

November 8, 2016

Toray Announces Consolidated Results for the Six Months Ended September 30, 2016

Tokyo, November 8, 2016 - Toray Industries, Inc. ("Toray") today announced its consolidated business results for the six months ended September 30, 2016 of the fiscal year ending March 31, 2017. 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)

	Six months ended September 30,				(Reference)
	2016	2015	Change	2016	Fiscal 2015
	Yen		%	<i>U.S. dollars</i>	Yen
Net sales	¥956,986	¥1,028,556	(7.0)	\$9,466	¥2,104,430
Operating income	76,273	75,124	1.5	754	154,480
Ordinary income	76,084	75,487	0.8	753	150,170
Net income attributable to owners of parent	53,405	49,446	8.0	528	90,132
Earnings per share - Basic (Yen)	33.40	30.93	-	-	56.38
Earnings per share - Diluted (Yen)	33.36	30.90	-	-	56.31

Consolidated Financial Condition

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

	As of September 30, 2016		As of March 31, 2016
	Yen	<i>U.S. dollars</i>	Yen
Total assets	¥2,209,528	\$21,855	¥2,278,386
Net assets	982,649	9,720	1,024,909
Equity ratio	41.0%	-	41.5%

Cash Dividends

(Yen)

	Cash dividends per share				
	1Q	2Q	3Q	4Q	Total
FY2015	-	¥6.00	-	¥7.00	¥13.00
FY2016	-	7.00	-	-	-
FY2016 (forecast)	-	-	-	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 ¥101.1 = U.S.\$1, the approximate rate of exchange prevailing on September 30, 2016.
3. Amounts are rounded to the nearest million.

Segment Information

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

Net Sales	Six months ended September 30,		
	2016	2015	2016
	Yen		U.S. dollars
Fibers & Textiles	¥400,169	¥435,825	\$3,958
Plastics & Chemicals	236,714	257,202	2,341
IT-related Products	128,577	124,990	1,272
Carbon Fiber Composite Materials	80,555	94,308	797
Environment & Engineering	78,563	82,640	777
Life Science	25,225	26,383	250
Others	7,183	7,208	71
Consolidated Total	956,986	1,028,556	9,466

Segment Income	Six months ended September 30,		
	2016	2015	2016
	Yen		U.S. dollars
Fibers & Textiles	¥34,610	¥35,034	\$342
Plastics & Chemicals	15,939	15,665	158
IT-related Products	15,914	11,979	157
Carbon Fiber Composite Materials	16,045	18,590	159
Environment & Engineering	3,266	1,610	32
Life Science	733	619	7
Others	294	515	3
Total	86,801	84,012	859
Adjustment	(10,528)	(8,888)	(104)
Consolidated Total (Operating income)	76,273	75,124	754

Notes:

1. "Others" represents service-related businesses such as analysis, survey and research.
2. "Adjustment" of segment income for the six months ended September 30, 2016 of (10,528) million yen includes intersegment eliminations of 47 million yen and corporate expenses of (10,575) million yen. "Adjustment" of segment income for the six months ended September 30, 2015 of (8,888) million yen includes intersegment eliminations of 515 million yen and corporate expenses of (9,403) million yen. The corporate expenses consist of the headquarters' research expenses, etc. that are not allocated to each reportable segment.
3. U.S. dollar amounts have been converted from yen at the exchange rate of ¥101.1 = U.S.\$1, the approximate rate of exchange prevailing on September 30, 2016.
4. Amounts are rounded to the nearest million.

Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2017

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

	Year ending March 31, 2017	
	Yen	<i>U.S. dollars</i>
Net sales	¥2,060,000	<i>\$20,600</i>
Operating income	155,000	<i>1,550</i>
Ordinary income	155,000	<i>1,550</i>
Net income attributable to owners of parent	95,000	<i>950</i>

Reference: EPS forecast (year ending March 31, 2017) ¥59.41

Notes:

1. U.S. dollar amounts have been converted from yen at the exchange rate of ¥100.0 = U.S.\$1, the estimated rate of exchange from October onwards.
2. Amounts are rounded to the nearest million.

Consolidated Business Results and Financial Condition

1. Overview of the Six Months Ended September 30, 2016

During the six months under review, the global economy as a whole maintained its recovery despite some weaknesses in the U.S. and Europe. The Chinese economy continued to slow down and the economy of some of the other emerging and resource-rich countries showed signs of picking up. The Japanese economy in general continued on a modest recovery track on the back of improving employment and income situation, despite some signs of sluggishness in exports and production.

