

Announcement of Business Results for the First Quarter Ended June 30, 2016

August 5, 2016

Toray Industries, Inc.

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I. Consolidated Business Results for the 1Q Ended June 30, 2016

Summary of Consolidated Business Results for the 1Q Ended June 30, 2016

Billion yen

	FY Mar/16 1Q	FY Mar/17 1Q	Changes	
Net Sales	496.9	478.1	- 18.7	(-3.8%)
Cost of Sales	389.5	368.5	- 21.0	(-5.4%)
Gross Profit	107.4	109.6	+2.3	(+2.1%)
(Gross Profit to Net Sales)	21.6%	22.9%	+1.3	points
Operating Income	37.0	41.0	+4.0	(+10.7%)
(Operating Income to Net Sales)	7.5%	8.6%	+1.1	points
Non-operating Income and Expenses, net	1.5	0.8	- 0.7	
Ordinary Income	38.6	41.8	+3.2	(+8.4%)
Special Credits and Charges, net	▲ 0.4	▲ 0.2	+0.1	
Income before Income Taxes	38.2	41.6	+3.4	(+8.9%)
Net Income Attributable to Owners of Parent	26.2	29.7	+3.5	(+13.4%)

Exchange Rate

<Yen/US\$>

FY Mar/16 1Q → FY Mar/17 1Q

1Q Average : 121.4 → 108.1

End of the term: 122.5 → 102.9

<Yen/Euro>

FY Mar/16 1Q → FY Mar/17 1Q

1Q Average : 134.2 → 122.0

End of the term: 137.2 → 114.4

Non-operating Income and Expenses

Billion yen

	FY Mar/16 1Q	FY Mar/17 1Q	Changes
Non-operating Income	5.2	6.3	+1.1
Interest and Dividend Income	2.1	2.0	-0.1
Equity in Earnings of Affiliates	1.6	2.2	+0.6
Others	1.6	2.2	+0.6
Non-operating Expenses	▲ 3.7	▲ 5.5	-1.8
Interest Expenses	▲ 1.5	▲ 1.2	+0.4
Others	▲ 2.2	▲ 4.4	-2.2
Non-operating Income and Expenses, net	1.5	0.8	-0.7
Interest and Dividend Income, Interest Expenses, net	0.5	0.8	+0.3

* Positive numbers : Income, Negative numbers (▲) : Expenses

Special Credits and Charges

Billion yen

	FY Mar/16 1Q	FY Mar/17 1Q	Changes
Special Credits	0.5	0.8	+0.3
Gain on Sales of Property, Plant and Equipment	0.1	0.8	+0.7
Gain on Sales of Investment Securities	0.3	-	-0.3
Others	0.1	-	-0.1
Special Charges	▲ 0.9	▲ 1.0	-0.2
Loss on Sales and Disposal of Property, Plant and Equipment	▲ 0.9	▲ 0.8	+0.1
Loss on Sales of Investment Securities	-	▲ 0.2	-0.2
Others	▲ 0.0	-	+0.0
Special Credits and Charges, net	▲ 0.4	▲ 0.2	+0.1

* Positive numbers : Income, Negative numbers (▲) : Expenses

Assets, Liabilities and Net Assets

Billion yen

	End of Mar/16	End of June/16	Changes
Total Assets	2,278.4	2,190.0	-88.4
Current Assets	1,009.6	994.4	-15.1
Tangible Assets	830.6	783.3	-47.3
Intangible Assets	87.2	80.7	-6.4
Investment and Other Assets	351.1	331.5	-19.6

	End of Mar/16	End of June/16	Changes
Total Liabilities	1,253.5	1,224.5	-29.0
Current Liabilities	571.3	569.9	-1.4
Other Liabilities	682.1	654.6	-27.5
Total Net Assets	1,024.9	965.4	-59.5

Owner's Equity	945.6	889.6	-56.0
Equity Ratio	41.5%	40.6%	-0.9 points

Interest-bearing Debts	704.3	703.5	-0.7
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D/E Ratio	0.74	0.79	+0.05
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Capital Expenditures, Depreciation and R&D Expenses

Billion yen

	FY Mar/16 1Q	FY Mar/17 1Q	Changes	Comments
Capital Expenditures	21.8	25.4	+3.6	Toray: 3.5、Consolidated subsidiaries: 22.0
Depreciation -)	22.2	20.6	-1.6	Toray: 6.7、Consolidated subsidiaries: 13.9
Transfer, Disposal, etc.	3.1	▲ 52.2	-55.3	
Changes in Tangible Assets	2.7	▲ 47.3	-50.0	
R&D Expenses	14.2	14.2	+0.0	

