Innovation by Chemistry

February 9, 2018

[Summary] Consolidated Results for the Nine Months Ended December 31, 2017

Tokyo, February 9, 2018 - Toray Industries, Inc. ("Toray") today announced its consolidated business results for the nine months ended December 31, 2017 of the fiscal year ending March 31, 2018. 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)

	Nine months ended December 31,				(Reference) Fiscal 2016
	2017	2016	Change	**2017**	
	Yen		%	*U.S. dollars*	Yen
Net sales	**¥1,648,844**	¥1,492,153	10.5	***$14,592***	¥2,026,470
Operating income	**123,356**	114,200	8.0	***1,092***	146,893
Ordinary income	**121,557**	115,485	5.3	***1,076***	143,736
Net income attributable to owners of parent	**77,628**	76,869	1.0	***687***	99,418
Earnings per share - Basic (Yen)	**48.54**	48.07	-	-	62.17
Earnings per share - Diluted (Yen)	**48.48**	48.02	-	-	62.10

Consolidated Financial Condition

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

	As of December 31, 2017		As of March 31, 2017
	Yen	*U.S. dollars*	Yen
Total assets	**¥2,658,426**	***$23,526***	¥2,396,785
Net assets	**1,207,417**	***10,685***	1,100,176
Equity ratio	**42.3%**	-	42.6%

Cash Dividends

(Yen)

	Cash dividends per share				
	1Q	2Q	3Q	4Q	Total
FY2016	-	**¥7.00**	-	**¥7.00**	**¥14.00**
FY2017	-	**7.00**	-		
FY2017 (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 ¥113.0 = U.S.$1, the approximate rate of exchange prevailing on December 31, 2017.
3. Amounts are rounded to the nearest million.

Segment Information

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

Net Sales	Nine months ended December 31,		
	2017	2016	**2017**
	Yen		*U.S. dollars*
Fibers & Textiles	**¥697,586**	¥646,000	***$6,173***
Performance Chemicals	**599,700**	527,705	***5,307***
Carbon Fiber Composite Materials	**128,201**	118,371	***1,135***
Environment & Engineering	**170,881**	149,495	***1,512***
Life Science	**39,797**	38,145	***352***
Others	**12,679**	12,437	***112***
Consolidated Total	**1,648,844**	1,492,153	***14,592***

Segment Income	Nine months ended December 31,		
	2017	2016	**2017**
	Yen		*U.S. dollars*
Fibers & Textiles	**¥58,563**	¥54,118	***$518***
Performance Chemicals	**55,731**	46,424	***493***
Carbon Fiber Composite Materials	**15,068**	20,605	***133***
Environment & Engineering	**9,362**	7,501	***83***
Life Science	**1,949**	482	***17***
Others	**1,685**	1,162	***15***
Total	**142,358**	130,292	***1,260***
Adjustment	**(19,002)**	(16,092)	***(168)***
Consolidated Total (Operating income)	**123,356**	114,200	***1,092***

Notes:
1. The company has changed the reporting segments from six reporting segments which were "Fibers & Textiles", "Plastics & Chemicals", "IT-related Products", "Carbon Fiber Composite Materials", "Environment & Engineering" and "Life Science" to five reporting segments which are "Fibers & Textiles", "Performance Chemicals", "Carbon Fiber Composite Materials", "Environment & Engineering" and "Life Science" from the fiscal year ending March 31, 2018. Accordingly, the actual figures of nine months ended December 31, 2016 have been restated to reflect the changes in reporting segments.
2. "Others" represents service-related businesses such as analysis, physical evaluation, research and information processing.
3. "Adjustment" of segment income for the nine months ended December 31, 2017 of (19,002) million yen includes intersegment eliminations of (945) million yen and corporate expenses of (18,057) million yen. "Adjustment" of segment income for the nine months ended December 31, 2016 of (16,092) million yen includes intersegment eliminations of (230) million yen and corporate expenses of (15,862) million yen. The corporate expenses consist of the headquarters' research expenses, etc. that are not allocated to each reportable segment.

4. U.S. dollar amounts have been converted from yen at the exchange rate of ¥113.0 = U.S.$1, the approximate rate of exchange prevailing on December 31, 2017.
5. 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	*$20,182*
Operating income	165,000	*1,500*
Ordinary income	162,000	*1,473*
Net income attributable to owners of parent	100,000	*909*

Reference: EPS forecast (year ending March 31, 2018) ¥62.52

Notes:
1. U.S. dollar amounts have been converted from yen at the exchange rate of ¥110.0 = U.S.$1, the estimated rate of exchange from January onwards.
2. Amounts are rounded to the nearest million.

Consolidated Business Results and Financial Condition

1. Overview of the Nine Months Ended December 31, 2017

During the period under review, the U.S. and European economy continued to register a gradual recovery. There were signs of the economy picking up in China and many other emerging countries. The Japanese economy, in general, continued on its gradual recovery track on the back of improving employment and income situation.

The mainstay businesses at Toray Group saw rises in raw materials and fuel prices compared with the same period of the previous fiscal year due to the fluctuations in crude oil price.

Under such circumstances, Toray Group in April 2017 embarked on the new medium-term management program “Project AP-G 2019” that spans over three years from fiscal year 2017 to 2019 and has been implementing the growth strategy with focus on taking advantage of growth business fields, pursuing business expansion in growth countries and regions as well as further bolstering its cost competitiveness.

