

# **Announcement of Business Results for the First Quarter Ended June 30, 2017**

**(April – June, 2017)**

**August 7, 2017**

**Toray Industries, Inc.**

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# **I. Consolidated Business Results for the 1Q Ended June 30, 2017**

(April – June, 2017)

# Summary of Consolidated Business Results for the 1Q Ended June 30, 2017

Billion yen

	FY Mar/17 1Q	FY Mar/18 1Q	Changes	
Net Sales	478.1	<b>508.1</b>	+30.0	(+6.3%)
Cost of Sales	368.5	<b>397.7</b>	+29.2	(+7.9%)
Gross Profit	109.6	<b>110.4</b>	+0.7	(+0.7%)
(Gross Profit to Net Sales)	22.9%	<b>21.7%</b>	-1.2	points
Operating Income	41.0	<b>38.9</b>	-2.1	(-5.2%)
(Operating Income to Net Sales)	8.6%	<b>7.6%</b>	-0.9	points
Non-operating Income and Expenses, net	0.8	<b>0.9</b>	+0.1	
Ordinary Income	41.8	<b>39.7</b>	-2.1	(-4.9%)
Special Credits and Charges, net	▲ 0.2	▲ <b>0.8</b>	-0.6	
Income before Income Taxes	41.6	<b>38.9</b>	-2.7	(-6.4%)
Net Income Attributable to Owners of Parent	29.7	<b>26.1</b>	-3.6	(-12.1%)

Exchange Rate

<Yen/US\$>

	FY Mar/17 1Q	→	FY Mar/18 1Q
Average	108.1	→	111.1
End of the term	102.9	→	112.0

<Yen/Euro>

	FY Mar/17 1Q	→	FY Mar/18 1Q
Average	122.0	→	122.2
End of the term	114.4	→	128.0

# Non-operating Income and Expenses

Billion yen

	FY Mar/17 1Q	FY Mar/18 1Q	Changes
Non-operating Income	6.3	<b>6.7</b>	+0.3
Interest and Dividend Income	2.0	<b>2.1</b>	+0.1
Equity in Earnings of Affiliates	2.2	<b>2.9</b>	+0.7
Others	2.2	<b>1.7</b>	-0.5
Non-operating Expenses	▲ 5.5	▲ <b>5.8</b>	-0.2
Interest Expenses	▲ 1.2	▲ <b>1.3</b>	-0.1
Costs related to Start-up of New Facilities	▲ 0.4	▲ <b>1.4</b>	-1.0
Costs related to Idle Facilities	▲ 1.1	▲ <b>1.3</b>	-0.2
Others	▲ 2.9	▲ <b>1.8</b>	+1.1
Non-operating Income and Expenses, net	0.8	<b>0.9</b>	+0.1
Interest and Dividend Income, Interest Expenses, net	0.8	<b>0.8</b>	-0.0

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

# Special Credits and Charges

Billion yen

	FY Mar/17 1Q	FY Mar/18 1Q	Changes
Special Credits	0.8	<b>0.2</b>	-0.6
Gain on Sales of Property, Plant and Equipment	0.8	0.2	-0.6
Others	-	0.0	+0.0
Special Charges	<b>▲ 1.0</b>	<b>▲ 1.0</b>	+0.0
Loss on Sales and Disposal of Property, Plant and Equipment	<b>▲ 0.8</b>	<b>▲ 1.0</b>	-0.2
Loss on Sales of Investment Securities	<b>▲ 0.2</b>	-	+0.2
Others	-	<b>▲ 0.1</b>	-0.1
Special Credits and Charges, net	<b>▲ 0.2</b>	<b>▲ 0.8</b>	-0.6

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

# Assets, Liabilities and Net Assets

Billion yen

	End of Mar/17	End of Jun/17	Changes
<b>Total Assets</b>	2,396.8	<b>2,424.3</b>	+27.5
Current Assets	1,066.7	<b>1,075.4</b>	+8.7
Tangible Assets	881.4	<b>892.7</b>	+11.2
Intangible Assets	77.3	<b>77.2</b>	-0.1
Investment and Other Assets	371.3	<b>379.0</b>	+7.7

	End of Mar/17	End of Jun/17	Changes
<b>Total Liabilities</b>	1,296.6	<b>1,302.9</b>	+6.3
Current Liabilities	670.0	<b>690.1</b>	+20.1
Other Liabilities	626.6	<b>612.8</b>	-13.9
<b>Total Net Assets</b>	1,100.2	<b>1,121.4</b>	+21.2

Owner's Equity	1,021.3	<b>1,041.1</b>	+19.8
Equity Ratio	42.6%	<b>42.9%</b>	+0.3 points