Major Capital Expenditure Projects:

Toray Carbon Fibers America, Inc.: Carbon fiber TORAYCA® prepreg integrated production facilities

Toray Battery Separator Film Korea Limited: Polyethylene film production facilities

Toray Advanced Materials Korea Inc.: Polyphenylene sulfide (PPS) resin production facilities

Net Sales and Operating Income by Segment

Billion yen

	Net Sales			Operating Income		
	FY Mar/16 1Q	FY Mar/17 1Q	Changes	FY Mar/16 1Q	FY Mar/17 1Q	Changes
Fibers & Textiles	208.0	197.7	-10.3 (-4.9%)	17.0	17.8	+0.7 (+4.3%)
Plastics & Chemicals	123.7	119.9	-3.8 (-3.1%)	7.6	8.5	+0.9 (+12.2%)
IT-related Products	63.5	65.8	+2.3 (+3.6%)	5.8	8.4	+2.6 (+45.0%)
Carbon Fiber Composite Materials	49.3	43.8	-5.5 (-11.2%)	10.9	9.8	-1.1 (-10.5%)
Environment & Engineering	37.1	35.8	-1.2 (-3.4%)	▲ 0.0	1.2	+1.2 (-)
Life Science	11.9	11.9	-0.1 (-0.6%)	▲ 0.2	0.2	+0.4 (-)
Others	3.4	3.2	-0.1 (-4.2%)	0.1	▲ 0.1	-0.2 (-)
Total	496.9	478.1	-18.7 (-3.8%)	41.2	45.7	+4.5 (+11.0%)
Adjustment				▲ 4.2	▲ 4.7	-0.6
Consolidated	496.9	478.1	-18.7 (-3.8%)	37.0	41.0	+4.0 (+10.7%)

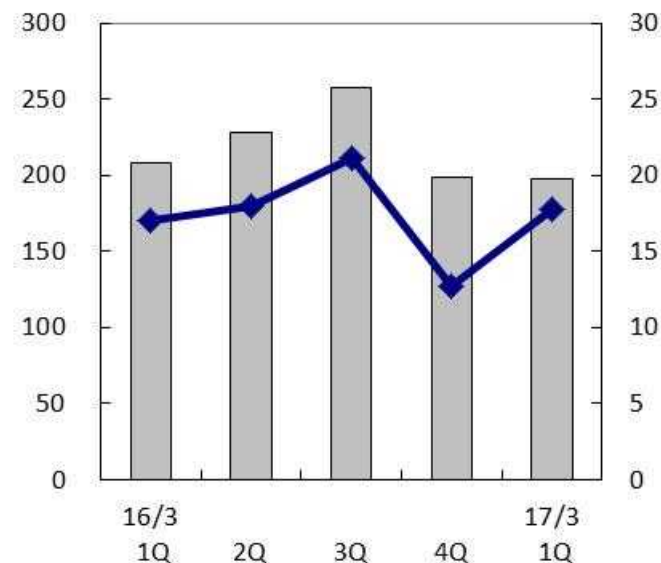
Business Results by Segment (Fibers & Textiles)

Unit: Billion yen

		FY Mar/16 1Q	FY Mar/17 1Q	Changes	
Net Sales	Toray	48.0	45.0	-3.0	(-6.3%)
	Japanese Subsidiaries	94.1	92.9	-1.2	(-1.3%)
	Overseas Subsidiaries	138.3	125.0	-13.4	(-9.7%)
	Adjustment	▲ 72.5	▲ 65.2	+7.4	
	Total	208.0	197.7	-10.3	(-4.9%)
Operating Income	Toray	4.7	5.7	+1.0	(+20.2%)
	Japanese Subsidiaries	1.9	1.6	-0.3	(-15.7%)
	Overseas Subsidiaries	12.0	11.7	-0.3	(-2.9%)
	Adjustment	▲ 1.6	▲ 1.2	+0.4	
	Total	17.0	17.8	+0.7	(+4.3%)

Net Sales
<Bar chart>

Operating Income
<Line chart>
(Billion yen)



Japan : Demand for apparel applications remained weak in general and demand for automotive applications among the industrial applications was also sluggish. Against this background, Toray Group not only strived to expand sales on the whole but also worked to improve profitability by upgrading the business primarily through promotion of a business format that integrates fibers to textiles to final products and cost reduction.

Overseas : Mainly products for apparel applications were affected by a slowdown in demand in Europe and China. On the other hand, materials for automotive applications and hygiene products were strong as a whole.

