

May 10, 2018

## [Summary] Consolidated Results for the Fiscal Year Ended March 31, 2018

Tokyo, May 10, 2018 - Toray Industries, Inc. ("Toray") today announced its consolidated business results for the fiscal year ended March 31, 2018 (FY Mar/18). 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,			
	2018	2017	Change	2018
	Yen		%	U.S. dollars
Net sales	<b>¥2,204,858</b>	¥2,026,470	8.8	<b>\$20,761</b>
Operating income	<b>156,464</b>	146,893	6.5	<b>1,473</b>
Ordinary income	<b>152,305</b>	143,736	6.0	<b>1,434</b>
Net income attributable to owners of parent	<b>95,915</b>	99,418	(3.5)	<b>903</b>
Earnings per share - Basic (Yen)	<b>59.97</b>	62.17	-	-
Earnings per share - Diluted (Yen)	<b>59.90</b>	62.10	-	-
Return on equity	<b>9.1%</b>	10.1%	-	-
Ordinary income to total assets	<b>6.1%</b>	6.1%	-	-
Operating income to net sales	<b>7.1%</b>	7.2%	-	-

### Consolidated Financial Condition

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

	As of March 31, 2018		As of March 31, 2017
	Yen	U.S. dollars	Yen
Total assets	<b>¥2,592,914</b>	<b>\$24,415</b>	¥2,396,785
Net assets	<b>1,169,188</b>	<b>11,009</b>	1,100,176
Equity ratio	<b>42.1%</b>	-	42.6%
Net assets per share (Yen)	<b>681.92</b>	-	638.64

### Cash Dividends

(Yen)

	Cash dividends per share				
	1Q	2Q	3Q	4Q	Total
FY2016	-	<b>¥7.00</b>	-	<b>¥7.00</b>	<b>¥14.00</b>
FY2017	-	<b>7.00</b>	-	<b>8.00</b>	<b>15.00</b>
FY2018 (forecast)	-	<b>8.00</b>	-	<b>8.00</b>	<b>16.00</b>

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 ¥106.2 = U.S.\$1, the approximate rate of exchange prevailing on March 31, 2018.
3. Amounts are rounded to the nearest million.
4. Comprehensive income for the year ended March 31, 2018 and 2017 is ¥105,328 million (\$992 million) and ¥101,958 million.

## Segment Information

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

Net Sales	Year ended March 31,		
	2018	2017	2018
	Yen		U.S. dollars
Fibers & Textiles	<b>¥913,610</b>	¥856,124	<b>\$8,603</b>
Performance Chemicals	<b>803,310</b>	724,648	<b>7,564</b>
Carbon Fiber Composite Materials	<b>177,949</b>	161,608	<b>1,676</b>
Environment & Engineering	<b>238,256</b>	212,548	<b>2,243</b>
Life Science	<b>53,803</b>	54,150	<b>507</b>
Others	<b>17,930</b>	17,392	<b>169</b>
Consolidated Total	<b>2,204,858</b>	2,026,470	<b>20,761</b>

Segment Income	Year ended March 31,		
	2018	2017	2018
	Yen		U.S. dollars
Fibers & Textiles	<b>¥72,418</b>	¥66,768	<b>\$682</b>
Performance Chemicals	<b>71,363</b>	61,807	<b>672</b>
Carbon Fiber Composite Materials	<b>20,764</b>	23,963	<b>196</b>
Environment & Engineering	<b>13,287</b>	11,710	<b>125</b>
Life Science	<b>1,942</b>	2,148	<b>18</b>
Others	<b>2,897</b>	2,625	<b>27</b>
Total	<b>182,671</b>	169,021	<b>1,720</b>
Adjustment	<b>(26,207)</b>	(22,128)	<b>(247)</b>
Consolidated Total (Operating income)	<b>156,464</b>	146,893	<b>1,473</b>

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 for the year ended March 31, 2017 have been restated to reflect the changes in reporting segments.
2. “Others” represents service-related businesses such as analysis, physical evaluation and research.
3. “Adjustment” of segment income for the year ended March 31, 2018 of (26,207) million yen includes intersegment eliminations of (1,600) million yen and corporate expenses of (24,607) million yen. “Adjustment” of segment income for the year ended March 31, 2017 of (22,128) million yen includes intersegment eliminations of (630) million yen and corporate expenses of

(21,498) 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 ¥106.2 = U.S.\$1, the approximate rate of exchange prevailing on March 31, 2018.
5. Amounts are rounded to the nearest million.

## Consolidated Geographic Segment Information

(Millions of yen, <i>millions of U.S. dollars</i> )		
Net Sales		Year ended March 31, 2018
		Yen <i>U.S. dollars</i>
Japan		<b>¥1,005,260</b> <b>\$9,466</b>
Asia	China	<b>386,520</b> <b>3,640</b>
	Others	<b>421,456</b> <b>3,969</b>
North America, Europe & Others		<b>391,622</b> <b>3,688</b>
Consolidated Total		<b>2,204,858</b> <b>20,761</b>

Notes:

1. U.S. dollar amounts have been converted from yen at the exchange rate of ¥106.2 = U.S.\$1, the approximate rate of exchange prevailing on March 31, 2018.
2. Amounts are rounded to the nearest million.

## Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2019

(Millions of yen, <i>millions of U.S. dollars</i> )		
	Year ending March 31, 2019	
	Yen	<i>U.S. dollars</i>
Net sales	¥2,400,000	\$21,818
Operating income	165,000	1,500
Ordinary income	160,000	1,455
Net income attributable to owners of parent	98,000	891

Reference: EPS forecast (year ending March 31, 2019)    ¥61.27

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 for FY Mar/19 (April 2018 - March 2019).
2. Amounts are rounded to the nearest million.