Interest-bearing Debts	716.4	<b>743.4</b>	+27.0
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D/E Ratio	0.70	<b>0.71</b>	+0.01
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# Capital Expenditures, Depreciation and R&D Expenses

Billion yen

	FY Mar/17 1Q	FY Mar/18 1Q	Changes
Capital Expenditures*	25.8	<b>32.7</b>	+6.8
Toray	3.6	<b>3.3</b>	-0.3
Consolidated Subsidiaries	22.3	<b>29.4</b>	+7.1
Depreciation*	22.2	<b>23.0</b>	+0.8
Toray	6.9	<b>7.7</b>	+0.8
Consolidated Subsidiaries	15.3	<b>15.3</b>	+0.0
R&D Expenses	14.2	<b>15.8</b>	+1.6
Toray	10.4	<b>12.2</b>	+1.8
Consolidated Subsidiaries	3.9	<b>3.7</b>	-0.2

\* Include tangible assets and intangible assets (excluding goodwill)

## Major Capital Expenditure Projects :

- Toray Advanced Materials Korea Inc. : High-functional polypropylene spunbond production facilities
- Toray Battery Separator Film Korea Limited : Polyethylene film SETELA® production facilities
- Toray Advanced Textile Mexico, S.A. de C.V. : Automobile airbag nylon fiber and fabric production facilities



# Net Sales and Operating Income by Segment

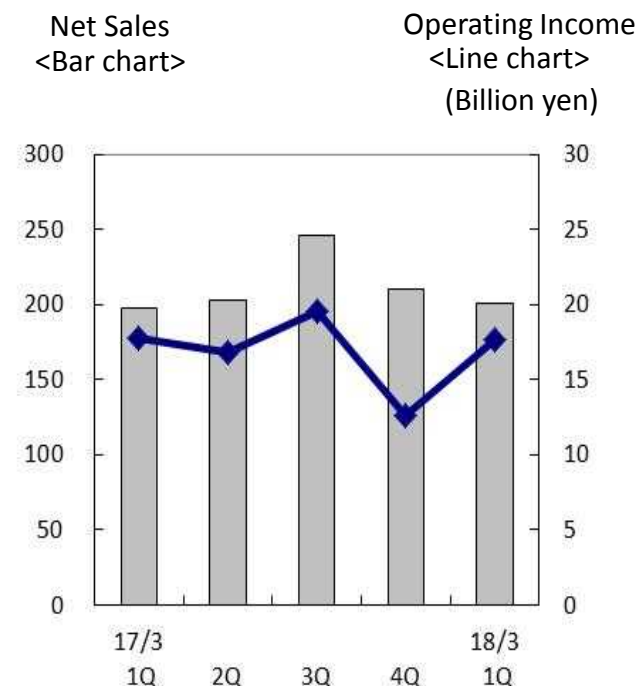
Billion yen

	Net Sales			Operating Income		
	FY Mar/17 1Q	FY Mar/18 1Q	Changes	FY Mar/17 1Q	FY Mar/18 1Q	Changes
Fibers & Textiles	197.7	<b>201.1</b>	+3.4 (+1.7%)	17.8	<b>17.6</b>	-0.1 (-0.8%)
Performance Chemicals	174.8	<b>191.2</b>	+16.4 (+9.4%)	15.5	<b>16.6</b>	+1.1 (+7.3%)
Carbon Fiber Composite Materials	43.8	<b>42.7</b>	-1.1 (-2.4%)	9.8	<b>5.7</b>	-4.1 (-41.6%)
Environment & Engineering	46.2	<b>56.9</b>	+10.7 (+23.1%)	2.5	<b>4.3</b>	+1.8 (+73.3%)
Life Science	11.9	<b>12.2</b>	+0.3 (+2.9%)	0.2	<b>0.8</b>	+0.6 (+275.4%)
Others	3.8	<b>4.0</b>	+0.2 (+4.2%)	▲ 0.0	<b>0.2</b>	+0.3 (-)
Total	478.1	<b>508.1</b>	+30.0 (+6.3%)	45.7	<b>45.3</b>	-0.4 (-0.9%)
Adjustment				▲ 4.7	▲ <b>6.4</b>	-1.8
Consolidated	478.1	<b>508.1</b>	+30.0 (+6.3%)	41.0	<b>38.9</b>	-2.1 (-5.2%)

