Innovation by Chemistry

May 10, 2017

[Summary] Consolidated Results for the Fiscal Year Ended March 31, 2017

Tokyo, May 10, 2017 - Toray Industries, Inc. ("Toray") today announced its consolidated business results for the fiscal year ended March 31, 2017 (FY Mar/17). 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)

	Year ended March 31,			
	2017	2016	Change	**2017**
	Yen		%	*U.S. dollars*
Net sales	**¥2,026,470**	¥2,104,430	(3.7)	***$18,061***
Operating income	**146,893**	154,480	(4.9)	***1,309***
Ordinary income	**143,736**	150,170	(4.3)	***1,281***
Net income attributable to owners of parent	**99,418**	90,132	10.3	***886***
Earnings per share - Basic (Yen)	**62.17**	56.38	-	-
Earnings per share - Diluted (Yen)	**62.10**	56.31	-	-
Return on equity	**10.1%**	9.3%	-	-
Ordinary income to total assets	**6.1%**	6.5%	-	-
Operating income to net sales	**7.2%**	7.3%	-	-

Consolidated Financial Condition

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

	As of March 31, 2017		As of March 31, 2016
	Yen	*U.S. dollars*	Yen
Total assets	**¥2,396,785**	***$21,362***	¥2,278,386
Net assets	**1,100,176**	***9,805***	1,024,909
Equity ratio	**42.6%**	-	41.5%
Net assets per share (Yen)	**638.64**	-	591.50

Cash Dividends

(Yen)

	Cash dividends per share				
	1Q	2Q	3Q	4Q	Total
FY2015	-	**¥6.00**	-	**¥7.00**	**¥13.00**
FY2016	-	**7.00**	-	**7.00**	**14.00**
FY2017 (forecast)	-	**7.00**	-	**7.00**	**14.00**

Notes:
1. For calculation of “Net assets per share” and “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 ¥112.2 = U.S.$1, the approximate rate of exchange prevailing on March 31, 2017.
3. Amounts are rounded to the nearest million.
4. Comprehensive income at March 31, 2017 and 2016 is ¥101,958 million ($909 million) and ¥12,890 million.

Segment Information

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

Net Sales	Year ended March 31,		
	2017	2016	**2017**
	Yen		*U.S. dollars*
Fibers & Textiles	**¥856,124**	¥892,039	***$7,630***
Plastics & Chemicals	**499,099**	521,238	***4,448***
IT-related Products	**254,439**	251,072	***2,268***
Carbon Fiber Composite Materials	**161,608**	186,196	***1,440***
Environment & Engineering	**186,113**	183,324	***1,659***
Life Science	**54,150**	55,841	***483***
Others	**14,937**	14,720	***133***
Consolidated Total	**2,026,470**	2,104,430	***18,061***

Segment Income	Year ended March 31,		
	2017	2016	**2017**
	Yen		*U.S. dollars*
Fibers & Textiles	**¥66,768**	¥68,909	***$595***
Plastics & Chemicals	**33,798**	29,384	***301***
IT-related Products	**30,528**	26,150	***272***
Carbon Fiber Composite Materials	**23,963**	36,115	***214***
Environment & Engineering	**9,904**	9,584	***88***
Life Science	**2,148**	3,068	***19***
Others	**1,990**	1,962	***18***
Total	**169,099**	175,172	***1,507***
Adjustment	**(22,206)**	(20,692)	***(198)***
Consolidated Total (Operating income)	**146,893**	154,480	***1,309***

Notes:
1. “Others” represents service-related businesses such as analysis, survey and research.
2. “Adjustment” of segment income for the year ended March 31, 2017 of (22,206) million yen includes intersegment eliminations of (708) million yen and corporate expenses of (21,498) million yen. “Adjustment” of segment income for the year ended March 31, 2016 of (20,692) million yen includes intersegment eliminations of (167) million yen and corporate expenses of (20,525) 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 ¥112.2 = U.S.$1, the approximate rate of exchange prevailing on March 31, 2017.
4. Amounts are rounded to the nearest million.

