'TORAY'

Innovation by Chemistry

TORAYISM

Annual Report 2016

April 1, 2015–March 31, 2016

CONTENTS

THIS IS TORAYISM

02-09

INTEGRATED VALUE CREATION

10-35

10 Toray Group's vision

12 Consolidated Financial & Non-financial Highlights

14 To Our Stockholders and Investors

24 Special Feature 1
hitoe®: Functional Material that Biosenses Body Signals

26 Toray Group Segments

34 Special Feature 2
Production Process Breakthrough:
Innovatively Energy Efficient Synthesis of Nylon Raw Material

INTEGRATED VALUE MANAGEMENT

36-56

37 R&D and Intellectual Property

43 Sustainable Management

54 Corporate Information

FINANCIAL SECTION

57-98

58 Six-Year Summary of Selected Financial Data

59 Management's Discussion and Analysis

64 Consolidated Balance Sheets

66 Consolidated Statements of Income

66 Consolidated Statements of Comprehensive Income

67 Consolidated Statements of Changes in Net Assets

68 Consolidated Statements of Cash Flows

69 Notes to Consolidated Financial Statements

97 Independent Auditor's Report

98 Investor Information and Corporate Data

Cautionary statement with respect to forward-looking statements

Descriptions of predicted business results, projections and business plans contained in this annual report are based on forecasts and assumptions regarding the future business environment made at the present time. This annual report is not a guarantee of the Company's future business performance.

PROFILE

Toray Group is an integrated chemical industry group aiming to be a global top company in advanced materials based on the firm belief that, "as the foundation of products, materials have the power to bring about fundamental transformations in society."

Based on our core technologies of organic synthetic chemistry, polymer chemistry, biotechnology, and nanotechnology as the sources of value creation, we develop the Core Growth Driving Businesses of Fibers & Textiles and Plastics & Chemicals, Strategically Expanding Businesses of IT-related Products and Carbon Fiber Composite Materials, and Intensively Developing and Expanding Businesses of Environment & Engineering and Life Science in 26 countries and regions around the world.

Toray aims to be a corporate group with high value for all stakeholders and seeks to use the power of chemistry to address social issues worldwide guided by our corporate philosophy of "contributing to society through the creation of new value with innovative ideas, technologies and products."

CORPORATE PHILOSOPHY

Contributing to society through the creation of new value with innovative ideas, technologies and products

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 stockholders To provide our stockholders with dependable and trustworthy management

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

TORAYISM

GLOBAL BUSINESS DEVELOPMENT LEVERAGING THE ADVANTAGE OF JAPANESE-STYLE MANAGEMENT

THE CONCEPT OF OUR CORPORATE SLOGAN,
"Innovation by Chemistry"

The Toray Group adopted "**Innovation by Chemistry**" as its corporate slogan in April 2006 as a declaration of our intention to use chemistry as the driving force in our aim "to become a top global corporation in advanced materials."

The word "**Chemistry**" has two meanings. The obvious one is the science that forms the basis for the advanced materials which we supply. The other is rapport. For us, that means maintaining a good rapport with everyone who is involved with TORAY—customers, employees, stockholders, business partners, consumers, and people in the local community—and maintaining good rapport among the companies in the TORAY group and strong connections among our business offices throughout the world.

"**Innovation**" is how we will realize our corporate philosophy of "Contributing to society through the creation of new value with innovative ideas, technologies and products." "Innovation" refers not only to technological innovation but to our intention to pursue innovation in all aspects of our corporate activities.

TORAYISM 1 : THEORY

MATERIALS CAN CHANGE OUR LIVES

INNOVATION B

Materials Play a Key Role in Manufacturing

The digitization of manufacturing processes has made it easier for companies to enter the manufacturing industry without extensive technologies. Development at the materials level, however, is key to creating innovative products, and development and commercialization of materials can only be achieved through sophisticated collaboration with end user manufacturing companies, in which Japanese companies particularly excel, as well as with long-term commitment to R&D and accumulated know-how.

Moreover, end user manufacturing companies require major advances in functionality in their new product development. As materials play an increasingly important role in manufacturing, Toray continues to hone its ability to accurately find value in its materials and aims for long-term growth by creating new businesses before existing businesses peak out, diversifying operations, and advancing globalization.

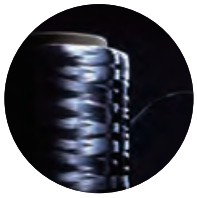
"The Deeper, the Newer," Challenge the Ultimate

Toray has always pursued the ultimate in R&D as a part of its DNA. Toray has achieved numerous breakthroughs in advanced materials with groundbreaking functions the world has never seen before. In 1971, for example, Toray was the first company in the world to commence commercial production of carbon fiber. While other companies entered and exited the field, Toray pushed forward research in carbon fiber with strongly held convictions, resulting in its top share of the global market today. Toray has also developed carbon fiber for other applications including the aviation and automobile industries. Our long-term vision and unwavering commitment has led to sustained growth throughout our history.

HEATTECH

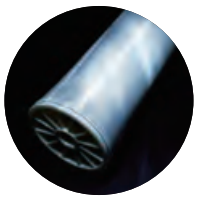
HEATTECH® is a brand of functional innerwear that quickly absorbs and heats moisture given off by the human body. HEATTECH® is made from a high-tech fiber that Toray created by combining four different kinds of materials that conventional wisdom said could not work with traditional textile technologies, going through 10,000 prototypes to find the ultimate in innerwear comfort in terms of heat generation, heat retention, water absorption and quick-drying functions.

*HEATTECH® is a registered trademark of Fast Retailing Co., Ltd.



Carbon Fiber

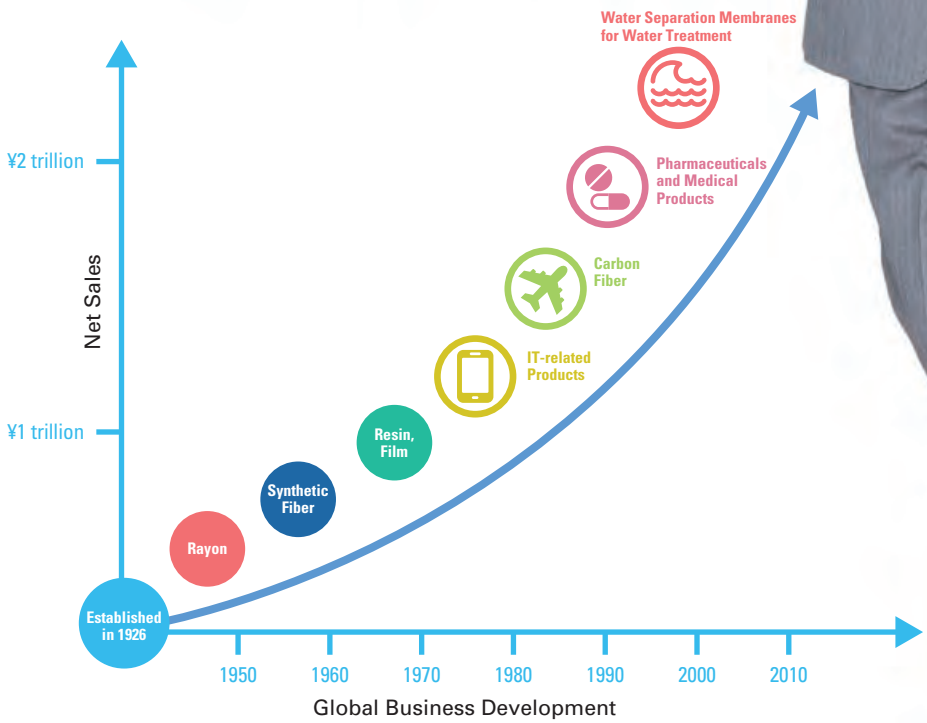
Carbon fiber is one quarter the weight while providing 10 times the tensile strength of steel, plus it does not rust. Toray's carbon fiber composite materials are currently used for 50% of the structural weight of Boeing Company's state-of-the-art 787 Dreamliner. Toray and Boeing collaborated closely together from the concept stage on the design of the aircraft to maximize potential of Toray's carbon fiber, and the 787 was born.



Reverse Osmosis Membranes

Reverse osmosis membranes are used for seawater desalination and wastewater treatment. At desalination plants where seawater is turned into drinkable water, the number of systems that use reverse osmosis membranes is increasing, as they constrain energy use and costs compared with the traditional method of saltwater evaporation, where salt and impurities are removed by evaporating seawater. Toray is currently developing reverse osmosis membrane technologies with sub-nanometer scale filtration microstructures (one ten-billionth of a meter scale).

Y CHEMISTRY



GLOBAL DEPLOYMENT OF TECHNOLOGIES DEVELOPED IN JAPAN

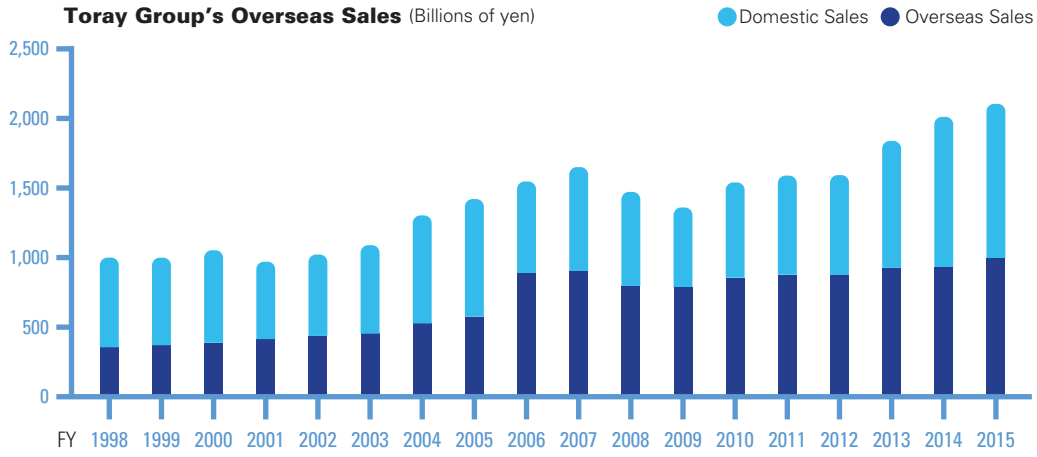
JAPAN WORLDWIDE

Global Management with Respect for Diversity

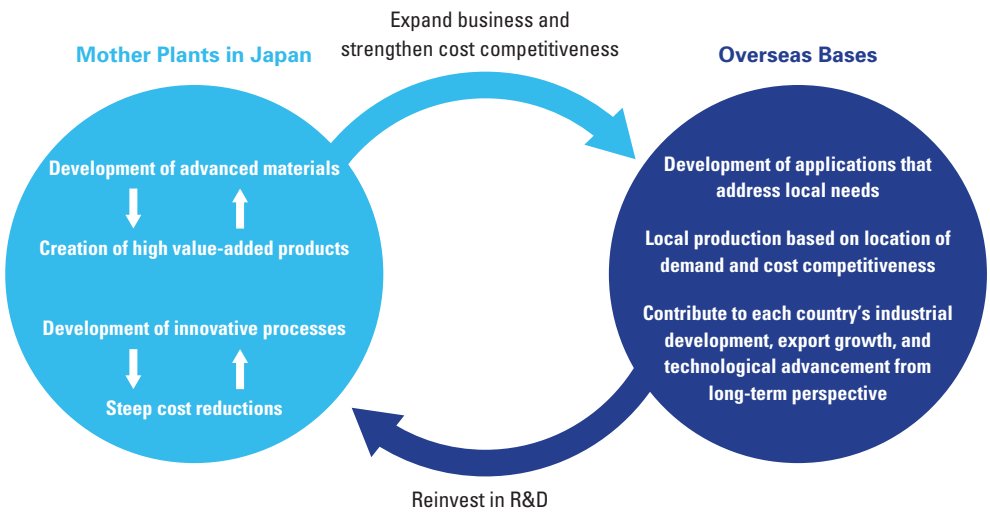
Since Toray commenced local production of textile products in Southeast Asia in the 1960s, global business development has been an engine of growth. Viewing global business development from a long-term perspective, Toray's basic policy is to contribute to each country's industrial development, export growth, and technological advancement. We aim to contribute to local communities while respecting diversity and local customs, while at the same time bringing the best aspects of Japanese-style management to our long-term commitment.

Creating a Sustainable Growth Cycle on a Global Scale

Toray conducts cutting-edge R&D in Japan to create advanced materials and high value-added products. The Company strives to develop innovative processes all the way through to the production technology stage in the commercialization of new products. Toray then aims to expand the business further through the development of applications that address local needs, as well as through the optimal use of its overseas production bases in terms of demand location and cost competitiveness. Profits earned are then reinvested in next-generation R&D at our mother plants in Japan. These efforts nurture a long-term sustainable growth cycle on a global scale.



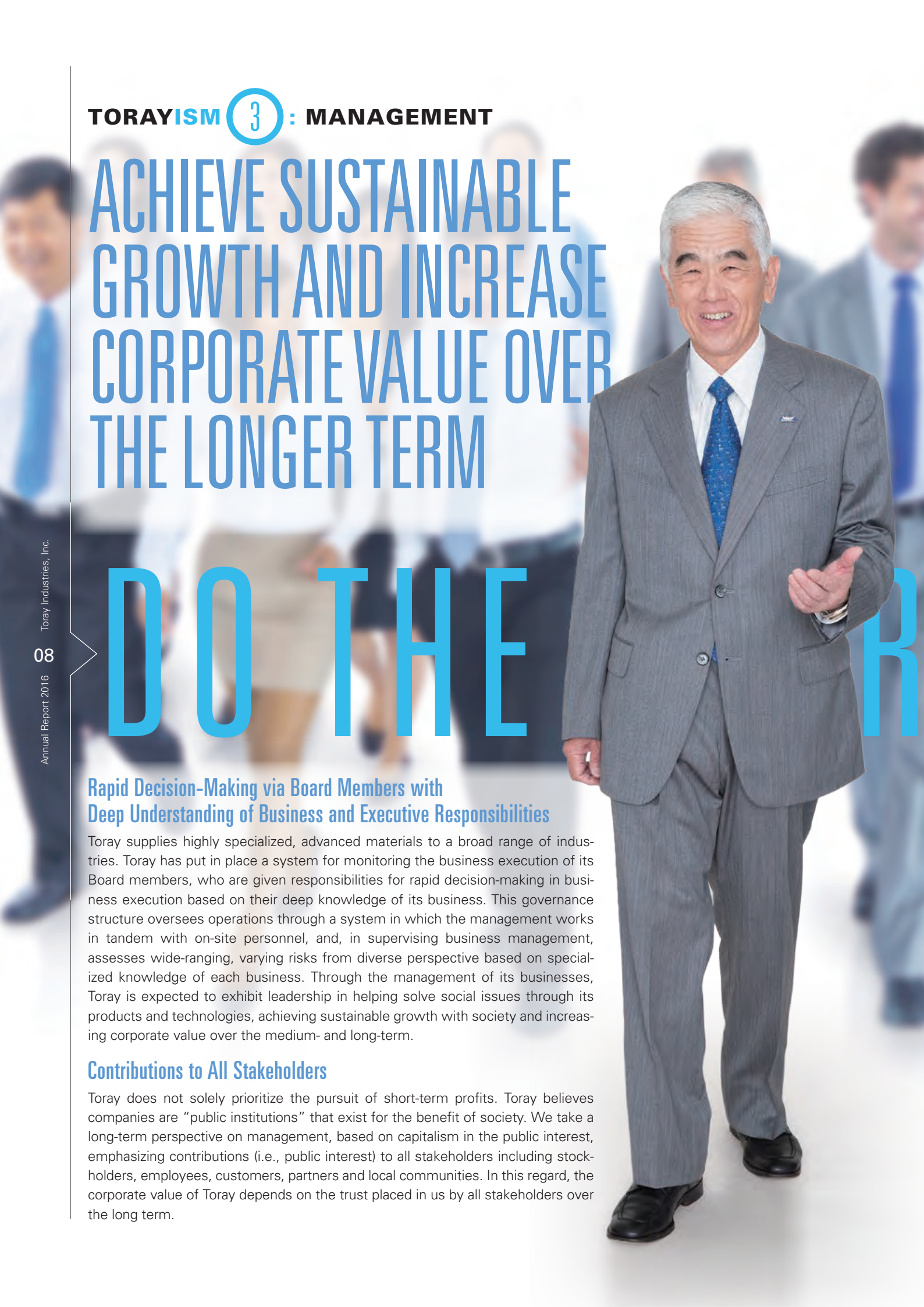
SUSTAINABILITY



TORAYISM 3 : MANAGEMENT

ACHIEVE SUSTAINABLE GROWTH AND INCREASE CORPORATE VALUE OVER THE LONGER TERM

DO THE R



Rapid Decision-Making via Board Members with Deep Understanding of Business and Executive Responsibilities

Toray supplies highly specialized, advanced materials to a broad range of industries. Toray has put in place a system for monitoring the business execution of its Board members, who are given responsibilities for rapid decision-making in business execution based on their deep knowledge of its business. This governance structure oversees operations through a system in which the management works in tandem with on-site personnel, and, in supervising business management, assesses wide-ranging, varying risks from diverse perspective based on specialized knowledge of each business. Through the management of its businesses, Toray is expected to exhibit leadership in helping solve social issues through its products and technologies, achieving sustainable growth with society and increasing corporate value over the medium- and long-term.

Contributions to All Stakeholders

Toray does not solely prioritize the pursuit of short-term profits. Toray believes companies are "public institutions" that exist for the benefit of society. We take a long-term perspective on management, based on capitalism in the public interest, emphasizing contributions (i.e., public interest) to all stakeholders including stockholders, employees, customers, partners and local communities. In this regard, the corporate value of Toray depends on the trust placed in us by all stakeholders over the long term.

IGHT THINGS

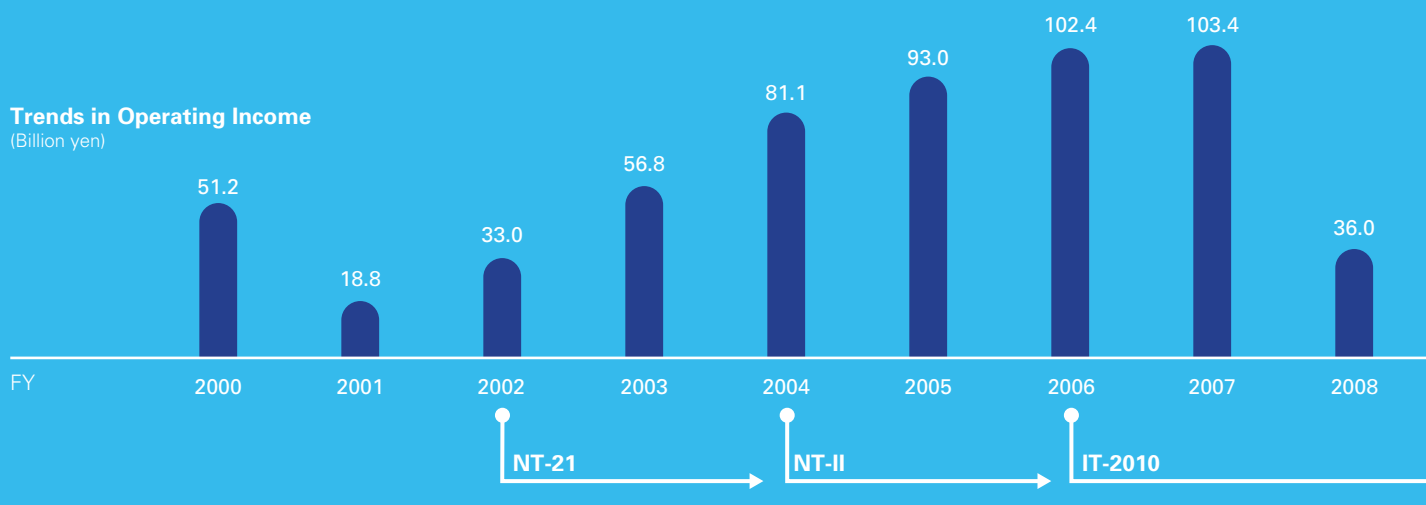
TORAYISM 4 : VISION

DO WHAT SHOULD BE DONE, NOT WHAT CAN BE DONE

Long-term Corporate Vision: AP-Growth TORAY 2020

Toray Group's vision is to be "a corporate group that continually increases revenues and profits," "a corporate group that proactively contributes to social development and environmental stewardship," and "a corporate group that provides high value for all stakeholders" with the aim of achieving sustainable growth by mobilizing the full potential of Toray Group. To realize this vision, we are stepping up efforts to broaden our global operations while focusing on expanding businesses that help solve problems related to the global environment, natural resources and energy.

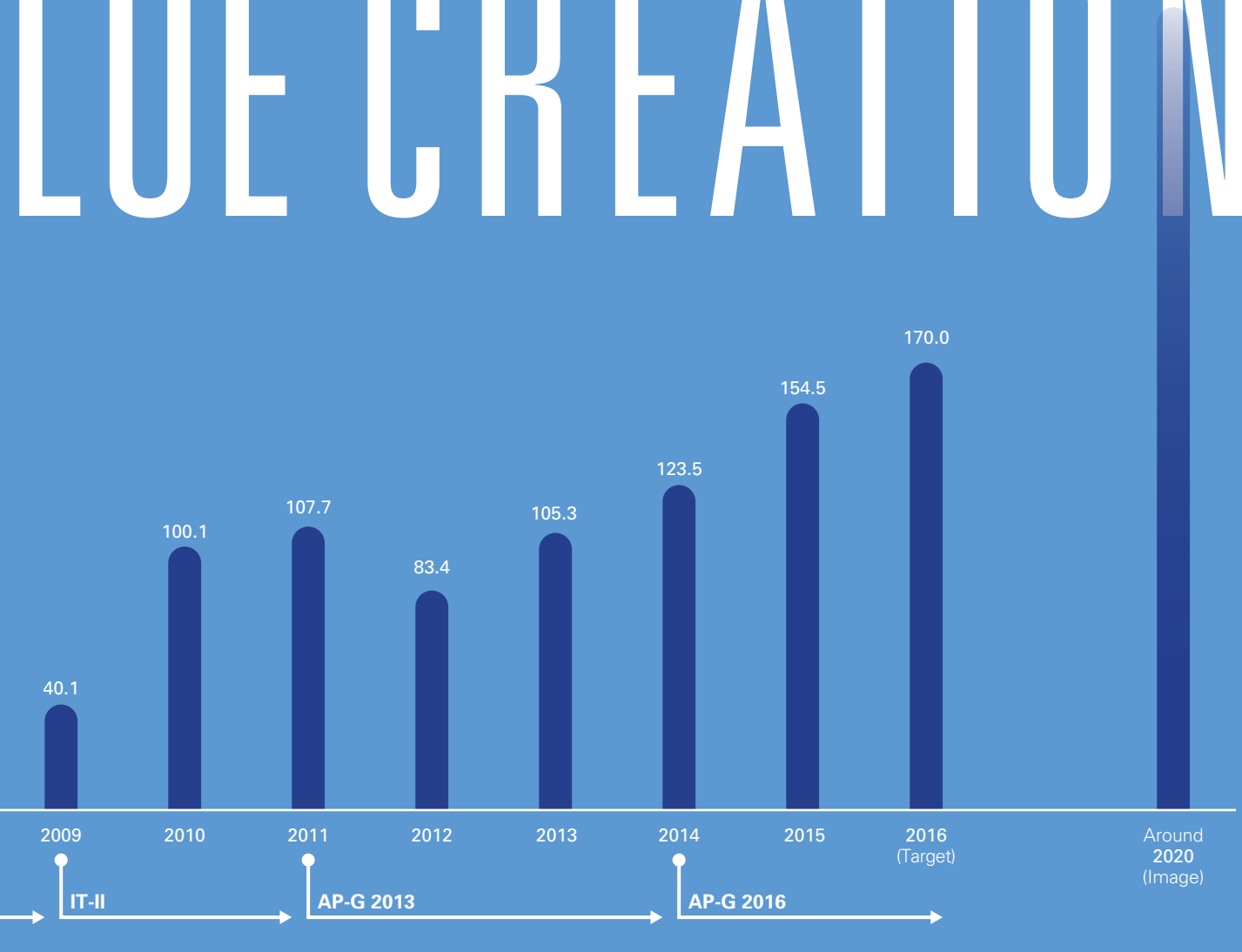
INTEGRATED VA



Medium-term Management Program: Project AP-G 2016

Project AP-G 2016 is a three-year medium-term management program for implementing our growth strategies and fortifying our corporate structure to put us in a position to achieve our long-term corporate vision. Under the previous Project AP-G 2013, which was completed in fiscal 2013, we made substantial progress expanding our businesses in growth business fields and growth regions and set the Group on a new path for growth. Project AP-G 2016 was launched in fiscal 2014 to continue advancing and building on the measures enacted in Project AP-G 2013. We continue to advance our growth strategy and strengthen our corporate structure.

LUE CREATION



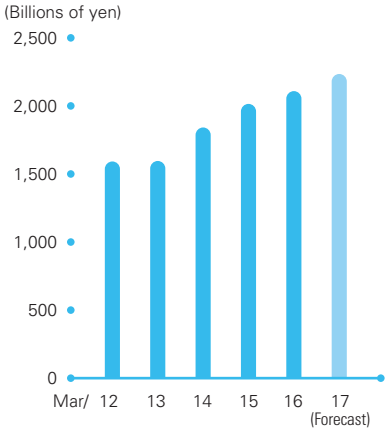
Consolidated Financial & Non-financial Highlights

Toray Industries, Inc. and Consolidated Subsidiaries
Years ended March 31

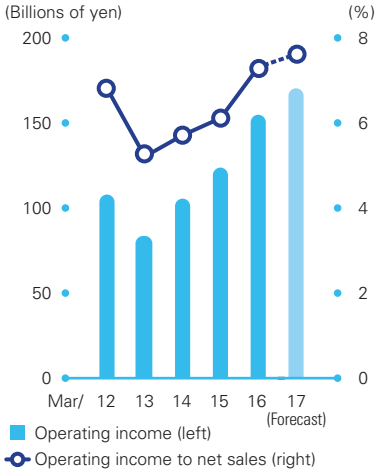
	Millions of yen					Thousands of U.S. dollars*1
	2016	2015	2014	2013	2012	**2016**
Financial Highlights						
For the year:						
Net sales	**¥2,104,430**	¥2,010,734	¥1,837,778	¥1,592,279	¥1,588,604	**$18,623,274**
Operating income	**154,480**	123,481	105,253	83,436	107,721	**1,367,080**
Net income attributable to owners of parent	**90,132**	71,021	59,608	48,477	64,218	**797,628**
Cash flows from operating activities	**196,142**	141,282	161,455	100,815	104,410	**1,735,770**
Cash flows used in investing activities	**(154,414)**	(140,662)	(214,826)	(107,525)	(104,002)	**(1,366,496)**
Free cash flows	**41,728**	620	(53,371)	(6,710)	408	**369,274**
Cash flows from financing activities	**(77,605)**	(9,998)	41,475	26,167	(23,645)	**(686,770)**
Capital expenditures	**136,556**	124,929	118,207	99,135	98,384	**1,208,460**
Depreciation and amortization	**91,168**	81,480	78,743	67,588	67,443	**806,796**
R&D expenditure	**58,783**	59,504	55,500	53,342	51,450	**520,204**
At year-end:						
Total assets	**¥2,278,386**	¥2,357,925	¥2,119,683	¥1,731,933	¥1,581,501	**$20,162,708**
Net assets	**1,024,909**	1,080,757	944,625	778,626	674,149	**9,069,991**
Per share of common stock (in yen and U.S. dollars):						
Net income attributable to owners of parent:						
Basic	**¥ 56.38**	¥ 44.33	¥ 36.59	¥ 29.75	¥ 39.41	**$ 0.50**
Diluted	**56.31**	44.28	35.70	28.90	37.46	**0.50**
Cash dividends	**13.00**	11.00	10.00	10.00	10.00	**0.12**
Net assets	**591.50**	616.70	527.32	444.45	384.90	**5.23**
Ratios:						
Operating income to net sales	**7.3%**	6.1%	5.7%	5.2%	6.8%	
Equity ratio	**41.5%**	41.8%	40.5%	41.8%	39.7%	
ROA	**6.7%**	5.5%	5.5%	5.0%	6.8%	
ROE	**9.3%**	7.7%	7.5%	7.2%	10.5%	
Debt/equity ratio (times)	**0.74**	0.71	0.76	0.73	0.77	
Non-financial Highlights						
Number of employees						
Toray	**7,223**	7,232	7,123	7,097	6,976	
Domestic	**10,520**	10,299	10,247	10,177	10,303	
Overseas	**28,096**	28,258	28,511	25,310	22,948	
Percentage of women in management positions (non-consolidated)*2	**8.7%**	8.3%	7.9%	7.5%	7.1%	
Employment rate for the handicapped (non-consolidated)*3	**2.1%**	2.1%	2.1%	2.0%	2.0%	
Social contribution activities*4 (billions of yen)	**1.5**	1.2	1.1	1.1	1.2	

*1: U.S. dollar amounts have been converted from yen at the exchange rate of ¥113=US$1, the approximate exchange rate prevailing on March 31, 2016.
*2: As of end April each year
*3: As of end June each year
*4: See page 13 for more details.