As a result, consolidated net sales for the nine months ended December 31, 2017 increased 10.5% compared with the same period of the previous fiscal year to ¥1,648.8 billion (US$14,592 million). Operating income rose 8.0% to ¥123.4 billion (US$1,092 million), and ordinary income increased 5.3% to ¥121.6 billion (US$1,076 million). Net income attributable to owners of parent increased 1.0% to ¥77.6 billion (US$687 million).

Business performance by segment is described below.

Business Performance by Segment:

Fibers & Textiles
In Japan, demand for some industrial applications such as automobiles was strong and apparel applications saw gradual improvement in store sales of final products. Against this background, Toray Group not only strived to expand sales in both apparel and industrial applications but also worked to expand the business format that integrates fibers to textiles to final products while focusing on strengthening cost competitiveness.
Overseas, business performance of some subsidiaries in Southeast Asia and Republic of Korea remained slow. On the other hand, materials for automotive applications and hygiene products remained strong in general and expanded the integrated business format for apparel applications.

As a result, overall sales of Fibers & Textiles segment increased 8.0% to ¥697.6 billion (US$6,173 million) compared with the same period a year earlier and operating income rose 8.2% to ¥58.6 billion (US$518 million).

Performance Chemicals
In the resin business, 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. In the film business, shipment of battery separator films for lithium-ion secondary batteries increased reflecting demand growth, while films for electronic parts which are used for applications such as smartphones continued to be favorable. In the electronic & information materials business, demand for OLED panels increased and shipment of related materials expanded.

As a result, overall sales of Performance Chemicals segment increased 13.6% to ¥599.7 billion (US$5,307 million) compared with the same period a year earlier and operating income rose 20.0% to ¥55.7 billion (US$493 million).

Carbon Fiber Composite Materials

With the final demand for the aircraft remaining strong in the aerospace application, shipments showed signs of recovery as the inventory adjustment in the supply chain was completed. In the industrial applications, demand showed a recovery trend primarily in the environment and energy-related field led by compressed natural gas tank applications and wind turbine blade applications. The segment was affected by increases in raw material prices as well as intensifying competition.

As a result, overall sales of Carbon Fiber Composite Materials segment increased 8.3% to ¥128.2 billion (US$1,135 million) compared with the same period a year earlier while operating income fell 26.9% to ¥15.1 billion (US$133 million).

Environment & Engineering

In the water treatment business, demand for reverse osmosis membranes and other products in general grew strongly in Japan and abroad.
In terms of domestic subsidiaries in the segment, industrial machinery and electronics-related equipment performed strongly at an engineering subsidiary.

As a result, overall sales of Environment & Engineering segment increased 14.3% to ¥170.9 billion (US$1,512 million) compared with the same period a year earlier and operating income rose 24.8% to ¥9.4 billion (US$83 million).

Life Science

In the pharmaceutical business, shipment of pruritus treatment REMITCH®* expanded due to the impact of the introduction of a new dosage form and approval of new indications. 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 generic drugs.
In the medical devices business, shipment of dialyzers grew strongly.

As a result, overall sales of Life Science segment increased 4.3% to ¥39.8 billion (US$352 million) compared with the same period a year earlier and operating income rose 304.4% to ¥1.9 billion (US$17 million).

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

2. Analysis of Financial Condition

As of December 31, 2017, Toray Group's total assets stood at ¥2,658.4 billion (US$23,526 million), up ¥261.6 billion from the end of the previous fiscal year, primarily due to increases in notes and accounts receivable as well as property, plant and equipment and investment securities.

Liabilities increased by ¥154.4 billion to ¥1,451.0 billion (US$12,841 million) compared to the end of the previous fiscal year, owing mainly to a higher level of interest-bearing debts.

Net assets rose ¥107.2 billion compared with the end of the previous fiscal year to ¥1,207.4 billion (US$10,685 million), reflecting an increase in retained earnings due to net income. Net assets less non-controlling interests and stock acquisition rights came to ¥1,123.6 billion (US$9,943 million).

3. Forecast of Consolidated Results

The global economy as a whole is expected to continue its gradual recovery, as the economies of developed countries maintain their recovery led by the U.S., in addition to the rebound in emerging economies. However, attention should be paid to risk factors such as the uncertainties over policy administration of developed countries, the economic downswing in China and other emerging countries and the impact of normalization of the U.S and other countries' monetary policy. The Japanese economy is also expected to continue on a gradual recovery track 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 fluctuations in the financial and capital markets.

Under such circumstances, Toray Group will continue to implement the growth strategies under the medium-term management program "Project AP-G 2019."

As for the forecasts for the fiscal year ending March 31, 2018, Toray kept unchanged its full-year consolidated forecasts announced on May 10, 2017. The calculation of consolidated earnings forecasts from January 2018 onwards is based on an assumed foreign currency exchange rate of ¥110.0 to the U.S. dollar.

Notes:
1. U.S. dollar amounts have been converted from yen at the exchange rate of ¥113.0 =U.S.$1, the approximate rate of exchange prevailing on December 31, 2017.

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. Toshiki Matsumura
General Manager
Corporate Communications Department
Tel: +81-3-3245-5178
Fax: +81-3-3245-5459

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