# Business Results by Segment (Fibers & Textiles)

Billion yen

		FY Mar/17 1Q	FY Mar/18 1Q	Changes	
Net Sales	Toray	45.0	46.7	+1.7	(+3.9%)
	Japanese Subsidiaries	92.9	91.0	-1.9	(-2.1%)
	Overseas Subsidiaries	125.0	135.3	+10.3	(+8.3%)
	Adjustment	▲ 65.2	▲ 71.9	-6.7	
	<b>Total</b>	<b>197.7</b>	<b>201.1</b>	<b>+3.4</b>	<b>(+1.7%)</b>
Operating Income	Toray	5.7	6.0	+0.3	(+5.5%)
	Japanese Subsidiaries	1.6	1.8	+0.3	(+16.1%)
	Overseas Subsidiaries	11.7	11.9	+0.2	(+1.8%)
	Adjustment	▲ 1.2	▲ 2.1	-0.9	
	<b>Total</b>	<b>17.8</b>	<b>17.6</b>	<b>-0.1</b>	<b>(-0.8%)</b>



**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.

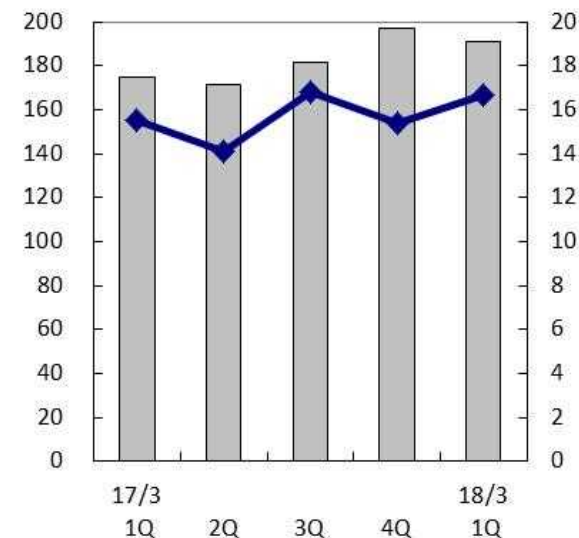
# Business Results by Segment (Performance Chemicals)

Billion yen

		FY Mar/17 1Q	FY Mar/18 1Q	Changes	
Net Sales	Toray	50.4	58.8	+8.4	(+16.8%)
	Japanese Subsidiaries	107.2	108.6	+1.4	(+1.3%)
	Overseas Subsidiaries	106.1	126.9	+20.8	(+19.6%)
	Adjustment	▲ 88.9	▲ 103.1	-14.2	
	<b>Total</b>	<b>174.8</b>	<b>191.2</b>	<b>+16.4</b>	<b>(+9.4%)</b>
Operating Income	Toray	3.6	5.7	+2.1	(+58.2%)
	Japanese Subsidiaries	3.7	3.3	-0.5	(-12.5%)
	Overseas Subsidiaries	8.8	8.3	-0.5	(-5.9%)
	Adjustment	▲ 0.7	▲ 0.7	+0.0	
	<b>Total</b>	<b>15.5</b>	<b>16.6</b>	<b>+1.1</b>	<b>(+7.3%)</b>

Net Sales  
<Bar chart>

Operating Income  
<Line chart>  
(Billion yen)



- Resins** : 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.
- Films** : Business grew strongly both in Japan and abroad, as shipment of battery separator films for lithium-ion secondary batteries increased reflecting demand growth.
- Electronic & Information Materials** : Shipment of organic EL-related materials expanded.

# Breakdown of Performance Chemicals Segment

Billion yen

	FY Mar/17 1Q		FY Mar/18 1Q		
	Net Sales	Ratio	Net Sales	Ratio	Changes
Resins, Chemicals	73.4	28%	86.4	29%	+18%
Films	71.5	27%	77.1	26%	+8%
Electronic & Information Materials	14.8	6%	14.6	5%	-1%
Trading	104.0	39%	116.2	39%	+12%
Adjustment	▲ 88.9		▲ 103.1		
<b>Total</b>	<b>174.8</b>		<b>191.2</b>		

Resins, Chemicals : 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.

Films : Business grew strongly both in Japan and abroad, as shipment of battery separator films for lithium-ion secondary batteries increased reflecting demand growth.

Electronic & Information Materials : Shipment of organic EL-related materials expanded, however, demand for high-performance electric circuit materials declined.

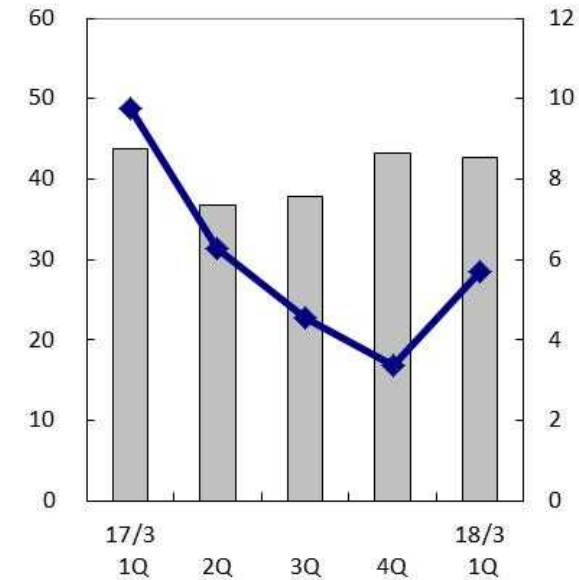
Trading : Trading companies increased their sales mainly due to the recovery in the basic materials market compared with the same period of the previous fiscal year.