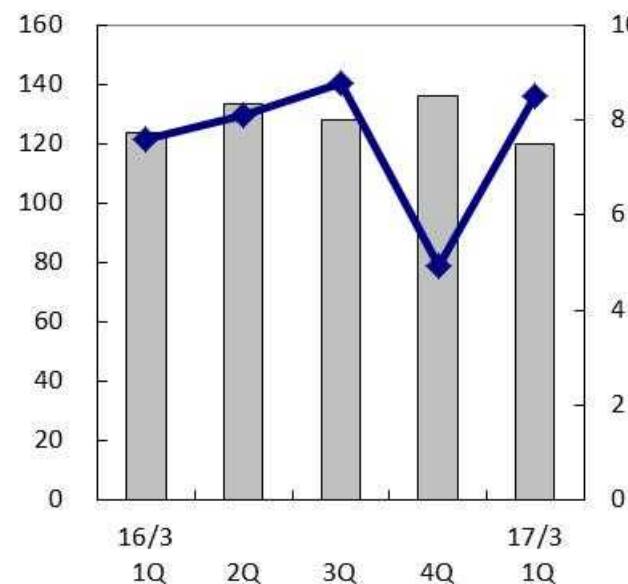
Business Results by Segment (Plastics & Chemicals)

Unit: Billion yen

		FY Mar/16 1Q	FY Mar/17 1Q	Changes	
Net Sales	Toray	32.2	28.9	-3.3	(-10.4%)
	Japanese Subsidiaries	89.7	89.8	+0.1	(+0.1%)
	Overseas Subsidiaries	94.2	82.2	-12.1	(-12.8%)
	Adjustment	▲ 92.5	▲ 81.0	+11.5	
	Total	123.7	119.9	-3.8	(-3.1%)
Operating Income	Toray	1.5	1.5	-0.1	(-3.8%)
	Japanese Subsidiaries	1.9	1.9	+0.0	(+0.3%)
	Overseas Subsidiaries	4.2	5.2	+0.9	(+22.2%)
	Adjustment	▲ 0.1	▲ 0.0	+0.0	
	Total	7.6	8.5	+0.9	(+12.2%)

Net Sales
<Bar chart>

Operating Income
<Line chart>
(Billion yen)



Resins Business

: Shipment of automotive application products was strong in general both in Japan and overseas given the increase in automobile production in Japan and the U.S. Besides automotive applications, Toray Group also promoted sales expansion of ABS and Polyphenylene sulfide (PPS) resins.

Films Business

: The products for packaging applications performed strongly led by high-performance materials. Toray Group, despite many applications being affected by price competition, strived to improve profitability of the business by focusing on sales expansion of high value-added products as well as on cost reduction.

Chemicals Business

: The selling price of some chemical products declined due to the yen's appreciation and the worsening market condition.

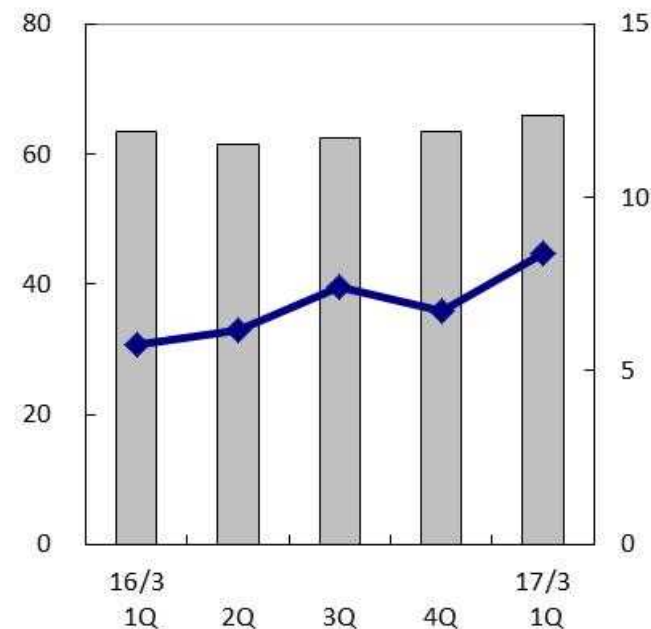
Business Results by Segment (IT-related Products)

