

Toray Announces Consolidated Results for the Fiscal Year Ended March 31, 2016

Tokyo, May 12, 2016 - Toray Industries, Inc. ("Toray") today announced its consolidated business results for the fiscal year ended March 31, 2016 (FY Mar/16). 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,			
	2016	2015	Change	2016
	Yen		%	<i>U.S. dollars</i>
Net sales	¥2,104,430	¥2,010,734	4.7	\$18,673
Operating income	154,480	123,481	25.1	1,371
Ordinary income	150,170	128,572	16.8	1,332
Net income attributable to owners of parent	90,132	71,021	26.9	800
Earnings per share - Basic (Yen)	56.38	44.33	-	-
Earnings per share - Diluted (Yen)	56.31	44.28	-	-
Return on equity	9.3%	7.7%	-	-
Ordinary income to total assets	6.5%	5.7%	-	-
Operating income to net sales	7.3%	6.1%	-	-

Consolidated Financial Condition

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

	As of March 31, 2016		As of March 31, 2015
	Yen	<i>U.S. dollars</i>	Yen
Total assets	¥2,278,386	\$20,216	¥2,357,925
Net assets	1,024,909	9,094	1,080,757
Equity ratio	41.5%	-	41.8%
Net assets per share (Yen)	591.50	-	616.70

Cash Dividends

(Yen)

	Cash dividends per share				
	1Q	2Q	3Q	4Q	Total
FY2014	-	¥5.00	-	¥6.00	¥11.00
FY2015	-	6.00	-	7.00	13.00
FY2016 (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 ¥112.7 = U.S.\$1, the approximate rate of exchange prevailing on March 31, 2016.
3. Amounts are rounded to the nearest million.
4. Comprehensive income at March 31, 2016 and 2015 is ¥12,890 million (\$114 million) and ¥191,127 million.

Segment Information

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

Net Sales	Year ended March 31,		
	2016	2015	2016
	Yen		<i>U.S. dollars</i>
Fibers & Textiles	¥892,039	¥856,676	\$7,915
Plastics & Chemicals	521,238	496,370	4,625
IT-related Products	251,072	247,975	2,228
Carbon Fiber Composite Materials	186,196	158,365	1,652
Environment & Engineering	183,324	179,988	1,627
Life Science	55,841	57,039	495
Others	14,720	14,321	131
Consolidated Total	2,104,430	2,010,734	18,673

Segment Income	Year ended March 31,		
	2016	2015	2016
	Yen		<i>U.S. dollars</i>
Fibers & Textiles	¥68,909	¥55,600	\$611
Plastics & Chemicals	29,384	23,875	261
IT-related Products	26,150	24,494	232
Carbon Fiber Composite Materials	36,115	26,228	320
Environment & Engineering	9,584	8,020	85
Life Science	3,068	4,072	27
Others	1,962	1,901	17
Total	175,172	144,190	1,554
Adjustment	(20,692)	(20,709)	(184)
Consolidated Total (Operating income)	154,480	123,481	1,371

Notes:

1. “Others” represents service-related businesses such as analysis, survey and research.
2. “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. “Adjustment” of segment income for the year ended March 31, 2015 of (20,709) million yen includes intersegment eliminations of (1,303) million yen and corporate expenses of (19,406) 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 ¥112.7 = U.S.\$1, the approximate rate of exchange prevailing on March 31, 2016.
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, 2016	
		Yen	<i>U.S. dollars</i>
Japan		¥995,093	\$8,830
Asia	China	352,967	3,132
	Others	387,219	3,436
North America, Europe & Others		369,151	3,276
Consolidated Total		2,104,430	18,673

Notes:

1. U.S. dollar amounts have been converted from yen at the exchange rate of ¥112.7 = U.S.\$1, the approximate rate of exchange prevailing on March 31, 2016.
2. 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	¥2,230,000	\$21,238
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) ¥65.68

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/17 (April 2016 - March 2017).
2. Amounts are rounded to the nearest million.

Consolidated Business Results and Financial Condition

1. Overview of FY Mar/16 (April 2015 – March 2016)

During the period under review, while the Chinese economy continued to slow down gradually and economies of many other emerging countries also showed signs of weakness, the U.S. economy maintained its recovery and the European economy also picked up steadily. The Japanese economy continued on its modest recovery track on the back of improving corporate earnings as well as employment and income situation, despite some signs of sluggishness in production and exports.

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 and pursuing business expansion in growth countries and regions and further bolstering its total cost competitiveness in accordance with the program.

As a result, consolidated net sales for the fiscal year ended March 31, 2016 increased 4.7% compared with the previous fiscal year to ¥2,104.4 billion (US\$18,673 million). Operating income increased 25.1% to ¥154.5 billion (US\$1,371 million), ordinary income increased 16.8% to ¥150.2 billion (US\$1,332 million) and net income attributable to owners of parent increased 26.9% to ¥90.1 billion (US\$800 million).