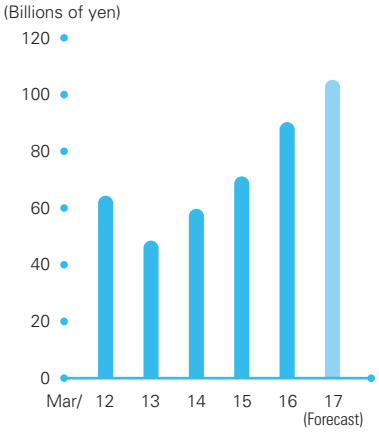
Net Sales



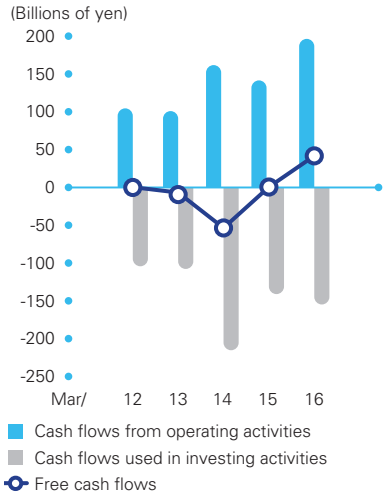
Operating Income and Operating Income to Net Sales



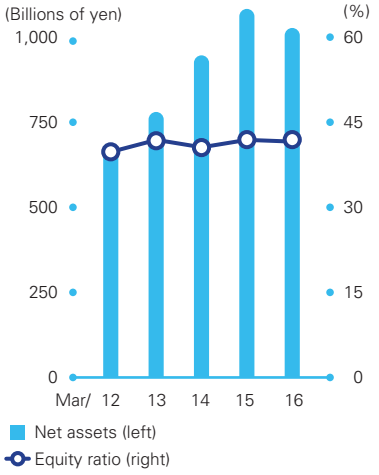
Net Income Attributable to Owners of Parent



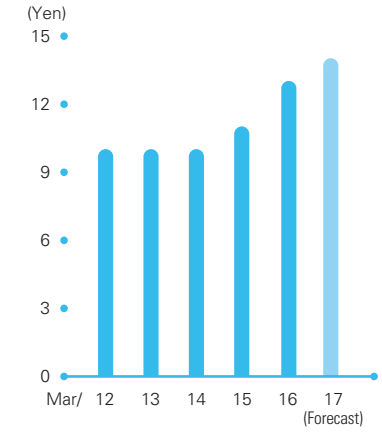
Cash Flows



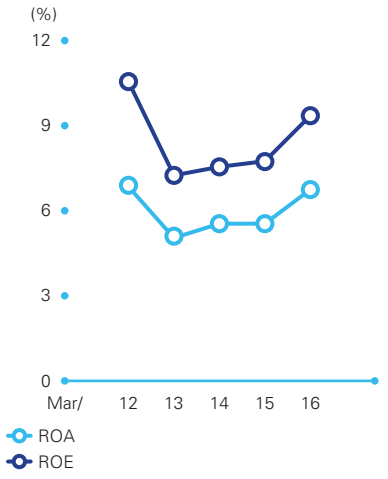
Net Assets and Equity Ratio



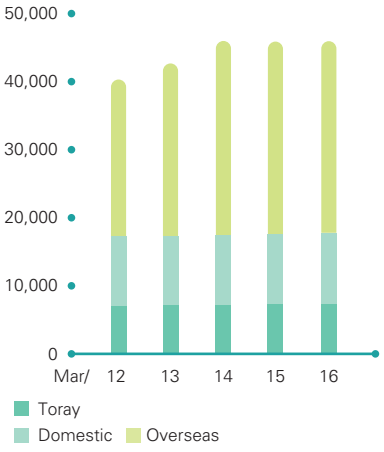
Cash Dividend Per Share



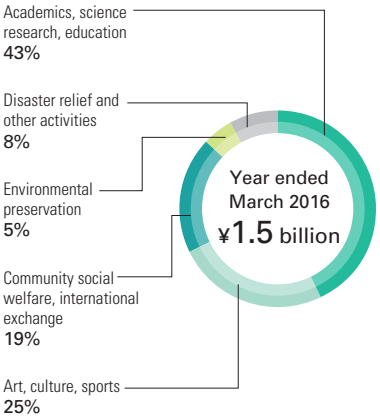
ROA and ROE



Number of Employees



Breakdown of Social Contribution Activities



With an eye on 2020, Toray Group will work to achieve sustainable growth by expanding its businesses into growth fields, countries, and regions while ceaselessly enhancing its competitiveness.

Fiscal 2015 Performance Review

Achieved Record High Net Sales and Profits Two Years in a Row

I would like to begin this report by expressing our profound gratitude to our stockholders and investors for their continuing support.

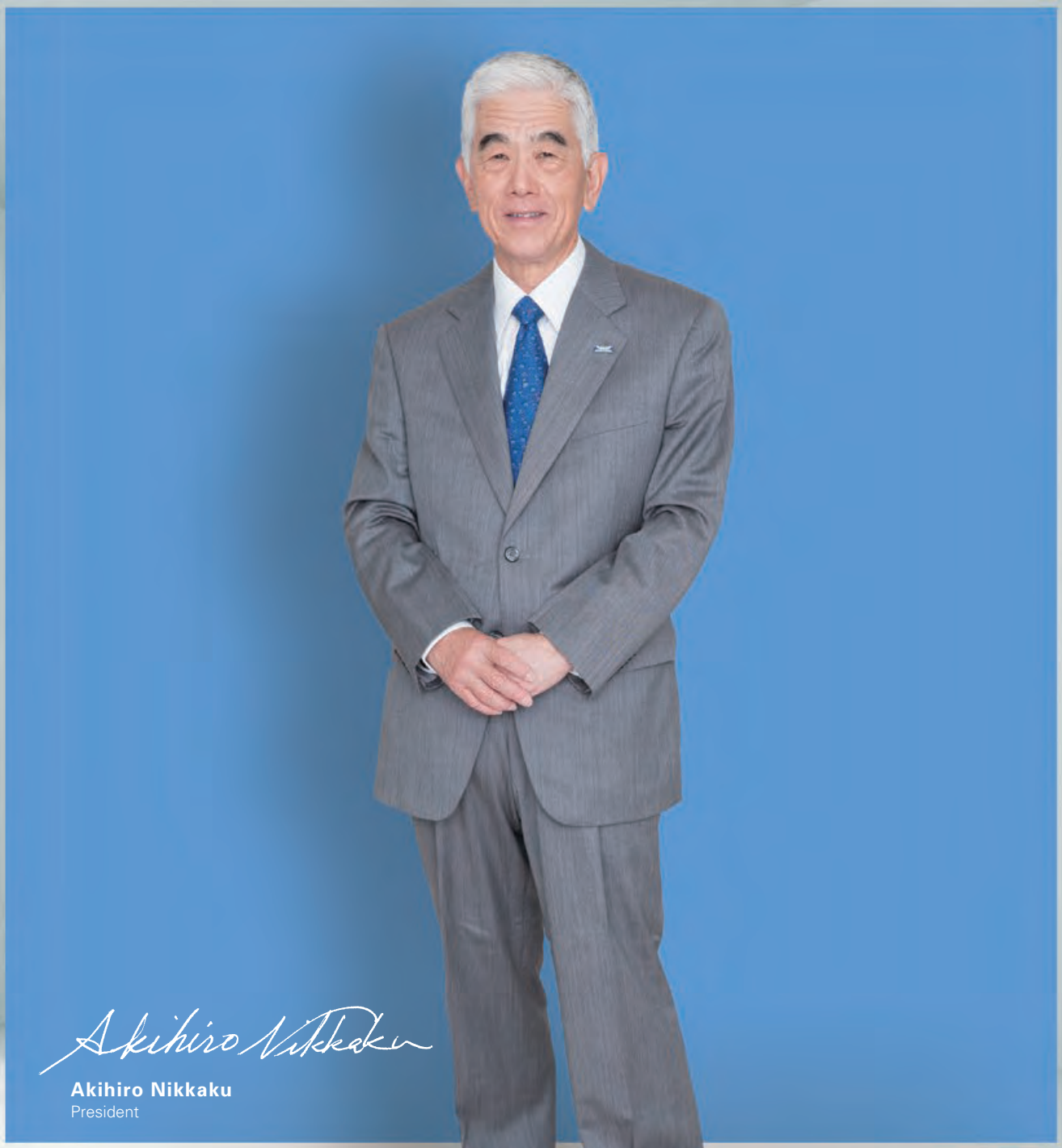
During fiscal 2015, the economy in China gradually slowed and economic conditions in many other emerging countries appeared to be weak. On the other hand, economic conditions in the U.S. continued to pick up and the European economy also remained on a recovery track. In Japan, although production and exports looked sluggish, the economy saw a gradual underlying recovery amid improving corporate earnings, employment, and wages.

Under these operating conditions, Toray Group is steadily implementing growth strategies and further enhancing its total cost competitiveness under the three-year medium-term management program Project AP-G 2016, which extends from fiscal 2014 to fiscal 2016.

As a result, the Group saw record high net sales and profits for a second consecutive fiscal year, with consolidated net sales increasing by 4.7% year on year to ¥2,104.4 billion, operating income rising by 25.1% to ¥154.5 billion, and net income attributable to owners of parent climbing by 26.9% to ¥90.1 billion. In addition, we significantly raised profitability and capital efficiency, with operating income to net sales ratio rising 1.2 percentage points to 7.3% and ROE increasing 1.6 percentage points to 9.3%.

All segments except for Life Science saw year-on-year sales and profit gains. Carbon Fiber Composite Materials achieved earnings growth by meeting strong demand and expanding applications. Fibers & Textiles promoted business integrating fibers, textiles, to final products while enjoying steady sales for automotive applications and hygiene products. In addition, Plastics & Chemicals saw increases in shipments of products for automotive and packaging applications.

In terms of stockholder returns, we have raised annual cash dividends per share by ¥2 year on year to ¥13 based on a comprehensive consideration of every factor including the aforementioned business performance, fiscal 2016 forecasts, financial standing and retention of earnings necessary for future investment.



Akihiro Nikkaku

Akihiro Nikkaku
President

Project AP-G 2016 Basic Strategies

Steadily Implementing Project AP-G 2016 Initiatives to Achieve Our Long-Term Corporate Vision

Toray Group is working to further expand its businesses globally under AP-Growth TORAY 2020, a long-term corporate vision formulated with an eye on 2020. At the same time, the Group will focus on expanding green innovation businesses to become a corporate group that "continually increases revenues and profits," "proactively contributes to social development and environmental stewardship," and "offers high values to all stakeholders."

Under the Project AP-G 2016 medium-term management program, the second stage of AP-Growth TORAY 2020, we are working to further accelerate business expansion into fields that display Toray Group's strengths while formulating and undertaking strategies and challenges that will allow the Group to become the global leader in advanced materials.

Based on this policy, we have established eight basic strategies under Project AP-G 2016. As key initiatives within these strategies, this Group-wide project is promoting business expansion in growth fields, countries and regions while bolstering competitiveness.

Regarding business expansion in growth fields, we are focusing on the development of advanced materials and the creation of new businesses by leveraging the Group's strong-suit technological prowess and global business foundation in two challenging fields: the "Green Innovation Business Expansion (GR) Project," which contributes to solving problems in the areas of the environment, resources, and energy, and the "Life Innovation Business Expansion (LI) Project," which seeks to improve the quality of healthcare, ease burdens on medical institutions, and contribute to health and longevity.

Business expansion in growth countries and regions involves promoting the "Asia, Americas, and Emerging Country Business Expansion (AE-II) Project" in order to capture demand in promising growth countries and regions in Asia, emerging countries in other regions and the Americas.

As for bolstering competitiveness, under the "Total Cost Reduction (TC-III) Project," Toray Group aims to achieve a world-leading level of cost competitiveness by reducing variable and fixed costs while pursuing production process innovation and total operational cost reduction.

While focusing on these projects, we will actively step up growth investment to a greater extent than before while maintaining financial soundness using a D/E ratio of 1 or below with the aim of steadily raising the dividend payment in line with our earnings performance.

Now, I will provide an explanation of the progress of each project within Project AP-G 2016.

BASIC STRATEGIES AND GROUP-WIDE PROJECTS

Basic Strategies

1. Business expansion in growth business fields
2. Business expansion in growth countries and regions
3. Bolstering competitiveness
4. Strengthening sales and marketing
5. R&D strategies/Intellectual property strategies
6. Capital investment strategies
7. M&A and business alliance strategies
8. Human resources strategies

Group-wide Projects

- **Green Innovation Business Expansion (GR) Project**
- **Life Innovation Business Expansion (LI) Project**
- **Asia, Americas and Emerging Country Business Expansion (AE-II) Project**
- **Total Cost Reduction (TC-III) Project**

Progress of "Project AP-G 2016"

(Billion of yen)

	FY2013	FY2014	FY2015	FY2016 Target	FY2016 Initial Target
Net Sales	1,837.8	2,010.7	2,104.4	2,230.0	2,300.0
Operating Income	105.3	123.5	154.5	170.0	180.0
Operating Income to Net Sales Ratio	5.7%	6.1%	7.3%	7.6%	7.8%
ROA	5.5%	5.5%	6.7%	approx. 7%	8%
ROE	7.5%	7.7%	9.3%	approx. 10%	10%

ROA=Operating Income/Total Assets
ROE=Net Income Attributable to Owners of Parent/Owner's Equity
D/E ratio=Interest-bearing Debts/Owner's Equity

Basic dividend policy:
Aim for sustainable increase of dividends linked to earnings performance

Guide line of D/E ratio:
Below 1

Project AP-G 2016

Green Innovation Business Expansion

(GR) Project

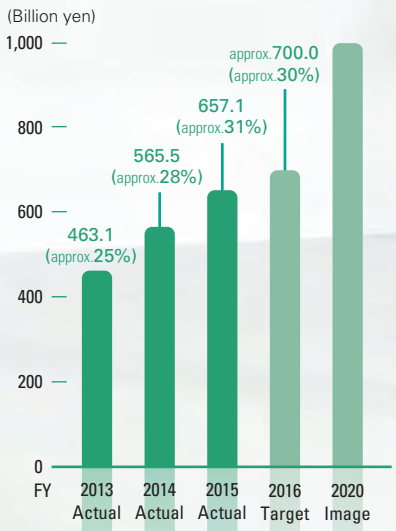
Successes in Carbon Fiber Composite Materials and Water Treatment Membranes

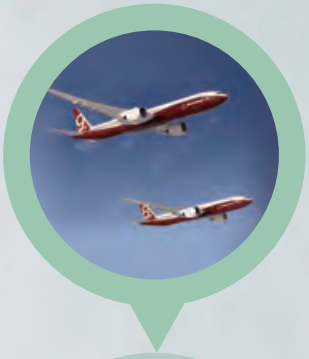
The Green Innovation Business Expansion (GR) Project aims to expand business in fields that contribute to resolving environmental, resource, and energy issues, including energy conservation, new energy, biomass derivatives, water treatment, air purification, low environmental burden, recycling, and process innovation.

In fiscal 2015, GR Project net sales were ¥657.1 billion owing to successes in carbon fiber composite materials business and water treatment business, representing steady progress toward the fiscal 2016 net sales target of ¥700.0 billion.

Green Innovation Business Expansion Plan

( ) net sales ratio





Toray Formally Signs ¥1.3 Trillion-plus Comprehensive Long-Term Agreement with The Boeing Company

Toray signed a comprehensive long-term agreement with The Boeing Company to supply carbon fiber TORAYCA® prepreg for the production of the new Boeing 777X large-sized twin-engine passenger aircraft, for which delivery of the first plane is slated for 2020, extending the existing supply agreement for the Boeing 787 Dreamliner. The new agreement has extended the comprehensive agreement that was signed in November 2005 by more than 10 years effective from 2015. The total value of prepreg to be supplied by Toray Group for both the 787 and 777X programs during the contract period is expected to exceed 1.3 trillion yen ($11 billion).

Toray Receives Large Order for TORAYFIL® Hollow Fiber Membrane Ultrafiltration Module in the Republic of Korea

Toray received an order to supply TORAYFIL® hollow fiber ultrafiltration (UF) membrane module to membrane-based water purification facility in Yeosu (scheduled to start operations in 2017), the largest in the Republic of Korea. This order is the largest of Toray UF membrane supply projects, giving the Company a near 50% share (Toray estimate) of the amount of water treated using at water purification membrane facilities in the country.

Toray Group is actively expanding global business activities that contribute to finding solutions for water resource problems. To that end, the Group will continue working to obtain large orders that use UF membrane TORAYFIL® as a diversified membrane manufacturer and steadily accumulate orders for reverse osmosis (RO) membrane ROMEMBRA®, which already boasts a leading global share, for treatment of sewage and industrial waste water, in addition to seawater and brine desalination.

Project AP-G 2016

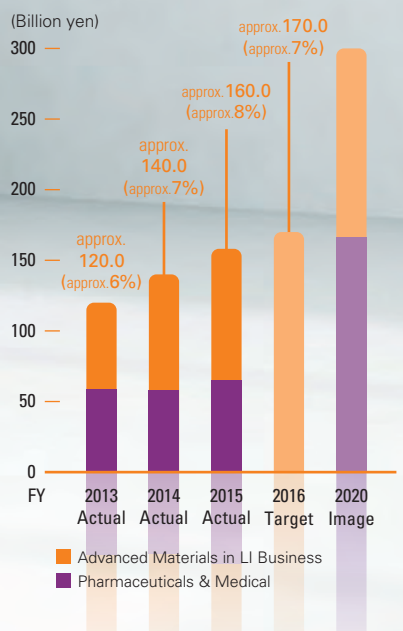
Life Innovation Business Expansion (LI) Project

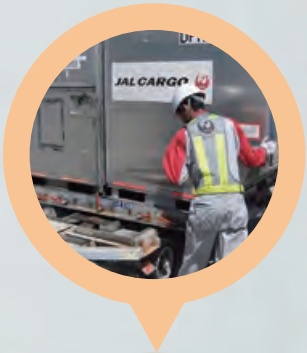
Expand Medical Device Business and Make Significant Progress in New Business Development

The Life Innovation Business Expansion (LI) Project aims to expand business in our present pharmaceutical and medical businesses and apply Toray Group's advanced materials, core and fundamental technologies, and business foundation to improve the quality of healthcare, ease the burden at medical institutions, and contribute to health and longevity. In fiscal 2015, LI Project net sales were approximately ¥160.0 billion, representing steady progress toward the fiscal 2016 net sales target of ¥170.0 billion. In particular, we are aggressively expanding our lineup of Toray advanced materials in the Life Innovation field while accelerating new business development.

Life Innovation Business Expansion Plan

( ) net sales ratio





Toray Commences Field Testing of Safety Management Services That Use hitoe®

In 2014, we began looking into introducing and developing applications for bio-electrode fabric hitoe®* in a wide array of industries and occupations. Developed jointly by Toray and Nippon Telegraph and Telephone Corporation (NTT), hitoe® is being used in smartwear devices that measure with a high degree of sensitivity biological data such as heart rate and cardiographic waveforms when it is worn. With hitoe® wearable devices actually being used by Obayashi Corporation employees at construction sites and Japan Airlines employees at outdoor areas of Naha Airport, Toray and NTT Communications Corporation have begun field tests with the aim of commercializing this fabric for use in heat stroke prevention and other safety management services.

*hitoe®: A nano-fiber that incorporates a highly conductive/polymerized compound that is form-fitting and durable.

For more information, please see "Special Feature 1" on page 24.

Toray Receives Approval for Catheter Ablation System Used in the Treatment of Paroxysmal Atrial Fibrillation

Toray received manufacturing and marketing approval from Japan's Ministry of Health, Labour and Welfare for its world's first catheter ablation system incorporating balloons using high-frequency waves, which is used to treat paroxysmal atrial fibrillation, and commenced sales of the system in April 2016. While the treatment of atrial fibrillation includes the use of antiarrhythmic drugs, catheter ablation, and surgery, this system is expected to make a major contribution in this area as a new choice in catheter ablation treatment capable of treating atrial fibrillation more safely and over a shorter time span.

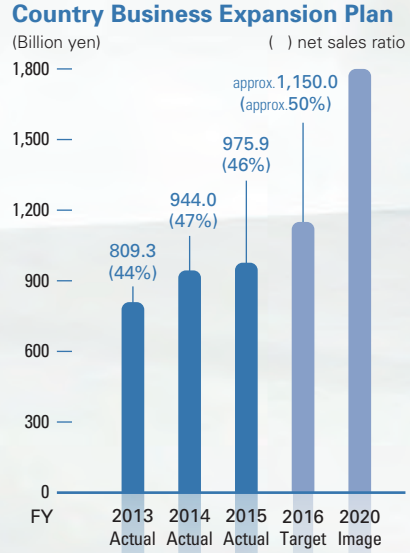
Project AP-G 2016
Asia, Americas and Emerging Country Business Expansion
(AE-II) Project

Pursuing Aggressive Growth Strategy in the Republic of Korea and the Americas

The Asia, Americas and Emerging Country Business Expansion (AE-II) Project encompasses numerous initiatives, including developing products and strengthening marketing and sales capabilities to meet the specific needs of each country, strengthening existing production infrastructure and establishing facilities in markets where we are not yet active, accelerating business expansion through alliances with leading local companies, and expanding the advanced materials business to meet demand growth from expanding middle- and upper-income demographics

In fiscal 2015, AE-II Project net sales were approximately ¥975.9 billion, reflecting growth investment and business base expansion. The project targets fiscal 2016 net sales of ¥1.15 trillion (approximately 50% of total net sales), which would exceed the ¥1 trillion mark. Key AE-II Project topics in fiscal 2015 are as follows.

Asia, Americas and Emerging Country Business Expansion Plan



Battery Separator Film Business Expansion in the Republic of Korea

Accompanying hybrid electric and electric vehicle market growth, Toray increased its production capacity to a level 2.3 times the pre-expansion amount in the Republic of Korea (slated to start production in 2016) to meet growing demand for SETELA™, a high-performance and high-reliability battery separator film for lithium-ion secondary batteries. In addition, Toray acquired battery separator film coating process facilities in the country from LG Chem Ltd., which manufactures lithium-ion batteries.

New Integrated TORAYCA® Prepreg Facility in the United States

In conjunction with signing a comprehensive long-term agreement with U.S.-based The Boeing Company to supply carbon fiber TORAYCA® prepreg for the production of the Boeing 787 and 777X, Toray has decided to construct an integrated facility with operations that extend from producing carbon fiber TORAYCA® yarn (precursor) to carbonization as well as a facility to produce prepreg used in TORAYCA® (carbon fiber sheets impregnated with resin). To this end, Toray has invested approximately ¥50 billion in a new business site located in South Carolina, U.S. Production of TORAYCA® from yarn is scheduled to be phased starting from May 2017. Toray's investment of around ¥100.0 billion through 2020 toward the new site is part of its plan to expand the carbon fiber composite materials business in the U.S. Looking ahead, Toray plans to enhance these production facilities on an ongoing basis.

Enhancement of Large Tow Carbon Fibers Production Capacity in Mexico

Toray enhanced the production facilities for large tow* carbon fibers at Zoltek Companies, Inc. ("Zoltek"), a subsidiary in the U.S., doubling the production capacity of Zoltek's Mexican plant to 5,000 tons from March 2016. Zoltek currently produces large tow carbon fibers at its plants in Hungary and Mexico. In addition to the rapidly growing demand for this product in wind power generation applications in recent years, large tow carbon fibers are expected to be increasingly used in automobile structures. In response to the robust demand for large tow carbon fibers, Zoltek plans to raise its production capacity (including that of the Hungary plant) of the material by 100% by 2020 from the current 13,000 tons per year. Under the plan, it will continue to carry out capacity enhancement of the Mexican plant in a phased manner.

*Large tow: Carbon fiber with a filament count of 40,000 or more

Project AP-G 2016 Total Cost Reduction (TC-III) Project

Reducing Costs by ¥200.0 Billion over Three Years Achievable

In addition to aggressively pursuing the aforementioned growth strategies, the Total Cost Reduction (TC-III) Project aims to cut costs by ¥200.0 billion over three years between fiscal 2014 and fiscal 2016 by continuing and deepening activities to reduce existing variable and fixed costs as well as by focusing on production process innovation and total operational cost reduction in sales and marketing.

In fiscal 2015, Toray Group reduced variable costs by ¥31.4 billion year on year, with a reduction rate of 3.7%, and kept fixed cost under budget by ¥14.0 billion. Regarding fixed costs, the Group has introduced a Performance Ratio (P-ratio) to monitor the ratio of growth rates for fixed costs and marginal profit for each company and business with the aim of maintaining a rise in fixed costs in line with profit growth during business expansion phases. In fiscal 2015, we met our budget with a Group-wide P-ratio of 0.97. Moreover, production process innovation and total operational cost reduction saved a total of ¥23.4 billion, thus boosting profits.

As a result of the above, total reductions achieved under TC-III Project in fiscal 2015 came to ¥68.7 billion, with a two-year total of ¥133.3 billion (achievement rate of 67%). In light of this, we are well on our way to reaching the cumulative target of ¥200.0 billion for fiscal 2016.

Reducing Power Consumption in Caprolactam Synthesis Processes by 30%

Toray and Toshiba Lighting & Technology Corporation have jointly developed technology that reduces power consumption by 30%, which involves the replacement of sodium lamps with LED ones for use in caprolactam* synthesis processes. This represents a revolutionary production process innovation realized through ceaseless on-site initiatives, and the replacement of existing lamps began in earnest in November 2015.

*Caprolactam: A raw material for nylon 6 that has a wide array of applications, including in clothing fibers and resins, industrial materials, automobiles, and electric machinery components

For more information, please see "Special Feature 2" on page 34.