# Business Results by Segment (Carbon Fiber Composite Materials)

		Billion yen			
		FY Mar/17 1Q	FY Mar/18 1Q	Changes	
Net Sales	Toray	27.3	23.2	-4.1	(-14.9%)
	Japanese Subsidiaries	19.1	17.0	-2.1	(-10.8%)
	Overseas Subsidiaries	37.4	33.5	-3.9	(-10.6%)
	Adjustment	▲ 39.9	▲ 30.9	+9.0	
	<b>Total</b>	<b>43.8</b>	<b>42.7</b>	<b>-1.1</b>	<b>(-2.4%)</b>
Operating Income	Toray	4.2	2.3	-1.9	(-45.9%)
	Japanese Subsidiaries	0.3	0.4	+0.1	(+17.5%)
	Overseas Subsidiaries	5.3	3.0	-2.3	(-42.8%)
	Adjustment	▲ 0.1	0.0	+0.1	
	<b>Total</b>	<b>9.8</b>	<b>5.7</b>	<b>-4.1</b>	<b>(-41.6%)</b>

Net Sales  
<Bar chart>

Operating Income  
<Line chart>  
(Billion yen)



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.

# Breakdown of Carbon Fiber Composite Materials Segment

Billion yen

	FY Mar/17 1Q		FY Mar/18 1Q		
	Net Sales	Ratio	Net Sales	Ratio	Changes
<b>Aerospace</b>	<b>20.6</b>	<b>47%</b>	<b>20.4</b>	<b>48%</b>	<b>-1%</b>
<b>Sports</b>	<b>3.4</b>	<b>8%</b>	<b>3.8</b>	<b>9%</b>	<b>+9%</b>
<b>Industrial</b>	<b>19.7</b>	<b>45%</b>	<b>18.6</b>	<b>44%</b>	<b>-6%</b>
<b>Total</b>	<b>43.8</b>		<b>42.7</b>		<b>-2%</b>

**Aerospace** : Despite the influence of the inventory adjustment in the supply chain, shipment remained about the same level compared with the same period of the previous fiscal year reflecting the steady demand for aircraft.

**Sports** : Demand continued to remain sluggish in general. However, the company proactively secured seasonal production demand for the new autumn model products.

**Industrial** : Compressed natural gas tank application was on a recovery track although it did not achieve full-scale recovery. Demand for wind turbine blade application steadily expanded, but sales were affected by the absence of large-scale shipment which existed in the same period of the previous fiscal year.

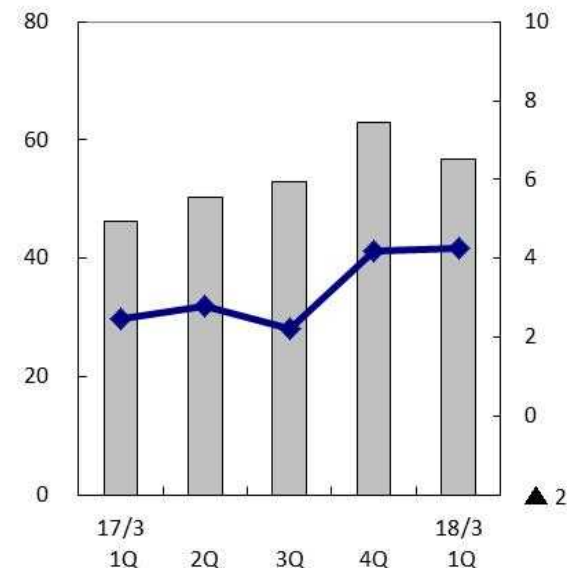
# Business Results by Segment (Environment & Engineering)

