

Report of the Month

ReportWatch e.com

November 2008

Toray

Tokyo, Japan



(Toray Annual Report 2008 back cover)

Report Facts

Company name: TORAY INDUSTRIES, Inc.

Fiscal year end: March 31, 2008

Report title: *Innovation*

President, CEO and COO: S. Sakakibara

Number of books: 1

Report length: 70 pages

Auditors: Ernst & Young ShinNihon

Design: N/A

E-mail: ir@nts.toray.co.jp

Report Rating: ★★★(★)

(Rating scale below)

Profile-Mission (Excerpts, as from the report)

Toray is aiming to become a "global top company of advanced materials" by pursuing technological innovation in chemistry. (p 3)

Business segments are *Fibers & Textiles, Plastics & Chemicals, IT-Related Products, Carbon Fiber Composite Materials, Environment & Engineering, Life Science.* (Italics are own company's words)

Key Figures

Net sales: Yen 1,649,570 million

Operating income: Yen 103,429 million

Net income: Yen 48,069 million

Net earnings per share: Yen 34.34

Cash dividends: Yen 10.00

Return on equity: 8.1%

Equity ratio: 34.9%

Debt to equity: 1.0 (times)

(Source: figures sourced from the annual report)

Some Competitors

- TEIJIN
- MITSUBISHI
- ITOCHU
- BASF
- DUPONT
- KURARAY
- MARUBENI
- HITACHI

Report Rating: ★★★(★)

Best !!

- > A very good example of a very diversified group reporting about its complex business areas with a great degree of clarity and intelligibility (see Selected Page).
- > *Business at a Glance* gives a quick grasp of segment contribution, main products and their applications.
- > *Issues of Growing Concern* (first four pages) help put the business in a broader perspective.

Better !

- > The back cover is here used, and even tells much more than the front one. And the auditors' report lies inside!
- > The layout grid and typography are sober and simple yet make the core sections very readable.
- > Diagram to explain *technical fields, core technologies, foundation businesses*.

OK =

- > Wrapping an annual report in 70 pages is a feat of length. But the price to pay is to cut down on content in a number of key reporting areas.
- > Matter-of-fact *Management's Discussion and Analysis*, also covering financial condition issues. Still, analysis could go more deeply. A number of key ratios are in while some are left out.

Behind: -

- > Governance much behind best practice. And what to think of a President who also acts as a Chief Executive Officer, a Chief Operating Officer and a Representative Director, especially in such a diversified group?
- > No background details for directors.
- > Eight business risks only? Really?
- > 15 notes to statements –most of them without comments.

Green ?

- > A five-page *Special Feature about Caring for the environment through automotive materials and water treatment business* links products and technologies to broader issues. Much more could and should be reported, but this is a good starting point.

Rating Scale

★★★★★: First-rate ★★★(★): Excellent ★★★★★: Very good ★★(★): Sound ★★: Average
★(★): Uneven ★★: Common ★(★): Substandard ★: Poor (★): Uncompetitive

The rating is based on ReportWatch internal desk research and does not take into account the independent Rating Panel's judgment. It may therefore differ from ratings (to be) published in the **Annual Report on Annual Reports**.

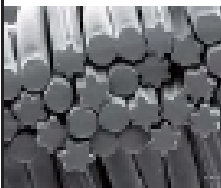
*How does the company report in key areas? What are the main report pluses and minuses?
The **Report Scan** gives an overview of strengths and weaknesses, and scores each item.*

Contact e.com@reportwatch.net

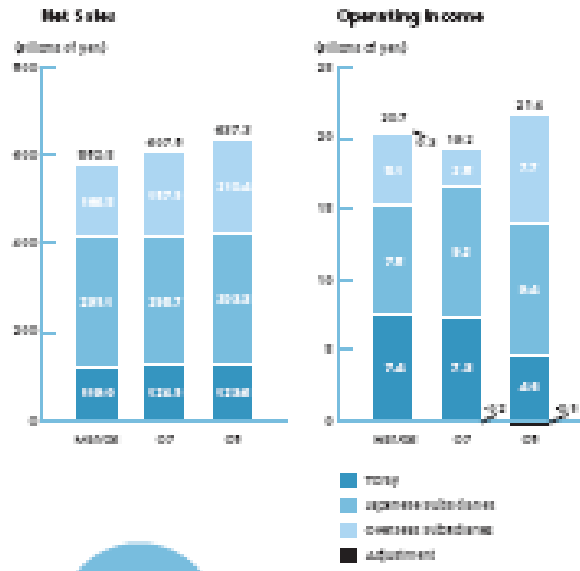
FIBERS & TEXTILES



'Style White', the latest new product co-developed with UNIQLO, became a huge hit, thanks to a comfortable and transparency-preferred property realized by polyester fiber with highly concentrated ceramic kneaded.



The second offering is Real-tech Fiber. Cationic dye dyed fiber cross-section polyester rapidly absorbs, dyes, and evaporates perspiration, while hollow spun fiber has high heat retention that prevents the body from becoming cold.



22

Operating income to net sales: 3.4%

Sales growth: +4.9%

Capital expenditures: 21.2 billion yen
(property, plant and equipment)

ROA: 4.4%

Archie made with Roache®, Toray's made-to-order artificial leather that holds world No.1 market share for men-made suits.