As for foreign exchange rates, the yen strengthened significantly against the U.S. dollar and other major currencies compared with the same period a year earlier, resulting in impacts such as declines in net sales and profits at overseas subsidiaries when they were converted into yen. As crude oil price fell compared with the same period a year earlier, prices of raw materials and fuels as well as selling prices declined.

Under such circumstances, Toray Group, based on the medium-term management program “Project AP-G 2016” that spans over three years from fiscal year 2014 to 2016, has been implementing the growth strategy with focus on taking advantage of growth business fields and business opportunities while pursuing business expansion in growth countries and regions as well as further bolstering its total cost competitiveness in accordance with the program.

As a result, consolidated net sales for the six months ended September 30, 2016 declined 7.0% compared with the same period of the previous fiscal year to ¥957.0 billion (US\$9,466 million). Operating income increased 1.5% to ¥76.3 billion (US\$754 million), and ordinary income rose 0.8% to ¥76.1 billion (US\$753 million). Net income attributable to owners of parent increased by 8.0% to ¥53.4 billion (US\$528 million).

Business performance by segment is described below.

Business Performance by Segment:

Fibers & Textiles

In Japan, demand for apparel and industrial applications remained weak. 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 as well as by improving cost.

Overseas, shipment, mainly of products for apparel applications, was weak, 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.

As a result, overall sales of Fibers & Textiles segment declined 8.2% to ¥400.2 billion (US\$3,958 million) compared with the same period a year earlier and operating income fell 1.2% to ¥34.6 billion (US\$342 million).

Plastics & Chemicals

In the resin business, shipment of automotive applications 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 resins.

In the film business, while overseas demand especially for the U.S. and Europe was sluggish, the products for packaging applications performed strongly in Japan. Toray Group, despite being affected by price competition in Japan and abroad, strived to improve profitability of the business by focusing on sales expansion of high value-added products as well as on cost reduction.

Selling price of some chemical products declined, given the yen's appreciation and market downturn.

As a result, overall sales of Plastics & Chemicals segment declined 8.0% to ¥236.7 billion (US\$2,341 million) compared with the same period a year earlier, while operating income rose 1.7% to ¥15.9 billion (US\$158 million).

IT-related Products

Among materials for flat panel displays, smartphone- and tablet terminal-related materials performed strongly with shipment for organic EL applications growing.

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.

As a result, overall sales of IT-related Products segment increased 2.9% to ¥128.6 billion (US\$1,272 million) compared with the same period a year earlier, and operating income rose 32.8% to ¥15.9 billion (US\$157 million).

Carbon Fiber Composite Materials

In the Carbon Fiber Composite Materials segment, while the final demand for aircraft was strong, demand for carbon fiber intermediate products (prepreg) remained on a weak note, reflecting the 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.

As a result, overall sales of Carbon Fiber Composite Materials segment declined 14.6% to ¥80.6 billion (US\$797 million) compared with the same period a year earlier, and operating income fell 13.7% to ¥16.0 billion (US\$159 million).

Environment & Engineering

In the water treatment business, although Toray Group continued to work on sales expansion of reverse osmosis membranes and other products, exports from Japan were affected by the continued appreciation of the yen. Overseas subsidiaries in general performed strongly.

In terms of domestic subsidiaries in the segment, industrial machinery at an

engineering subsidiary performed strongly. By contrast, sales volume of some trading subsidiaries declined due to the impact of slowing economy outside Japan.

As a result, overall sales of Environment & Engineering segment declined 4.9% to ¥78.6 billion (US\$777 million) compared with the same period a year earlier, while operating income jumped 102.9% to ¥3.3 billion (US\$32 million).

Life Science

In the pharmaceutical business, sales volume of pruritus treatment REMITCH[®]* increased, as the product received approval for the additional indication in 2015. However, the product was affected by the National Health Insurance drug price revision in April 2016. In addition, 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 versions.

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

As a result, overall sales of Life Science segment declined 4.4% to ¥25.2 billion (US\$250 million) compared with the same period a year earlier, while operating income increased 18.4% to ¥0.7 billion (US\$7 million).

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

New Businesses and New Investments

In the Fibers and Textiles business, Toray decided to enhance the production capacity of its high-performance polypropylene spunbond nonwoven fabric (PP spunbond) at its South Korean subsidiary Toray Advanced Materials Korea Inc. The new facility is expected to start operations in April 2018. Demand for disposable diapers for babies and toddlers is rapidly increasing in the emerging Asian countries, as the lifestyle of people improves against the backdrop of high economic growth and rising national income. The demand for PP spunbond, which is the main raw material of disposable diapers, is expected to grow at an annual rate of 9% and the supply of the material is forecasted to fall short. Toray Group has production bases in South Korea, China and Indonesia and as a major PP spunbond supplier in Asia, it is promoting business expansion into rapidly growing emerging markets.