Billion yen

		FY Mar/17 1Q	FY Mar/18 1Q	Changes	
Net Sales	Toray	4.3	4.7	+0.4	(+8.3%)
	Japanese Subsidiaries	53.3	67.3	+14.0	(+26.3%)
	Overseas Subsidiaries	6.6	7.4	+0.8	(+12.0%)
	Adjustment	▲ 18.1	▲ 22.6	-4.5	
	<b>Total</b>	<b>46.2</b>	<b>56.9</b>	<b>+10.7</b>	<b>(+23.1%)</b>
Operating Income	Toray	▲ 0.3	▲ 0.2	+0.1	(-)
	Japanese Subsidiaries	1.9	3.6	+1.7	(+90.5%)
	Overseas Subsidiaries	0.9	0.8	-0.1	(-8.5%)
	Adjustment	▲ 0.0	0.1	+0.1	
	<b>Total</b>	<b>2.5</b>	<b>4.3</b>	<b>+1.8</b>	<b>(+73.3%)</b>

Net Sales  
<Bar chart>

Operating Income  
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(Billion yen)



**Water Treatment Business** : Demand for reverse osmosis membranes and other products in general grew strongly in Japan and abroad.

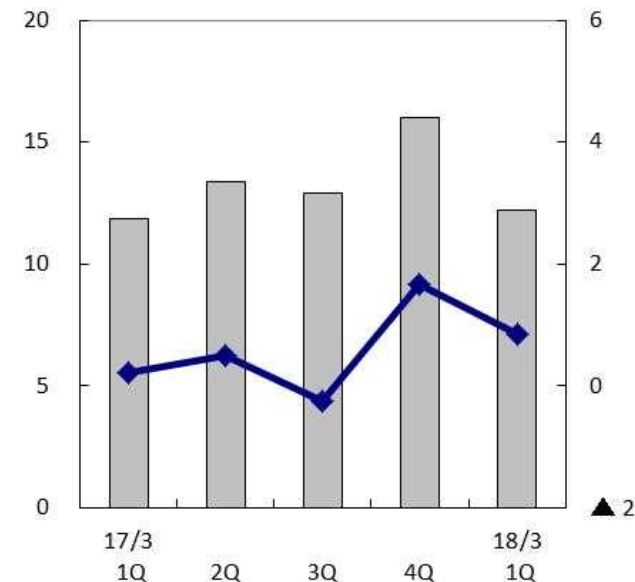
**Japan** : Plant constructions and lithium-ion secondary battery related machineries at an engineering subsidiary performed strongly.

# Business Results by Segment (Life Science)

		Billion yen			
		FY Mar/17	FY Mar/18	Changes	
		1Q	1Q		
Net Sales	Toray	6.9	5.9	-1.0	(-14.4%)
	Japanese Subsidiaries	9.6	9.5	-0.1	(-0.8%)
	Overseas Subsidiaries	3.3	3.0	-0.3	(-7.8%)
	Adjustment	▲ 7.9	▲ 6.3	+1.7	
	<b>Total</b>	<b>11.9</b>	<b>12.2</b>	<b>+0.3</b>	<b>(+2.9%)</b>
Operating Income	Toray	▲ 0.5	▲ 0.5	-0.1	(-)
	Japanese Subsidiaries	▲ 0.3	0.0	+0.3	(-)
	Overseas Subsidiaries	0.1	0.0	-0.0	(-54.0%)
	Adjustment	0.9	1.3	+0.4	
	<b>Total</b>	<b>0.2</b>	<b>0.8</b>	<b>+0.6</b>	<b>(+275.4%)</b>

Net Sales  
<Bar chart>

Operating Income  
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(Billion yen)