# Consolidated Business Results and Financial Condition

## 1. Overview of FY Mar/18 (April 2017 – March 2018)

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 many emerging countries. The Japanese economy, in general, continued on its gradual recovery track on the back of improving employment and income situation.

In the meantime, the rise in raw material and fuel prices had a negative impact on Toray Group's profits.

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 fiscal year ended March 31, 2018 increased 8.8% compared with the previous fiscal year to ¥2,204.9 billion (US\$20,761 million). Operating income rose 6.5% to ¥156.5 billion (US\$1,473 million), and ordinary income increased 6.0% to ¥152.3 billion (US\$1,434 million). Net income attributable to owners of parent declined 3.5% to ¥95.9 billion (US\$903 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 the Group expanded the integrated business for apparel applications.

As a result, overall sales of Fibers & Textiles segment increased 6.7% to ¥913.6 billion (US\$8,603 million) from the previous year and operating income rose 8.5% to ¥72.4 billion (US\$682 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 10.9% to ¥803.3 billion (US\$7,564 million) from the previous year and operating income increased 15.5% to ¥71.4 billion (US\$672 million).

#### *Carbon Fiber Composite Materials*

With the final demand for the aircraft remaining strong in the aerospace applications, 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 10.1% to ¥177.9 billion (US\$1,676 million) from the previous year while operating income fell 13.3% to ¥20.8 billion (US\$196 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 12.1% to ¥238.3 billion (US\$2,243 million) from the previous year and operating income rose 13.5% to ¥13.3 billion yen (US\$125 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, and royalty income on some products decreased.

In the medical devices business, shipment of dialyzers grew strongly.

As a result, overall sales of Life Science segment declined 0.6% to ¥53.8 billion (US\$507 million) from the previous year and operating income fell 9.6% to ¥1.9 billion (US\$18 million).

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

## Financial Position and Cash Flows

As of March 31, 2018, Toray Group's total assets stood at ¥2,592.9 billion (US\$24,415 million), up ¥196.1 billion from the end of the previous fiscal year. Current assets rose ¥86.0 billion as trade notes and accounts receivable as well as inventories increased, while noncurrent assets expanded ¥110.2 billion due to increases in property, plant and equipment and investment securities.

Total liabilities rose ¥127.1 billion from the end of the previous fiscal year to ¥1,423.7 billion (US\$13,406 million), due primarily to an increase in interest-bearing debts.

Net assets expanded by ¥69.0 billion compared with the end of the previous fiscal year to ¥1,169.2 billion (US\$11,009 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 ¥1,090.7 billion (US\$10,270 million). The equity ratio at the end of the fiscal year came to 42.1%, a 0.5 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 ¥57.5 billion (US\$541 million) in negative. Cash flows, as well as changes in the balances of cash and cash equivalents, for the fiscal year ended March 31, 2018 are as follows:

	(Billions of yen, <i>millions of U.S. dollars</i> )		
	Year ended March 31,		
	2018	2017	2018
	Yen		U.S. \$
Cash flows from operating activities	<b>¥129.2</b>	¥174.0	<b>\$1,216</b>
Cash flows from investing activities	<b>(186.7)</b>	(135.2)	<b>(1,758)</b>
Free cash flows	<b>(57.5)</b>	38.7	<b>(541)</b>
Cash flows from financing activities	<b>61.8</b>	(18.0)	<b>582</b>
Effect of exchange rate changes on cash and cash equivalents	<b>(1.9)</b>	(0.8)	<b>(18)</b>
Change in cash and cash equivalents for the year	<b>2.3</b>	19.9	<b>22</b>
Cash and cash equivalents at beginning of the year	<b>131.4</b>	109.8	<b>1,237</b>
Beginning balance of cash and cash equivalents at subsidiaries not previously included in consolidation	<b>0.6</b>	1.7	<b>5</b>
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	-	0.1	-
Cash and cash equivalents at end of the year	<b>134.3</b>	131.4	<b>1,265</b>

## Forecast for FY Mar/19 (April 2018 – March 2019):

The global economy as a whole is expected to continue its gradual expansion, as the economies of the U.S., Europe and other developed countries maintain their expansion and emerging economies in general perform strongly except for a slight slowdown in China.

However, attention should be paid to risk factors such as the protectionism trade policy of developed countries, trade friction and financial market turmoil caused by moves towards monetary policy normalization in the U.S. and Europe. 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 affected by uncertainties in overseas economies and fluctuations in crude oil prices and in the financial markets.

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

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 ¥2,400.0 billion (US\$21,818 million) for the fiscal year through March 31, 2019, operating income of ¥165.0 billion (US\$1,500 million), ordinary income of ¥160.0 billion (US\$1,455 million), and net income attributable to owners of parent of ¥98.0 billion (US\$891 million).

These forecasts are calculated based on an estimated exchange rate of ¥110.0 to the U.S. dollar after April.

Notes:

1. U.S. dollar amounts have been converted from yen at the exchange rate of ¥106.2 = U.S.\$1, the approximate rate of exchange prevailing on March 31, 2018.
2. U.S. dollar amounts of forecast for FY Mar/19 have been converted from yen at the exchange rate of ¥110.0 = U.S.\$1, the estimated rate of exchange for FY Mar/19 (April 2018 - March 2019).

## 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.

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