Unit: Billion yen

		FY Mar/16 1Q	FY Mar/17 1Q	Changes	
Net Sales	Toray	20.9	21.5	+0.6	(+2.8%)
	Japanese Subsidiaries	23.7	30.4	+6.7	(+28.1%)
	Overseas Subsidiaries	28.6	23.9	-4.6	(-16.3%)
	Adjustment	▲ 9.7	▲ 10.0	-0.3	
	Total	63.5	65.8	+2.3	(+3.6%)
Operating Income	Toray	0.8	2.1	+1.4	(+181.6%)
	Japanese Subsidiaries	1.7	3.2	+1.5	(+89.4%)
	Overseas Subsidiaries	4.1	3.7	-0.4	(-10.4%)
	Adjustment	▲ 0.8	▲ 0.6	+0.2	
	Total	5.8	8.4	+2.6	(+45.0%)

Net Sales
<Bar chart>

Operating Income
<Line chart>
(Billion yen)



Among materials for flat panel displays, smartphone- and tablet terminal-related materials performed strongly with shipment for organic EL applications growing, while sales of some large panel-related materials were weak reflecting sluggish growth in TV demand.

Shipment of battery separator films for lithium-ion batteries expanded reflecting demand growth.

In addition, a Japanese subsidiary expanded sales of LCD color filter manufacturing equipment, etc.

Details of the Sales of IT-related Products Segment

【Sales ratio by sub-segment】

Unit: Billion yen

	FY Mar/16 1Q		FY Mar/17 1Q		
	Net Sales	Ratio	Net Sales	Ratio	Changes
Display Materials	18.2	29%	17.0	26%	-6%
Electronic Components, Semiconductor, Electric Circuit Materials	33.1	52%	31.4	48%	-5%
Data Storage Materials	7.9	12%	6.4	10%	-19%
Equipment, others	4.4	7%	11.1	17%	+152%
Total	63.5		65.8		+4%

Display materials: Shipment of organic EL-related materials expanded, however, films and processed film products were affected by sluggish growth in TV demand, and continuing price competition.

Electronic components, semiconductor, electric circuit materials: Films and processed film products for electronic components performed strongly, while shipment of electric circuit materials decreased.

Data storage materials: Sales of films for data storage magnetic tapes increased, however, other data storage materials remained sluggish in general.

Equipment and others: Sales of LCD color filter manufacturing equipment and other IT-related equipments increased.

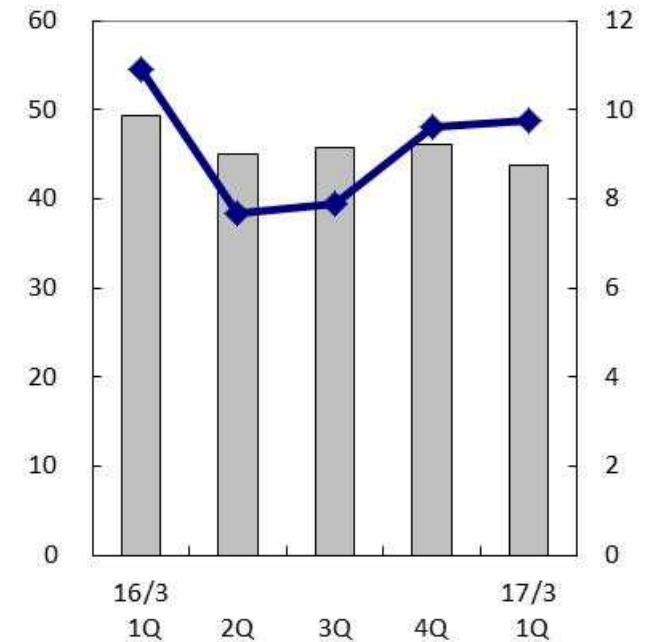
Business Results by Segment (Carbon Fiber Composite Materials)

Unit: Billion yen

		FY Mar/16 1Q	FY Mar/17 1Q	Changes	
Net Sales	Toray	27.0	27.3	+0.2	(+0.8%)
	Japanese Subsidiaries	19.9	19.1	-0.9	(-4.5%)
	Overseas Subsidiaries	44.1	37.4	-6.7	(-15.1%)
	Adjustment	▲ 41.7	▲ 39.9	+1.8	
	Total	49.3	43.8	-5.5	(-11.2%)
Operating Income	Toray	6.1	4.2	-1.9	(-30.7%)
	Japanese Subsidiaries	0.3	0.3	+0.1	(+21.7%)
	Overseas Subsidiaries	5.0	5.3	+0.3	(+6.2%)
	Adjustment	▲ 0.4	▲ 0.1	+0.4	
	Total	10.9	9.8	-1.1	(-10.5%)

Net Sales
<Bar chart>

Operating Income
<Line chart>
(Billion yen)



While the final demand for aircrafts was strong, demand for carbon fiber intermediate products (prepreg) remained on a weak note, reflecting inventory trend in the supply chain. Demand of products for compressed natural gas tank applications was slow due to the impact of the decline in crude oil price. Meanwhile, shipment for wind turbine application steadily expanded on the back of robust demand.