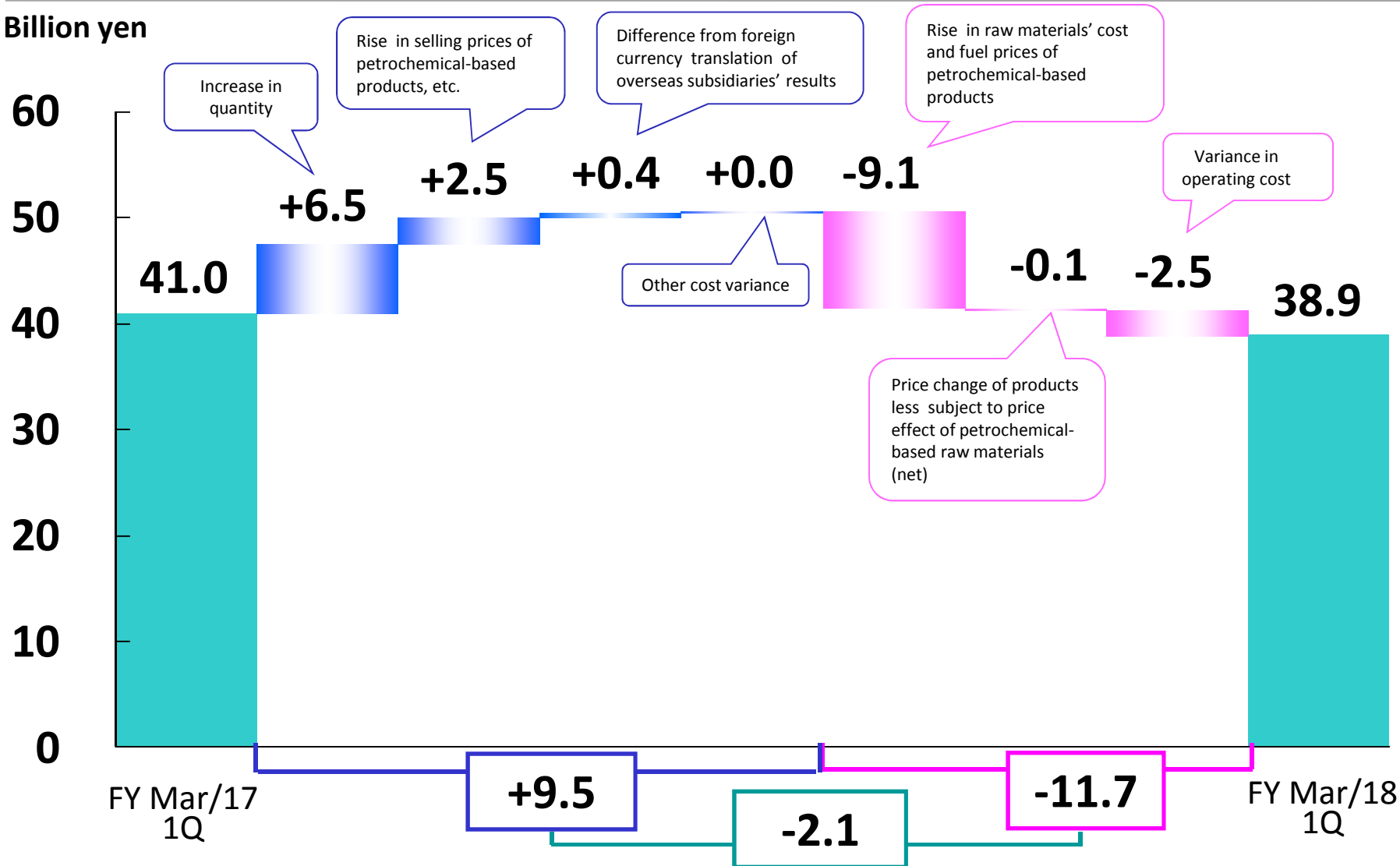
- Pharmaceutical Business** : Shipment of pruritus treatment REMITCH®\* expanded, partly as the OD (oral disintegrating) tablet version was made available in June. On the other hand, shipment of natural-type interferon beta preparation FERON® and orally active prostacyclin derivative DORNER® remained sluggish due to the impact of alternative medicines and their generic drugs.
- 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

Billion yen



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

# Results of Major Subsidiaries and Regions

Billion yen

		Net Sales			Operating Income		
		FY Mar/17 1Q	FY Mar/18 1Q	Changes	FY Mar/17 1Q	FY Mar/18 1Q	Changes
Toray International, Inc.		128.3	<b>130.9</b>	+2.7	1.9	<b>2.3</b>	+0.5
Toray Engineering Co., Ltd.		22.8	<b>29.9</b>	+7.2	1.5	<b>3.6</b>	+2.1
Toray Construction Co., Ltd.		8.4	<b>8.6</b>	+0.3	0.5	<b>▲ 0.0</b>	-0.5
Toray Advanced Film Co., Ltd.		10.1	<b>10.1</b>	+0.0	0.4	<b>0.6</b>	+0.2
Subsidiaries in Southeast Asia	Fibers & Textiles	29.2	<b>32.1</b>	+2.9	2.1	<b>2.2</b>	+0.0
	Performance Chemicals	20.2	<b>26.3</b>	+6.2	1.7	<b>2.3</b>	+0.6
	Others	-	<b>0.0</b>	+0.0	-	<b>0.0</b>	+0.0
	Total	49.3	<b>58.5</b>	+9.1	3.9	<b>4.5</b>	+0.6
Subsidiaries in China	Fibers & Textiles	61.2	<b>65.2</b>	+4.0	6.2	<b>6.6</b>	+0.4
	Performance Chemicals	20.8	<b>23.7</b>	+2.8	1.5	<b>0.5</b>	-0.9
	Others	5.4	<b>6.7</b>	+1.4	0.3	<b>0.3</b>	-0.0
	Total	87.4	<b>95.6</b>	+8.2	7.9	<b>7.4</b>	-0.5
Subsidiaries in Korea	Fibers & Textiles	21.2	<b>22.7</b>	+1.5	1.3	<b>0.9</b>	-0.4
	Performance Chemicals	24.9	<b>31.2</b>	+6.2	3.4	<b>3.7</b>	+0.3
	Others	4.5	<b>4.5</b>	+0.0	1.0	<b>0.6</b>	-0.4
	Total	50.6	<b>58.4</b>	+7.8	5.7	<b>5.1</b>	-0.5