Business performance by segment is described below.

Business Performance by Segment:

Fibers & Textiles

In Japan, demand for apparel applications remained weak and sales for industrial applications were affected by inventory adjustment at some customers for automotive applications. 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.

Overseas, despite being affected by a slowdown in demand in Europe and sluggish domestic demand in China, textile subsidiaries in China and Southeast Asia pursued sales expansion and a shift towards high value-added products. In addition, shipment for automotive applications such as airbag fabric and interior materials was strong, and demand for hygiene products in Southeast Asia and India expanded.

As a result, overall sales of Fibers & Textiles segment in the fiscal year ended March 31, 2016 increased 4.1% to ¥892.0 billion (US\$7,915 million) from the previous year and operating income rose 23.9% to ¥68.9 billion (US\$611 million).

Plastics & Chemicals

In the resin business, while shipment of automotive application products was affected in Japan by the decline in automobile production, other applications performed strongly in general. Overseas, shipment at subsidiaries in the U.S. expanded for

automotive applications and shipment of ABS resin at a Malaysian subsidiary remained strong.

In the film business, the products for packaging applications performed strongly both in Japan and abroad. Toray Group, despite many applications being affected by price competition, strived to improve profitability of the business by emphasizing on sales expansion of high value-added products and cost reduction.

As a result, overall sales of Plastics & Chemicals segment increased 5.0% to ¥521.2 billion (US\$4,625 million) from the previous year and operating income rose 23.1% to ¥29.4 billion (US\$261 million).

IT-related Products

In the IT-related Products segment, regarding large LCD panel-related materials, the trend shifted to larger displays and demand for 4K TV expanded, but related materials such as films and processed film products were affected by production adjustment at customers given the slowing demand in China and other emerging countries. Smartphone- and tablet terminal-related materials performed strongly, as shipment of high performance electric circuit materials at a subsidiary in Republic of Korea expanded. A Japanese subsidiary expanded sales of LCD color filter manufacturing equipment, etc. In the meantime, all materials continued to be affected by price competition and Toray Group worked to maintain profitability of the business through measures such as cost reduction.

As a result, overall sales of IT-related Products segment increased 1.2% to ¥251.1 billion (US\$2,228 million) from the previous year and operating income rose 6.8% to ¥26.2 billion (US\$232 million).

Carbon Fiber Composite Materials

In the Carbon Fiber Composite Materials segment, shipment of carbon fibers and intermediate products (prepreg) increased, as demand for aircrafts as well as that in the environment and energy fields including wind turbine applications expanded. The new facilities that started production in the latter half of 2014 and in the first half of 2015 contributed to production increase and sales expansion, and the shipment of products for fuel cell vehicles started in earnest.

As a result, overall sales of Carbon Fiber Composite Materials segment increased 17.6% to ¥186.2 billion (US\$1,652 million) from the previous year and operating income rose 37.7% to ¥36.1 billion (US\$320 million).

Environment & Engineering

In the water treatment business, profitability of exports of products including reverse osmosis membranes from Japan improved thanks to the progress made in cost reduction and the weaker yen. Subsidiaries in the U.S., China and Republic of Korea also performed strongly.

As for domestic subsidiaries in the segment, the number of plant construction projects declined at an engineering subsidiary.

As a result, overall sales of Environment & Engineering segment increased 1.9% to ¥183.3 billion (US\$1,627 million) from the previous year and operating income rose

19.5% to ¥9.6 billion yen (US\$85 million).

Life Science

In the pharmaceutical business, shipment of natural-type interferon beta preparation FERON[®] and orally active prostacyclin derivative DORNER[®] remained sluggish due to the impact of alternative medicine and generic drugs. License revenue also decreased from the previous year. On the other hand, sales volume of pruritus treatment REMITCH^{®*} increased, as the product received approval for the additional indication of treating pruritus in chronic liver disease patients.

The medical devices business performed strongly, as shipment of dialyzers grew strongly and profitability of exports improved.

As a result, overall sales of Life Science segment declined 2.1% to ¥55.8 billion (US\$495 million) from the previous year and operating income fell 24.7% to ¥3.1 billion (US\$27 million).

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

New Businesses and New Investments

As stated in “Project AP-G 2016”, Toray will make proactive capital investment primarily in growth fields and regions and, in the period under review, made several new investments for expanding businesses such as carbon fiber composite materials.