Toray also decided to start an automobile airbag nylon fiber and fabric business at its Mexican subsidiary Toray Advanced Textile Mexico, S.A.de C.V. Toray Group will introduce production facilities of nylon fibers for airbag and airbag materials by investing approximately 10 billion yen within the Mexican plant premise of Zoltek Companies, Inc., a large tow carbon fiber production subsidiary of Toray, and the facilities are expected to start operations in March 2018. Mexico has been rapidly growing as an automobile production base by leveraging the wide-ranging free trade network and geographical proximity to the United States, and the demand for airbag fabrics in the Americas is expected to continue growing significantly primarily in Mexico. Currently, Toray Group supplies nylon fibers produced in Japan and Thailand to its airbag fabric production bases in Japan, Thailand, China and Czech in its global integrated production system. Adding an integrated production system in the Americas will further reinforce the global production structure enabling Toray Group to

supply airbag fabric of the same quality from all production sites in a timely manner. It will also accelerate its business expansion by utilizing its development capability with the integrated production covering from yarns to fabric, with the aim of acquiring the largest share in the global airbag fabric market by 2020.

In the Plastics & Chemicals business, Toray Group decided to increase the production capacity of TORAYPEF[®] polyolefin foam manufactured by Toray Plastics (America), Inc. The total amount of investment is approximately 4 billion yen and the facility is expected to start operations in the beginning of 2018. TORAYPEF[®] is a polyolefin foam developed using Toray's proprietary manufacturing method, and is adopted for various purposes including automobile interior, insulation of consumer electronics, and cushion materials for housing and civil engineering because of its characteristics of light weight, thermal insulation, shock-absorption, moldability and non-water absorption. Especially in North America, automobile manufacturers have been increasingly adopting TORAYPEF[®] as a soft interior material for parts such as door trim, as they use more luxury interior materials to differentiate their models. Moreover, Toray expects the use of the materials for instrument panels to increase as manufacturers standardize the design of interior materials.

2. Analysis of Financial Condition

As of September 30, 2016, Toray Group's total assets stood at ¥2,209.5 billion (US\$21,855 million), down ¥68.9 billion from the end of the previous fiscal year primarily due to declines in notes and accounts receivable and property, plant and equipment.

Liabilities decreased by ¥26.6 billion to ¥1,226.9 billion (US\$12,135 million) compared to the end of the previous fiscal year, owing mainly to declines in notes and accounts payable.

Net assets decreased by ¥42.3 billion compared with the end of the previous fiscal year to ¥982.6 billion (US\$9,720 million), reflecting fluctuations in foreign currency translation adjustment. Net assets less non-controlling interests and stock acquisition rights came to ¥906.2 billion (US\$8,964 million).

3. Forecast of Consolidated Results

The global economy as a whole is expected to continue its gradual recovery led by economic recovery in developed countries including the U.S., as well as the upswing in emerging economies. However, attention should be paid to risk factors such as the further slowdown in Chinese economy, downturn in other emerging and resource-rich countries as well as the impact of the normalization of the U.S monetary policy and the exit of United Kingdom from the EU. The Japanese economy is also expected to recover gradually on the back of improving employment and income situations, though there are concerns that the economy may be weighed down by a downswing in overseas economies and the changes in the financial and capital markets.

Under such circumstances, Toray Group will continue to focus on measures under the

medium-term management program “Project AP-G 2016” and strive to drive forward the growth strategy and strengthen its revenue base.

As for the forecasts for the fiscal year ending March 31, 2017, Toray revised its full-year consolidated forecasts reflecting the business performance in the first half, changes in business environment and uncertainty over economic situation in and outside Japan. The Company now expects consolidated net sales of ¥2,060.0 billion (US\$20,600 million), operating income of ¥155.0 billion (US\$1,550 million), ordinary income of ¥155.0 billion (US\$1,550 million), and net income attributable to owners of parent of ¥95.0 billion (US\$950 million). The calculation of consolidated earnings forecasts from October 2016 onwards is based on an assumed foreign currency exchange rate of ¥100.0 to the U.S. dollar.

Notes:

1. U.S. dollar amounts have been converted from yen at the exchange rate of ¥101.1 = U.S.\$1, the approximate rate of exchange prevailing on September 30, 2016.
2. U.S. dollar amounts of forecast have been converted from yen at the exchange rate of ¥100.0 = U.S.\$1, the estimated rate of exchange from October 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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