Details of the Sales of Carbon Fiber Composite Materials Segment

【Sales ratio by sub-segment】

Unit: Billion yen

	FY Mar/16 1Q		FY Mar/17 1Q		
	Net Sales	Ratio	Net Sales	Ratio	Changes
Aerospace	25.5	52%	20.6	47%	-19%
Sports	4.4	9%	3.4	8%	-22%
Industrial	19.4	39%	19.7	45%	+2%
Total	49.3		43.8		-11%

Aerospace: While the final demand for aircrafts was strong, demand for carbon fiber intermediate products (prepreg) remained on a weak note, reflecting inventory trend in the supply chain.

Sports: In Japan, sales increased with demand for production of the new autumn model products, while overseas, sales of materials for fishing rods slowed down and shipment of materials for bicycles decreased due to inventory adjustment.

Industrial: Shipment of wind turbine applications performed strongly.

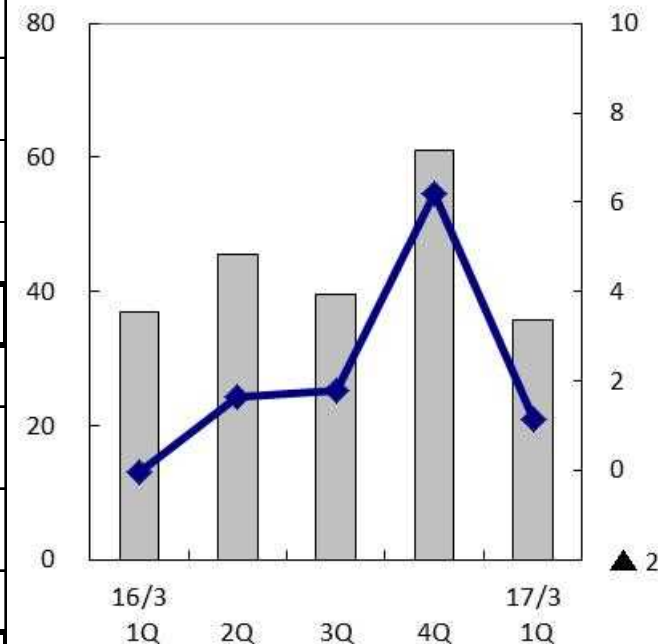
Business Results by Segment (Environment & Engineering)

Unit: Billion yen

		FY Mar/16 1Q	FY Mar/17 1Q	Changes	
Net Sales	Toray	4.6	4.3	-0.3	(-6.3%)
	Japanese Subsidiaries	38.9	42.5	+3.5	(+9.1%)
	Overseas Subsidiaries	7.3	6.6	-0.7	(-9.0%)
	Adjustment	▲ 13.7	▲ 17.6	-3.8	
	Total	37.1	35.8	-1.2	(-3.4%)
Operating Income	Toray	0.1	▲ 0.3	-0.4	(-)
	Japanese Subsidiaries	▲ 1.0	0.6	+1.6	(-)
	Overseas Subsidiaries	1.0	0.9	-0.1	(-6.4%)
	Adjustment	▲ 0.1	▲ 0.0	+0.1	
	Total	▲ 0.0	1.2	+1.2	(-)

Net Sales
<Bar chart>

Operating Income
<Line chart>
(Billion yen)



Water Treatment Business : Profitability of exports of products including reverse osmosis membranes from Japan was affected by a slowdown in overseas economies and the appreciation of the yen. Overseas subsidiaries in general performed strongly.

Japan : Industrial machinery at an engineering subsidiary and condominium sales and housing land development at a construction subsidiary performed strongly. By contrast, sales of some trading subsidiaries declined due to the impact of slowing economy outside Japan.