In terms of new major capital investment in the Carbon Fiber Composite Materials segment, Toray Group decided to build an integrated facility, for production of materials from precursors to carbon fibers and to intermediate products, in South Carolina, the U.S. The investment in this project will amount to about 50.0 billion yen and the new facility is expected to start operation in a phased manner from May 2017 starting with the production of precursors. Moreover, Toray Group made a decision to increase production capacity of large-tow carbon fibers at a U.S. subsidiary Zoltek Companies, Inc. in response to growing demand for wind turbine application and expanding adoption of the material for automobile structure in the future and the facility began production by March 2016.

In the Fibers & Textiles segment, Toray Group continues to improve the global supply structure of airbag materials and hygiene products, whose demand has been expanding. In the Plastics & Chemicals segment, Toray Group established Toray Resins Europe GmbH, a marketing and sales company of high-performance resin products, in Germany, and a U.S. subsidiary Toray Resin Co. enhanced its resin technical center. Toray Group will proceed with the development of the system to respond meticulously to local needs and strengthen collaboration with European and North American automobile parts manufacturers as well as Japanese ones. In the IT-related Products segment, Toray Group has been enhancing the production system of battery separator films for lithium-ion batteries, the demand of which is expected to grow.

In addition to capital investment, Project AP-G 2016 calls for flexibly carrying out M&As and alliances when it can expect to generate synergies by leveraging its core technologies and business foundations.

In the period under review, Toray Group in the Carbon Fiber Composite Materials

segment acquired 55% of the outstanding shares in Italian prepreg manufacturer Delta Tech S.p.A and made the company and its wholly owned subsidiary Delta Preg S.p.A into Toray subsidiaries. Delta Group is highly rated by the market for development and supply of its high quality intermediate processed products for automobile applications as well as for its meticulous engineering service. The acquisition of the controlling interest further strengthens Toray Group's integrated supply chain in Europe. Moreover, Toray Group, with an eye on greater business expansion in the future, acquired the entire stake of SolviCore GmbH & Co. KG from Umicore AG & Co.KG and Solvay GmbH and established it as a new company Greenerity GmbH. Catalyst Coated Membrane (CCM) and Membrane Electrode Assembly (MEA) are important parts that form the core of fuel cells and water electrolyzers that are indispensable for realizing the coming hydrogen society. With the establishment of Greenerity, Toray Group will realize synergies in the fuel cells and related fields and expand the business.

Forecast for FY Mar/17 (April 2016 – March 2017):

The global economy as a whole is expected to continue its gradual recovery led by the U.S. and other developed countries, though attention should be paid to risk factors such as the slowdown in the Chinese economy, downturn in other emerging economies and the impact of the normalization of the U.S. monetary policy. Similarly, the Japanese economy is also expected to break free from the current standstill and recover gradually on the back of improving employment and income situation, but there remain concerns that downturn of overseas economies and fluctuations of the global financial markets would hurt the economic sentiment.

Under such circumstances, Toray Group will continue to focus on implementation of the growth strategy and strengthening of its revenue base under the medium-term management program "Project AP-G 2016," whose final year is fiscal year 2016.

After taking into account the expansion of business under "Project AP-G 2016" in the growth business fields of Green Innovation and Life Innovation as well as in the growth countries and regions of Asia, emerging countries and the Americas, Toray Group expects consolidated net sales of ¥2,230.0 billion (US\$21,238 million) for the fiscal year through March 31, 2017, operating income of ¥170.0 billion (US\$1,619 million), ordinary income of ¥170.0 billion (US\$1,619 million), and net income attributable to owners of parent of ¥105.0 billion (US\$1,000 million).

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

2. Financial Position and Cash Flows

Analysis of Assets, Liabilities, Net Assets and Cash Flows

As of March 31, 2016, Toray Group's total assets stood at ¥2,278.4 billion (US\$20,216 million), down ¥79.5 billion from the end of the previous fiscal year, as property, plant and equipment and investment securities decreased.

Total liabilities fell ¥23.7 billion from the end of the previous fiscal year to ¥1,253.5 billion (US\$11,122 million), primarily due to declines in notes and accounts payable and deferred tax liabilities.

Net assets declined by ¥55.8 billion compared with the end of the previous fiscal year to ¥1,024.9 billion (US\$9,094 million), reflecting fluctuation in foreign currency translation adjustment. Net assets less non-controlling interests and stock acquisition rights stood at ¥945.6 billion (US\$8,390 million). The equity ratio at the end of the fiscal year came to 41.5%, a 0.3 percentage-point decrease 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 ¥41.7 billion (US\$370 million). Cash flows, as well as changes in the balances of cash and cash equivalents, for the fiscal year ended March 31, 2016 are as follows:

