

August 7, 2017

Toray Announces Consolidated Results for the Three Months Ended June 30, 2017

Tokyo, August 7, 2017 - Toray Industries, Inc. ("Toray") today announced its consolidated business results for the three months ended June 30, 2017 of the fiscal year ending March 31, 2018. The following summary of the business results that Toray submitted to the Tokyo Stock Exchange is unaudited and for reference only. (Code Number: 3402)

Consolidated Business Results

(Millions of yen, *millions of U.S. dollars*, except per share data)

	Three months ended June 30,				(Reference) Fiscal 2016
	2017	2016	Change	2017	
	Yen		%	<i>U.S. dollars</i>	Yen
Net sales	¥508,088	¥478,108	6.3	\$4,537	¥2,026,470
Operating income	38,855	41,001	(5.2)	347	146,893
Ordinary income	39,735	41,803	(4.9)	355	143,736
Net income attributable to owners of parent	26,097	29,691	(12.1)	233	99,418
Earnings per share - Basic (Yen)	16.32	18.57	-	-	62.17
Earnings per share - Diluted (Yen)	16.30	18.55	-	-	62.10

Consolidated Financial Condition

(Millions of yen, *millions of U.S. dollars*)

	As of June 30, 2017		As of March 31, 2017
	Yen	<i>U.S. dollars</i>	Yen
Total assets	¥2,424,285	\$21,645	¥2,396,785
Net assets	1,121,414	10,013	1,100,176
Equity ratio	42.9%	-	42.6%

Cash Dividends

(Yen)

	Cash dividends per share				
	1Q	2Q	3Q	4Q	Total
FY2016	-	¥7.00	-	¥7.00	¥14.00
FY2017	-				
FY2017 (forecast)		7.00	-	7.00	14.00

Notes:

1. For calculation of "Equity ratio", non-controlling interests and stock acquisition rights are deducted from net assets.
2. U.S. dollar amounts have been converted from yen at the exchange rate of ¥112.0 = U.S.\$1, the approximate rate of exchange prevailing on June 30, 2017.
3. Amounts are rounded to the nearest million.

Segment Information

(Millions of yen, *millions of U.S. dollars*)

Net Sales	Three months ended June 30,		
	2017	2016	2017
	Yen		U.S. dollars
Fibers & Textiles	¥201,129	¥197,699	\$1,796
Performance Chemicals	191,197	174,758	1,707
Carbon Fiber Composite Materials	42,730	43,800	382
Environment & Engineering	56,863	46,183	508
Life Science	12,194	11,854	109
Others	3,975	3,814	35
Consolidated Total	508,088	478,108	4,537

Segment Income (Loss)	Three months ended June 30,		
	2017	2016	2017
	Yen		U.S. dollars
Fibers & Textiles	¥17,622	¥17,763	\$157
Performance Chemicals	16,638	15,511	149
Carbon Fiber Composite Materials	5,695	9,759	51
Environment & Engineering	4,280	2,470	38
Life Science	841	224	8
Others	215	(47)	2
Total	45,291	45,680	404
Adjustment	(6,436)	(4,679)	(57)
Consolidated Total (Operating income)	38,855	41,001	347

Notes:

1. The company has changed the reporting segments from six reporting segments which were "Fibers & Textiles", "Plastics & Chemicals", "IT-related Products", "Carbon Fiber Composite Materials", "Environment & Engineering" and "Life Science" to five reporting segments which are "Fibers & Textiles", "Performance Chemicals", "Carbon Fiber Composite Materials", "Environment & Engineering" and "Life Science" from the fiscal year ending March 31, 2018. Accordingly, the actual figures of three months ended June 30, 2016 have been restated to reflect the changes in reporting segments.
2. "Others" represents service-related businesses such as analysis, physical evaluation, research and information processing.
3. "Adjustment" of segment income for the three months ended June 30, 2017 of (6,436) million yen includes intersegment eliminations of (368) million yen and corporate expenses of (6,068) million yen. "Adjustment" of segment income (loss) for the three months ended June 30, 2016 of (4,679) million yen includes intersegment eliminations of 207 million yen and corporate expenses of (4,886) million yen. The corporate expenses consist of the headquarters' research expenses, etc. that are not allocated to each reportable segment.