Continuation of TC-II

- Continuing activities to reduce variable costs (over 3% each year and over 10% in three years)
- Controlling fixed costs through P-ratio* accounting method
  (P-ratio = under 0.96 each fiscal year)
- Activities involve participation of employees group-wide

Innovation of Production Process

- Set up innovative production processes to achieve drastic cost reductions based on new perspectives and approaches
- Collaborate across organizations, between research, technical, production and engineering departments

Total Operational Cost Reduction in Sales and Marketing

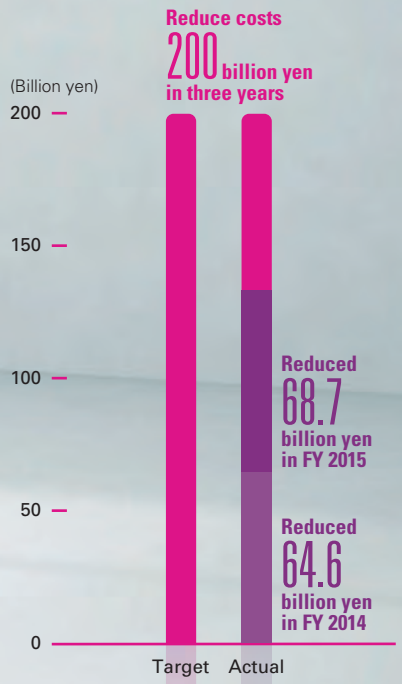
- Establish a highly competitive supply chain, by analyzing and understanding the operational costs and logistics systems

Results of FY2015

Variable costs:
Reduced 31.4 billion yen
(Reduction ratio 3.7%)

Fixed costs:
Reduced 14.0 billion yen
(P-ratio=0.97)

Effects from innovation of production processes and total operational cost reduction in sales and marketing
Total: 23.4 billion yen



*P(Performance)-ratio= fixed cost growth rate/marginal profit growth rate. Keep P-ratio below 1.0, or manage fixed costs for each division versus budget

Fiscal 2016
Performance Forecast

Target Net Profit of over ¥100.0 Billion and Dividend Increases for a Third Straight Fiscal Year

In fiscal 2016, we expect a gradual recovery in the overall economy led by the U.S. and other developed countries, but urge caution over risk factors including a slowdown in the Chinese economy, economic downturns in emerging countries, and the impact of normalization of U.S. monetary policy. In Japan, a gradual economic recovery is expected as the current slowdown fades amid ongoing improvement in employment and wage conditions. Nevertheless, there are concerns over downward pressure on the economy caused by a downturn in overseas economic conditions and fluctuations in global financial markets.

Against this backdrop, Toray Group will focus on promoting ongoing growth strategies and bolstering its earnings foundation in fiscal 2016, the final year of Project AP-G 2016.

We forecast consolidated net sales of ¥2,230.0 billion, operating income of ¥170.0 billion, ordinary income of ¥170.0 billion, and net income attributable to owners of parent of ¥105.0 billion. This outlook is based on pursuing growth fields such as green innovation and life innovation as well as business expansion in growth countries and regions in Asia, emerging countries in other regions, and the Americas under Project AP-G 2016. In addition, we plan to hike cash dividends for the third straight fiscal year (annual cash dividend of ¥14).

Toray Group will constantly seeking to be a global pioneer of technological advances and to develop and commercialize leading-edge technologies and new materials under the firm belief that, as the foundation of products, materials have the power to bring about fundamental transformations in society. In addition, the Group seeks to realize its corporate philosophy, "contributing to society through the creation of new value with innovative ideas, technologies and products," by emphasizing on-site capabilities in all corporate activities and overcoming problems through a thorough grasp and analysis of current conditions.

We would like to ask for continued understanding and support of our stockholders and investors as we pursue these initiatives.

Consolidated Performance Results Forecast for Fiscal 2016

(Billions of yen)

	FY2016 (Forecast)	Changes
Net Sales	2,230.0	+6.0%
Operating Income	170.0	+10.0%
Net Income Attributable to Owners of Parent	105.0	+16.5%

Our forecasts are predicated on an assumed foreign currency exchange rate of ¥105/US$1.
Released May 12, 2016

Forecast by Segment for Fiscal 2016

(Billions of yen)

	Net Sales		Operating Income	
Fibers & Textiles	910.0	(+18.0)	71.0	(+2.1)
Plastics & Chemicals	540.0	(+18.8)	34.0	(+4.6)
IT-related Products	280.0	(+28.9)	31.0	(+4.9)
Carbon Fiber Composite Materials	200.0	(+13.8)	38.0	(+1.9)
Environment & Engineering	220.0	(+36.7)	12.0	(+2.4)
Life Science	64.0	(+8.2)	5.0	(+1.9)
Others	16.0	(+1.3)	2.0	(+0)
Adjustment	—		-23.0	(-2.3)
Consolidated	2,230.0	(+125.6)	170.0	(+15.5)

Figures in parentheses indicate year-on-year increase/decrease.

Engaging in Ongoing Growth Investment

Project AP-G 2016 calls for aggressive investment in R&D and facilities aimed at realizing sustainable global growth. For the three years beginning in fiscal 2014, the program projects spending ¥400.0 billion for capital investment and ¥180.0 billion for investment in R&D in such areas as strengthening core products and technologies, advancing in new fields, and technologies, and production process innovation.

In fiscal 2016, we expect to make solid progress in line with our plan given above, undertaking capital investment of ¥175.0 billion (three year total: ¥432.7 billion) and investment in R&D of ¥65.0 billion (¥183.3 billion) in order to further boost initiatives for accelerating growth strategies implemented to date and realize sustainable growth going forward.

Major Capital Expenditure Projects

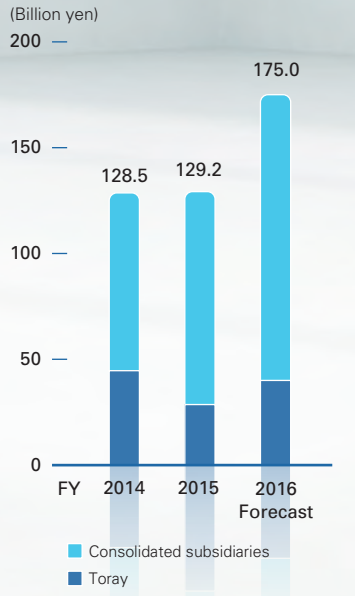
FY 2015

Toray Advanced Materials Korea Inc.	PPS (polyphenylene sulfide) resin production facilities
Toray Chemical Korea Inc.	Polyester staple fiber production facilities
Toray Composites (America), Inc.	Carbon fiber TORAYCA® prepreg production facilities
Zoltek Companies, Inc.	Large tow carbon fiber production facilities

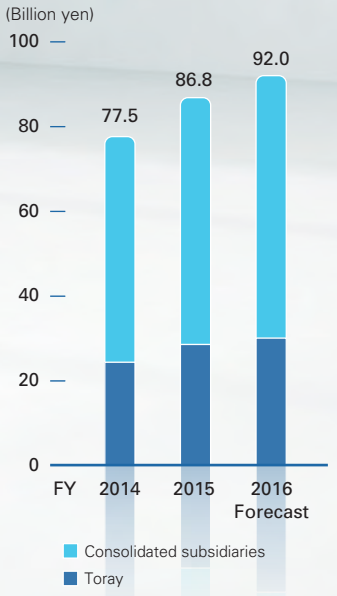
FY 2016

P.T. Toray Polytech Jakarta	High-performance polypropylene spunbond production facilities
Toray Carbon Fibers America, Inc.	Carbon fiber TORAYCA® prepreg integrated production facilities
Toray Battery Separator Film Korea Limited	Polyethylene film production facilities

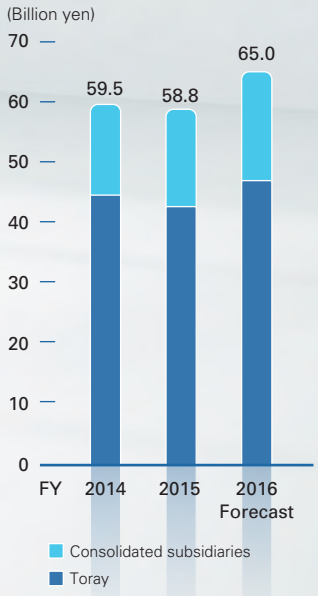
Capital Expenditures



Depreciation



R&D Expenses



hitoe®: FUNCTIONAL MATERIAL THAT BIOSENSES BODY SIGNALS

A wide range of industries and occupations has begun considering the use of hitoe® functional material, which senses heart rate and other biological information by simply wearing it.

hitoe® | Conductive polymers | PET nanofibers

Accelerating the Development of Wearable Device Applications

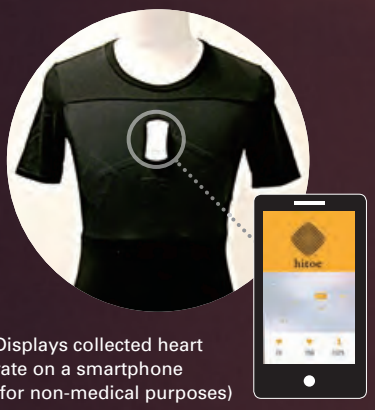
As the ubiquitous society infrastructure rapidly develops, computers are becoming accessible at anytime and anywhere for help and support, while the burden and discomfort of body-worn devices has also dramatically been reduced as they become lighter and smaller. A wide variety of data acquired and transmitted using these devices can now be accumulated and analyzed over cloud systems, leading to the advent of the IoT era, wherein everything is connected to the Internet. The commercialization of wearable devices once only seen in science fiction movies is expanding in earnest.

Wearable devices used as ICT* devices appear in various forms, such as watches, wrist bands, glasses, and clothing, and the development of applications is advancing in a wide range of fields including sports, health and medicine, safety and security, and entertainment.

Revolutionary hitoe® Functional Material Developed

Toray, in collaboration with Nippon Telegraph and Telephone Corporation (NTT), developed hitoe®, a bio-electrode functional nanofiber fabric material coated with a special electro-conductive polymer compound. An inner T-shirt using hitoe® can constantly and stably detect faint biological signals, such as heart and muscle potential, which can be readily monitored on a smartphone, PC or tablet via a special removable data transmitter attached to the shirt.

In normal polyester fibers, there is a large gap between fibers and the conductive polymer peels off easily while wearing and washing. The hitoe® nanofiber fabric, on the other hand, can withstand long hours of wearing and repeated washing because the conductive polymer



Displays collected heart rate on a smartphone (for non-medical purposes)

*ICT: Information and Communication Technology

is well woven and bonded with an imperceptible gap as small as 1/7,500 the width of a strand of hair. In addition, rashes will not form even if worn for many hours and it is comfortable to wear. Furthermore, this nanofiber material adheres tightly to the skin and collects biological information more accurately.

*Bio-electrode functional material hitoe® is not a medical device.

High-Function Sportswear, the First Commercialized hitoe® Product

hitoe® was first adopted for use in December 2014 in "C3fit IN-pulse," a high-function sportswear brand sold by Goldwin Inc. hitoe®, which does not use metal fiber and has a high affinity for sweat and moisture, is utilized in the brand's products for a variety of purposes from walking for health maintenance to strategic athletic competition.

hitoe® Worker Monitoring Service Commercialized in Fiscal 2016

In summer in 2015, Toray, in collaboration with Obayashi Corporation and Japan Airlines, began using hitoe® to monitor the physical condition of people working at construction sites and airport grounds, in addition to its factories, and to conduct verification tests pertaining to physical condition management systems aimed at preventing accidents. Amid increasing risk of heat stroke due to rising temperatures caused by global warming, as well as aging of field staff, the "hitoe® worker monitoring service," which effectively ensures a healthy and safe work environment by managing in real time on the cloud system the heart rate data of multiple people with individual differences through work clothes that utilize hitoe®, was placed on the market in April 2016.

hitoe® Attracting Attention from Various Industries and Occupations

The wearable-device clothing that incorporates hitoe® as a material has been studied for use to manage physical condition of drivers, provide mental health care at offices and monitor the elderly at nursing care facilities and at home, and also in a wide range of industries and occupations, including the medical fields.

Toray Group Segments

Business Categories	Segments		
CORE GROWTH DRIVING BUSINESSES	Net Sales Ratio 67.2%	Fibers & Textiles	
	Operating Income Ratio 56.1%	Plastics & Chemicals	
STRATEGICALLY EXPANDING BUSINESSES	Net Sales Ratio 20.7%	IT-related Products	
	Operating Income Ratio 35.5%	Carbon Fiber Composite Materials	
INTENSIVELY DEVELOPING AND EXPANDING BUSINESSES	Net Sales Ratio 11.4%	Environment & Engineering	
	Operating Income Ratio 7.3%	Life Science	

Notes: 1 Each percentage shows the share of net sales and operating income in the consolidated net sales and consolidated operating income respectively in the segment.
2 Excludes other businesses, equivalent to ¥14.7 billion (0.7%) in net sales and ¥2.0 billion (1.1%) in operating income, and adjustment of operating income of -¥20.7 billion.

Toray Group is able to secure stable expansion and profit growth from the Core Growth Driving Businesses of Fibers & Textiles and Plastics & Chemicals, while it actively works to expand earnings through the Strategically Expanding Businesses of IT-related Products and Carbon Fiber Composite Materials that it views as the drivers of its earnings growth over the medium- and long-term. Moreover, Toray Group is nurturing the Intensively Developing and Expanding Businesses of Environment & Engineering and Life Science as core earnings sources for future businesses to seek sustainable growth.

Main Products	Application Examples
Filament yarns, staple fibers spunyarns, woven and knitted fabrics of nylon, polyester and acrylics; non-woven fabrics; ultra-microfiber non-woven fabric with suede texture; apparel products	• Women's and men's clothes (stockings: nylon fiber, dress shirts: polyester-cotton blended fabric, apparel products, coats: ultra-microfiber non-woven fabric with suede texture) • Automobiles (airbags: nylon fiber, car seats, seatbelts: polyester fiber) • Furniture & interior (sofas: ultra-microfiber non-woven fabric with suede texture, carpets: BCF nylon, curtains: halogen-free, flame retardant materials) • Disposable diapers: polypropylene filament yarn non-woven fabric • Tents: polyester fiber
Nylon, ABS, PBT, PPS and other resins and molded products; polyolefin foam; polyester, polypropylene, PPS and other films and processed film products; raw materials for synthetic fibers and plastics; zeolite catalysts; fine chemicals such as raw materials for pharmaceuticals and agrochemicals; veterinary medicine (Except films and plastic products included in IT-related Products)	• Automobile components (radiator tanks, intake manifold: nylon resin, connectors: PBT resin, capacitor for hybrid cars: polypropylene film) • Home appliances (housing for washing machines, vacuum cleaners, air conditioners: ABS resin) • Power tools (circular tools housing: nylon resin) • Backsheet of solar panels: PET film • Packs for snack: polypropylene film, PET film • Veterinary medicine (for dogs and cats)
Films and plastic products for IT-related products; electronic circuit- and semiconductor-related materials; color filters for LCDs and related materials; magnetic recording materials; graphic materials; IT-related equipment	• Flat panel display televisions: PET film and LCD color filter manufacturing equipment • PCs: PET film, circuit materials, polyimide coatings • Cellular phones: color filters, LCP resin, circuit materials, PET film • Lithium-ion secondary batteries: Battery separator film • Printing: waterless printing plates, relief printing on resins, printing equipment • Backup tapes for server: PET film • Semiconductors: semiconductor coating materials
Carbon fibers, carbon fiber composite materials and related molded products	• Aircraft structure: carbon fiber composite materials • Sports gear and goods (golf shafts, tennis rackets: carbon fiber composite materials) • Bike frames: carbon fiber composite materials • PC chassis: carbon fiber molded products • Wind-power generator blades: carbon fibers • Marine vessels: carbon fibers • Industrial equipment materials: carbon fiber, carbon fiber composite materials • Bridge pier reinforcement: carbon fiber woven fabrics
Comprehensive engineering; condominiums; industrial equipment and machinery; environment-related equipment; water treatment membranes and related equipment; materials for housing, building and civil engineering applications	• Seawater desalination facilities: water treatment membranes and equipment • Sewage and waste-water treatment facilities: water treatment membranes and equipment • Condominiums • Housing: wall siding for houses, interior materials for buildings • Plants and manufacturing facilities: comprehensive engineering services
Pharmaceuticals; medical devices	• Pharmaceuticals (natural interferon beta preparation, oral prostacyclin-derivative, oral anti-pruritus drug) • Medical treatment devices (hemodialyzers, blood purifiers for severe sepsis, dialysis equipment)

Fibers & Textiles

Net Sales
(Billions of yen)

892.0

Operating Income
(Billions of yen)

68.9

ROA (Operating income/Assets)

9.9%

Operating income to net sales

7.7%

Capital expenditures

¥35.4 billion

(Billions of yen)

Fiscal	2014	2015	Changes	2016 Forecast
Net sales	856.7	**892.0**	4.1%	910.0
Operating income	55.6	**68.9**	23.9%	71.0
Assets	705.5	**680.9**		

Fiscal 2016 forecasts announced on May 12, 2016.

Summary of Consolidated Financial Results for the Year Ended March 31, 2016 (Fiscal 2015)

Fibers & Textiles segment net sales increased 4.1% year on year to ¥892.0 billion. Operating income rose 23.9% to ¥68.9 billion.

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 strove 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.

Outlook for the Year Ending March 2017 (Fiscal 2016)

In Japan, there are concerns that demand for apparel applications will remain weak due to the effects of sluggish consumer spending caused by the prolonged deflationary trend. Overseas, we expect the U.S. economy to remain strong, but overall we anticipate continued challenging business conditions, such as political instability in Europe and slowing growth in emerging countries including China.

In this business environment, we will continue strengthening and expanding the integrated operations from fibers and textiles to end products businesses, which is a core strength of the Toray Fibers & Textiles segment, while seeking to grow sales of applications for automotive airbags and hygiene products, the environmental field and other growth fields, as well as in China, emerging countries, the U.S. and other growth regions. We will also strengthen its business structure through cost cuts and other measures and aim to fulfill the earning potential of its core business and expand its global business.

Topic

Entered Third Stage of Strategic Partnership with UNIQLO

Toray and UNIQLO Co., Ltd. entered into an agreement for the third five-year plan to further strengthen their "strategic partnership," which was first established ten years ago, with the goal of creating a new trailblazing industry that goes ahead of its time. Toray, which aims to "be a global top company in advanced materials" under the firm belief that "materials have the power to bring about fundamental transformations in society," and UNIQLO, which aims to "be the world's leading SPA (Specialty-store retailer of Private-label Apparel) in LifeWear" with a commitment to "Changing clothes. Changing conventional wisdom. Change the world." will accelerate digitalization and globalization to achieve the initiatives listed below. During the five-year period from 2016 to 2020, the total amount of transactions between the two companies is expected to reach ¥1 trillion.

(1) Acceleration of globalization and digitalization to create a new industry:
- Further globalization and multipolarization of production sites and locations
- Optimize production at each location
- Realize an end-to-end business model by utilizing the Internet of Things (IoT)

(2) Maximize LifeWear that is made for all
- Improve comfort and functionality of current products
- Conduct research and development of products that offer completely new added value
- Develop new sportswear to enhance people's daily lives

CORE GROWTH DRIVING BUSINESSES

Plastics & Chemicals

Net Sales
(Billions of yen)

521.2

2015 521.2

2014 496.4

Operating Income
(Billions of yen)

29.4

2015 29.4

2014 23.9

ROA (Operating income/Assets)

5.4%

Operating income to net sales

5.6%

Capital expenditures

¥31.2billion

(Billions of yen)

Fiscal	2014	2015	Changes	2016 Forecast
Net sales	496.4	**521.2**	5.0%	540.0
Operating income	23.9	**29.4**	23.1%	34.0
Assets	562.1	**524.6**		

Fiscal 2016 forecasts announced on May 12, 2016.

Summary of Consolidated Financial Results for the Year Ended March 31, 2016 (Fiscal 2015)

Plastics & Chemicals segment net sales rose 5.0% year on year to ¥521.2 billion. Operating income expanded 23.1% to ¥29.4 billion.

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

Outlook for the Year Ending March 2017 (Fiscal 2016)

We forecast strong global automobile production, especially in North America and Europe, although the outlook for raw material and fuel prices remain uncertain. For packaging films demand for high-performance products is expected to expand as quality requirement levels become higher around the world.

In this business environment, in the resins business, we aim to expand high value-added products both for automotive and non-automotive applications, for which we see brisk demand globally. We also aim to increase sales of polyphenylene sulfide (PPS) resins, for which production was launched in the Republic of Korea. In the films business, we will focus on expanding sales of strong-selling products in packaging and industrial applications as well as high value-added products.

Topic

Expanding Resins Business in Europe and the U.S. for Mainly Automotive Applications

Toray newly established Toray Resins Europe GmbH (TREU), a marketing and distribution company for high-performance resin products, in Germany. TREU will introduce CAE analysis and resin evaluation tools, develop products that meet the needs of customers in Europe and provide technical support. Furthermore, Toray enhanced the Resin Technical Center within Toray Resin Co. (TREC), a resin subsidiary in the U.S., and built a new building. TREC will introduce new facilities, including a prototype extruder and scanning electronic microscope, in a bid to further strengthen resin compound technology development and technical support functions in the U.S.

With the establishment of a new resin company in Germany and expansion of the Resin Technical Center in the U.S., Toray will deepen collaboration with its customers, such as automobile parts manufacturers with their R&D functions in Europe and North America, as well as Japanese parts manufacturers, and propose even more detailed technical solutions locally.

In addition, mutual collaboration among Toray Group's resin compound bases in eight countries will allow the bases to supply in a timely manner products that cater for customers' needs to the production sites of these customers around the world.

IT-related Products

(Billions of yen)

Fiscal	2014	2015	Changes	2016 Forecast
Net sales	248.0	**251.1**	1.2%	280.0
Operating income	24.5	**26.2**	6.8%	31.0
Assets	360.4	**362.9**		

Fiscal 2016 forecasts announced on May 12, 2016.

Net Sales
(Billions of yen)

251.1

2015 251.1

2014 248.0

Operating Income
(Billions of yen)

26.2

2015 26.2

2014 24.5

ROA (Operating income/Assets)

7.2%

Operating income to net sales

10.4%

Capital expenditures

¥29.8 billion

Summary of Consolidated Financial Results for the Year Ended March 31, 2016 (Fiscal 2015)

IT-related Products segment net sales increased 1.2% year on year to ¥251.1 billion. Operating income grew 6.8% to ¥26.2 billion.

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 the 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.

Sub-segments (Billions of yen)

Fiscal	2014	2015	Changes
Display materials	83.8	**69.9**	-17%
Electronic components, semiconductors, electric circuit materials	109.7	**119.4**	+9%
Data storage materials	33.7	**30.4**	-10%
Equipment, others	20.7	**31.4**	+52%

Outlook for the Year Ending March 2017 (Fiscal 2016)

We anticipate an overall adjustment phase materializing for large LCD panel demand despite growing demand for 4K TV and other products, while we expect brisk demand for materials used in electronic components. We also anticipate continued pressure from customers to lower prices, in tandem with declining end product prices.

In this business environment, we will seek to increase sales and expand market share in high value-added film and processed film products for display and electronic component applications, especially for applications experiencing strong demand. We will also strive to expand sales of semiconductor materials and printing materials, in addition to organic EL materials of which demands look likely to grow.

In addition, we will enhance our production systems for battery separator films for lithium-ion secondary batteries, demand for which is increasing led by that for automotive applications.

Topic

Development of Water-soluble Polyimide for Anode Binders to Increase Capacity of Lithium-ion Batteries

Toray has developed a water-soluble polyimide for anode binders to increase the capacity of lithium-ion batteries. Sample shipments began in January 2016.

Anode binders help adhere anode materials to metallic substrates in the anode formation process for lithium-ion batteries. Over the past few years, silicon-based anode materials, which are able to store a larger amount of lithium, have been increasingly used to enhance the capacity of lithium-ion batteries. However, the volume of silicon-based anode materials changes considerably during electrical charge/discharge. Existing anode binders with lower strength tend to degrade and break after repeated expansion and contraction of anode materials, resulting in the separation of anode materials from the substrate.

As a leading global producer of polyimide, Toray thought that high-strength, high-elasticity polyimide, which is used as protective coatings for semiconductors, could also be applied to the anode binder. As the formation of polyimide requires thermal treatment in excess of 250°C, however, it was extremely challenging to use polyimide in the lithium-ion battery production process. By modifying polyimide at the molecular level, the Company was able to lower the temperature of the thermal treatment process to below 150°C, and it also successfully made the polyimide water soluble.

Toray will work on assessment of this water-soluble polyimide with its customers and accelerate the development of new technologies for establishing mass production as quickly as possible.

Carbon Fiber Composite Materials

Net Sales
(Billions of yen)

186.2

2015 186.2

2014 158.4

Operating Income
(Billions of yen)

36.1

2015 36.1

2014 26.2

ROA (Operating income/Assets)

8.3%

Operating income to net sales

19.4%

Capital expenditures

¥32.1 billion

(Billions of yen)

Fiscal	2014	2015	Changes	2016 Forecast
Net sales	158.4	**186.2**	17.6%	200.0
Operating income	26.2	**36.1**	37.7%	38.0
Assets	436.8	**429.5**		

Fiscal 2016 forecasts announced on May 12, 2016.

Summary of Consolidated Financial Results for the Year Ended March 31, 2016 (Fiscal 2015)

Carbon Fiber Composite Materials segment net sales increased 17.6% year on year to ¥186.2 billion. Operating income surged 37.7% to ¥36.1 billion.

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.

Sub-segments (Billions of yen)

Fiscal	2014	2015	Changes
Aircraft	78.0	**94.4**	+21%
Sporting goods	16.0	**15.7**	-2%
Industrial	64.4	**76.0**	+18%

Outlook for the Year Ending March 2017 (Fiscal 2016)

We anticipate strong growth in worldwide demand for carbon fiber in 2016 driven by continuing demand for aircraft and environment and energy-related applications. On the other hand, despite strong demand for materials for bicycles, we expect demand for sports applications to remain at nearly the same level as the previous fiscal year affected by weakness in demand for materials for fishing rods due in part to inventory adjustments by distributors.

In this business environment, we plan to maintain steady shipments of carbon fiber for aircraft applications centered on the Boeing 787 Dreamliner. We also plan to expand general industrial application sales in the environment and energy-related fields, which include wind power generation-related applications, among other things, for which demand continues to grow. In carbon fiber products for sports applications, we will further shift to high value-added products.

Topic

Comprehensive Agreement with Boeing to Supply Carbon Fiber TORAYCA® Prepreg

Toray has signed a comprehensive long-term agreement with The Boeing Company (hereinafter, "Boeing") to supply carbon fiber TORAYCA® prepreg for the production of the new Boeing 777X aircraft, extending the existing supply agreement for the Boeing 787 Dreamliner. The new agreement has extended the comprehensive agreement that was signed in November 2005 by more than 10 years effective from 2015. The total value of prepreg that Toray Group will supply for both 787 and 777X programs for the contract period is expected to exceed ¥1.3 trillion ($11 billion). Together with the extension, Toray decided to invest approximately ¥50 billion to construct an integrated production line extending from yarn (precursor) to high-performance carbon fiber TORAYCA®, with an annual production capacity of 2,000 tons, and a production line for TORAYCA® prepreg (carbon fiber sheets impregnated with epoxy resin) in the new commercial premises it acquired in Spartanburg County, South Carolina in the U.S.