Consolidated Geographic Segment Information

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

Net Sales		Year ended March 31, 2017	
		Yen	*U.S. dollars*
Japan		**¥976,839**	***$8,706***
Asia	China	**335,469**	***2,990***
	Others	**376,134**	***3,352***
North America, Europe & Others		**338,028**	***3,013***
Consolidated Total		**2,026,470**	***18,061***

Notes:
1. U.S. dollar amounts have been converted from yen at the exchange rate of ¥112.2 = U.S.$1, the approximate rate of exchange prevailing on March 31, 2017.
2. Amounts are rounded to the nearest million.

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) ¥62.53

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 for FY Mar/18 (April 2017 - March 2018).
2. Amounts are rounded to the nearest million.

Consolidated Business Results and Financial Condition

1. Overview of FY Mar/17 (April 2016 – March 2017)

During the period under review, the global economy as a whole maintained its recovery despite some delay in recovery seen in the U.S. and Europe. The Chinese economy has been heading towards recovery and there were also signs of the recovery in many of the other emerging countries. The Japanese economy in general continued on a gradual recovery track on the back of improving employment and income situation.

As for foreign exchange rates, the yen remained stronger against the U.S. dollar and other major currencies compared with a year earlier, resulting in declines in net sales and profits at overseas subsidiaries when converted into yen.

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, implemented a growth strategy focused 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 competitiveness in accordance with the program.

As a result, consolidated net sales for the fiscal year ended March 31, 2017 declined 3.7% compared with the same period of the previous fiscal year to ¥2,026.5 billion (US$18,061 million). Operating income decreased 4.9% to ¥146.9 billion (US$1,309 million), and ordinary income fell 4.3% to ¥143.7 billion (US$1,281 million). Net income attributable to owners of parent increased by 10.3% to ¥99.4 billion (US$886 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 strived to expand sales on the whole and worked to improve profitability by upgrading the business primarily through promotion of a business format that integrates fibers to textiles to final products and improving profitability through cost reduction.
Overseas, mainly in apparel applications, business performance of some subsidiaries in Southeast Asia and other regions were affected by a slowdown in final demand in Europe and China. On the other hand, materials for automotive applications and hygiene products remained strong in general.

As a result, overall sales of Fibers & Textiles segment declined 4.0% to ¥856.1 billion (US$7,630 million) from the previous year and operating income fell 3.1% to ¥66.8 billion (US$595 million).

Plastics & Chemicals
In the resin business, shipment for automotive applications was strong in general, both in Japan and overseas. Besides automotive applications, Toray Group also promoted sales expansion of ABS and PPS resins. In the film business, while overseas demand for some applications in the U.S. and Europe was sluggish, the Group made efforts to expand sales of high value-added products in Asia and other regions, and the products for packaging applications performed strongly in Japan.
Toray Group, despite many of the business's products 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.

As a result, overall sales of Plastics & Chemicals segment declined 4.2% to ¥499.1 billion (US$4,448 million) from the previous year while operating income increased 15.0% to ¥33.8 billion (US$301 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 secondary batteries expanded reflecting demand growth.
While many of the business's applications were affected by price competition, Toray Group strived to improve profitability of the business by focusing on sales expansion of high value-added products as well as on cost reduction.

As a result, overall sales of IT-related Products segment increased 1.3% to ¥254.4 billion (US$2,268 million) from the previous year and operating income rose 16.7% to ¥30.5 billion (US$272 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 adjustment 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 blade application expanded on the back of growing demand.

As a result, overall sales of Carbon Fiber Composite Materials segment declined 13.2% to ¥161.6 billion (US$1,440 million) from the previous year and operating income fell 33.6% to ¥24.0 billion (US$214 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 further appreciation of the yen.
Among domestic subsidiaries in the segment, pharmaceuticals-related plant construction and lithium-ion secondary battery-related machinery at an engineering subsidiary performed strongly.

As a result, overall sales of Environment & Engineering segment increased 1.5 % to ¥186.1 billion (US$1,659 million) from the previous year and operating income rose 3.3% to ¥9.9 billion yen (US$88 million).

Life Science
In the pharmaceutical business, sales volume of pruritus treatment REMITCH®* grew solidly, as the product received approval for the additional indication in 2015, while it was affected by the National Health Insurance drug price revision in April 2016.
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 declined 3.0% to ¥54.2 billion (US$483 million) from the previous year and operating income fell 30.0% to ¥2.1 billion (US$19 million).
*REMITCH® is a registered trademark of Torii Pharmaceutical Co., Ltd.