## **II. Business Forecast for the Fiscal Year Ending March 2018 (Consolidated Basis)**

# Forecast Summary for the Fiscal Year Ending March 2018

Billion yen

		FY Mar/17 Actual	FY Mar/18 Forecast	Changes	
Net Sales	1st Half	957.0	1,050.0	+93.0	(+9.7%)
	2nd Half	1,069.5	1,170.0	+100.5	(+9.4%)
	<b>Total</b>	<b>2,026.5</b>	<b>2,220.0</b>	<b>+193.5</b>	<b>(+9.6%)</b>
Operating Income	1st Half	76.3	78.0	+1.7	(+2.3%)
	2nd Half	70.6	87.0	+16.4	(+23.2%)
	<b>Total</b>	<b>146.9</b>	<b>165.0</b>	<b>+18.1</b>	<b>(+12.3%)</b>
Ordinary Income	1st Half	76.1	77.0	+0.9	(+1.2%)
	2nd Half	67.7	85.0	+17.3	(+25.6%)
	<b>Total</b>	<b>143.7</b>	<b>162.0</b>	<b>+18.3</b>	<b>(+12.7%)</b>
Net Income Attributable to Owners of Parent	1st Half	53.4	47.0	-6.4	(-12.0%)
	2nd Half	46.0	53.0	+7.0	(+15.2%)
	<b>Total</b>	<b>99.4</b>	<b>100.0</b>	<b>+0.6</b>	<b>(+0.6%)</b>

Net Income per Share	1st Half	33.40 yen	29.39 yen
	2nd Half	28.77 yen	33.14 yen
	<b>Total</b>	<b>62.17 yen</b>	<b>62.52 yen</b>
Dividend per Share	1st Half	7.00 yen	7.00 yen
	2nd Half	7.00 yen	7.00 yen
	<b>Total</b>	<b>14.00 yen</b>	<b>14.00 yen</b>