This represents the first phase of a planned ¥100 billion investment as Toray seeks to expand its carbon fiber composite materials business in the U.S.

Toray is aiming to drive an exponential increase in aerospace applications in the carbon fiber composite materials business under its medium-term management program Project AP-G 2016. It will continue to expand its infrastructure to ensure a stable material supply to Boeing, while upgrading its business structure and increasing revenue.

INTENSIVELY DEVELOPING AND EXPANDING BUSINESSES

Environment & Engineering

Net Sales
(Billions of yen)

183.3

Operating Income
(Billions of yen)

9.6

ROA (Operating income/Assets)

4.8%

Operating income to net sales

5.2%

Capital expenditures

¥3.6 billion

(Billions of yen)

Fiscal	2014	2015	Changes	2016 Forecast
Net sales	180.0	**183.3**	1.9%	220.0
Operating income	8.0	**9.6**	19.5%	12.0
Assets	204.2	**193.8**		

Fiscal 2016 forecasts announced on May 12, 2016.

Summary of Consolidated Financial Results for the Year Ended March 31, 2016 (Fiscal 2015)

Environment & Engineering segment net sales increased 1.9% year on year to ¥183.3 billion. Operating income climbed 19.5% to ¥9.6 billion.

In the water treatment business, profitability of exports 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 the Republic of Korea also performed strongly.

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

Outlook for the Year Ending March 2017 (Fiscal 2016)

We expect the outlook of business conditions for the water treatment business to remain uncertain globally due to factors including political instability in the Middle East, postponement of new project creation and of replacement projects in oil-producing countries due to low oil prices, and economic slowdown in China.

In this business environment, we will strengthen cooperation of production bases in Japan, with those in the U.S., China, the Republic of Korea and Saudi Arabia in order to further expand sales, while also implementing rigorous cost reduction.

In the engineering business, we will aim to increase plant construction projects and expand sales of industrial equipment.

Topic

Toray Received an Order for UF Membrane Module TORAYFIL® for Korea's Largest Membrane Filtration Water Purification Facility

Toray received an order for the hollow fiber ultrafiltration (UF) membrane module TORAYFIL® for a membrane-based water purification facility in Yeosu City, the largest in the Republic of Korea. The facility has a water treatment capacity of 134,000 m³ per day, which is the largest of Toray UF membrane supply projects. This order brings the amount of water treated using Toray water purification membrane facilities in the Republic of Korea to more than 220,000 m³ per day, a nearly 50% share of the market*.

In the Republic of Korea, Toray has the largest share in the water purification membrane market. It has so far supplied TORAYFIL® to the Gongju and Imsil water treatment plants in the country and has received an order also for the Seongnam Bokjeong water treatment plant, which is scheduled to begin operations in 2017. Winning the order for Yeosu facility signifies trust the Company has built through these achievements. In addition, in a bid to further expand its water treatment business, Toray acquired Woongjin Chemical Co., Ltd. (currently Toray Chemical Korea Inc.), a major Korean reverse osmosis (RO) membrane manufacturer, in 2014.

Toray is scheduled to supply TORAYFIL® to the Yeosu facility in 2016, and the plant is expected to start operations in 2017.

* Calculation based on facilities whose water treatment capacity is 5,000 m³ per day or more. Estimates by Toray

Life Science

Net Sales
(Billions of yen)

55.8

Operating Income
(Billions of yen)

3.1

ROA (Operating income/Assets)

3.7%

Operating income to net sales

5.5%

Capital expenditures

¥3.2billion

(Billions of yen)

Fiscal	2014	2015	Changes	2016 Forecast
Net sales	57.0	**55.8**	-2.1%	64.0
Operating income	4.1	**3.1**	-24.7%	5.0
Assets	82.9	**83.3**		

Fiscal 2016 forecasts announced on May 12, 2016.

Summary of Consolidated Financial Results for the Year Ended March 31, 2016 (Fiscal 2015)

Life Science segment net sales declined 2.1% year on year to ¥55.8 billion. Operating income decreased 24.7% to ¥3.1 billion.

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 REMITCH®*, an oral anti-pruritus drug increased, as the product received approval in Japan 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.

Outlook for the Year Ending March 2017 (Fiscal 2016)

The pharmaceutical and medical device markets are expected to face a harsh business environment as National Health Insurance drug prices and reimbursement prices are due to be revised in April 2016.

In these conditions, in the pharmaceuticals business, we will seek to expand sales of REMITCH®, an oral anti-pruritus drug that obtained approval in May 2015 for the additional indication of treating pruritus in chronic liver disease patients, while in the medical devices business we will seek to expand sales of dialyzers and dialysis equipment.

Topics

Obtained Approval for Additional Indication in Japan for REMITCH® CAPSULES 2.5 μg

Toray received approval for REMITCH® CAPSULES 2.5 μg on May 20, 2015 for a new indication for improvement of pruritus in chronic liver disease patients in case of insufficient effectiveness of the existing therapies or treatments. Toray has already marketing approval for the drug, which is being promoted and distributed by Torii Pharmaceutical Co., Ltd. as a treatment of pruritus in hemodialysis patients in Japan.

Received Approval for Catheter Ablation System for Paroxysmal Atrial Fibrillation Treatment

Toray received marketing approval on November 18, 2015 for the following three medical devices: the SATAKE•HotBalloon® Catheter, a balloon catheter, the SATAKE•HotBalloon® Generator, a dedicated radio frequency generator, and the TRESWALTZ®, a guiding sheath. The SATAKE•HotBalloon® system, configured as a combination of these three devices, is the world's first radiofrequency thermal balloon catheter ablation system for treatment of paroxysmal atrial fibrillation.

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

Special Feature 2

PRODUCTION PROCESS BREAKTHROUGH: INNOVATIVELY ENERGY EFFICIENT SYNTHESIS OF NYLON RAW MATERIAL

Toray's technology reduces power consumption by 30% with a process that synthesizes caprolactam, the raw material for Nylon 6

Toray is a Pioneer in Japan's Nylon Development

Of the three major synthetic fibers*, nylon has the oldest history and is today used in a wide range of applications including clothing, industrial materials, automobiles, and electrical parts. Because nylon is particularly light and soft, highly elastic, and exhibits great strength under daily use, demand for it remains stable in stockings, women's underwear, sportswear and other clothing. "Nylon," derived from the trademark "Nylon 66" originally developed by DuPont in the U.S., is today used as a generic term for polyamide (a polymer with an amide bond) fibers or resins, but Nylon 66 and Nylon 6 account for the majority of nylon. In the 1930s, Wallace Carothers of DuPont developed Nylon 66, which has adipic acid and hexamethylene diamine as its raw materials. DuPont's popularizing of this material under the "Nylon" product name marked the dawn of the age of synthetic fibers. Toray, in a technical tie-up with DuPont in 1951, added Nylon 66 to its product lineup. However, in 1951, Toray successfully synthesized caprolactam, the raw material for Nylon 6, using its own photo-reaction technology.

*Three major synthetic fibers: Nylon, polyester, and acrylic

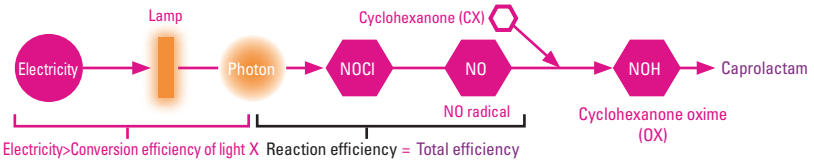
"Pursuit of the Ultimate Limits" and "Super-continuity" bear Fruit of a Large 30% Reduction in Power Consumption

This photo-reaction technology exposes nitrosyl chloride (NOCl) to intense light creating a caprolactam (cyclohexanone oxime) intermediate.

It is a very efficient process that can synthesize an intermediate in one step of irradiation at room temperature, and does not require equipment for a high-temperature environment. What industrial production requires most, however, is an efficient light source with a long life-span. For Toray, a material manufacturer, to develop such a specialized lamp on its own was difficult, and it was forced to adopt for a time a conventional process requiring multiple reaction processes.

Caprolactam Synthesis Process

Photo-reaction technology is a technology wherein photons emanated from the photo-reaction lamp dissociate the energy that binds nitrogen monoxide (NO) and chloride, generating the radical of nitrosyl chloride (NOCl), which further reacts with cyclohexane (CX) to produce the intermediate cyclohexanone oxime (OX). We then rearrange OX and manufacture caprolactam. Switching over to the newly developed LED lamp enables dramatic improvement in the efficiency of converting electricity to light and reaction efficiency to generate the NO radical.



In 1962, about 10 years after the discovery of a unique photo-reaction technology, Toray developed a specialized lamp in collaboration with Toshiba Lighting & Technology Corporation and finally achieved the industrial production of caprolactam using Toray's original photo-reaction technology. Over a half century, we continuously commercialized new lamps, from mercury lamps to metal halide lamps and sodium lamps, steadily improving production efficiency through more than 400 lamp liaison meetings with Toshiba Lighting. In 2009, recognizing that there were limits to these improvements, we embarked upon joint research of LED lamps in order to make the transition from the conventional electric discharge lamp to a new light source, and in 2011 we developed LED lamps for production machinery and the technology for those actual applications, and commercialized a technology that reduces power consumption by 30%. In November 2015, we began a full-scale changeover to LED lamps in existing equipment. In the production process of electricity-dependent photo-reaction systems, commercialization of technology that is capable of reducing power consumption remarkably by 30% is truly groundbreaking.

Only 12 LED Lamps are Enough to Light Up a Domed Stadium

This LED lamp we developed is the world's largest, with a two-meter long light-emitting part and 40 thousand light-emitting elements. The lamp has approximately 6,000 times greater output than other products on the market and 12 lamps can light up a domed stadium. Further, it has a long life of seven years (three years for the sodium lamps). The lamp is loaded with numerous technologies, including those for high-density mounting and subsequent heat exhaustion, and a miniaturized device to control the current at a constant level to prevent excess current. Because even the LED generates a great deal of heat due to the impact of the element's high-density mounting, we have developed a special heat sink and other devices to remove heat.

Constant Production Process Innovation based on Technological Capability

Under the Total Cost Reduction (TC-III) Project in Project AP-G 2016, Toray has constantly strengthened its corporate structure through production process innovation.

The caprolactam market is seeing massive production expansion in China, but Toray has maintained the international competitiveness of its domestic plants through its commitment to strategic partnerships like that seen in the LED photo-reaction lamp, and above all in its "Pursuit of the Ultimate Limit" and "Super-continuity" style of technological development that is characteristic of Toray.

LED lamps are still evolving and efficiency improvements based on photo-reaction technology have entered a new level. As Japan's leading manufacturer, producing almost 100,000 tons of caprolactam annually, Toray will continue to focus on production process innovation based on its technological capabilities.

INTEGRATED VAL

Toray Group aims to be a corporate group that delivers exceptional value to each and every one of its stakeholders. Based on its corporate philosophy, "contributing to society through the creation of new value with innovative ideas, technologies and products by creating new value," the Group advances its global operations through the strategy trinity of business, R&D, and intellectual property. At the same time, the Group promotes bolstered safety, accident prevention, and environmental preservation, corporate ethics, and legal compliance to fulfill its corporate social responsibility (CSR) as its top priority management theme to achieve sustainable growth.

UE MANAGEMENT

Since its founding, Toray has carried out R&D on advanced materials based on the firm conviction that "research and technical development provide the key to building the Toray of tomorrow."

R&D

BASIC POLICY, FEATURES, AND STRENGTHS

Toray R&D Features

1

Culture of Commitment to Basic Research

Our culture prioritizes basic research that takes in the larger picture, recognizes the value of materials and is not swayed by popular trends and so provides a fertile foundation for continuing to create innovative advanced materials like our carbon fibers and reverse osmosis membranes.

2

Long-term and Persistent Efforts to Pursue Advanced Materials and Technology to the Limit

Our commitment to unceasing pursuit in R&D—exemplified in our strong preference for advanced materials and belief that delving deeper into a single theme yields new inventions and discoveries—has taken root in the form of persistent efforts over the long term. We believe this "super-continuity" approach spurs innovation.

3

Specialist Teams in Many Fields

Toray's teams of specialists have abundant knowledge and experience in a wide variety of fields including polymer design, function enhancement technology, and drug discovery, formulation, and pharmacology, which are applications of our core technologies.

4

Undivided R&D Organization

The Technology Center serves as the nexus for all R&D functions enabling advanced materials created in one field to be rapidly applied to other fields.

5

Leader in Industry-government-academia Collaborative Research

Toray actively engages in technology fusion through external collaboration and open innovation activities with industries, governments, and academic institutions in Japan and overseas with the aim of continuing to create innovative advanced materials.

6

Strategic Partnerships with Industry Leaders

Toray produces first-to-market advanced materials in growth markets through collaborations with leading companies and venture companies in Japan and overseas.

7

Advanced Analytical Capabilities

Toray works closely with Toray Research Center Inc., which has extensive achievements in commissioned analysis and research studies, to enhance the Company's analysis capabilities for its R&D and production technology.

R&D Innovation Center for the Future to be Established to Take the Lead in the 21st Century with Advanced Materials

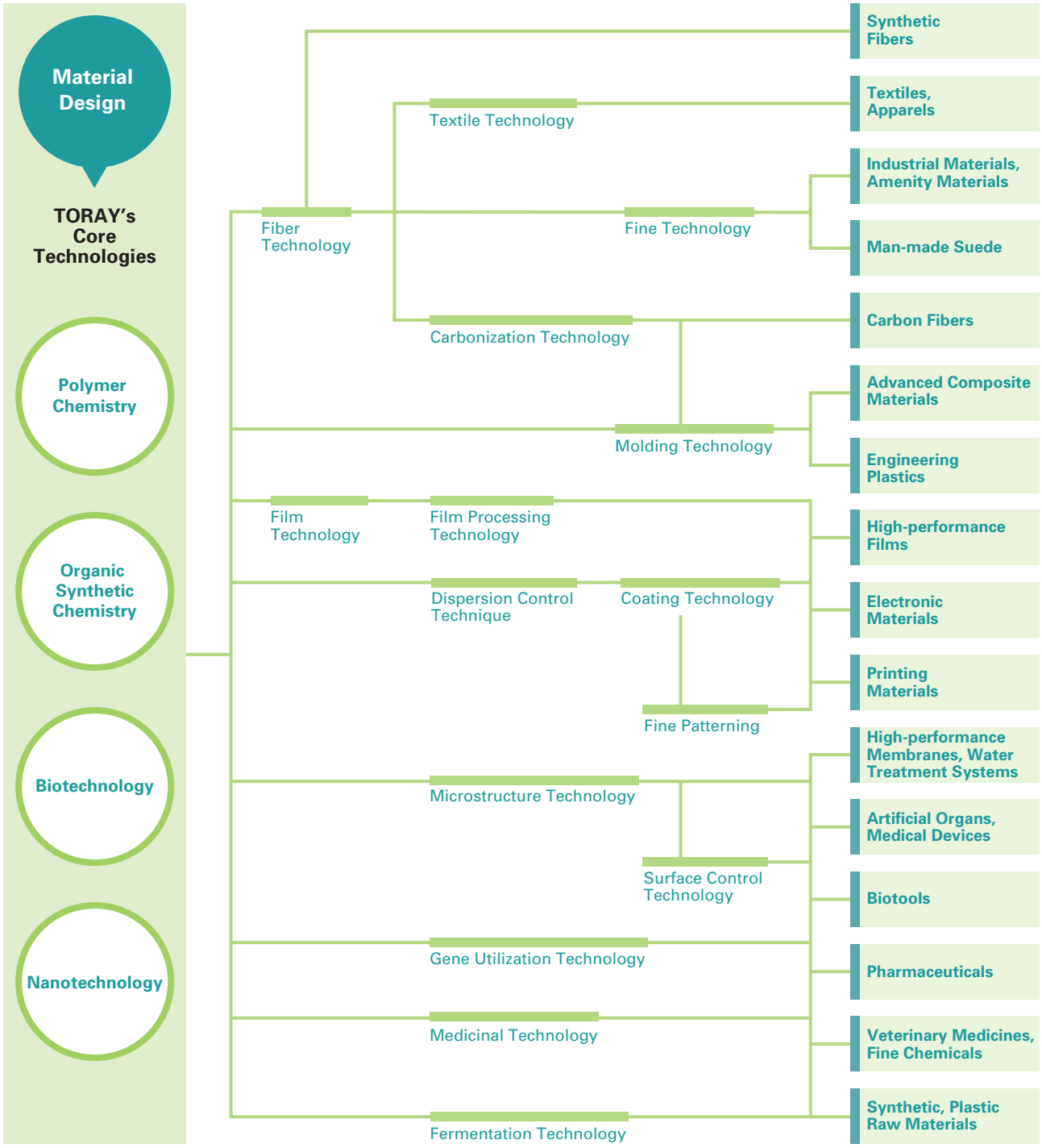
Toray will establish the R&D Innovation Center for the Future at its Shiga Plant where the Company was founded and will strengthen R&D to make people's lives better with *Kotozukuri**, which utilizes the strengths of advanced materials.

The R&D Center, composed of the Integrated Research Site with the function of idea creation for future society and the Experimental Research Site that conducts development, evaluation and demonstration of prototypes based on those ideas, will be positioned as Toray's headquarters for its global research alliance. Furthermore, the Center will pursue strategic open innovation through interaction, integration and collaboration with academia and important partners from diverse fields by performing innovation hub functions such as an international conference hall, exhibition and demonstration area and open lab, and promote integration of frontier technologies with Toray's unique materials and technologies at its core.

* A way of finding value not only in products or in their quality but also in their life cycle from manufacturing to marketing, advertising, selling and after-services, as well as in how they are handled and treated by people involved in their life cycle, by attaching stories unique to products created by people involved in their life cycle through interaction and communication among people

Aiming to be the Global Leader in Advanced Materials

Toray Group aims to be the global leader in advanced materials. Following our motto that "innovative products only come with innovative materials," we are deepening and integrating our four core technologies of organic synthetic chemistry, polymer chemistry, biotechnology, and nanotechnology to pursue innovation and play an active role developing society as well as conserving and existing in harmony with the environment.



R&D

R&D EXPENDITURE AND ACHIEVEMENTS

Toray Group's R&D facilitates fortifying the stable revenue bases and enhancing the earnings of the two Core Growth Driving Businesses of Fibers & Textiles and Plastics & Chemicals. R&D also supplies a steady stream of advanced materials in the Group's four priority growth fields of environment, water-related and energy; information, telecommunications and electronics; automobiles and aircraft; and life science.

Fiscal 2015 R&D Achievements

Percentage Breakdown of Total R&D Expenses in Fiscal 2015

35%

9%

4%

CORPORATE R&D

Toray applied high tensile strength and high elastic modulus polyimide, in which Toray has extensive knowledge, to lithium-ion batteries and developed water-soluble polyimide that uses an anode binder in response to increased battery storage capacity. In addition, Toray has expanded business in this field by demonstrating its product and technological synergies with Greenerity GmbH, a company acquired by Toray and turned into a subsidiary, which is engaged in the development, manufacture, and sale of parts for fuel cells and water electrolyzers.

LIFE SCIENCE

Toray signed a licensing agreement for the territory of Japan for a compound invented by BONAC Corporation that is classified as a nucleic acid drug for idiopathic pulmonary fibrosis. Toray also developed the world's first catheter ablation system for the treatment of paroxysmal atrial fibrillation by balloon utilizing high frequency. Toray obtained approval from the Ministry of Health, Labour and Welfare for the manufacturing and marketing of medical equipment that make up this system.

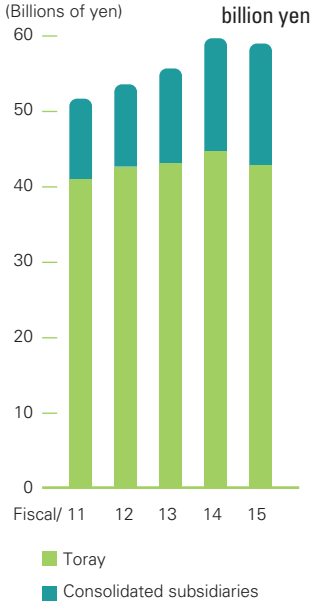
ENVIRONMENT & ENGINEERING

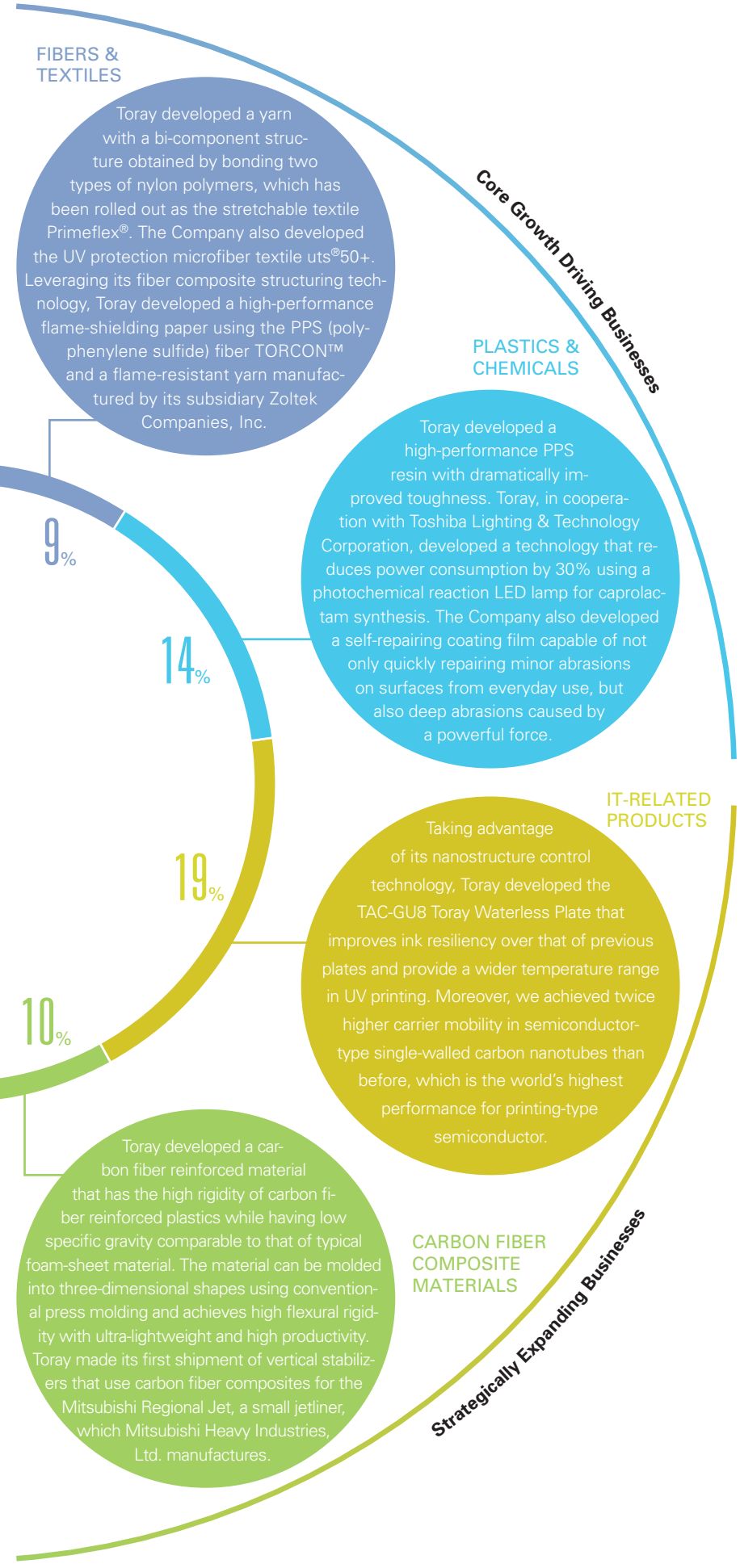
Low-fouling reverse osmosis (RO) membrane successfully established the basic technology to reduce the adhesion of various foulants even more than before, while maintaining high salt rejection and water permeability performance. Toray also developed the TORAYVINO®CASSETTY206SMX, a faucet-mounted water purifier equipped with a cartridge that can be replaced easily and simply and with nearly twice the filtration volume of the Company's existing products.

Intensively Developing and Expanding Businesses

R&D Expenses

58.8 billion yen





R&D Topics

Topics 1

Printing-type CNT Semiconductor achieves World's Highest Performance

Toray achieved twice higher carrier mobility* of 36 cm^2/Vs in single-walled carbon nanotubes (CNTs) than before, which is world's highest performance for printing-type semiconductors. Although single-walled CNTs are being developed for thin film transistors (TFT) for displays, it became more difficult to uniformly disperse highly semiconductor enriched CNTs, hampering the exercise of the high semiconductor performance.

Toray developed a proprietary semiconductor polymer that offers easier mutual interaction with highly semiconductor enriched CNTs and has successfully increased the carrier mobility in printed TFTs by about 40 times higher than that of amorphous silicon which is currently used in displays. Toray will establish the technology for application in the field of RFID tags and biosensors based on the advantage of lower costs, a characteristic of printing-type semiconductors.

*Carrier mobility: An indicator of the mobility of carriers such as holes and electrons in semiconductors.

Topics 2

CFRTP for Injection Molding with Improved Impact Resistance Developed

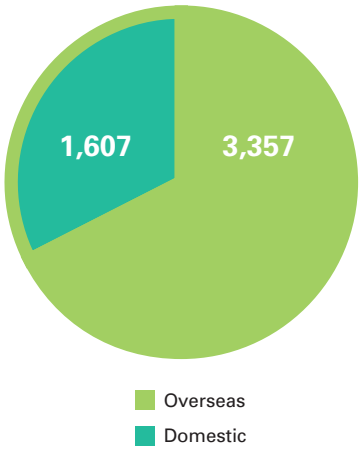
While Toray lengthened the carbon fibers and raised the impact resistance of carbon fiber reinforced thermoplastic (CFRTP) to deal with the problem of a tendency to fracture during injection molding, Toray developed CFRTP for injection molding, which more than doubles impact resistance over existing products while maintaining tensile and mechanical strength by combining flexible and difficult to break heterologous fiber. Since this product does not utilize an elastomer such as rubber, it has the characteristic of being able to maintain impact resistance at a level equivalent to that at room temperature even at low temperatures of 0°C or below, and being difficult to deform at constant stress with the passage of time.

Moving forward, we will accelerate the development of technology for mass-production with the aim of commercialization within two years. We will utilize the technology in a wide range of applications including automobiles, aircrafts, consumer electronics, and mobile products.

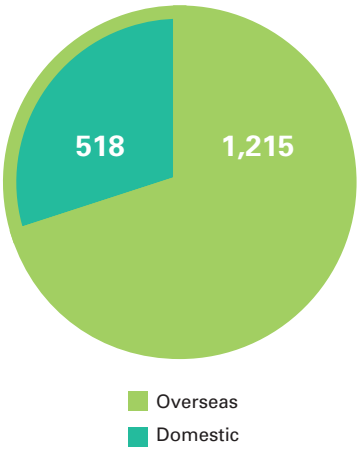
INTELLECTUAL PROPERTY

BASIC POLICY AND PRIORITY STRATEGIES

Toray Patents Filed in Year Ended March 31, 2016



Total Patents Held to Date



Intellectual property strategies must be organically linked to business strategies and R&D strategies. Toray pursues an intellectual property strategy with coordination of these three areas in line with management policies.

While continuing to create innovative new materials and technologies, Toray seeks to firmly maintain its technical advantages by pursuing an intellectual property strategy comprising the following four points, the realization of which would be entry barriers for competitors.