4. U.S. dollar amounts have been converted from yen at the exchange rate of ¥112.0 = U.S.\$1, the approximate rate of exchange prevailing on June 30, 2017.
5. Amounts are rounded to the nearest million.

Forecast of Consolidated Results for the Six Months Ending September 30, 2017

(Millions of yen, millions of U.S. dollars)

	Six Months ending September 30, 2017	
	Yen	U.S. dollars
Net sales	¥1,050,000	\$10,000
Operating income	78,000	743
Ordinary income	77,000	733
Net income attributable to owners of parent	47,000	448

Reference: EPS forecast (six months ending September 30, 2017) ¥29.39

Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2018

(Millions of yen, millions of U.S. dollars)

	Year ending March 31, 2018	
	Yen	U.S. dollars
Net sales	¥2,220,000	\$21,143
Operating income	165,000	1,571
Ordinary income	162,000	1,543
Net income attributable to owners of parent	100,000	952

Reference: EPS forecast (year ending March 31, 2018) ¥62.52

Notes:

1. U.S. dollar amounts have been converted from yen at the exchange rate of ¥105.0 = U.S.\$1, the estimated rate of exchange from July onwards.
2. Amounts are rounded to the nearest million.

Consolidated Business Results and Financial Condition

1. Overview of the Three Months Ended June 30, 2017

During the period under review, the U.S. and Europe saw a gradual economic recovery. In China and many other emerging countries, there were signs of the economy picking up. The Japanese economy, in general, continued on its modest recovery track on the back of improving employment and income situation.

There was rise in raw materials and fuel price of major businesses at Toray Group compared with the same period of the previous fiscal year due to the fluctuation of the crude oil price.

Under such circumstances, Toray Group in April 2017 embarked on the new medium-term management program “Project AP-G 2019” that spans over three years from fiscal year 2017 to 2019 and has been implementing the growth strategy with focus on taking advantage of growth business fields, pursuing business expansion in growth countries and regions as well as further bolstering its cost competitiveness.

As a result, consolidated net sales for the three months ended June 30, 2017 increased 6.3% compared with the same period of the previous fiscal year to ¥508.1 billion (US\$4,537 million). Operating income declined 5.2% to ¥38.9 billion (US\$347 million), and ordinary income fell 4.9% to ¥39.7 billion (US\$355 million). Net income attributable to owners of parent declined by 12.1% to ¥26.1 billion (US\$233 million).

Business performance by segment is described below.

Business Performance by Segment:

Fibers & Textiles

In Japan, demand for apparel applications remained weak in general in spite of a recovery trend in some industrial applications. Against this background, Toray Group not only strived to expand sales in various applications but also worked to upgrade the business through measures such as promotion of a business format that integrates fibers to textiles to final products and reduce costs.

Overseas, business performance of some subsidiaries in Southeast Asia and other regions were affected by a slowdown in exports to the Middle East. On the other hand, materials for automotive applications and hygiene products remained strong in general.

As a result, overall sales of Fibers & Textiles segment increased 1.7% to ¥201.1 billion (US\$1,796 million) compared with the same period a year earlier while operating income declined 0.8% to ¥17.6 billion (US\$157 million).

Performance Chemicals

In the resin business, shipment for automotive applications was strong in general, mainly in Japan. Besides automotive applications, Toray Group also promoted sales expansion of ABS and PPS resins. The film business grew strongly both in Japan and abroad, as shipment of battery separator films for lithium-ion secondary batteries increased reflecting demand growth. In the electronic & information materials business, shipment of organic EL-related materials expanded.

As a result, overall sales of Performance Chemicals segment increased 9.4% to ¥191.2 billion (US\$1,707 million) compared with the same period a year earlier and operating income rose 7.3% to ¥16.6 billion (US\$149 million).