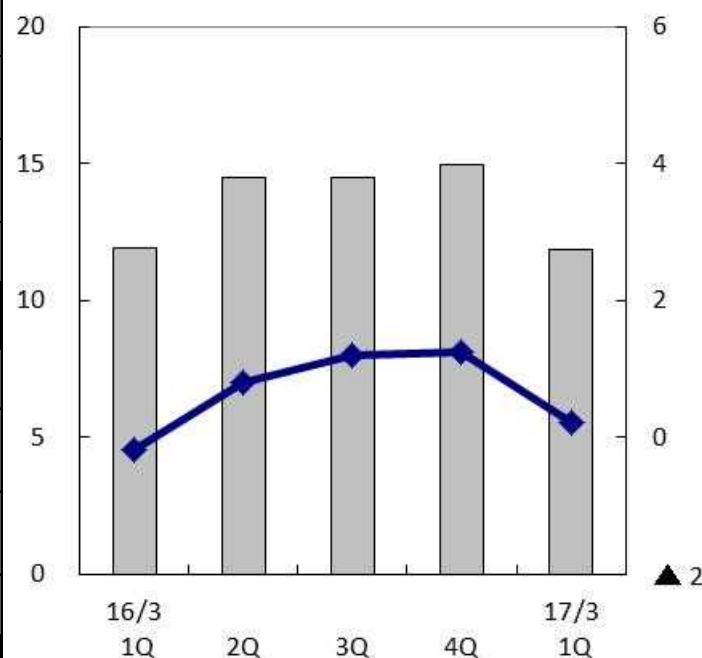
Business Results by Segment (Life Science)

Unit: Billion yen

		FY Mar/16 1Q	FY Mar/17 1Q	Changes	
Net Sales	Toray	7.3	6.9	-0.4	(-5.9%)
	Japanese Subsidiaries	9.3	9.6	+0.4	(+4.0%)
	Overseas Subsidiaries	3.5	3.3	-0.2	(-5.5%)
	Adjustment	▲ 8.1	▲ 7.9	+0.2	
	Total	11.9	11.9	-0.1	(-0.6%)
Operating Income	Toray	▲ 0.6	▲ 0.5	+0.1	(-)
	Japanese Subsidiaries	0.1	▲ 0.3	-0.4	(-)
	Overseas Subsidiaries	0.1	0.1	-0.0	(-2.0%)
	Adjustment	0.2	0.9	+0.7	
	Total	▲ 0.2	0.2	+0.4	(-)

Net Sales
<Bar chart>

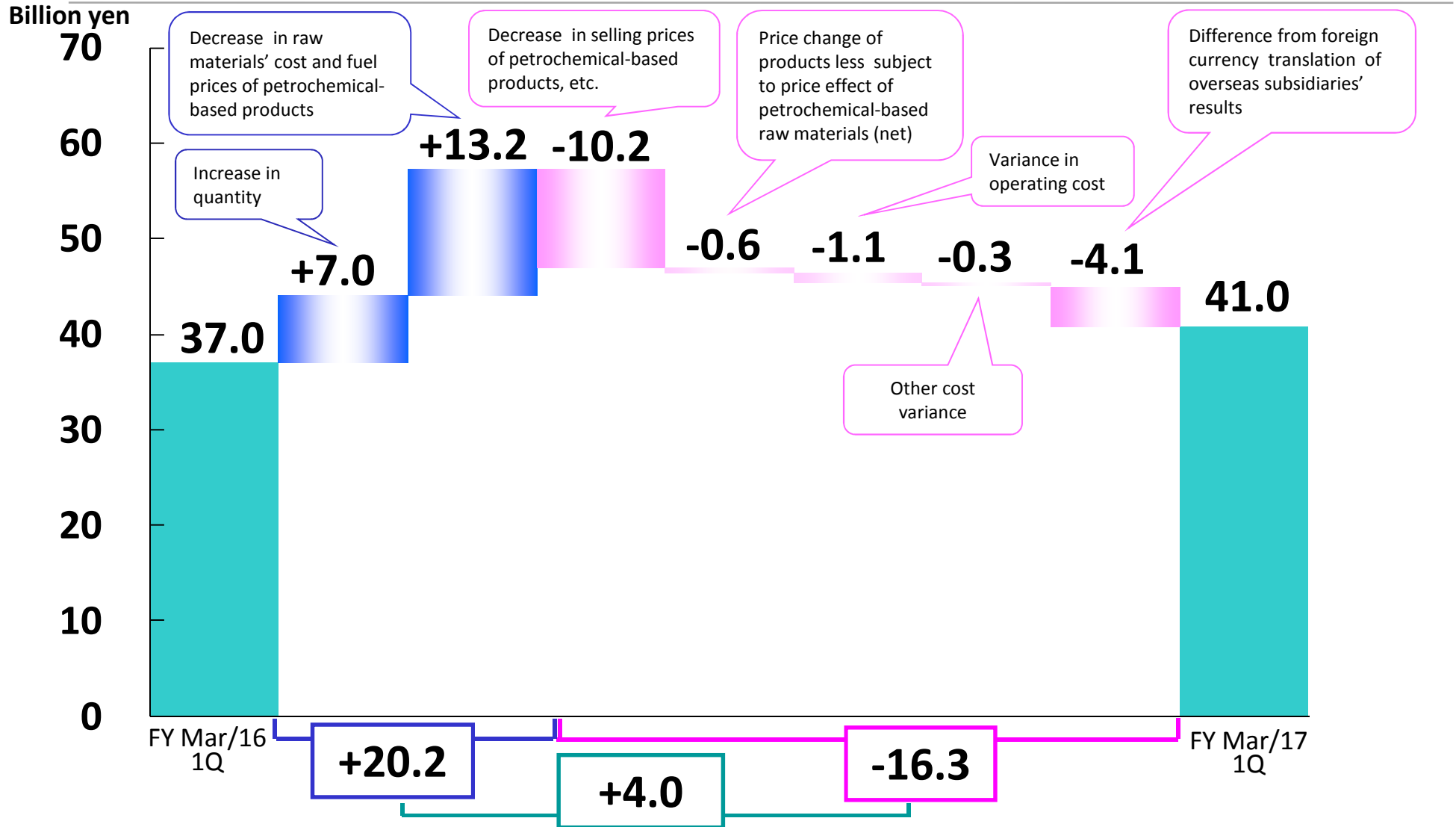
Operating Income
<Line chart>
(Billion yen)