1. Further enhance the quality of patents
2. Construct a globally competitive network of patents
3. Protect the Company's technical advantages with effective measures including strategic patent applications
4. Cultivate personnel with deep knowledge of overseas intellectual property

The Company is currently stepping up patent applications and rights acquisitions and constructing a strong patent portfolio globally with a priority in the growth areas of the Project AP-G 2016 medium-term management program's Green Innovation Business Expansion (GR) Project and Life Innovation Business Expansion (LI) Project.

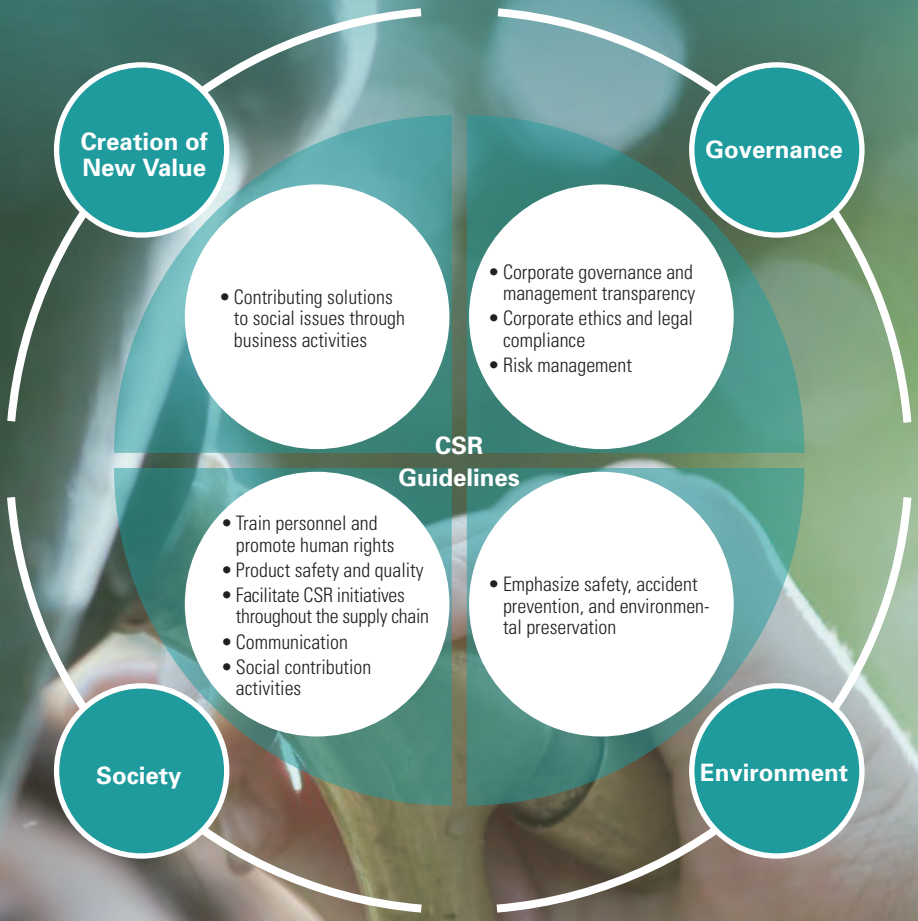
Under the Asia, Americas and Emerging Country Business Expansion (AE-II) Project, the Company is formulating and advancing intellectual property strategies correlated with the business strategies and R&D strategies that Toray Group is implementing globally with a focus on growth countries and regions showing promise for future business expansion. While fortifying Toray's patent applications and rights acquisitions overseas, Toray Group companies overseas are also stepping up patent application and rights acquisition activities to properly protect inventions created at Group R&D bases worldwide.

In fiscal 2015, Toray Group filed 1,607 patent applications in Japan and 3,357 overseas, and 518 patents in Japan and 1,215 overseas were registered.

Toray publishes an annual Intellectual Property Report describing the intellectual property initiatives by the Toray Group. The report is available for download at:

▶ http://www.toray.com/ir/library/lib_005.html

Sustainable Management



We regard advancing CSR, especially safety, accident prevention and environmental preservation as well as corporate ethics and legal compliance, as one of the most important management priorities for Toray Group. Our goal is to earn respect and support in the international community and become a corporate group that contributes social value for all our stakeholders through our core business activities.

For more details, please refer to the Toray Group CSR Report 2016.

CSR INITIATIVES

TORAY GROUP'S MANAGEMENT PHILOSOPHY AND CSR

Toray's Management Philosophy and Code of Conduct

Under our Corporate Philosophy of "contributing to society through the creation of new value with innovative ideas, technologies and products," Toray Group has from the beginning pledged to have a positive impact on society through its business, realizing its corporate social responsibility and management philosophy at the same time.

Our Management Philosophy is also supported by our Corporate Ethics and Legal Compliance Code of Conduct, which provide a reference for specific standards of conduct for all employees.

Toray Group's CSR activities are conducted in an organized and systematic manner following the three-year CSR Roadmap. Toray Group is strategically practicing social responsibility under its Fifth CSR Road Map for fiscal years 2014 to 2016, which consists of carefully defined CSR strategies, medium- and long-term tasks, and a detailed action plan.

ENVIRONMENTAL MANAGEMENT INITIATIVES

Promotion of LCM-based Environmental Management

To solve global environmental problems, it is vital that we address these problems across the entire life cycle of products and services, and reduce our environmental footprint while improving our economic and social value. To this end, Toray Group promotes Lifecycle Management (LCM).

This approach is the foundation of Toray's Green Innovation Businesses. Toray Group has adopted LCA*1 methods and the Toray Eco-Efficiency Analysis (T-E2A)*2 tool to promote and entrench LCM.

*1 **Life cycle assessment:** Assessment of environmental impacts taking into account the entire life cycle of products and services—from resource extraction to manufacturing, use, and disposal.

*2 **Toray Eco-Efficiency Analysis (T-E2A):** Environmental analysis tool developed by Toray. It produces a map of multiple products plotted along the axes of environmental impact and economic performance, enabling users to select the most environmentally friendly and economical products.

Initiatives to Conserve Energy and Fight Global Warming

Toray Group was an early adopter of greenhouse gas (GHG) reduction initiatives with a view to helping realize sustainable, low-carbon societies. Under the Fourth Medium-term Environmental Plan in fiscal 2011, the Group has systematically implemented measures to reduce GHG emissions, including improving its processes to conserve energy and installing gas cogeneration systems.

From fiscal 2016 onwards, Toray Group intends to steadily implement initiatives for reducing GHG emissions in order to achieve its new reduction targets.

Voluntary Reduction in Atmospheric Emission of Chemical Substances

Engaged in the chemicals business, Toray Group believes that the reduction of environmental loads, including release of chemical substances into the atmosphere, is one of its most important priorities.

We achieved our targets set in the Fourth Medium-term Environmental Plan (from fiscal 2011 to fiscal 2015) for reducing emissions of substances covered by the PRTR law and volatile organic substances (VOCs).

While business growth is likely to result in higher production volumes, we are resolutely implementing measures to reduce emissions and achieve our new reduction targets for fiscal 2020.

Initiatives to Prevent Air and Water Pollution

Toray Group has ongoing environmental protection initiatives in place at its production facilities. The Group will focus efforts on reducing sulfur oxide (SOx) emissions by installing desulfurization systems and converting to alternative fuels, as well as on lowering chemical oxygen demand (COD) levels by expanding our wastewater treatment facilities and other measures.

Water Resource Management Initiatives

Toray Group, through its water treatment business, is addressing water resource issues around the world based on the following principles. The Group also takes steps to ensure the proper management of water resources used in its business activities, including using recycled water to enhance water usage efficiency.

1. Toray Group recognizes that water is one of the most important resources for humanity, and that people are confronting problems related to water resources in many areas of the world.
2. Toray Group is committed to helping to solve global water resources problems through its products, technologies and services.
3. Toray Group continuously monitors the state of regional water resources, and conducts appropriate management of water resources according to the basic principle of sharing precious water resources with the local communities where the Group operates.

Toray Group practices the 3Rs (reduce, reuse, recycle) in consuming water resources, and monitors the quality of water that is released into public bodies of water.

Initiatives to Reduce Waste

Toray Group recognizes the importance of effectively utilizing resources and facilitating zero emissions in creating a sustainable, recycling-oriented society. The Group implemented measures to achieve the Fourth Medium-term Environmental Plan's fiscal 2015 numerical targets for simply disposed waste, landfill, and recycling ratios set as indicators for measuring progress toward attaining zero emissions.

Biodiversity Initiatives

Toray Group recognizes the protection of biodiversity as an important theme in its initiatives for reducing greenhouse gases and confronting global environmental problems. We aim to help realize a sustainable society by analyzing the impact of our business activities on biodiversity.

Based on the Toray Group's Biodiversity Initiatives, we have been formulating three-year road maps and implementing measures in order of priority. In fiscal 2015, the final fiscal year of our second roadmap (fiscal 2013-2015), which focused on the preservation of greenery, we worked on follow-up activities to ensure the achievement of the roadmap goals.

The plants of Toray industries, Inc. and its affiliated companies in Japan operate greenery policies and plans through 2020, guided by the Toray Group Basic Policy for Increasing Green Areas. The plans encompass initiatives to conserve green areas, including natural forests*3 that have been protected since the plants began operating. Sustainable greenery conservation initiatives also help to conserve the environment for communities.

*3 **Natural forests:** Natural groves or forestation by species based on potential native vegetation

We periodically conduct a survey to determine the usage of bio-based raw materials in product manufacturing. We also incorporated into our management rules a process for checking for impact on biodiversity. We look to conserve biodiversity through our social contribution activities as well.

CSR INITIATIVES

PROMOTING CSR IN THE SUPPLY CHAIN

Toray Group is aware of the importance of CSR procurement in its corporate activities. In its CSR Procurement Guidelines, Toray Group has declared that it will provide environmentally friendly and socially responsible materials and products to its customers using environmentally friendly transportation methods. The Group works with suppliers and distribution partners to secure socially responsible value chains.

CSR Procurement, Purchasing and Distribution

While providing materials and products as a manufacturer of advanced materials, Toray Group emphasizes the needs of its product users as the starting point for its management of production facilities and procured raw materials and resources. Accordingly, the Group has established its Basic Purchasing Policies to emphasize this approach and ensure fair purchasing practices.

Toray's Basic Distribution Policies emphasize environmental preservation and continuous work to improve quality and reduce environmental impact, together with fair and equitable transactions.

RESPECTING HUMAN RIGHTS AND NURTURING HUMAN RESOURCES

Respect for Human Rights

Toray Group believes that respect for human rights is a mandatory principle for corporate management, without which it would not be possible to engage in corporate activities while building positive relationships with stakeholders. Toray Group works to promote and raise awareness of human rights, and, in its Corporate Ethics and Legal Compliance Code of Conduct, outlines the importance of respecting human rights. Discrimination of any kind based on race, creed, skin color, gender, religion, nationality, language, physical characteristics, possessions, place of birth, or any other personal characteristic is strictly forbidden in every process —from recruiting and hiring to work placement, compensation, training, and retirement. In fiscal 2014, the Group expanded this commitment to address discrimination based on gender identification and sexual orientation.

Internationally, Toray Group takes stringent measures to comply with the related laws and regulations of each country in which it operates. Furthermore, the Group respects international standards including the United Nations Universal Declaration of Human Rights and the International Labour Organization's standards prohibiting all forced labor and child labor. Toray Group makes every effort to prevent it from becoming complicit in human rights abuses.

Specific measures have been discussed at the human rights risk working group, created in fiscal 2015 as a part of the Risk Management Committee under the CSR Committee, from the standpoint of reducing risks related to human rights, while monitoring international trends related to global human rights issues.

We hold human rights promotion campaigns annually. In fiscal 2015, the campaign was aimed at fostering a workplace culture that respects the human dignity of others and promoting a better understanding about preventing sexual harassment, power harassment and maternity harassment. The campaign also addressed lesbian, gay, bisexual, and transgender (LGBT) issues (i.e., sexual minorities).

Retaining and Nurturing Employees who Generate New Value

The success or failure of a company is decided by its people—employees shape its destiny. Guided by this concept, Toray Group considers securing and developing outstanding human resources as one of its most important tasks and a fundamental management priority.

As part of future global business development, Toray Group will continue to secure and develop human resources that operate on a global level with a strong sense of commitment.

Based on the following three goals, Toray Group is promoting human resource development.

- **Development of fair-minded individuals who act with high ethical standards and a sense of responsibility**
- **Training of professionals with advanced expertise, technical skills and originality in problem solving**
- **Development of leaders who act with foresight and a sense of balance**

To achieve these goals, Toray Group conducts various kinds of training programs tailored to each of the three goals. These programs are systematic and logically organized, and they are offered to employees of all levels working in every field in the Group. With a view to strengthening international operations, Toray Group has designed the training to improve management capabilities, sales performance, production technical skills, and specialized skills.

COMMUNICATION ACTIVITIES

Toray Group has established Basic Policies to Promote Dialogue with Stakeholders, designed to ensure that its management gives serious consideration to each type of stakeholder when deciding on basic management objectives. These policies guide Toray Group's efforts to communicate with stakeholders across the spectrum of its business activities. A management-led Corporate Communications Committee meets twice a year to regularly report on and discuss communication activities.

Strengthening Communication via Our Global Website

Toray Group is advancing the Asia, Americas, and Emerging Country Business Expansion (AE-II) Project as a group-wide project. As a part of this project, we are expanding our online presence via the Toray Group global website. As of fiscal 2014, we have launched websites for our operating bases in America, China, Indonesia, Thailand, Malaysia, India and Taiwan. In fiscal 2015, we launched new websites for Europe and Brazil, and plan to continue launching websites in countries and regions where we aim to promote business.

Toray Group's websites use responsive design to ensure optimum access and viewing across a wide range of devices and screen sizes including smartphones and tablets, and we make our websites easier to use for business purposes in all countries and regions.

Stakeholder Communication

The Group actively communicates with institutional investors and securities company analysts by providing information materials when requested and holding same-day results briefings when quarterly earnings are announced. The Group also provides a wide variety of information about management policy and strategy as well as financial and earnings information through its annual report and information pages on its website for stockholders and investors. The Group endeavors to provide full and fair information disclosure by making materials used in meetings with institutional investors and English-language versions of all materials promptly available on its website. In fiscal 2015, Toray held four results briefings and held 750 meetings with investors and analysts. Feedback received at investor briefing sessions and through communication with investors and stockholders is regularly reported to the Board of Directors and Corporate Communications Committee, helping to guide management and business activities.

Toray believes that the customer comes first, and we value communications with our customers, which is mainly through our sales departments, and we periodically conduct surveys of customer satisfaction. The results of these surveys are shared internally at Board meetings and in-house newsletters, and feedback is given to specific departments if there are areas needing particular improvement to help improve customer satisfaction and quality of order-placing and receiving operations.

Toray is celebrating the 90th anniversary of its founding in 2016. As a part of commemorative events that reach out to customers, we will hold the Toray Advanced Materials Symposium 2016 in October.

Toray Group holds policy briefings and carries out CSR procurement surveys for business partners to foster mutual understanding and closer collaboration. The Group communicates with employees through in-house newsletters, intranet, company-wide bulletin boards and other media. To share information and deepen understanding of management and business topics, messages from the Company president, Japanese, English, and Chinese versions of in-house newsletters, and explanations of management and business topics and projects are made available via all types of media.

Toray recognizes that public relations and corporate communication activities have a role in fulfilling responsibilities for information disclosure as well as influencing public opinion. Accordingly, Toray's Corporate Communications Department reports directly to the president, and actively engages with a wide range of media organizations, linking the Company with the public. Based on Toray's Information Disclosure Principles, the department provides fair and impartial information, even if it may cast the Company in a bad light, in a timely and appropriate manner. In fiscal 2015, the Company issued 192 press releases and responded to 285 requests for information.

Toray Group strives to engage in active dialogue with nearby residents in a variety of settings, including participating in events sponsored by local governments and inviting local residents onto factory grounds for summer festivals. We also proactively engage in CSR activities through NPOs.

Principal SRI indexes in which Toray is included

- DJSI Asia Pacific
- MSCI ESG Index
- Ethibel Pioneer & Excellence Registers
- Euronext Vigeo World 120 Index
- Morningstar Socially Responsible Investment Index
- SNAM Sustainability Indices

(as of March 31, 2016)

CSR INITIATIVES

SOCIAL CONTRIBUTION ACTIVITIES

Our Social Contribution Policy

Toray Group takes a proactive stance on giving support to local communities (social contribution activities) based on the belief that having relationships of trust with local communities is a prerequisite for all business activities. Formulated in 2005, the Toray Group Social Initiative Policies are based on our Corporate Philosophy of "Contributing to society through the creation of new value." We aim for our activities to contribute to sustainable development while meeting the expectations of local communities. Toray Group will plan and implement activities that use Group resources more effectively than ever before.

In fiscal 2015, the Group invested some ¥1.5 billion on a consolidated basis (1.0% of consolidated ordinary income) and ¥1.0 billion on a non-consolidated basis (1.5% of non-consolidated ordinary income). The main beneficiaries were the Toray Science Foundation in Japan and three ASEAN countries (Malaysia, Thailand, and Indonesia). Moreover, Toray co-sponsored the Shanghai International Marathon.

Contributing to Future Generations

For many years, as part of its efforts to promote science and technology, Toray Group has been carrying out various educational programs for people pursuing science and engineering. The Group has broadened these activities to include elementary and junior high school students in recent years. Incorporating information on its products into teaching materials, the Group is implementing educational programs and other initiatives as it works to actively support education around the world.

In fiscal 2015, Toray Group employees taught science classes at 34 elementary and junior high schools in Fukui, Shiga, Tokyo, Osaka and Aichi. Toray Group also collaborated with The Boeing Company to hold events for elementary and junior high school students, and offered assistance for science education programs at affiliated companies located in the U.S., Thailand and China.

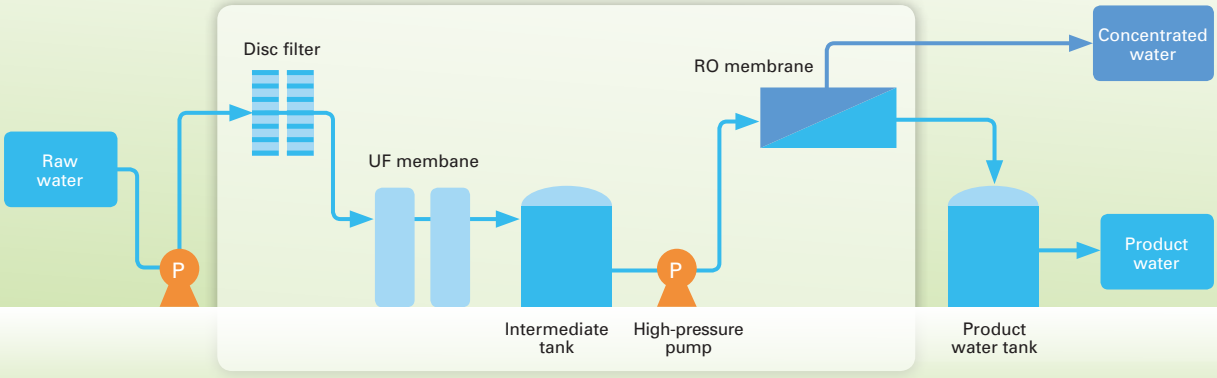
Topic Delivery of Mobile Water Treatment Systems to Bangladesh

Involved in an Official Development Assistance (ODA) project, Toray has delivered 30 mobile water treatment systems to Bangladesh. These systems were ordered by the Bangladesh government and paid for with grants-in-aid provided by the Ministry of Foreign Affairs in Japan as a part of the "Programme for the Improvement of Capabilities to cope with Natural Disasters caused by Climate Change."

The mobile water treatment systems feature Toray's ultra-filtration (UF) and reverse osmosis (RO) membranes, enabling the supply of 16 cubic meters of potable water per day from water sources such as rivers and wells.

These systems have made it possible to supply residents of Bangladesh with safe drinking water in areas with water shortages.

Water purification process: draw water, UF membrane, RO membrane, clean water



CORPORATE GOVERNANCE

TORAY GROUP'S BASIC POLICY ON CORPORATE GOVERNANCE

Basic Policy

From the outset, one of Toray Group's managerial principles has been that the purpose of a company is to contribute to society. The Group has developed a Management Philosophy that incorporates this principle.

The Group systematizes the Management Philosophy as a Corporate Philosophy, Corporate Missions, and Corporate Guiding Principles. Among these, the Corporate Missions call for desirable relationships with stakeholders and enunciate the Group's commitment "To provide our stockholders with dependable and trustworthy management." In addition, the Corporate Guiding Principles stipulate the Group's commitment to "Obtaining the trust of society and meeting the expectations by acting fairly while maintaining high ethical standards and a strong sense of responsibility and maintaining transparency in management."

When establishing the corporate governance structure, the Group seeks to realize these philosophies as its basic policy.

Toray Group's Management Philosophy is available on the Company's website.

▶ http://www.toray.com/aboutus/philosophy.html

Basic Policy on Internal Control Systems and Their Development

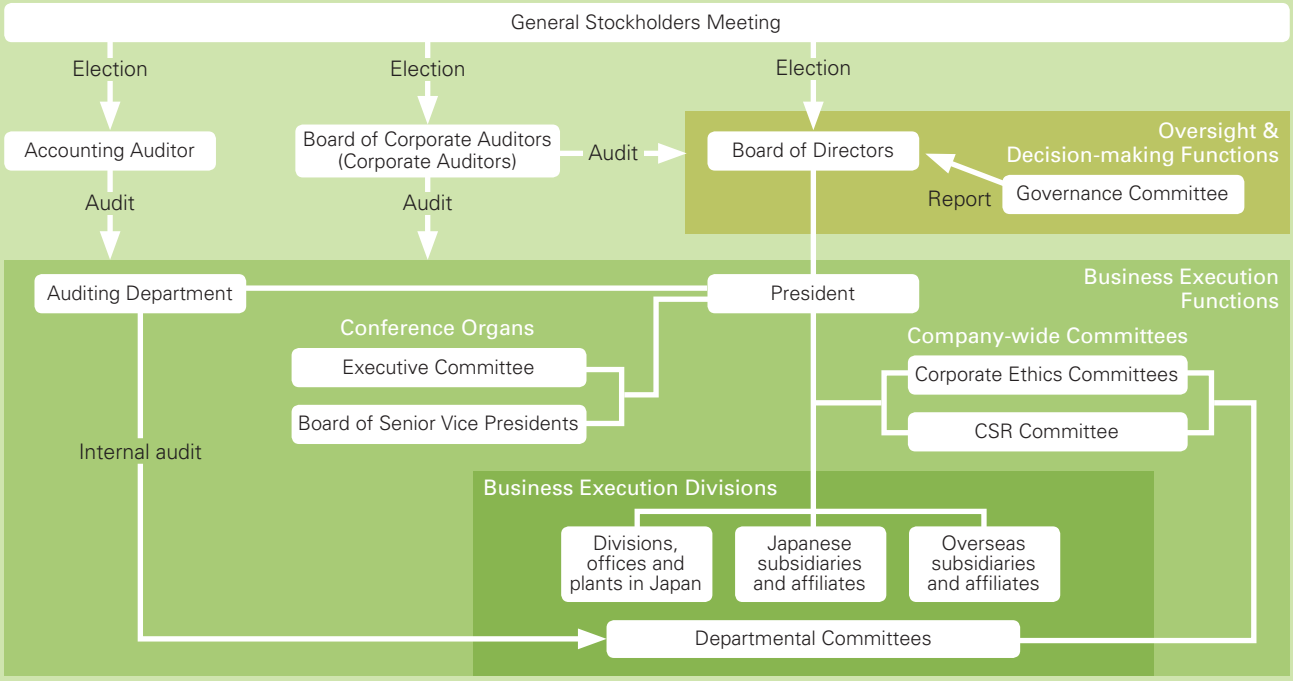
Toray is a company with Board of Corporate Auditors, and the members of the Board and corporate auditors are elected at the general meeting of stockholders.

Members of the Board and corporate auditors, as officers directly elected at the general meeting of stockholders, clearly recognize their fiduciary responsibility to stockholders, who have entrusted the management. They seek to appropriately fulfill their respective roles while discharging accountability about management status to stockholders and other stakeholders.

As Toray Group supplies a wide range of industries with basic materials and globally plays an active part in a broad scope of business fields, it is necessary to evaluate various risks multilaterally based on expertise relevant to worksites, not only for management judgment and decision-making but also for oversight. To that end, the Board of Directors formulates a structure in which members of the Board familiar with Toray Group businesses oversee management and make decisions from various viewpoints. Furthermore, the Board of Corporate Auditors oversees the execution of operations by members of the Board based on professional knowledge in fields such as finance, accounting and law in addition to an understanding about businesses, from a standpoint entirely independent of the Board of Directors as a system to secure transparency and fairness of oversight and decision-making.

Toray Group has established the Governance Committee, with members comprising the Chairman, President, and all Outside Directors, in order to increase the effectiveness of oversight by the Board of Directors on all matters pertaining to corporate governance.

The following chart outlines the corporate governance system at Toray.



CORPORATE GOVERNANCE

Toray Group's Basic Policy on Corporate Governance is available on the Company's website.

▶ http://www.toray.com/aboutus/governance/gov_001.html

Basic Policy on Internal Control System

To realize the Management Philosophy, the Company shall establish a structure to execute its business legally and effectively by improving its internal control system according to the following basic policy as a structure to enable it to appropriately establish organization, formulate regulations, communicate information, and monitor the execution of operations.

1. System to ensure that the execution of duties by members of the Board and employees complies with laws and regulations and the Company's Articles of Incorporation
2. System to ensure the efficient execution of duties by members of the Board
3. System for preserving and managing information pertaining to the execution of duties by the members of the Board
4. Regulations and other systems pertaining to controls over risks of loss
5. System for ensuring appropriate business operations within subsidiaries
6. System for reporting to corporate auditors and systems for ensuring that persons who report to corporate auditors are not treated disadvantageously because of their reporting
7. Items pertaining to the handling of expenses and liabilities arising from the execution of duties by corporate auditors
8. Items pertaining to employees assisting with corporate auditors' duties, items pertaining to the independence of said employees from members of the Board, and items pertaining to the assurance of effectiveness of instructions from the corporate auditors to said employees
9. Other systems for ensuring effective implementation of audits by corporate auditors

Details about the basic policy on internal control system are available on the Company's website.

▶ http://www.toray.com/aboutus/policy.html

For information about compliance with the Corporate Governance Code, as well as basic policies concerning and the status of internal control system, please read the Corporate Governance Report.

▶ http://www.toray.com/ir/pdf/cgo_001.pdf

REMUNERATION FOR MEMBERS OF THE BOARD

(I) Policy on Remuneration for Members of the Board and Corporate Auditors

Given their roles, remuneration for members of the Board consists of monthly remuneration, a bonus and stock acquisition rights as stock options. Remuneration for outside directors consists only of monthly remuneration, given their roles. Remuneration is set at a level that enables the Company to secure superior human resources and further motivate them to improve performance, referring to the results of a survey of other companies' remuneration by an external third-party organization. With respect to monthly remuneration, the maximum limit of total remuneration is determined at general meetings of stockholders.

Within the scope of the maximum limit, monthly remuneration to each member of the Board is determined by the President based on the Company's internal regulations with a resolution at a Board of Directors meeting.

The provision and the total amount of bonuses are determined each time at a general meeting of stockholders. Particulars of the agenda at the general meeting of stockholders are resolved by the Board of Directors through conference among the senior management, including the President, in consideration of the consolidated and non-consolidated business results for each fiscal year plus the historical record. A bonus to each member of the Board is determined by the President according to each member's performance based on the Company's internal regulations with a resolution at a Board of Directors meeting.