Carbon Fiber Composite Materials

In the Carbon Fiber Composite Materials segment, the aircraft application remained on a weak note, reflecting the inventory adjustment in the supply chain. The inventory adjustment for materials for compressed natural gas tank applications was nearly completed but shipment did not reach full-scale recovery. Demand for wind turbine blade application steadily expanded but sales were affected by the change in shipment timing.

As a result, overall sales of Carbon Fiber Composite Materials segment declined 2.4% to ¥42.7 billion (US\$382 million) compared with the same period a year earlier and operating income fell 41.6% to ¥5.7 billion (US\$51 million).

Environment & Engineering

In the water treatment business, demand for reverse osmosis membranes and other products in general grew strongly in Japan and abroad.

In terms of domestic subsidiaries in the segment, plant constructions and lithium-ion secondary battery related machineries at an engineering subsidiary performed strongly.

As a result, overall sales of Environment & Engineering segment increased 23.1% to ¥56.9 billion (US\$508 million) compared with the same period a year earlier and operating income rose 73.3% to ¥4.3 billion (US\$38 million).

Life Science

In the pharmaceutical business, shipment of pruritus treatment REMITCH^{®*} expanded, partly as the OD (oral disintegrating) tablet version was made available in June. On the other hand, shipment of natural-type interferon beta preparation FERON[®] and orally active prostacyclin derivative DORNER[®] remained sluggish due to the impact of alternative medicines and their generic drugs.

In the medical devices business, shipment of dialyzers grew strongly in Japan and overseas.

As a result, overall sales of Life Science segment increased 2.9% to ¥12.2 billion (US\$109 million) compared with the same period a year earlier and operating income rose 275.4% to ¥0.8 billion (US\$8 million).

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

2. Analysis of Financial Condition

As of June 30, 2017, Toray Group's total assets stood at ¥2,424.3 billion (US\$21,645 million), up ¥27.5 billion from the end of the previous fiscal year, primarily due to increases in inventories as well as property, plant and equipment.

Liabilities increased by ¥6.3 billion to ¥1,302.9 billion (US\$11,633 million) compared to the end of the previous fiscal year, owing mainly to a higher level of interest-bearing debts.

Net assets rose ¥21.2 billion compared with the end of the previous fiscal year to ¥1,121.4 billion (US\$10,013 million), reflecting an increase in retained earnings due to net income. Net assets less non-controlling interests and stock acquisition rights came to ¥1,041.1 billion (US\$9,296 million).

3. Forecast of Consolidated Results

The global economy as a whole is expected to continue its gradual recovery as the economies of developed countries maintain their recovery led by the U.S., in addition to the rebound in emerging economies. However, attention should be paid to risk factors such as the uncertainties over policy administration of developed countries, the economic downswing in China and other emerging countries and the impact of normalization of the U.S monetary policy. The Japanese economy is also expected to continue on a gradual recovery track on the back of improving employment and income situations, though there are concerns that the economy may be weighed down by uncertainties in overseas economies and the fluctuations in the financial and capital markets.

Under such circumstances, Toray Group will continue to implement the growth strategies under the medium-term management program "Project AP-G 2019."

As for the forecasts for the fiscal year ending March 31, 2018, Toray kept unchanged its full-year consolidated forecasts announced on May 10, 2017. The calculation of consolidated earnings forecasts from July 2017 onwards is based on an assumed foreign currency exchange rate of ¥105.0 to the U.S. dollar.

Notes:

1. U.S. dollar amounts have been converted from yen at the exchange rate of ¥112.0 =U.S. \$1, the approximate rate of exchange prevailing on June 30, 2017.
2. U.S. dollar amounts of forecast have been converted from yen at the exchange rate of ¥105.0 =U.S.\$1, the estimated rate of exchange from July onwards.

Disclaimer

Descriptions of predicted business results, forecasts and business plans contained in this material are based on predictive forecasts of the future business environment made at the present time. The material in this statement is not a guarantee of Toray's future business performance.

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