In the pharmaceutical business, sales volume of pruritus treatment REMITCH®* increased, as the product received approval for the additional indication of treating pruritus in chronic liver disease patients in 2015. 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 medicine and their generic versions. In terms of the medical devices business, shipment of dialyzers grew strongly in Japan and overseas.

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

Income Variance Factor Analysis



"Petrochemical-based products, etc." are the total of Fibers & Textiles, Plastics & Chemicals and Carbon Fiber Composite Materials Segments

Results of Major Subsidiaries

Billion yen

	Net Sales			Operating Income		
	FY Mar/16 1Q	FY Mar/17 1Q	Changes	FY Mar/16 1Q	FY Mar/17 1Q	Changes
Toray International, Inc.	133.0	128.3	-4.7	2.3	1.9	-0.5
Toray Engineering Co., Ltd.	13.7	22.8	+9.1	▲ 0.6	1.5	+2.1
Toray Construction Co., Ltd.	6.4	8.4	+2.0	▲ 0.3	0.5	+0.8
Toray Advanced Film Co., Ltd.	10.4	10.1	-0.3	0.3	0.4	+0.1
Toray Medical Co., Ltd.	9.3	9.6	+0.4	0.1	▲ 0.3	-0.4
TAK (Republic of Korea)	30.0	26.3	-3.7	2.9	3.2	+0.4
TPM (Malaysia)	18.3	14.7	-3.6	1.0	1.0	-0.0

Subsidiaries in Southeast Asia *1	Fibers & Textiles	34.1	29.2	-5.0	2.4	2.1	-0.3
	Plastics & Chemicals	21.9	18.1	-3.8	1.3	1.5	+0.2
	Others	2.5	2.1	-0.4	0.1	0.2	+0.1
	Total	58.5	49.3	-9.2	3.9	3.9	+0.0

Subsidiaries in China *2	Fibers & Textiles	66.6	61.2	-5.5	6.6	6.2	-0.4
	Plastics & Chemicals	20.1	18.6	-1.5	0.8	1.0	+0.3
	Others	6.9	7.6	+0.7	0.4	0.7	+0.3
	Total	93.6	87.4	-6.2	7.7	7.9	+0.2

Films Subsidiaries (Overseas) *3	Plastics & Chemicals	27.5	24.2	-3.3	1.7	2.2	+0.5
	IT-related Products	15.7	13.8	-2.0	1.9	1.7	-0.3
	Total	43.2	38.0	-5.3	3.7	3.9	+0.2

*1 : ITS, ETX, ISTEM, ACTEM, CENTEX, TPJ, PFR, PAB-G, TTS, LTX, TTTM, TPM, TCTI

*2 : TFNL, TSD, TJQ, TPN, TCH, TICH, TIHK, THK-G, TPCH-G, TPPH/TPPZ, TFH/TFZ, TBMC, TMQ, TFCC , TFN

*3 : TAK, TCK, PFR, TPA, TFE, TFH/TFZ, TAFK, TFN * the above alphabets are abbreviations of each company

