Innovation by Chemistry

August 5, 2016

[Summary] Consolidated Results for the Three Months Ended June 30, 2016

Tokyo, August 5, 2016 - Toray Industries, Inc. ("Toray") today announced its consolidated business results for the three months ended June 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)

	Three months ended June 30,				(Reference) Fiscal 2015
	2016	2015	Change	**2016**	
	Yen		%	*U.S. dollars*	Yen
Net sales	**¥478,108**	¥496,853	(3.8)	***$4,646***	¥2,104,430
Operating income	**41,001**	37,028	10.7	***398***	154,480
Ordinary income	**41,803**	38,559	8.4	***406***	150,170
Net income attributable to owners of parent	**29,691**	26,184	13.4	***289***	90,132
Earnings per share - Basic (Yen)	**18.57**	16.38	-	-	56.38
Earnings per share - Diluted (Yen)	**18.55**	16.36	-	-	56.31

Consolidated Financial Condition

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

	As of June 30, 2016		As of March 31, 2016
	Yen	*U.S. dollars*	Yen
Total assets	**¥2,189,963**	***$21,282***	¥2,278,386
Net assets	**965,444**	***9,382***	1,024,909
Equity ratio	**40.6%**	-	41.5%

Cash Dividends

(Yen)

	Cash dividends per share				
	1Q	2Q	3Q	4Q	Total
FY2015	-	**¥6.00**	-	**¥7.00**	**¥13.00**
FY2016	-				
FY2016 (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 ¥102.9 = U.S.$1, the approximate rate of exchange prevailing on June 30, 2016.
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,		
	2016	2015	**2016**
	Yen		*U.S. dollars*
Fibers & Textiles	**¥197,699**	¥207,966	***$1,921***
Plastics & Chemicals	**119,877**	123,662	***1,165***
IT-related Products	**65,832**	63,532	***640***
Carbon Fiber Composite Materials	**43,800**	49,336	***426***
Environment & Engineering	**35,835**	37,084	***348***
Life Science	**11,854**	11,920	***115***
Others	**3,211**	3,353	***31***
Consolidated Total	**478,108**	496,853	***4,646***

Segment Income (Loss)	Three months ended June 30,		
	2016	2015	**2016**
	Yen		*U.S. dollars*
Fibers & Textiles	**¥17,763**	¥17,023	***$173***
Plastics & Chemicals	**8,506**	7,578	***83***
IT-related Products	**8,384**	5,782	***81***
Carbon Fiber Composite Materials	**9,759**	10,901	***95***
Environment & Engineering	**1,161**	(31)	***11***
Life Science	**224**	(173)	***2***
Others	**(73)**	113	***(1)***
Total	**45,724**	41,193	***444***
Adjustment	**(4,723)**	(4,165)	***(46)***
Consolidated Total (Operating income)	**41,001**	37,028	***398***

Notes:
1. "Others" represents service-related businesses such as analysis, survey and research.
2. "Adjustment" of segment income (loss) for the three months ended June 30, 2016 of (4,723) million yen includes intersegment eliminations of 163 million yen and corporate expenses of (4,886) million yen. "Adjustment" of segment income (loss) for the three months ended June 30, 2015 of (4,165) million yen includes intersegment eliminations of 522 million yen and corporate expenses of (4,687) 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 ¥102.9 = U.S.$1, the approximate rate of exchange prevailing on June 30, 2016.
4. Amounts are rounded to the nearest million.

Forecast of Consolidated Results for the Six Months Ending September 30, 2016

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

	Six Months ending September 30, 2016	
	Yen	*U.S. dollars*
Net sales	¥1,010,000	*$9,619*
Operating income	78,000	*743*
Ordinary income	78,000	*743*
Net income attributable to owners of parent	50,000	*476*

Reference: EPS forecast (six months ending September 30, 2016) ¥31.27

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	*U.S. dollars*
Net sales	¥2,160,000	*$20,571*
Operating income	170,000	*1,619*
Ordinary income	170,000	*1,619*
Net income attributable to owners of parent	105,000	*1,000*

Reference: EPS forecast (year ending March 31, 2017) ¥65.66

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, 2016

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

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 three months ended June 30, 2016 declined 3.8% compared with the same period of the previous fiscal year to ¥478.1 billion (US$4,646 million). Operating income increased 10.7% to ¥41.0 billion (US$398 million), and ordinary income rose 8.4% to ¥41.8 billion (US$406 million). Net income attributable to owners of parent increased by 13.4% to ¥29.7 billion (US$289 million).