The maximum limit of total number of Stock Acquisition Rights as well as the limit of remuneration relating to the granting of the Stock Acquisition Rights as stock options to members of the Board is resolved at the general meeting of stockholders, and within that limit, the total number of Stock Acquisition Rights to be allocated to the members of the Board shall be decided at the Board of Directors meeting based on the Company's internal regulations.

From fiscal 2016 onwards, the Governance Committee will consistently review the level of director remuneration.

(II) Details of Remuneration in Fiscal 2015

Position	Total remuneration (millions of yen)	Total remuneration by type (millions of yen)				Recipients
		Basic	Bonuses	Provision for the allowance for retirement benefits	Stock options as remuneration	
Members of the Board (excluding outside directors)	1,484	974	161	96	253	27
Corporate auditors (excluding outside corporate auditors)	83	83	—	—	—	2
Outside director	21	21	—	—	—	2
Outside corporate auditors	19	19	—	—	—	4

Notes: 1. Recipients included four members of the Board and two outside corporate auditors who retired during fiscal 2015.
2. Total amounts of remuneration do not include ¥72 million paid in salaries to eight employee-directors.

(III) Total Remuneration Received by Members of the Board and Corporate Auditors

Name	Total consolidated remuneration (millions of yen)	Position	Status of company	Total consolidated remuneration by type (millions of yen)			
				Basic	Bonuses	Provision for the allowance for retirement benefits	Stock options as remuneration
Sadayuki Sakakibara	128	Member of the Board	Filing company	26	—	96	6
Akihiro Nikkaku	149	Member of the Board	Filing company	104	21	—	24

Note: Total remuneration only includes persons receiving more than ¥100 million.

CORPORATE GOVERNANCE

CORPORATE ETHICS AND LEGAL COMPLIANCE

Toray Group is keenly aware that strict adherence to laws, regulations and social norms is an essential facet of corporate management. Toray's top management takes a clear position on corporate ethics and legal compliance, and strives to improve the conduct of all companies in Toray Group.

Framework for Promoting Corporate Ethics and Legal Compliance

Toray operates a Corporate Ethics Committee chaired by the president. The committee oversees corporate policies relating to corporate ethics, and implements initiatives through the joint efforts of labor and management. Underneath it is a Company-Wide Legal Compliance Committee that functions as a forum for sharing views and policies of management and reporting status of implementation of compliance initiatives at workplaces. This committee is primarily comprised of section managers and, while communicating with upper management, takes initiatives that address company-wide compliance issues. Furthermore, CSR/legal compliance committees operate at the divisional and plant levels to implement initiatives rooted in the workplace and fully engage all employees.

Toray has established CSR/legal compliance committees at its domestic group companies, and appointed executives and section managers in charge of legal compliance. Furthermore, relevant departments at Toray's headquarters collaborate to hold a group-wide corporate ethics and legal compliance meeting annually to improve understanding of revised laws and particular issues.

CSR/legal compliance committees have also been established at Toray's group companies around the world. With support from Toray's International Division, CSR Operations Department, and other relevant sections, the committees independently promote initiatives related to legal compliance and corporate ethics.

The Corporate Ethics and Legal Compliance Code of Conduct is a strict set of standards that every Toray Group executive and employee closely follows when performing corporate activities. In the event that a violation is discovered, strict discipline is carried out in consultation with the Company's Rewards and Sanctions Committee. All Toray executives and employees, including contracted, part-time and dispatched workers, receive a copy of the Corporate Ethics and Legal Compliance Handbook, which explains expectations for proper conduct in detail.

In fiscal 2015, Toray substantially revised its Corporate Ethics and Legal Compliance Handbook. Additions and revisions were made to sections regarding laws and regulations, internal rules, and the creation and updating of manuals, enhancing the content of the handbook. The revisions also expanded the scope of application to domestic affiliated companies. We also intend to create for our overseas affiliated companies guidelines and handbooks that meet conditions in each country and region to ensure comprehensive understanding the code of conduct.

Framework for Promoting Corporate Ethics and Legal Compliance in Toray

RISK MANAGEMENT

Toray has established a Risk Management Committee under the CSR Committee to regularly monitor the progress of risk reduction measures across all Group companies and conduct planning and promotion of risk management measures. Under the Risk Management Committee, local risk management committees have been established at each of Toray's divisions, departments, offices, and plants.

Group-wide measures determined by the Risk Management Committee are given to local risk management committees, which then incorporate these measures in their own initiatives to reduce risks particular to their respective division, department, office or plant, while carrying out coordinated risk management activities.

Toray Group has also established a risk management system for group companies, led by their presidents. The system promotes initiatives to reduce the specific risks faced by each company. Each group company reports on the results of these initiatives to the Risk Management Committee every fiscal year.

Toray Group regularly evaluates Companywide risks, identifies risks that should be prioritized in light of their potential impact on management of the Group, and is working to reduce these risks through the PDCA cycle.

Addressing Priority Risks

Once every three years, Toray reviews its priority risks. Fiscal 2015 was the first year we implemented measures to address the risks we identified in our third risk priority screening. We endeavored to reduce risk, mainly through departments in charge of promoting risk prevention measures, or working groups created to work across departments. For affiliated companies inside and outside Japan, Toray identified the priority risks that each company should address based on their unique traits, while referring to the priority risks it determined, and advanced with measures to mitigate these risks.

Supply Chain Risk Reduction

In fiscal 2015, Toray revised its survey of CSR procurement and assessed the level of measures taken for global human rights issues throughout the supply chain of Toray Group.

Toray Group conducts checks for the use of conflict minerals in all products and has been working to make its responses to customers' requests for surveys quicker and more efficient by integrating data management.

Maintaining Information Security

Toray Group offers education courses on security on an ongoing basis mainly through e-learning. In fiscal 2015, a total of 12,729 employees at 14 Affiliated companies inside and outside Japan took courses on data security via our e-learning system.

Facing growing risks of Advanced Persistent threat, we revised the Toray Group Electronic Information Security Guidelines based on security guidelines published by the Information Technology Promotion Agency, Japan (IPA).

Crisis Management System

In its Crisis Management Regulations, Toray Group has clearly defined the basic principles for a group-wide response to serious risks affecting Toray Group in order to ensure a consistent and comprehensive response in a crisis situation. The regulations are revised as appropriate so as to prepare for new risks that may emerge as a result of change in the social environment.

Preparedness for a Major Earthquake

Identifying major earthquakes as a significant risk factor, Toray Group continues to engage in activities based on Major Earthquake Business Continuity Plan. In fiscal 2015, Toray Group continued activities that started in fiscal 2014, such as introduction of a safety confirmation system covering all domestic affiliated companies, systematic implementation of earthquake-proofing of plant buildings, and verification of our business continuity planning for products for which we have a strong responsibility to supply to society.

Since fiscal 2012, Toray Group has conducted drills to create a temporary group-wide headquarters. In fiscal 2015, the Group began conducting drills based on a disaster scenario involving Tonankai and Nankai earthquakes that cause extensive damage to Group companies and plants situated in parts of Japan from Shizuoka Prefecture to further west. Some drills are designed to increase difficulty levels with some parts of the scenario undisclosed to drill participants.

In preparation for an earthquake directly hitting the Tokyo metropolitan area, the Group revised the Tokyo business site's emergency response plan for a major earthquake (the last revision was three years ago), and distributed the new version of the plan to all employees stationed in Tokyo head office.

The Group also added some new functions to the Toray Disaster Map System, a tool that was launched after the Great East Japan Earthquake for rapidly and accurately grasping the extent of damage caused by an earthquake to Toray Group and at its business partners.

Preparedness for New Influenza Pandemic

In June 2015, we revised the Toray Group Countermeasures against Influenza Pandemic to address both strongly and weakly virulent influenzas. Toray Group's business offices and plants have revised and begun implementing their crisis management systems and measures to prevent the spread of disease in the event that a human-to-human transmission of new influenza occurs in Japan.

Corporate Information

Board of Directors and Corporate Auditors

(As of June 28, 2016)

President
and Representative
Member of the Board
Akihiro Nikkaku

Executive Vice President
and Representative
Member of the Board
Koichi Abe

Executive Vice President
and Representative
Member of the Board
Kazushi Hashimoto

Senior Vice President
(Member of the Board and Member of the Executive Committee)
Ryo Murayama

Senior Vice President
(Member of the Board and Member of the Executive Committee)
Yukichi Deguchi

Senior Vice President
(Member of the Board and Member of the Executive Committee)
Akira Umeda

Senior Vice President
(Member of the Board and Member of the Executive Committee)
Shogo Masuda

Senior Vice President
(Member of the Board and Member of the Executive Committee)
Mitsuo Oya

Senior Vice President
(Member of the Board)
Akio Sato

Senior Vice President
(Member of the Board)
Hiroshi Otani

Senior Vice President
(Member of the Board)
Satoru Hagiwara

Senior Vice President
(Member of the Board)
Toru Fukasawa

Senior Vice President
(Member of the Board)
Yasuo Suga

Senior Vice President
(Member of the Board)
Hirofumi Kobayashi

Senior Vice President
(Member of the Board)
Kazuhiko Shuto

Senior Vice President
(Member of the Board)
Tetsuya Tsunekawa

Vice President
(Member of the Board)
Satoru Nishino

Vice President
(Member of the Board)
Yoshiyuki Tanaka

Vice President
(Member of the Board)
Takashi Fujimoto

Vice President
(Member of the Board)
Yuji Fukuda

Vice President
(Member of the Board)
Shigeki Taniguchi

Vice President
(Member of the Board)
Toshiyuki Kondo

Vice President
(Member of the Board)
Kenichiro Miki

Vice President
(Member of the Board)
Kunio Ito[*1]

Vice President
(Member of the Board)
Ryoji Noyori[*1]

Corporate Auditor
Motoyuki Yagita

Corporate Auditor
Shoshiro Taneichi

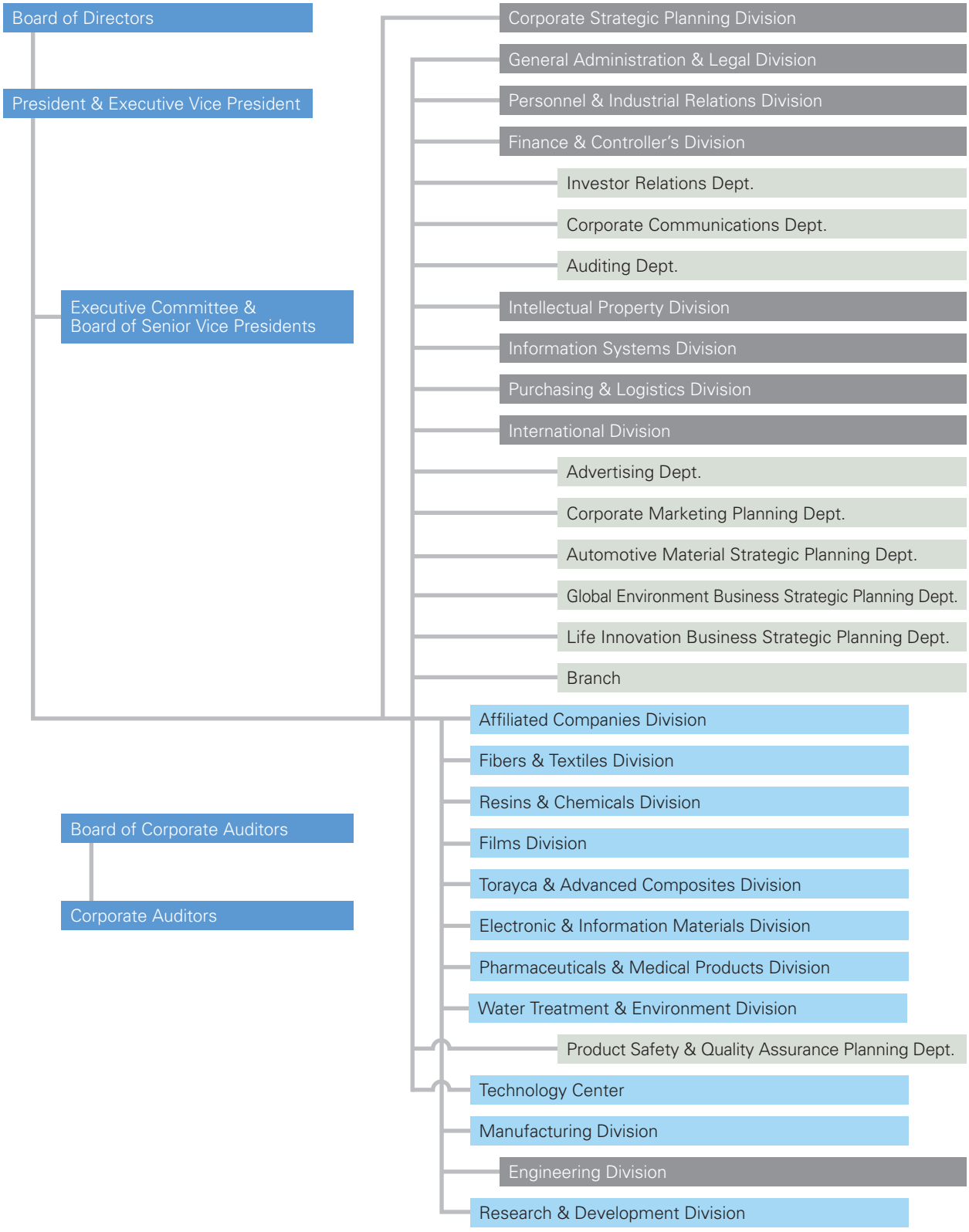
Corporate Auditor
Toshio Nagai[*2]

Corporate Auditor
Kazuya Jono[*2]

*1 Kunio Ito and Ryoji Noyori are outside directors.
*2 Toshio Nagai and Kazuya Jono are outside corporate auditors.

Organization

(As of July 1, 2016)

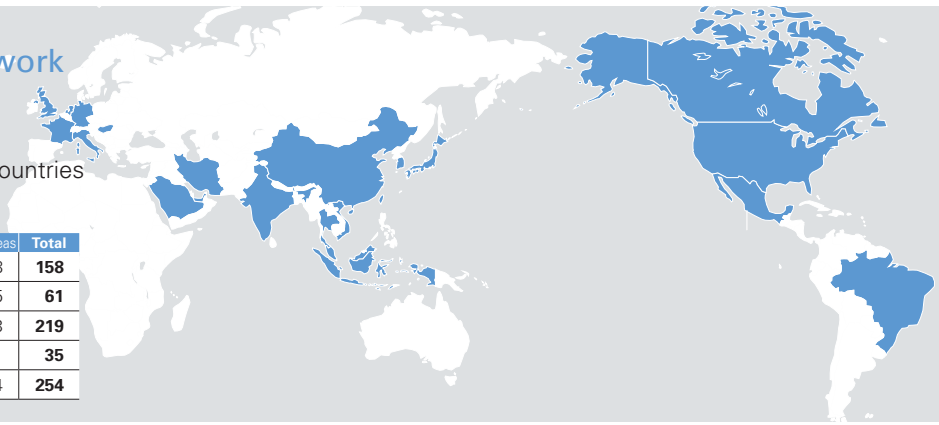


Toray Group Worldwide Network

(As of March 31, 2016)

Toray Group operates businesses in 26 countries and regions including Japan.

	Japan	Overseas	Total
Consolidated subsidiaries	60	98	**158**
Subsidiaries accounted for by equity method	26	35	**61**
Total subsidiaries	86	133	**219**
Affiliates accounted for by equity method	14	21	**35**
Companies subject to consolidation	100	154	**254**



EUROPE

United Kingdom
Consolidated Subsidiaries
- Toray Textiles Europe Ltd. (TTEL)
- Toray International U.K. Ltd. (TIUK)

France
Consolidated Subsidiaries
- Toray Films Europe S.A.S. (TFE)
- Toray Carbon Fibers Europe S.A. (CFE)

Switzerland
Subsidiary Accounted for by Equity Method
- Toray Membrane Europe AG (TMEu)

Italy
Consolidated Subsidiary
- Alcantara S.p.A.

Subsidiaries Accounted for by Equity Method
- Toray International Italy S.r.l. (TIIT)
- Composite Materials (Italy) S.r.l. (CIT)
- Delta-Tech S.p.A (DELTA)

Czech Republic
Consolidated Subsidiary
- Toray Textiles Central Europe s.r.o. (TTCE)

Germany
Consolidated Subsidiaries
- Euro Advanced Carbon Fiber Composites GmbH (EACC)
- Toray International Europe GmbH (TIEU)
- Others

ASIA

China
Consolidated Subsidiaries
- Toray Industries (China) Co., Ltd. (TCH)
- Toray Fibers (Nantong) Co., Ltd. (TFNL)
- Toray Sakai Weaving & Dyeing (Nantong) Co., Ltd. (TSD)
- Toray Polytech (Nantong) Co., Ltd. (TPN)
- Toray Jifa (Qingdao) Textile Co., Ltd. (TJQ)
- Toray Plastics (China) Co., Ltd. (TPCH)
- Toray Plastics (Shenzhen) Ltd. (TPSZ)
- Toray Plastics (Chengdu) Co., Ltd. (TPCD)
- Toray Plastics Precision (Hong Kong) Ltd. (TPPH)
- Toray Plastics Precision (Zhongshan) Ltd. (TPPZ)
- Toray Industries (H.K.) Ltd. (THK)
- Toray International (China) Co., Ltd. (TICH)
- Toray Film Products (Hong Kong) Ltd. (TFH)
- Toray Film Products (Zhongshan) Ltd. (TFZ)
- Toray BlueStar Membrane Co., Ltd. (TBMC)
- Toray Medical (Qingdao) Co., Ltd. (TMQ)
- Others

Affiliate Accounted for by Equity Method
- Yihua Toray Polyester Film Co., Ltd. (YTP)

Taiwan
Consolidated Subsidiary
- Toray Advanced Film Kaohsiung Co., Ltd. (TAFK)

Subsidiaries Accounted for by Equity Method
- Toray International Taipei Inc. (TITP)
- Others

Republic of Korea
Consolidated Subsidiaries
- Toray Advanced Materials Korea Inc. (TAK)
- STEMCO, Ltd. (STEMCO)
- Toray Chemical Korea Inc. (TCK)

Affiliates Accounted for by Equity Method
- STECO, Ltd. (STECO)
- Others

Malaysia
Consolidated Subsidiaries
- Penfabric Sdn. Berhad (PAB)
- Penfibre Sdn. Berhad (PFR)
- Toray Plastics (Malaysia) Sdn. Berhad (TPM)
- Others

Subsidiary Accounted for by Equity Method
- Toray Industries (Malaysia) Sdn. Berhad (TML)

Affiliate Accounted for by Equity Method
- Toray BASF PBT Resin Sdn. Berhad (TBPR)

Singapore
Consolidated Subsidiary
- Toray International Singapore Pte. Ltd. (TISP)

Japan
Consolidated Subsidiaries
- Ichimura Sangyo, Co., Ltd.
- Toray Fine Chemicals Co., Ltd.
- Toyo Plastic Seiko Co., Ltd.
- Toray Advanced Film Co., Ltd.
- Toray KP Films Inc.
- Toray Battery Separator Film Co., Ltd.
- Soda Aromatic Co., Ltd.
- Toray Engineering Co., Ltd.
- Toray Construction Co., Ltd.
- Suido Kiko Kaisha, Ltd.
- Toray Medical Co., Ltd.
- Toray Research Center Inc.
- Toray International, Inc.
- Chori Co., Ltd.
- Others

Subsidiaries Accounted for by Equity Method
- Toray Carbon Magic Co., Ltd.
- Toyo Business Support Inc.
- Others

Affiliates Accounted for by Equity Method
- Du Pont-Toray Co., Ltd.
- Toray Opelontex Co., Ltd.
- Dow Corning Toray Co., Ltd.
- Sanyo Chemical Industries, Ltd.
- Others

Indonesia
Consolidated Subsidiaries
- P.T. Acryl Textile Mills (ACTEM)
- P.T. Century Textile Industry Tbk (CENTEX)
- P.T. Easterntex (ETX)
- P.T. Indonesia Synthetic Textile Mills (ISTEM)
- P.T. Indonesia Toray Synthetics (ITS)
- P.T. Toray Polytech Jakarta (TPJ)

Subsidiaries Accounted for by Equity Method
- P.T. Toray Industries Indonesia (TIN)
- Others

Affiliates Accounted for by Equity Method
- P.T. Petnesia Resindo (PNR)
- Others

Thailand
Consolidated Subsidiaries
- Luckytex (Thailand) Public Co., Ltd. (LTX)
- Thai Toray Textile Mills Public Co., Ltd. (TTTM)
- Thai Toray Synthetics Co., Ltd. (TTS)
- Carbon Magic (Thailand) Co., Ltd. (CMTH)

Subsidiary Accounted for by Equity Method
- Toray Industries (Thailand) Co., Ltd. (TTH)

Affiliate Accounted for by Equity Method
- Thai PET Resin Co., Ltd. (TPRC)

NORTH AMERICA

U.S.A.
Consolidated Subsidiaries
- Toray Fluorofibers (America), Inc. (TFA)
- Toray International America Inc. (TIAM)
- Toray Plastics (America), Inc. (TPA)
- Toray Resin Co. (TREC)
- Toray Carbon Fibers America, Inc. (CFA)
- Toray Composites (America), Inc. (TCA)
- Zoltek Companies, Inc. (Zoltek)
- Toray Membrane USA, Inc. (TMUS)
- Others

Mexico
Subsidiary Accounted for by Equity Method
- Toray Resin Mexico, S.A. de C.V. (TRMX)

- Regional Supervisory Organization
- Fibers & Textiles
- Plastics & Chemicals
- IT-related Products
- Carbon Fiber Composite Materials
- Environment & Engineering
- Life Science & Other Businesses
- Trading

Major Offices in Japan

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Nakanoshima Mitsui Building, 3-3, Nakanoshima 3-chome, Kita-ku, Osaka 530-8222, Japan
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Facsimile: 81 (6) 7688-4001

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Telephone: 1 (212) 697-8150
Facsimile: 1 (212) 972-4279

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Hugenottenallee 175, 63263 Neu-Isenburg, Germany
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Facsimile: (49) 6102-7999-1008

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Beijing Fortune Bldg., No. 702, 5, Dong San Huan Bei-Lu, Chao Yang District, Beijing 100004, China
Telephone: 86 (10) 6590-8961—3
Facsimile: 86 (10) 6590-8964

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36F. FKI Tower, 24, Yeoui-daero, Yeongdeungpo-gu, Seoul, 150-881 Korea
Telephone: 82 (2) 707-0381—2
Facsimile: 82 (2) 707-0067

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Unit No. 504, 5th Floor, Vatika City Point, MG Road Gurgaon, Haryana 122002, India
Telephone: 91 (12) 4387-7900
Facsimile: 91 (12) 4387-7901

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Toray do Brasil Ltda. (TBL)
Av. Paulista, 1048-Conj 71 Bela Vista Sao Paulo - SP 01310-100, Brasil
Telephone/Facsimile: 55 (11) 4314-7792

FINANCIAL SECTION

Contents

58 Six-Year Summary of Selected Financial Data

59 Management's Discussion and Analysis

64 Consolidated Balance Sheets

66 Consolidated Statements of Income

66 Consolidated Statements of Comprehensive Income

67 Consolidated Statements of Changes in Net Assets

68 Consolidated Statements of Cash Flows

69 Notes to Consolidated Financial Statements

97 Independent Auditor's Report

Six-Year Summary of Selected Financial Data

Toray Industries, Inc. and Consolidated Subsidiaries
Years ended March 31

Millions of yen

	2016	2015	2014	2013*1	2012	2011
Net sales	**¥ 2,104,430**	¥ 2,010,734	¥ 1,837,778	¥ 1,592,279	¥ 1,588,604	¥ 1,539,693
Fibers & Textiles	**892,039**	856,676	755,474	632,150	638,375	584,115
Plastics & Chemicals	**521,238**	496,370	470,542	395,835	397,815	382,299
IT-related Products	**251,072**	247,975	245,741	237,593	243,404	262,027
Carbon Fiber Composite Materials	**186,196**	158,365	113,342	77,620	69,914	67,018
Environment & Engineering	**183,324**	179,988	180,197	178,355	170,247	178,183
Life Science	**55,841**	57,039	58,205	56,599	55,554	52,430
Others	**14,720**	14,321	14,277	14,127	13,295	13,621
Operating income	**154,480**	123,481	105,253	83,436	107,721	100,087
Income before income taxes and non-controlling interests*2	**137,808**	114,469	97,760	77,828	101,091	82,893
Net income attributable to owners of parent*2	**90,132**	71,021	59,608	48,477	64,218	57,925
Net cash provided by operating activities	**196,142**	141,282	161,455	100,815	104,410	129,214
Depreciation and amortization	**91,168**	81,480	78,743	67,588	67,443	70,479
Capital expenditures	**136,556**	124,929	118,207	99,135	98,384	55,942
Total assets	**2,278,386**	2,357,925	2,119,683	1,731,933	1,581,501	1,567,470
Property, plant and equipment, net	**830,612**	855,593	781,235	627,240	561,923	531,595
Interest-bearing liabilities	**704,253**	700,258	654,163	532,002	481,906	493,509
Net assets	**1,024,909**	1,080,757	944,625	778,626	674,149	640,970

Yen

Per share of common stock:						
Net income attributable to owners of parent:						
Basic	**¥ 56.38**	¥ 44.33	¥ 36.59	¥ 29.75	¥ 39.41	¥ 36.41
Diluted	**56.31**	44.28	35.70	28.90	37.46	34.43
Cash dividends	**13.00**	11.00	10.00	10.00	10.00	7.50
Net assets	**591.50**	616.70	527.32	444.45	384.90	363.90
Ratios:						
Operating income to net sales	**7.34%**	6.14%	5.73%	5.24%	6.78%	6.50%
Net income attributable to owners of parent to net sales	**4.28**	3.53	3.24	3.04	4.04	3.76
Equity ratio	**41.5**	41.8	40.5	41.8	39.7	37.8
Return on equity	**9.3**	7.7	7.5	7.2	10.5	10.9
Debt/equity ratio (times)	**0.74**	0.71	0.76	0.73	0.77	0.83

Yen

Common stock price range:						
High	**¥ 1,146.0**	¥ 1,057.5	¥ 786	¥ 654	¥ 631	¥ 643
Low	**871.7**	626	584	421	511	420
Number of employees	**45,839**	45,789	45,881	42,584	40,227	38,740

*1 Effective from the year ended March 31, 2014, certain overseas subsidiaries applied IAS 19 "Employee Benefits" (revised on June 16, 2011). As this change in accounting policy is applied retrospectively, the related financial data for 2013 reflect the retrospective application.
*2 Effective from the year ended March 31, 2016, "Revised Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No.21, September 13, 2013) has been applied. Accordingly, the titles "Income before income taxes and minority interests" and "Net income" have been changed to "Income before income taxes and non-controlling interests" and "Net income attributable to owners of parent," respectively.

Management's Discussion and Analysis

OVERVIEW

During the period covered by year ended March 31, 2016 (fiscal 2015), 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 of these efforts, Toray Group posted a year-on-year increase in both revenues and earnings. Consolidated net sales, operating income and net income attributable to owners of parent were the highest ever.

INCOME ANALYSIS

Net Sales

Consolidated net sales in the year ended March 31, 2016 amounted to ¥2,104.4 billion, up 4.7% or ¥93.7 billion from the previous fiscal year. Sales increased in all business segments but Life Science.