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

# Forecast by Segment

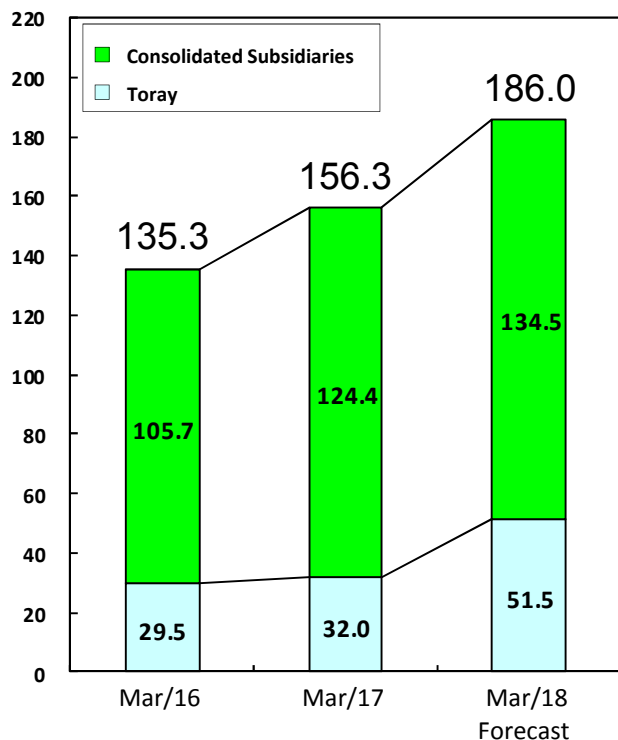
Billion yen

		FY Mar/17 Actual			FY Mar/18 Forecast			Changes		
		1st Half	2nd Half	Total	1st Half	2nd Half	Total	1st Half	2nd Half	Total
Net Sales	Fibers & Textiles	400.2	456.0	856.1	425.0	500.0	925.0	+24.8	+44.0	+68.9
	Performance Chemicals	346.2	378.4	724.6	395.0	405.0	800.0	+48.8	+26.6	+75.4
	Carbon Fiber Composite Materials	80.6	81.1	161.6	85.0	95.0	180.0	+4.4	+13.9	+18.4
	Environment & Engineering	96.4	116.1	212.5	110.0	125.0	235.0	+13.6	+8.9	+22.5
	Life Science	25.2	28.9	54.2	27.0	33.0	60.0	+1.8	+4.1	+5.9
	Others	8.4	9.0	17.4	8.0	12.0	20.0	-0.4	+3.0	+2.6
	Consolidated	957.0	1,069.5	2,026.5	1,050.0	1,170.0	2,220.0	+93.0	+100.5	+193.5
Operating Income	Fibers & Textiles	34.6	32.2	66.8	37.0	39.0	76.0	+2.4	+6.8	+9.2
	Performance Chemicals	29.6	32.2	61.8	36.0	38.0	74.0	+6.4	+5.8	+12.2
	Carbon Fiber Composite Materials	16.0	7.9	24.0	11.0	13.0	24.0	-5.0	+5.1	+0.0
	Environment & Engineering	5.3	6.5	11.7	4.5	8.5	13.0	-0.8	+2.0	+1.3
	Life Science	0.7	1.4	2.1	0.5	2.5	3.0	-0.2	+1.1	+0.9
	Others	0.5	2.1	2.6	1.0	1.5	2.5	+0.5	-0.6	-0.1
	Adjustment	▲ 10.5	▲ 11.7	▲ 22.1	▲ 12.0	▲ 15.5	▲ 27.5	-1.5	-3.9	-5.4
Consolidated	76.3	70.6	146.9	78.0	87.0	165.0	+1.7	+16.4	+18.1	

# Trends of Capital Expenditures, Depreciation and R&D Expenses

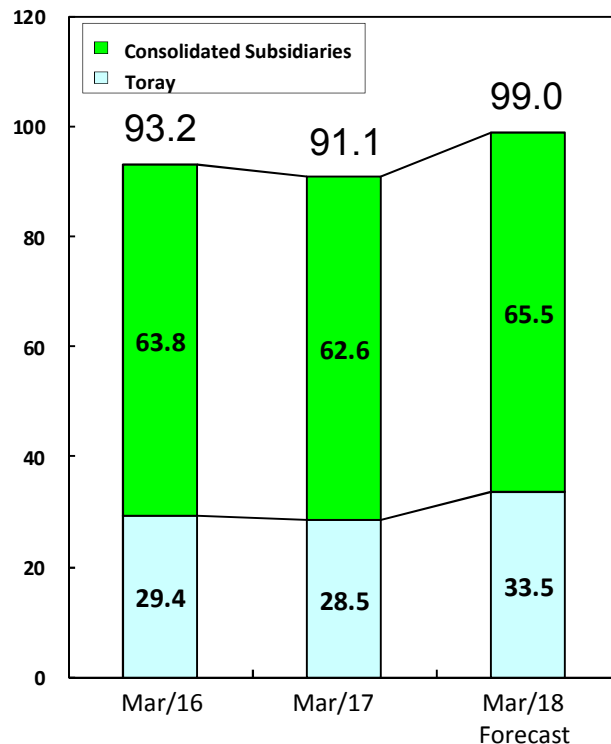
## Capital Expenditures \*

Billion yen



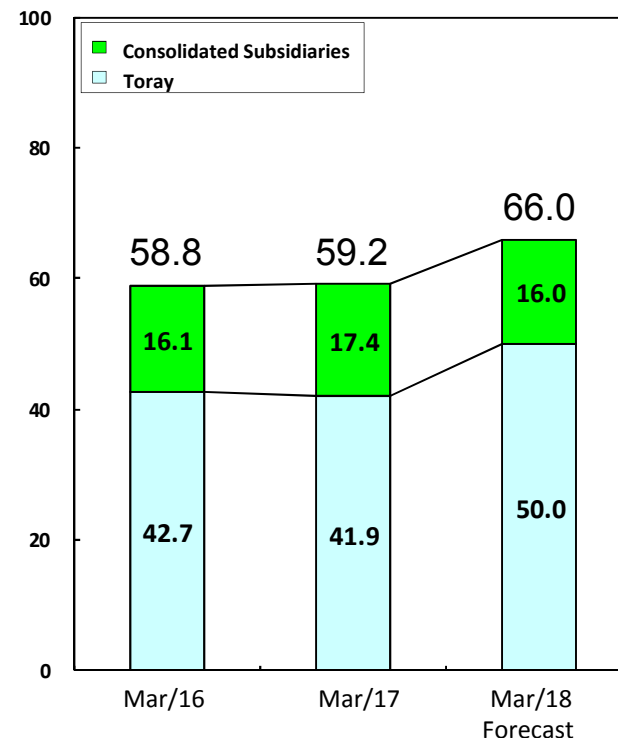
## Depreciation\*

Billion yen



## R&D Expenses

Billion yen



\* Include tangible assets and intangible assets (excluding goodwill)

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**Descriptions of predicted business results, projections, and business plans for the Fiscal Year Ending March 2018 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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