Business performance by segment is described below.

Business Performance by Segment:

Fibers & Textiles
In 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.

As a result, overall sales of Fibers & Textiles segment declined 4.9% to ¥197.7 billion (US$1,921 million) compared with the same period a year earlier, while operating income rose 4.3% to ¥17.8 billion (US$173 million).

Plastics & Chemicals
In the resin 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.
In the film 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.
The selling price of some chemical products declined due to the yen's appreciation and the worsening market condition.

As a result, overall sales of Plastics & Chemicals segment declined 3.1% to ¥119.9 billion (US$1,165 million) compared with the same period a year earlier, while operating income rose 12.2% to ¥8.5 billion (US$83 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, 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.

As a result, overall sales of IT-related Products segment increased 3.6% to ¥65.8 billion (US$640 million) compared with the same period a year earlier, and operating income rose 45.0% to ¥8.4 billion (US$81 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 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 11.2% to ¥43.8 billion (US$426 million) compared with the same period a year earlier, and operating income fell 10.5% to ¥9.8 billion (US$95 million).

Environment & Engineering
In the 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.
In terms of domestic subsidiaries in the segment, 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.

As a result, overall sales of Environment & Engineering segment declined 3.4% to ¥35.8 billion (US$348 million), and it posted operating income of ¥1.2 billion yen (US$11 million), which is a ¥1.2 billion improvement from the same period a year earlier.

Life Science
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.

As a result, overall sales of Life Science segment declined 0.6% to ¥11.9 billion (US$115 million) compared with the same period a year earlier, and the segment had operating income of ¥0.2 billion (US$2 million), which is an improvement of 0.4 billion yen from the same period a year earlier.
*REMITCH® is a registered trademark of Torii Pharmaceutical Co., Ltd.

2. Analysis of Financial Condition

As of June 30, 2016, Toray Group's total assets stood at ¥2,190.0 billion (US$21,282 million), down ¥88.4 billion from the end of the previous fiscal year primarily due to declines in notes and accounts receivable, property, plant and equipment and investment securities.

Liabilities decreased by ¥29.0 billion to ¥1,224.5 billion (US$11,900 million) compared to the end of the previous fiscal year, owing mainly to lower levels of notes and accounts payable and allowances.

Net assets declined ¥59.5 billion compared with the end of the previous fiscal year to ¥965.4 billion (US$9,382 million), reflecting fluctuations of foreign currency translation adjustment. Net assets less non-controlling interests and stock acquisition rights came to ¥889.6 billion (US$8,645 million).

3. Forecast of Consolidated Results

The global economy as a whole is expected to continue its gradual recovery led by the U.S. and other developed countries and its growth supported by the emerging countries. Nevertheless, attention should be paid to risk factors such as the slowdown in the Chinese economy, downturn in the economies of other emerging and resource-rich countries, the impact of the normalization of the U.S. monetary policy and the impact of the growing uncertainties due to the U.K.'s planned exit from EU. Similarly, the Japanese economy is also expected to recover gradually on the back of improving employment and income situation, but there remain concerns that downswing in overseas economies and fluctuations of the global financial and capital markets would

hurt the economic sentiment.

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 first-half and full-year consolidated net sales forecasts to ¥1,010.0 billion (US$9,619 million) and ¥2,160.0 billion (US$20,571 million) respectively reflecting the business performance in the first quarter. The company has kept its forecasts for operating income, ordinary income and net income attributable to owners of parent announced on May 12, 2016 unchanged. The calculation of consolidated earnings forecasts from July 2016 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 ¥102.9 =U.S.$1, the approximate rate of exchange prevailing on June 30, 2016.
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.

For further information, please contact:

Mr. Kenjiro Kamiyama
General Manager
Investor Relations Department
Tel: +81-3-3245-5113
Fax: +81-3-3245-5459

Mr. Yoshiaki Nakayama
General Manager
Corporate Communications Department
Tel: +81-3-3245-5178
Fax: +81-3-3245-5459

Toray Industries, Inc.
http://www.toray.com/