Costs and Expenses

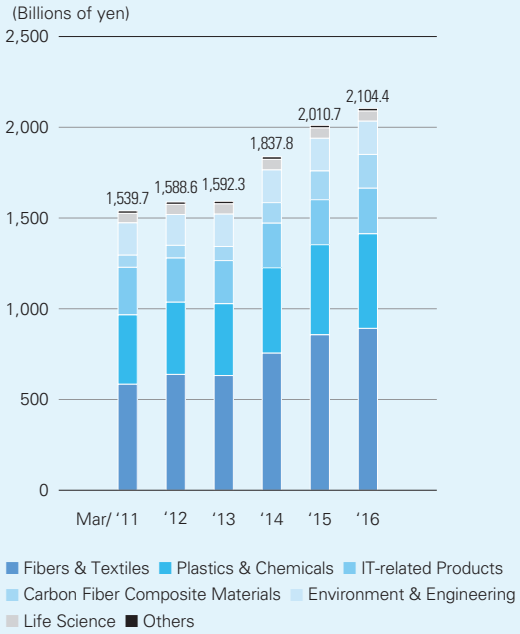
The ratio of total costs and expenses to net sales for the year was 92.7%, down 1.2 percentage points from the previous fiscal year.

Consolidated net sales increased 4.7% year on year, and cost of sales increased 3.2%. As a result, the cost of sales ratio decreased 1.1 percentage points to 79.0%.

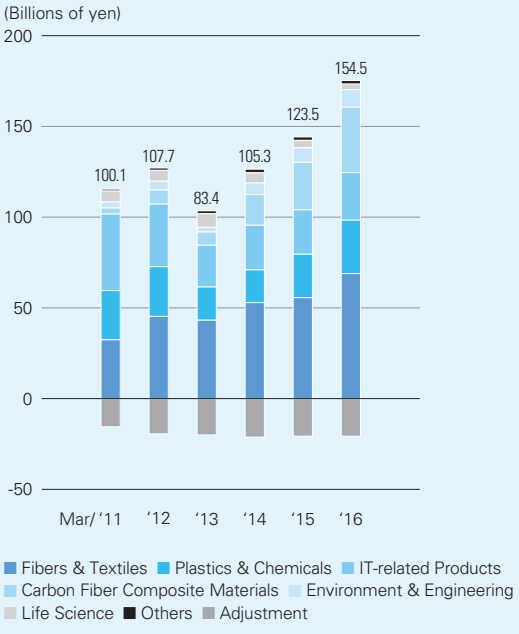
Selling, general and administrative expenses increased ¥11.6 billion, or 4.2%, to ¥287.4 billion. The ratio of selling, general and administrative expenses to net sales decreased 0.1 percentage points to 13.7%.

R&D expenses decreased ¥0.7 billion, or 1.2%, to ¥58.8 billion.

Net Sales by Segment



Operating Income by Segment



* Operating income by segment that is not attributable to any segment is included in "Adjustment."

Operating Income and Net Income

Consolidated operating income increased ¥31.0 billion or 25.1% from the previous fiscal year, to ¥154.5 billion, and the ratio of operating income to net sales rose 1.2 percentage points to 7.3%. Operating income rose in all business segments but Life Science.

In net other income (expenses), Toray Group reported ¥16.7 billion in expenses, a ¥7.7 billion year-on-year increase. Interest and dividend income increased ¥0.9 billion over the previous fiscal year to ¥5.0 billion, while interest expense decreased ¥1.0 billion to ¥5.4 billion. As a result, net financial expenses decreased ¥1.9 billion to ¥0.3 billion. Equity in earnings of unconsolidated subsidiaries and affiliated companies decreased ¥6.8 billion to ¥5.0 billion. Loss on impairment of fixed assets increased ¥1.1 billion year on year to ¥9.1 billion. Net loss on sales and disposal of property, plant and equipment, decreased ¥0.6 billion to ¥5.1 billion. Gain on sales and loss on write-down of investment securities, net, increased ¥1.8 billion to ¥2.3 billion.

As a result of the above, income before income taxes and non-controlling interests increased ¥23.3 billion to ¥137.8 billion. After deductions for income taxes and non-controlling interests in earnings of consolidated subsidiaries, net income attributable to owners of parent amounted to ¥90.1 billion, up ¥19.1 billion from the previous fiscal year.

Net income per share was ¥56.38, an increase of ¥12.05. The Company declared a year-end cash dividend of ¥7.00 per share in light of the profit conditions for the year under review and the profit outlook for the next fiscal term. Added to the interim cash dividend, this brought the total annual dividend to ¥13.00 per share.

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 from the previous year and operating income rose 23.9% to ¥68.9 billion.

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 the profitability of the business by emphasizing 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 from the previous year and operating income rose 23.1% to ¥29.4 billion.

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 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 from the previous year and operating income rose 6.8% to ¥26.2 billion.

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 from the previous year and operating income rose 37.7% to ¥36.1 billion.

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 from the previous year and operating income rose 19.5% to ¥9.6 billion.

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 from the previous year and operating income fell 24.7% to ¥3.1 billion.

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

Others

Net sales increased 2.8% to ¥14.7 billion from the previous year and operating income increased 3.2% to ¥2.0 billion.

FINANCIAL POSITION

Analysis of Assets, Liabilities and Net Assets

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

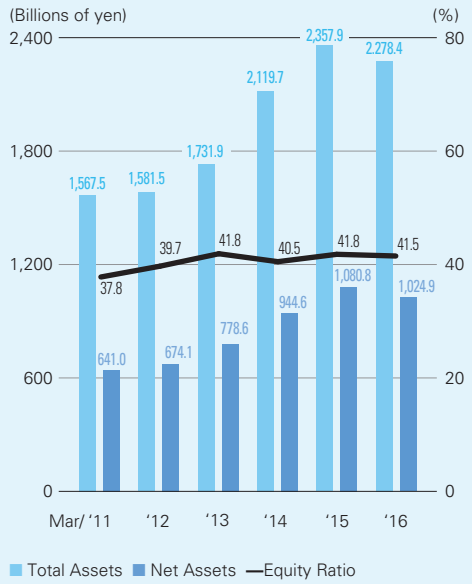
Total liabilities fell ¥23.7 billion from the end of the previous fiscal year to ¥1,253.5 billion, primarily due to declines in notes and accounts payable and deferred tax liabilities.

Net assets declined by ¥55.8 billion compared with the end of the previous fiscal year to ¥1,024.9 billion, reflecting fluctuation in foreign currency translation adjustment. Net assets less non-controlling interests and stock acquisition rights stood at ¥945.6 billion. 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.

CASH FLOWS

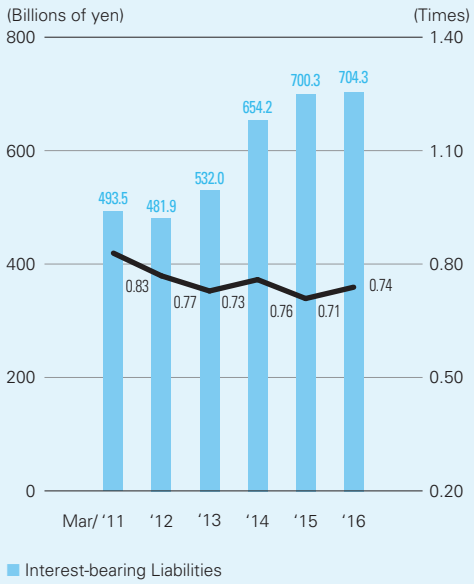
In the year ended March 31, 2016, net cash provided by operating activities exceeded net cash used in investing activities by ¥41.7 billion. On the other hand, net cash used in financing activities was ¥77.6 billion. Including the effect of change in accounting period of consolidated subsidiaries and fluctuations in foreign currency exchange rates, cash and cash equivalents at fiscal year-end stood at ¥109.8 billion, down ¥2.7 billion or 2.4% from the end of the previous fiscal year.

Total Assets and Net Assets



*Effective from the year ended March 31, 2014, certain overseas subsidiaries applied IAS 19 "Employee Benefits" (revised on June 16, 2011). As this change in accounting policy is applied retrospectively, the related financial data for 2013 reflect the retrospective application.

Interest-bearing Liabilities and D/E Ratio

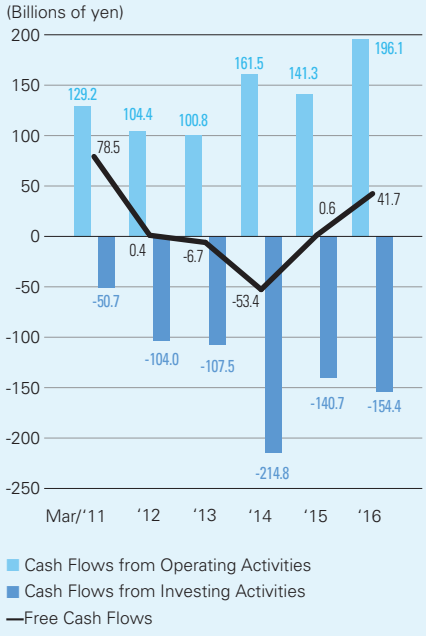


Cash Flows from Operating Activities
Net cash provided by operating activities amounted to ¥196.1 billion, up ¥54.9 billion from the previous fiscal year. Major factors for provision of cash include income before income taxes and non-controlling interests of ¥137.8 billion and depreciation and amortization of ¥91.2 billion, while major factors for use of cash include an increase in trade receivables of ¥20.8 billion and income taxes paid of ¥27.6 billion.

Cash Flows from Investing Activities
Net cash used in investing activities totaled ¥154.4 billion, up ¥13.8 billion from the previous fiscal year. Main factors include capital expenditures of ¥129.1 billion.

Cash Flows from Financing Activities
Net cash used in financing activities was ¥77.6 billion, up ¥67.6 billion from the previous fiscal year. Main factors include a net decrease in short-term debt of ¥42.3 billion, repayment of long-term debt of ¥66.9 billion and payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation of ¥32.0 billion, which contrasted with proceeds from long-term debt of ¥88.2 billion.

Cash Flows



BUSINESS RISKS

Operational and other risks faced by Toray Group that could have a major influence on the decisions of investors are described below. Toray Group works constantly to avoid such potential risks, minimize their impact, and build a system to enable swift responses and accurate information disclosure on the occurrence of unforeseen situations. Please note that the risks described below are those identified by Toray Group when this annual report was produced, and do not represent all the operational and other risks that could affect Toray Group.

(1) Domestic and overseas demand and market trends
As a supplier of basic materials to a broad range of industries, Toray Group is exposed to various factors that could cause a sharp drop in demand for its products. These include changes in both worldwide and regional supply-demand conditions, increased use of substitute materials, and changes to the purchasing policies of business partners. In addition to severe competition with other companies, Toray Group's various businesses also face the risk of new players entering the market. Price fluctuations, stemming from the reduction of National Health Insurance (NHI) drug prices and reimbursement prices, also affect the pharmaceuticals and medical products business. Although Toray Group takes steps to maintain its competitive advantage, a decline in demand for, or falling prices of, such items, or the appearance of a credit risk affecting Toray Group's business partners, could have a negative impact on Toray Group's results of operations and financial conditions.

(2) Rising prices of fuel and raw materials
The prices of petrochemical raw materials and fuel used by Toray Group are subject to significant fluctuations. If Toray Group is unable to fully pass the increases in such prices on to its product prices, or cannot raise its product prices due to lack of progress in shifting to high-value-added products, its results of operations and financial conditions could be negatively affected.

(3) Capital expenditures, joint ventures, alliances and acquisitions
Toray Group makes capital expenditures in a wide range of business fields. Its other activities include formation of various joint ventures or strategic alliances with third parties, as well as business acquisitions.

When Toray Group becomes involved in capital expenditures, joint ventures, alliances and acquisitions, it considers the potential for profitability and return on investment. However, there is not necessarily any guarantee that the outcome will be consistent with expectations. If unforeseen market changes or significant discrepancies between actual results and initial business plans occur due to sudden changes in the operating environment, there could be a loss on impairment of fixed assets or equity in losses of unconsolidated subsidiaries and affiliated companies. As a result, Toray Group's results of operations and financial conditions could be negatively affected.

(4) Foreign currency, interest rate and securities market fluctuations

Foreign currency exchange rate fluctuations affect Toray Group's consolidated financial statements when the financial statements of the overseas operations presented in local currencies are translated into yen. Toray Group takes measures, such as entering forward exchange contracts, to alleviate risks associated with transactions denominated in foreign currencies. However, unforeseen exchange rate fluctuations could have an impact on Toray Group's results of operations and financial conditions.

Moreover, rapid and unforeseen changes in interest rates and other aspects of financial market turmoils, as well as changes in the value of securities and pension assets held by Toray Group, may have an impact on Toray Group's results of operations and financial conditions.

(5) Changes in assumptions on which forecasts are based that might affect employee retirement benefit obligations and deferred tax assets

Toray's consolidated financial statements contain employee retirement benefit obligations based on future pension payments calculated in accordance with certain criteria, as well as deferred tax assets stated according to likely tax refunds based on taxable income estimates for the future fiscal years. However, if changes in the criteria used to calculate pension payments were to occur, or if fluctuations arose in the estimates of future taxable income, Toray Group's results of operations and financial conditions could be affected.

(6) Overseas operations

Toray Group is developing a broad geographical presence, with operations in various countries of Asia, Europe, and the Americas. Some of the major potential risks associated with various regions are summarized below. If such risks were to become reality, Toray Group's results of operations and financial conditions could be negatively affected.

— Unforeseen introduction, changes or abolition of laws and regulations such as changes in taxation systems
— Unforeseen economic or political events
— Social upheaval, including acts of terror or war

(7) Product liability

Toray Group strives to supply the world's best-in-class product quality. However, it cannot always guarantee against a major unforeseen quality problem. If quality-related serious situations were to occur, Toray Group's results of operations and financial conditions could be negatively affected.

(8) Lawsuits

In the course of conducting its wide range of business activities, Toray Group faces the risk of being targeted by legal action pertaining to various matters such as intellectual property, product liability, environment, and labor issues. If Toray Group were subject to a major lawsuit, its results of operations and financial conditions could be negatively affected.

(9) Laws and regulations, taxes, competition policies and internal controls

Various laws and regulations apply in the countries and regions where Toray Group conducts its business. These laws and regulations include regulations related to the environment, commercial trading, labor, intellectual property, taxation and foreign exchange, investment approval protocols and import/export controls, and policies on competition based on antitrust laws. Through the establishment and maintenance of internal control systems, Toray Group endeavors to comply with all such laws and regulations. However, changes to such laws and regulations, including the introduction of new environmental regulations and taxes, as well as changes to the corporate income tax rate could affect Toray Group's results of operations and financial conditions. Also, if Toray Group is judged as having violated such laws and regulations, is subject to government sanctions initiated by a fair trade commission, receives a notice of correction from tax authorities, has an employee who engages in illicit behavior, or is unable to uphold internal controls pertaining to financial statements, its results of operations and financial conditions could be negatively affected.

(10) Natural disasters and accidents

Toray Group places top priority on safety, accident prevention, and environmental preservation. To minimize losses caused by the suspension of production, Toray Group conducts regular accident prevention inspections, maintenance of its manufacturing facilities, and safety activities. However, the advent of a major natural disaster or unprecedented accident could cause damage to Toray Group's manufacturing facilities, or could cause inadequate supply of raw materials, which could have a negative impact on its results of operations and financial conditions.

(11) Information security risk

The Toray Group's information systems and networks are fundamentally essential elements in the execution of the Group's business operations and every security precaution is taken in their formulation and operation. Unauthorized access, data alteration, theft or deletion, an interruption of system operations that causes a work stoppage or leads to a lost of trust in the Group, or a leak of confidential information outside the Company, or other such incident could negatively impact the Toray Group's earnings and financial conditions.

Consolidated Balance Sheets

Toray Industries, Inc. and Consolidated Subsidiaries
March 31, 2016 and 2015

Assets	Millions of yen 2016	2015	Thousands of U.S. dollars (Note 2) 2016
Current assets:			
Cash (Note 5)	**¥ 89,976**	¥ 84,402	**$ 796,248**
Time deposits (Notes 4 and 5)	**30,192**	31,791	**267,186**
Trade receivables (Notes 5 and 7):			
Notes receivable	**35,633**	26,548	**315,336**
Accounts receivable	**366,587**	378,782	**3,244,133**
Inventories (Note 3)	**394,034**	391,629	**3,487,027**
Deferred tax assets (Note 10)	**24,113**	31,034	**213,389**
Prepaid expenses and other current assets (Notes 5 and 6)	**70,815**	75,384	**626,681**
Allowance for doubtful accounts	**(1,791)**	(1,702)	**(15,850)**
Total current assets	**1,009,559**	1,017,868	**8,934,150**
Property, plant and equipment (Notes 4 and 13)**:**			
Land	**76,942**	78,327	**680,903**
Buildings	**584,763**	585,009	**5,174,894**
Machinery and equipment	**1,915,242**	1,981,679	**16,949,044**
Construction in progress	**97,497**	68,865	**862,805**
	2,674,444	2,713,880	**23,667,646**
Accumulated depreciation	**(1,843,832)**	(1,858,287)	**(16,317,097)**
Property, plant and equipment, net	**830,612**	855,593	**7,350,549**
Intangible assets (Note 13)**:**			
Goodwill	**54,299**	63,369	**480,522**
Other	**32,860**	35,137	**290,796**
Total intangible assets	**87,159**	98,506	**771,319**
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliated companies (Note 5)	**118,949**	121,164	**1,052,646**
Investment securities (Notes 4, 5 and 6)	**158,541**	185,078	**1,403,018**
Long-term loans receivable	**1,494**	1,523	**13,221**
Deferred tax assets (Note 10)	**12,633**	13,294	**111,796**
Other (Notes 4 and 8)	**62,868**	67,733	**556,354**
Allowance for doubtful accounts	**(3,429)**	(2,834)	**(30,345)**
Total investments and other assets	**351,056**	385,958	**3,106,690**
Total assets	**¥ 2,278,386**	¥ 2,357,925	**$ 20,162,708**

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets	Millions of yen 2016	2015	Thousands of U.S. dollars (Note 2) 2016
Current liabilities:			
Short-term bank loans (Notes 4, 5 and 7)	**¥ 135,960**	¥ 142,346	**$ 1,203,186**
Current portion of long-term debt (Notes 4, 5 and 7)	**48,507**	57,338	**429,265**
Commercial paper (Note 5)	**6,000**	5,000	**53,097**
Trade payables (Notes 5 and 7):			
Notes payable	**38,273**	36,557	**338,699**
Accounts payable	**174,870**	183,616	**1,547,522**
Income taxes payable (Note 10)	**15,815**	13,027	**139,956**
Accrued liabilities	**57,645**	57,596	**510,133**
Other current liabilities (Notes 4 and 10)	**94,278**	105,373	**834,319**
Total current liabilities	**571,348**	600,853	**5,056,177**
Long-term debt (Notes 4, 5 and 7)	**510,349**	490,717	**4,516,363**
Deferred tax liabilities (Note 10)	**34,632**	43,669	**306,478**
Net defined benefit liability (Note 8)	**104,803**	106,293	**927,460**
Customers' guarantee deposits and other liabilities (Note 4)	**32,345**	35,636	**286,239**
Total liabilities	**1,253,477**	1,277,168	**11,092,717**
Commitments and contingent liabilities (Note 12)			
Net assets (Note 11)**:**			
Stockholders' equity:			
Common stock: Authorized—4,000,000,000 shares Issued—1,631,481,403 shares	**147,873**	147,873	**1,308,611**
Capital surplus	**119,180**	136,727	**1,054,690**
Retained earnings	**614,334**	544,557	**5,436,584**
Treasury stock, at cost	**(21,163)**	(21,345)	**(187,283)**
Total stockholders' equity	**860,224**	807,812	**7,612,602**
Accumulated other comprehensive income:			
Net unrealized gains on securities	**61,272**	79,093	**542,230**
Net deferred losses on hedges	**(490)**	(387)	**(4,336)**
Foreign currency translation adjustments	**29,270**	100,097	**259,027**
Remeasurements of defined benefit plans	**(4,708)**	(947)	**(41,664)**
Total accumulated other comprehensive income	**85,344**	177,856	**755,257**
Stock acquisition rights (Note 9)	**1,181**	1,207	**10,451**
Non-controlling interests	**78,160**	93,882	**691,681**
Total net assets	**1,024,909**	1,080,757	**9,069,991**
Total liabilities and net assets	**¥ 2,278,386**	¥ 2,357,925	**$ 20,162,708**

Consolidated Statements of Income

Toray Industries, Inc. and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2016	2015	**2016**
Net sales	**¥ 2,104,430**	¥ 2,010,734	**$ 18,623,274**
Costs and expenses:			
Cost of sales (Notes 3, 8, 13 and 14)	**1,662,556**	1,611,469	**14,712,885**
Selling, general and administrative expenses (Notes 8, 9, 13 and 14)	**287,394**	275,784	**2,543,310**
	1,949,950	1,887,253	**17,256,195**
Operating income	**154,480**	123,481	**1,367,080**
Other income (expenses):			
Interest expense	**(5,350)**	(6,347)	**(47,345)**
Interest and dividend income	**5,042**	4,121	**44,619**
Equity in earnings of unconsolidated subsidiaries and affiliated companies	**5,016**	11,816	**44,389**
Loss on sales and disposal of property, plant and equipment, net	**(5,098)**	(5,708)	**(45,115)**
Loss on impairment of fixed assets (Note 15)	**(9,063)**	(7,915)	**(80,204)**
Gain on sales and loss on write-down of investment securities, net	**2,273**	446	**20,115**
Other, net	**(9,492)**	(5,425)	**(84,000)**
	(16,672)	(9,012)	**(147,540)**
Income before income taxes and non-controlling interests	**137,808**	114,469	**1,219,540**
Income taxes (Note 10)**:**			
Current	**31,435**	24,945	**278,186**
Deferred	**9,191**	14,792	**81,336**
	40,626	39,737	**359,522**
Net income	**97,182**	74,732	**860,018**
Net income attributable to non-controlling interests	**(7,050)**	(3,711)	**(62,389)**
Net income attributable to owners of parent	**¥ 90,132**	¥ 71,021	**$ 797,628**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Toray Industries, Inc. and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2016	2015	**2016**
Net income	**¥ 97,182**	¥ 74,732	**$ 860,018**
Other comprehensive income (Note 16)			
Net unrealized (losses) gains on securities	**(17,868)**	31,308	**(158,124)**
Net deferred (losses) gains on hedges	**(100)**	97	**(885)**
Foreign currency translation adjustments	**(59,118)**	64,185	**(523,168)**
Remeasurements of defined benefit plans	**(3,273)**	15,619	**(28,965)**
Share of other comprehensive income of unconsolidated subsidiaries and affiliated companies accounted for by the equity method	**(3,933)**	5,186	**(34,805)**
Total other comprehensive income	**(84,292)**	116,395	**(745,947)**
Comprehensive income	**¥ 12,890**	¥ 191,127	**$ 114,071**
Total comprehensive income attributable to:			
Owners of parent	**¥ 10,881**	¥ 180,678	**$ 96,292**
Non-controlling interests	**2,009**	10,449	**17,779**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Toray Industries, Inc. and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

Millions of yen

	Stockholders' equity					Accumulated other comprehensive income							
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total stockholders' equity	Net unrealized gains on securities	Net deferred losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
Balance as of April 1, 2014	¥ 147,873	¥ 136,735	¥ 505,834	¥ (1,455)	¥ 788,987	¥ 49,546	¥ (508)	¥ 37,664	¥ (16,688)	¥ 70,014	¥ 991	¥ 84,633	¥ 944,625
Cumulative effect of changes in accounting policies			(15,989)		(15,989)								(15,989)
Restated balance	147,873	136,735	489,845	(1,455)	772,998	49,546	(508)	37,664	(16,688)	70,014	991	84,633	928,636
Changes in:													
Dividends			(16,145)		(16,145)								(16,145)
Net income attributable to owners of parent			71,021		71,021								71,021
Purchase of treasury stock				(20,054)	(20,054)								(20,054)
Disposition of treasury stock		(41)		165	124								124
Change in equity attributable to parent arising from transaction with non-controlling shareholders					—								—
Effect of change in accounting period of subsidiaries and affiliated companies					—								—
Other		33	(164)	(1)	(132)								(132)
Items other than stockholders' equity, net						29,547	121	62,433	15,741	107,842	216	9,249	117,307
Total changes	—	(8)	54,712	(19,890)	34,814	29,547	121	62,433	15,741	107,842	216	9,249	152,121
Balance as of March 31, 2015	¥ 147,873	¥ 136,727	¥ 544,557	¥ (21,345)	¥ 807,812	¥ 79,093	¥ (387)	¥ 100,097	¥ (947)	¥ 177,856	¥ 1,207	¥ 93,882	¥ 1,080,757
Balance as of April 1, 2015	¥ 147,873	¥ 136,727	¥ 544,557	¥ (21,345)	¥ 807,812	¥ 79,093	¥ (387)	¥ 100,097	¥ (947)	¥ 177,856	¥ 1,207	¥ 93,882	¥ 1,080,757
Cumulative effect of changes in accounting policies					—								—
Restated balance	**147,873**	**136,727**	**544,557**	**(21,345)**	**807,812**	**79,093**	**(387)**	**100,097**	**(947)**	**177,856**	**1,207**	**93,882**	**1,080,757**
Changes in:													
Dividends			**(19,191)**		**(19,191)**								**(19,191)**
Net income attributable to owners of parent			**90,132**		**90,132**								**90,132**
Purchase of treasury stock				**(64)**	**(64)**								**(64)**
Disposition of treasury stock		**(52)**		**246**	**194**								**194**
Change in equity attributable to parent arising from transaction with non-controlling shareholders		**(17,547)**			**(17,547)**								**(17,547)**
Effect of change in accounting period of subsidiaries and affiliated companies			**(1,105)**		**(1,105)**								**(1,105)**
Other		**52**	**(59)**		**(7)**								**(7)**
Items other than stockholders' equity, net						**(17,821)**	**(103)**	**(70,827)**	**(3,761)**	**(92,512)**	**(26)**	**(15,722)**	**(108,260)**
Total changes	—	**(17,547)**	**69,777**	**182**	**52,412**	**(17,821)**	**(103)**	**(70,827)**	**(3,761)**	**(92,512)**	**(26)**	**(15,722)**	**(55,848)**
Balance as of March 31, 2016	**¥ 147,873**	**¥ 119,180**	**¥ 614,334**	**¥ (21,163)**	**¥ 860,224**	**¥ 61,272**	**¥ (490)**	**¥ 29,270**	**¥ (4,708)**	**¥ 85,344**	**¥ 1,181**	**¥ 78,160**	**¥1,024,909**

Thousands of U.S. dollars (Note 2)

