitomo Insurance Co., Ltd.	1.08	17,638
Sumitomo Mitsui Trust Bank, Ltd.	1.04	17,018

* Percentage of shares held is calculated excluding 1,301,618 shares of treasury stock.

Stock Price Range



Composition of Stockholders (Thousands of shares)



Corporate Data

(As of March 31, 2013)

Toray Industries, Inc.

Head Office

Nihonbashi Mitsui Tower, 1-1,
Nihonbashi-Muromachi 2-chome,
Chuo-ku, Tokyo 103-8666, Japan
Telephone: 81 (3) 3245-5111
Facsimile: 81 (3) 3245-5054
URL: <http://www.toray.com>

Established:

January 1926

Paid-in Capital:

¥147,873,030,771

Number of Employees:

42,584

Parent company: 7,097

Japanese subsidiaries: 10,177

Overseas subsidiaries: 25,310





Toray Industries, Inc.

1-1, Nihonbashi-Muromachi 2-chome,
Chuo-ku, Tokyo 103-8666, Japan
Telephone: 81(3)3245-5111
Facsimile: 81(3)3245-5054
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