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

	Year ended March 31,		
	2016	2015	2016
	Yen		U.S. \$
Cash flows from operating activities	196.1	141.3	1,740
Cash flows from investing activities	(154.4)	(140.7)	(1,370)
Free cash flows	41.7	0.6	370
Cash flows from financing activities	(77.6)	(10.0)	(689)
Effect of exchange rate changes	(7.9)	8.7	(70)
Change in cash and cash equivalents for the year	(43.7)	(0.6)	(388)
Cash and cash equivalents at beginning of the year	112.5	113.1	998
Beginning balance of cash and cash equivalents at subsidiaries not previously included in consolidation	0.1	-	1
Increase in cash and cash equivalents resulting from change in accounting period of consolidated subsidiaries	41.0	-	364
Cash and cash equivalents at end of the year	109.8	112.5	974

Indices related to Financial Position and Cash Flows:

	Year ended March 31,				
	2012	2013	2014	2015	2016
Equity ratio (%)	39.7	41.8	40.5	41.8	41.5
Market capitalization / Total assets (%)	63.3	59.8	52.4	68.3	67.3
Interest-bearing debt / Cash flows from operating activities	4.6	5.3	4.1	5.0	3.6
Cash flows from operating activities / Interest paid	17.7	18.1	32.5	22.5	37.6

Notes:

1. All indices are computed based on consolidated data.
2. Market capitalization equals the stock price at the end of the period multiplied by the number of shares outstanding (excluding treasury stock) at the end of the period.
3. Cash flows from operating activities are stated in the consolidated statements of cash flows. Interest paid is the interest payment figures in the consolidated statements of cash flows.

3. Policy on Distribution of Surplus Profits and Dividends for the Period under Review and FY Mar/17

Toray recognizes that it is a vital matter for the corporate management to appropriately distribute profits from corporate activities to stakeholders and build a long-term relationship of trust with them, and accordingly is committed to distributing such profits fairly through comprehensive consideration of every factor including business results, financial standing and retention of earnings necessary for future investment.

Taking into consideration the earnings performance during the period under review and the outlook for the fiscal year that started in April 2016, Toray is proposing to pay a year-end dividend of ¥7.0 per share of common stock, for an aggregate annual dividend of ¥13.0 per share of common stock including the interim dividend.

For the fiscal year ending March 31, 2017, Toray anticipates to pay an annual dividend of ¥14.0 per share of common stock.

Notes:

1. U.S. dollar amounts have been converted from yen at the exchange rate of ¥112.7 = U.S.\$1, the approximate rate of exchange prevailing on March 31, 2016.
2. U.S. dollar amounts of forecast for FY Mar/17 have been converted from yen at the exchange rate of ¥105.0 = US\$1, the estimated rate of foreign currency exchange for the FY Mar/17 (April 2016 - March 2017).

Management Policies

1. Corporate Mission

Toray's corporate philosophy is "contributing to society through the creation of new value with innovative ideas, technologies and products." Under this philosophy, Toray has established the following corporate missions:

For our customers:

To provide new value to our customers through high-quality products and superior services

For our employees:

To provide our employees with opportunities for self development in a challenging environment

For our shareholders:

To provide our shareholders with dependable and trustworthy management

For society:

To establish ties and develop mutual trust as a responsible corporate citizen

Toray is committed to taking on responsibility and contributing to its customers, employees, shareholders in society.

2. Medium- to Long-Term Business Strategy and Issues to Be Solved

Toray Group, in February 2011, formulated a long-term corporate vision "AP-Growth TORAY 2020" established with the next 10 years in focus. Under "AP-Growth TORAY 2020," Toray Group aims to become a corporate group that "continually expands revenues and profits," "plays an active role in contributing to social development and environmental stewardship," and "offers high values to all stakeholders," while further promoting global business expansion and focusing on growing the Green Innovation Business.

In February 2014, Toray Group drafted a new three-year medium-term management program "Project AP-G 2016," covering the period from FY Mar/15 to FY Mar/17. Toray Group aims to further improve its business performance by advancing the growth strategy and strengthening its revenue base. In the two growth fields of Green Innovation and Life Innovation, Toray Group will leverage its core technologies as well as its global business foundation. Moreover, to capture demand in countries and regions that are expected to register economic growth as Toray Group's revenue to the maximum extent, it will proactively expand business in Asia, Americas and emerging countries through establishment of new business bases and other steps.

Toray Group, with the belief that materials, which form the base of all products, have the power to intrinsically change society, aims to develop and commercialize cutting-edge technologies and new materials by constantly pursuing technological innovations ahead of its competition around the world. Further, Toray Group shall strive to realize the ideals of its corporate philosophy of "contributing to society

through the creation of new value with innovative ideas, technologies and products” by focusing on all the aspects of our business activities, grasping the situation thoroughly and overcoming the hurdles through analysis of the situation.

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 the application of 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.

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