Financial Position and Cash Flows

As of March 31, 2017, Toray Group's total assets stood at ¥2,396.8 billion (US$21,362 million), up ¥118.4 billion from the end of the previous fiscal year. Current assets rose ¥57.2 billion as cash and deposits as well as trade notes and accounts receivable increased, while noncurrent assets expanded ¥61.2 billion due to increases in property, plant and equipment and investment securities.
Total liabilities rose ¥43.1 billion from the end of the previous fiscal year to ¥1,296.6 billion (US$11,556 million), due primarily to higher levels of notes and accounts payable and interest-bearing debts.
Net assets increased by ¥75.3 billion compared with the end of the previous fiscal year to ¥1,100.2 billion (US$9,805 million), reflecting an increase in retained earnings due to net income for the year. Net assets less non-controlling interests and stock acquisition rights stood at ¥1,021.3 billion (US$9,102 million). The equity ratio at the end of the fiscal year came to 42.6%, a 1.1 percentage-point increase compared with the level at the end of the previous fiscal year.

Free cash flows for the period, derived by subtracting the cash flows from investing activities from the cash flows from operating activities, were ¥38.7 billion (US$345 million). Cash flows, as well as changes in the balances of cash and cash equivalents, for the fiscal year ended March 31, 2017 are as follows:

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

	Year ended March 31,		
	2017	2016	**2017**
	Yen		*U.S. $*
Cash flows from operating activities	**¥174.0**	¥196.1	***$1,550***
Cash flows from investing activities	**(135.2)**	(154.4)	***(1,205)***
Free cash flows	**38.7**	41.7	***345***
Cash flows from financing activities	**(18.0)**	(77.6)	***(161)***
Effect of exchange rate changes on cash and cash equivalents	**(0.8)**	(7.9)	***(8)***
Change in cash and cash equivalents for the year	**19.9**	(43.7)	***177***
Cash and cash equivalents at beginning of the year	**109.8**	112.5	***978***
Beginning balance of cash and cash equivalents at subsidiaries not previously included in consolidation	**1.7**	0.1	***15***
Increase in cash and cash equivalents resulting from change in accounting period of consolidated subsidiaries	**-**	41.0	**-**
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	**0.1**	-	***1***
Cash and cash equivalents at end of the year	**131.4**	109.8	***1,171***

Forecast for FY Mar/18 (April 2017 – March 2018):

The global economy as a whole is expected to maintain its gradual recovery tone led by economic recovery in developed countries with a focus on the U.S., as well as the upswing in emerging economies. However, attention should be paid to risk factors such as the increasing pressure of protectionism policies by developed countries, the impact of normalization of the U.S monetary policy and growing geopolitical tension. 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 uncertainties in overseas economies and the changes in the financial and capital markets.

Under such circumstances, Toray Group launched the new medium-term management program “Project AP-G 2019” which was announced in February 2017 and will continue to drive forward initiatives of growth strategies and enhancement of business structure.

After taking into account the business expansion in growth fields such as Green Innovation and Life Innovation as well as in the growth countries and regions outside Japan, Toray Group expects consolidated net sales of ¥2,220.0 billion (US$21,143 million) for the fiscal year through March 31, 2018, operating income of ¥165.0 billion (US$1,571 million), ordinary income of ¥162.0 billion (US$1,543 million), and net income attributable to owners of parent of ¥100.0 billion (US$952 million).

These forecasts are calculated based on an estimated exchange rate of ¥105.0 to the U.S. dollar after April.

Notes:
1. U.S. dollar amounts have been converted from yen at the exchange rate of ¥112.2 = U.S.$1, the approximate rate of exchange prevailing on March 31, 2017.
2. U.S. dollar amounts of forecast for FY Mar/18 have been converted from yen at the exchange rate of ¥105.0 = U.S.$1, the estimated rate of exchange for FY Mar/18 (April 2017 - March 2018).

2. Basic Concept regarding Selection of Accounting Standards

As for the accounting standards, Toray Group applies the Japanese accounting standards taking into consideration availability of periodical comparison of its consolidated financial statements and availability of comparison among other companies.

Toray Group is currently gathering information and studying the introductory process for adopting the International Financial Reporting Standards (IFRS) in the future.

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/