II. Business Forecast for the Fiscal Year Ending March 2017 (Consolidated Basis)

Forecast Summary for the Fiscal Year Ending March 2017

Billion yen

		FY Mar/16 Actual	FY Mar/17 Forecast	Changes		Initial Forecast	Difference from Initial Forecast
Net Sales	1st Half	1,028.6	1,010.0	-18.6	(-1.8%)	1,080.0	-70.0
	2nd Half	1,075.9	1,150.0	+74.1	(+6.9%)	1,150.0	—
	Total	2,104.4	2,160.0	+55.6	(+2.6%)	2,230.0	-70.0
Operating Income	1st Half	75.1	78.0	+2.9	(+3.8%)	78.0	—
	2nd Half	79.4	92.0	+12.6	(+15.9%)	92.0	—
	Total	154.5	170.0	+15.5	(+10.0%)	170.0	—
Ordinary Income	1st Half	75.5	78.0	+2.5	(+3.3%)	78.0	—
	2nd Half	74.7	92.0	+17.3	(+23.2%)	92.0	—
	Total	150.2	170.0	+19.8	(+13.2%)	170.0	—
Net Income Attributable to Owners of Parent	1st Half	49.4	50.0	+0.6	(+1.1%)	50.0	—
	2nd Half	40.7	55.0	+14.3	(+35.2%)	55.0	—
	Total	90.1	105.0	+14.9	(+16.5%)	105.0	—

Net Income per Share	1st Half	30.93 yen	31.27 yen
	2nd Half	25.45 yen	34.39 yen
	Total	56.38 yen	65.66 yen
Dividend per Share	1st Half	6.00 yen	7.00 yen
	2nd Half	7.00 yen	7.00 yen
	Total	13.00 yen	14.00 yen

Remarks :
Estimated exchange rate : 105 yen / US\$ (from July)

Forecast by Segment (Net Sales / Operating Income)

Billion yen

		FY Mar/16 Actual			FY Mar/17 Forecast			Changes			Difference from Previous Forecast		
		1st Half	2nd Half	Total	1st Half	2nd Half	Total	1st Half	2nd Half	Total	1st Half	2nd Half	Total
Net Sales	Fibers & Textiles	435.8	456.2	892.0	420.0	460.0	880.0	-15.8	+3.8	-12.0	-30.0	—	-30.0
	Plastics & Chemicals	257.2	264.0	521.2	245.0	270.0	515.0	-12.2	+6.0	-6.2	-25.0	—	-25.0
	IT-related Products	125.0	126.1	251.1	130.0	145.0	275.0	+5.0	+18.9	+23.9	-5.0	—	-5.0
	Carbon Fiber Composite Materials	94.3	91.9	186.2	90.0	100.0	190.0	-4.3	+8.1	+3.8	-10.0	—	-10.0
	Environment & Engineering	82.6	100.7	183.3	90.0	130.0	220.0	+7.4	+29.3	+36.7	—	—	—
	Life Science	26.4	29.5	55.8	27.0	37.0	64.0	+0.6	+7.5	+8.2	—	—	—
	Others	7.2	7.5	14.7	8.0	8.0	16.0	+0.8	+0.5	+1.3	—	—	—
	Consolidated	1,028.6	1,075.9	2,104.4	1,010.0	1,150.0	2,160.0	-18.6	+74.1	+55.6	-70.0	—	-70.0
Operating Income	Fibers & Textiles	35.0	33.9	68.9	35.0	36.0	71.0	-0.0	+2.1	+2.1	—	—	—
	Plastics & Chemicals	15.7	13.7	29.4	17.0	17.0	34.0	+1.3	+3.3	+4.6	—	—	—
	IT-related Products	12.0	14.2	26.2	14.0	17.0	31.0	+2.0	+2.8	+4.9	—	—	—
	Carbon Fiber Composite Materials	18.6	17.5	36.1	19.0	19.0	38.0	+0.4	+1.5	+1.9	—	—	—
	Environment & Engineering	1.6	8.0	9.6	3.0	9.0	12.0	+1.4	+1.0	+2.4	—	—	—
	Life Science	0.6	2.4	3.1	0.5	4.5	5.0	-0.1	+2.1	+1.9	—	—	—
	Others	0.5	1.4	2.0	0.5	1.5	2.0	-0.0	+0.1	+0.0	—	—	—
	Adjustment	▲ 8.9	▲ 11.8	▲ 20.7	▲ 11.0	▲ 12.0	▲ 23.0	-2.1	-0.2	-2.3	—	—	—
Consolidated	75.1	79.4	154.5	78.0	92.0	170.0	+2.9	+12.6	+15.5	—	—	—	

Descriptions of predicted business results, projections, and business plans for the Fiscal Year Ending March 2017 contained in this material are based on predictive forecasts of the future business environment made at the present time.

The material in this presentation is not a guarantee of the Company's future business performance.

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