	Stockholders' equity					Accumulated other comprehensive income							
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total stockholders' equity	Net unrealized gains on securities	Net deferred losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock acquisition rights	Non-controlling interests	Total net assets
Balance as of April 1, 2015	$ 1,308,611	$ 1,209,973	$ 4,819,088	$ (188,894)	$ 7,148,779	$ 699,938	$ (3,425)	$ 885,814	$ (8,381)	$ 1,573,947	$ 10,681	$ 830,814	$ 9,564,221
Cumulative effect of changes in accounting policies					—								—
Restated balance	**1,308,611**	**1,209,973**	**4,819,088**	**(188,894)**	**7,148,779**	**699,938**	**(3,425)**	**885,814**	**(8,381)**	**1,573,947**	**10,681**	**830,814**	**9,564,221**
Changes in:													
Dividends			**(169,832)**		**(169,832)**								**(169,832)**
Net income attributable to owners of parent			**797,628**		**797,628**								**797,628**
Purchase of treasury stock				**(566)**	**(566)**								**(566)**
Disposition of treasury stock		**(460)**		**2,177**	**1,717**								**1,717**
Change in equity attributable to parent arising from transaction with non-controlling shareholders		**(155,283)**			**(155,283)**								**(155,283)**
Effect of change in accounting period of subsidiaries and affiliated companies			**(9,779)**		**(9,779)**								**(9,779)**
Other		**460**	**(522)**		**(62)**								**(62)**
Items other than stockholders' equity, net						**(157,708)**	**(912)**	**(626,788)**	**(33,283)**	**(818,690)**	**(230)**	**(139,133)**	**(958,053)**
Total changes	—	**(155,283)**	**617,496**	**1,611**	**463,823**	**(157,708)**	**(912)**	**(626,788)**	**(33,283)**	**(818,690)**	**(230)**	**(139,133)**	**(494,230)**
Balance as of March 31, 2016	**$ 1,308,611**	**$ 1,054,690**	**$ 5,436,584**	**$ (187,283)**	**$ 7,612,602**	**$ 542,230**	**$ (4,336)**	**$ 259,027**	**$ (41,664)**	**$ 755,257**	**$ 10,451**	**$ 691,681**	**$ 9,069,991**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Toray Industries, Inc. and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2016	2015	**2016**
Cash flows from operating activities:			
Income before income taxes and non-controlling interests	**¥ 137,808**	¥ 114,469	**$ 1,219,540**
Adjustments to reconcile income before income taxes and non-controlling interests to net cash provided by operating activities:			
Depreciation and amortization	**91,168**	81,480	**806,796**
Loss on impairment of fixed assets	**9,063**	7,915	**80,204**
Interest and dividend income	**(5,042)**	(4,121)	**(44,619)**
Equity in earnings of unconsolidated subsidiaries and affiliated companies	**(5,016)**	(11,816)	**(44,389)**
Interest expense	**5,350**	6,347	**47,345**
Loss on sales and disposal of property, plant and equipment, net	**5,098**	5,708	**45,115**
Gain and loss on sales and loss on write-down of investment securities, net	**(1,998)**	(857)	**(17,681)**
Decrease in net defined benefit liability	**(2,829)**	(364)	**(25,035)**
Increase in trade receivables	**(20,775)**	(33,861)	**(183,850)**
Increase in inventories	**(15,207)**	(5,006)	**(134,575)**
Decrease in trade payables	**(473)**	(694)	**(4,186)**
Other, net	**16,817**	9,395	**148,823**
Subtotal	**213,964**	168,595	**1,893,487**
Interest and dividends received	**14,945**	8,456	**132,257**
Interest paid	**(5,212)**	(6,277)	**(46,124)**
Income taxes paid	**(27,555)**	(29,492)	**(243,850)**
Net cash provided by operating activities	**196,142**	141,282	**1,735,770**
Cash flows from investing activities:			
Capital expenditures	**(129,114)**	(126,889)	**(1,142,602)**
Purchases of investment securities	**(11,308)**	(5,893)	**(100,071)**
Proceeds from sales of property, plant and equipment	**1,702**	4,608	**15,062**
Proceeds from sales of investment securities	**5,762**	4,061	**50,991**
Acquisition of shares of consolidated subsidiaries resulting in change in scope of consolidation	**(6,226)**	(702)	**(55,097)**
Other, net	**(15,230)**	(15,847)	**(134,779)**
Net cash used in investing activities	**(154,414)**	(140,662)	**(1,366,496)**
Cash flows from financing activities:			
Net decrease in short-term debt	**(42,255)**	(3,707)	**(373,938)**
Proceeds from long-term debt	**88,182**	136,850	**780,372**
Repayment of long-term debt	**(66,894)**	(104,266)	**(591,982)**
Purchase of treasury stock	**(66)**	(20,058)	**(584)**
Cash dividends paid	**(20,600)**	(17,530)	**(182,301)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**(32,024)**	—	**(283,398)**
Other, net	**(3,948)**	(1,287)	**(34,938)**
Net cash used in financing activities	**(77,605)**	(9,998)	**(686,770)**
Effect of exchange rate changes on cash and cash equivalents	**(7,860)**	8,730	**(69,558)**
Net decrease in cash and cash equivalents	**(43,737)**	(648)	**(387,053)**
Cash and cash equivalents at beginning of year	**112,489**	113,137	**995,478**
Beginning balance of cash and cash equivalents at subsidiaries not previously included in consolidation	**57**	—	**504**
Increase in cash and cash equivalents resulting from change in accounting period of consolidated subsidiaries	**40,969**	—	**362,558**
Cash and cash equivalents at end of year	**¥ 109,778**	¥ 112,489	**$ 971,487**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Toray Industries, Inc. and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Toray Industries, Inc. (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

For the preparation of consolidated financial statements, the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should be unified, in principle. However, financial statements prepared by overseas subsidiaries in accordance with International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process. In addition, some items should be adjusted in the consolidation process so that net income is accurately accounted for, unless they are not material.

Certain items presented in the original consolidated financial statements in Japanese have been reclassified for the convenience of readers outside Japan.

b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and substantially all of its subsidiaries.

Assets and liabilities of the consolidated subsidiaries are revalued to fair market value when the Company acquires control over the subsidiaries.

Investments in unconsolidated subsidiaries and affiliated companies are accounted for by the equity method.

All intercompany accounts and transactions have been eliminated in consolidation. The difference between the acquisition cost and the underlying net assets of the subsidiaries is recognized as goodwill and amortized principally over its estimated useful life not exceeding twenty years on a straight-line method.

c) Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2016 and 2015 include cash, short-term time deposits which may be withdrawn on demand without diminution of principal and highly liquid investments with original maturities of three months or less.

Cash and cash equivalents consisted of:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Cash	**¥ 89,976**	¥ 84,402	**$ 796,248**
Time deposits	**30,192**	31,791	**267,186**
Less — Time deposits with maturities of over 3 months	**(10,390)**	(7,437)	**(91,947)**
Marketable securities with original maturities of 3 months or less	**—**	3,733	**—**
Cash and cash equivalents	**¥109,778**	¥112,489	**$ 971,487**

d) Financial Instruments

Derivatives:

All derivatives are stated at fair value, with changes in fair value included in net income or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments" (see Hedge Accounting below).

Securities:

Held-to-maturity debt securities that the Company and its consolidated subsidiaries have the intent to hold to maturity, are stated at cost after accounting for premium or discount on acquisition, which are amortized over the period to maturity.

Other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in net assets at a net-of-tax amount.

Other securities for which market quotations are unavailable are stated at cost, except as stated in the paragraph below.

In cases where the fair value of held-to-maturity debt securities or other securities has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to fair value and the resulting losses are included in net income or loss for the period.

Hedge Accounting:

Gains or losses arising from changes in fair value of derivatives designated as "hedging instruments" are deferred as a separate item of net assets at a net-of-tax amount and included in net income or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Company and its consolidated subsidiaries are principally interest rate swaps and forward foreign exchange contracts. The related hedged items are trade accounts receivable and payable, long-term bank loans and debt securities issued by the Company and its consolidated subsidiaries.

The Company and its consolidated subsidiaries have a policy to utilize the above hedging instruments in order to reduce their exposure to the risk of interest rate and foreign currency fluctuations. Thus, their purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Company and its consolidated subsidiaries evaluate the effectiveness of hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

e) Allowance for Doubtful Accounts

In the Company and its domestic consolidated subsidiaries, an allowance for doubtful accounts, including receivables and loans, is determined from the amounts considered unlikely to be recovered, estimated from past actual bad debt ratio records for general receivables and from studying the probability of recovery in individual cases where there is concern over claims.

f) Inventories
Inventories are stated at the lower of acquisition cost, principally determined by the moving average method, or net selling value to reflect any decreased profitability of inventories.

g) Property, Plant and Equipment
Property, plant and equipment are stated at cost.

Depreciation for property, plant and equipment (except leased assets) is principally computed by the straight-line method at rates based on estimated useful lives that are as follows:

Buildings	3–60 years
Machinery and equipment	3–15 years

Principally, a depreciation method of leased assets is identical to the method applicable to its own fixed assets. In the Company and its domestic consolidated subsidiaries, finance lease transactions which do not transfer ownership of the leased assets whose lease inceptions are on or before March 31, 2008 are accounted for by a method similar to the method applicable to ordinary operating lease transactions.

h) Income Taxes
Income taxes of the Company and its domestic consolidated subsidiaries consist of corporate income taxes, local inhabitants taxes and enterprise taxes. Deferred income taxes are determined using the asset and liability approach, where deferred tax assets and liabilities are recognized for temporary differences between the tax basis of assets and liabilities and their reported amount in the financial statements. The Company also provides for the anticipated tax effect of future remittances of retained earnings from subsidiaries and affiliated companies.

Effective from the year ended March 31, 2016, the Company and some of its domestic consolidated subsidiaries have adopted the consolidated taxation system.

i) Consumption Taxes
Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

j) Retirement Benefits
The Company and its domestic consolidated subsidiaries have an unfunded lump-sum benefit plan, a funded contributory pension plan and a defined contribution pension plan covering all eligible employees.

Under the terms of the unfunded lump-sum benefit plan, eligible employees are entitled under most circumstances, upon mandatory retirement or earlier voluntary severance, to indemnities based on compensation at the time of severance and years of service.

The funded contributory pension plan and the defined contribution pension plan provide, in general, pension payments for life commencing from age 60.

To provide for the payment of retirement benefits to employees, net defined benefit liability is recognized at an amount equal to the expected retirement benefit obligations net of the fair value of pension assets at the end of the period.

Past service cost is amortized as incurred using the straight-line method over a certain period within the employees' average remaining years of service (primarily 13 years).

Actuarial gains and losses are amortized from the following fiscal year after recognition using the straight-line method over a certain period within the employees' average remaining years of service (primarily 13 years).

Unrecognized actuarial gains and losses and unrecognized past service cost are recognized in remeasurements of defined benefit plans in accumulated other comprehensive income under the net assets section, net of deferred taxes.

Allowance for retirement benefits for members of the Board and corporate auditors ("executives") of the Company and certain of its domestic consolidated subsidiaries is provided based on the companies' pertinent rules and is calculated as the estimated amount which would be payable if all executives were to retire at the balance sheet date. Any amounts payable to executives upon retirement are subject to approval at the annual stockholders' meeting. The amount is included in "customers' guarantee deposits and other liabilities" on the consolidated balance sheets.

k) Appropriation of Retained Earnings
Cash dividends are recorded in the fiscal year when the proposed appropriation of retained earnings is approved by the Board of Directors and/or stockholders.

l) Foreign Currency Transactions
All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net income or loss for the period.

m) Translation of Foreign Currency Financial Statements
Translation of foreign currency financial statements of overseas subsidiaries into Japanese yen for consolidation purposes is made by using the current exchange rates prevailing at their balance sheet dates, with the exception that the translation of stockholders' equity is made by using historical rates. Revenue and expense accounts are principally translated at the average exchange rates during the year. Differences in yen amounts arising from the use of different rates are presented as "foreign currency translation adjustments" in net assets except for the portion belonging to non-controlling shareholders, which is included in "non-controlling interests" in net assets.

n) Changes in Accounting Policy
Effective from the year ended March 31, 2016, the Company has adopted the "Revised Accounting Standard for Business Combinations" (the Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013, hereinafter "Business Combinations Accounting Standard"), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013, hereinafter "Consolidation Accounting Standard") and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013, hereinafter "Business Divestitures Accounting Standard"). Accordingly, the Company

records differences arising from changes in its equity interest in subsidiaries that remain under its control as capital surplus and charges acquisition-related costs for business combinations to expenses in the period when such costs are incurred. With regard to any business combination made on or after April 1, 2015, any adjustment of an allocated amount of acquisition costs arising from a determination of provisional treatment is reflected in the consolidated financial statements for the period when the business combination occurs. Furthermore, the Company has changed the presentation of net income, etc. and the presentation of "minority interests" to "non-controlling interests."

When applying the accounting standards, the Company follows the transitional treatment set forth in Section 58-2 (4) of the Business Combinations Accounting Standard, Section 44-5 (4) of the Consolidation Accounting Standard and Section 57-4 (4) of the Business Divestitures Accounting Standard. The accounting standards are applied to periods from April 1, 2015 onward.

As a result, capital surplus at the end of the year ended March 31, 2016 decreased by ¥17,547 million ($155,283 thousand). The impact on the consolidated statement of income for the year ended March 31, 2016 was insignificant.

In the consolidated statement of cash flows for the year ended March 31, 2016, cash flows from the acquisition or disposal of the shares of subsidiaries with no changes in the scope of consolidation were included in "Cash flows from financing activities" and cash flows from acquisition-related costs of the shares of subsidiaries with changes in the scope of consolidation or costs related to the acquisition or disposal of the shares of subsidiaries with no changes in the scope of consolidation were included in "Cash flows from operating activities."

In the consolidated statement of changes in net assets for the year ended March 31, 2016, capital surplus at the end of the year ended March 31, 2016 decreased by ¥17,547 million ($155,283 thousand).

Net assets per share decreased by ¥9.99 ($0.09) while the impact on net income per share and diluted net income per share was insignificant.

o) Standards Issued but Not Yet Adopted

Implementation Guidance on Recoverability of Deferred Tax Assets

On March 28, 2016, the ASBJ issued "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26).

(1) Overview

Regarding the treatment of the recoverability of deferred tax assets, a review was conducted following the framework of the Japanese Institute of Certified Public Accountants Audit Committee Report No. 66 "Audit Treatment on Determining the Recoverability of Deferred Tax Assets," whereby companies are categorized into five categories and deferred tax assets are calculated based on each of these categories.

(i) Treatment of companies that do not satisfy any of the category requirements for (Category 1) through (Category 5)
(ii) Category requirements for (Category 2) and (Category 3)
(iii) Treatment related to future deductible temporary differences which cannot be scheduled in companies that qualify as (Category 2)
(iv) Treatment related to the reasonable estimable period of future pre-adjusted taxable income in companies that qualify as (Category 3)
(v) Treatment in cases that companies that satisfy the category requirements for (Category 4) but qualify as (Category 2) or (Category 3)

(2) Scheduled Date of Adoption

The Company expects to adopt the revised implementation guidance from the beginning of the year ending March 31, 2017.

(3) Impact of Adopting Revised Implementation Guidance

The impact of adopting the revised implementation guidance on the consolidated financial statements is currently under evaluation.

p) Changes in Accounting Estimate

When accounting for retirement benefits, actuarial gains and losses and past service costs were previously amortized primarily over 14 years but are now amortized primarily over 13 years, effective from the year ended March 31, 2016, due to a decrease in the employees' average remaining years of service.

The impact of this change on the consolidated statement of income for the year ended March 31, 2016 was insignificant.

q) Changes in Accounting Period of Consolidated Subsidiaries

For consolidated subsidiaries having a year-end date of December 31, the relevant computations in previous fiscal years were made on the basis of the subsidiaries' year-end date, while their major transactions carried out during the period between such date and the Company's year-end date were addressed with necessary adjustments for the purpose of consolidation in preparing the consolidated financial statements. From among these subsidiaries, however, effective from the year ended March 31, 2016, Toray Advanced Materials Korea Inc. and 33 subsidiaries have changed their year-end date to March 31, and the relevant computations have been made for Toray Fibers (Nantong) Co., Ltd. and 18 subsidiaries on the basis of a provisional settlement of accounts as of the Company's year-end date equivalent to a regular settlement of accounts. For consolidated subsidiaries having a year-end date of September 30, the relevant computations in previous fiscal years were made on the basis of a provisional settlement of accounts as of December 31 equivalent to a regular settlement of accounts, while their major transactions carried out during the period between such date and the Company's year-end date were addressed with necessary adjustments for the purpose of consolidation in preparing the consolidated financial statements. Effective from the year ended March 31, 2016, however, Zoltek Companies, Inc. and 7 subsidiaries have changed their year-end date to March 31.

Net income or loss of these subsidiaries during the period between January 1, 2015 and March 31, 2015 was adjusted on a net basis as a decrease in retained earnings in the consolidated financial statements for the year ended March 31, 2016.

2. U.S. DOLLAR AMOUNTS

The Company and its domestic consolidated subsidiaries maintain their accounting records in yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetic results of translating yen into U.S. dollars at the rate of ¥113 to $1.00, the approximate exchange rate prevailing on March 31, 2016. The inclusion of such U.S. dollar amounts is solely for the convenience of readers outside Japan and is not intended to imply that yen amounts and assets and liabilities that originated in yen have been or could be readily converted, realized or settled in U.S. dollars at this or at any other rate.

3. INVENTORIES

At March 31, 2016 and 2015, inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Merchandise and finished goods	**¥ 229,199**	¥ 220,763	**$ 2,028,310**
Work in process	**75,992**	78,606	**672,496**
Raw materials and supplies	**88,843**	92,260	**786,221**
	¥ 394,034	¥ 391,629	**$ 3,487,027**

Losses recognized and charged to cost of sales as a result of valuation at March 31, 2016 and 2015 were ¥6,443 million ($57,018 thousand) and ¥2,193 million, respectively.

4. SHORT-TERM BANK LOANS, LONG-TERM DEBT AND LEASE OBLIGATIONS

Short-term bank loans at March 31, 2016 and 2015 represented bank overdrafts and short-term notes. The Company is not required to pay commitment fees on unused balances of the bank overdraft agreements.

Long-term debt and lease obligations at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Loans principally from banks and insurance companies with interest rates primarily from 0.04% to 11.50%, maturing serially through 2026:			
Unsecured	**¥ 418,581**	¥ 408,025	**$ 3,704,257**
Secured	**255**	—	**2,257**
Lease obligations maturing serially through 2028:			
Unsecured	**3,437**	4,857	**30,416**
Yen notes with an interest rate of 0.42% due 2018	**20**	30	**177**
Yen notes with an interest rate of 0.93% due 2022	**20,000**	20,000	**176,991**
Yen notes with an interest rate of 1.01% due 2023	**20,000**	20,000	**176,991**
Zero coupon convertible bonds due 2019	**50,000**	50,000	**442,478**
Zero coupon convertible bonds due 2021	**50,000**	50,000	**442,478**
	562,293	552,912	**4,976,044**
Less amounts due within one year	**49,558**	58,608	**438,566**
	¥ 512,735	¥ 494,304	**$ 4,537,478**

At March 31, 2016, assets pledged as collateral were as follows:

	Millions of yen	Thousands of U.S. dollars
Time deposits	**¥ 774**	**$ 6,850**
Property, plant and equipment, net	**7,072**	**62,584**
Investment securities	**799**	**7,071**
Others	**512**	**4,531**
	¥ 9,157	**$ 81,035**

The annual maturities of long-term debt and lease obligations subsequent to March 31, 2016 were as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31:		
2017	**¥ 49,558**	**$ 438,566**
2018	**113,013**	**1,000,115**
2019	**48,914**	**432,867**
2020	**57,803**	**511,531**
2021	**60,642**	**536,655**
2022 and thereafter	**232,363**	**2,056,310**
	¥ 562,293	**$ 4,976,044**

5. FINANCIAL INSTRUMENTS

Conditions of Financial Instruments

a) Policy in Relation to Financial Instruments

The policy of the Company and its consolidated subsidiaries is to manage funds only by short-term deposits, etc. and to raise funds by borrowing from banks and issuing corporate bonds. The Company and its consolidated subsidiaries use derivatives to hedge risks associated with foreign currency exchange rates and fluctuations of borrowing interest rates and do not enter into derivative transactions for speculative or trading purposes.

b) Contents and Risk of Financial Instruments and Risk Management System

Trade receivables are operating receivables and therefore are exposed to customer credit risk. Under its internal regulations, the Company carefully manages the payment periods for receivables and outstanding balances of all customers and regularly monitors the credit standing of major clients. Consolidated subsidiaries also monitor and manage the credit standings of their clients. Operating receivables and payables denominated in foreign currencies that arise from the global business operations are also exposed to foreign currency exchange risk. The Company and its consolidated subsidiaries hedge this risk mainly through the use of forward exchange contracts against positions after netting receivables and payables denominated in the same foreign currencies. Likewise, the Company and its consolidated subsidiaries mainly use currency swaps to hedge the foreign currency exchange risk of bank loans denominated in foreign currencies.

Investment securities are mostly the shares of corporations with which the Group has business relationships and are exposed to the risk of market price fluctuations. The fair value of the investment securities and financial positions of the issuing entities (clients) are regularly monitored.

Trade payables are operating payables, most of which are due and payable within one year.

Short-term bank loans and commercial paper are financing instruments mainly for operating transactions, while long-term bank loans and bonds (due within ten years, in principle) are primarily for capital expenditures. Bank loans and bonds are exposed to the risk of interest rate fluctuation. Bank loans and bonds at floating interest rates carry the risk of higher interest expenses when rates rise, while bank loans and bonds at fixed interest rates carry the risk of higher interest expenses when rates fall. The Company and its consolidated subsidiaries use derivative transactions (interest rate swap transactions) to minimize the risk of interest rate fluctuation, taking into consideration the balance between fixed interest rates and floating interest rates.

Hedging instruments, hedged items, the policy for utilizing such hedging instruments and the method for evaluating the effectiveness of hedging activities are described in Note 1. SIGNIFICANT ACCOUNTING POLICIES d) Financial Instruments, Hedge Accounting in the Notes to the Consolidated Financial Statements.

Derivative transactions are executed and managed in accordance with the internal regulations prescribing the authorization for transactions. To mitigate credit risk, the Company and its consolidated subsidiaries carry out derivative transactions only with highly rated financial institutions.

c) Supplemental Explanation on Fair Value of Financial Instruments

The fair value of financial instruments is based on market prices, or reasonable estimate of fair value for instruments for which market prices are not available. Estimates of fair value are subject to fluctuation because they employ various factors and assumptions. In addition, the contract amount of derivatives in Note 7. DERIVATIVES in the Notes to the Consolidated Financial Statements is not an indicator of market risk associated with derivative transactions.

Fair Value of Financial Instruments

Carrying value, fair value and unrealized gain (loss) as of March 31, 2016 and 2015 were as follows.
In addition, financial instruments, for which it is extremely difficult to measure the fair value, are not included. (Please refer to Note 2 below).

Millions of yen

	2016		
	Carrying value	Fair value	Unrealized gain (loss)
Cash and time deposits	**¥ 120,168**	**¥ 120,168**	**¥ —**
Trade receivables	**402,220**	**402,220**	**—**
Investment securities			
Held-to-maturity debt securities	**105**	**110**	**5**
Investment securities in subsidiaries and affiliated companies	**20,785**	**19,178**	**(1,607)**
Other securities	**151,051**	**151,051**	**—**
Assets	**¥ 694,329**	**¥ 692,727**	**¥ (1,602)**
Trade payables	**¥ 213,143**	**¥ 213,143**	**¥ —**
Short-term bank loans	**135,960**	**135,960**	**—**
Commercial paper	**6,000**	**6,000**	**—**
Bonds *1	**140,020**	**163,078**	**23,058**
Long-term bank loans *2	**418,836**	**422,631**	**3,795**
Liabilities	**¥ 913,959**	**¥ 940,812**	**¥ 26,853**
Derivative transactions *3			
Hedge accounting is not applied	**¥ 56**	**¥ 56**	**¥ —**
Hedge accounting is applied	**12**	**12**	**—**
Derivative transactions	**¥ 68**	**¥ 68**	**¥ —**

Millions of yen

	2015		
	Carrying value	Fair value	Unrealized gain
Cash and time deposits	¥ 116,193	¥ 116,193	¥ —
Trade receivables	405,330	405,330	—
Investment securities			
Held-to-maturity debt securities	84	84	0
Investment securities in subsidiaries and affiliated companies	27,486	27,593	107
Other securities	181,235	181,235	—
Assets	¥ 730,328	¥ 730,435	¥ 107
Trade payables	¥ 220,173	¥ 220,173	¥ —
Short-term bank loans	142,346	142,346	—
Commercial paper	5,000	5,000	—
Bonds *1	140,030	166,617	26,587
Long-term bank loans *2	408,025	413,250	5,225
Liabilities	¥ 915,574	¥ 947,386	¥ 31,812
Derivative transactions *3			
Hedge accounting is not applied	¥ (193)	¥ (193)	¥ —
Hedge accounting is applied	(398)	(398)	—
Derivative transactions	¥ (591)	¥ (591)	¥ —

Thousands of U.S. dollars

	2016		
	Carrying value	Fair value	Unrealized gain (loss)
Cash and time deposits	**$1,063,434**	**$1,063,434**	**$ —**
Trade receivables	**3,559,469**	**3,559,469**	**—**
Investment securities			
Held-to-maturity debt securities	**929**	**973**	**44**
Investment securities in subsidiaries and affiliated companies	**183,938**	**169,717**	**(14,221)**
Other securities	**1,336,735**	**1,336,735**	**—**
Assets	**$6,144,504**	**$6,130,327**	**$ (14,177)**
Trade payables	**$1,886,221**	**$1,886,221**	**$ —**
Short-term bank loans	**1,203,186**	**1,203,186**	**—**
Commercial paper	**53,097**	**53,097**	**—**
Bonds *1	**1,239,115**	**1,443,168**	**204,053**
Long-term bank loans *2	**3,706,513**	**3,740,097**	**33,584**
Liabilities	**$8,088,133**	**$8,325,770**	**$ 237,637**
Derivative transactions *3			
Hedge accounting is not applied	**$ 496**	**$ 496**	**$ —**
Hedge accounting is applied	**106**	**106**	**—**
Derivative transactions	**$ 602**	**$ 602**	**$ —**

*1: Bonds include bonds due within one year.
*2: Long-term bank loans include long-term bank loans due within one year.
*3: Receivables and payables arising from derivative transactions are indicated in net amounts. Total net payables, if any, are shown in parentheses.

Notes:

1. Estimation method for fair value of financial instruments and items related to securities and derivative transactions

Assets

Cash and time deposits and Trade receivables

Carrying value is used for fair value since the items will be settled within the short term and the fair value is approximately equal to the carrying value.

Investment securities

Securities are valued at quoted market price. Debt securities, etc. are valued at quoted market price or at the price provided by correspondent financial institutions. For information on securities classified by holding purpose, please refer to Note 6. SECURITIES of the Notes to the Consolidated Financial Statements.

Liabilities

Trade payables, Short-term bank loans and Commercial paper

Carrying value is used for fair value since the items will be settled within the short term and the fair value is approximately equal to the carrying value.

Bonds

The fair value of bonds with market price is based on market price. The fair value of bonds without market price is estimated by discounting the principal amounts and interest based on interest rates adjusted for the remaining periods and credit risk of the bonds. However, for floating-rate bonds or fixed-rate bonds converted to floating using interest rate swaps accounted for under the special accounting treatment for interest rate swaps, the fair value is approximately equal to the carrying value because the interest rates are adjusted periodically. Therefore, the fair value is based on the carrying value.

Long-term bank loans

The fair value of long-term bank loans is estimated by discounting the principal amounts and interest based on estimated interest rates if similar new loans were entered into in the current period. The fair value of long-term bank loans for which the special accounting method for interest rate swaps is applied is estimated by discounting the total principal amount and interest (accounted for together with the interest rate swaps) based on estimated interest rates if similar new loans were entered into in the current period. For long-term bank loans at floating interest rates, however, the fair value is approximately equal to the carrying value because the interest rates are adjusted periodically. Therefore, the fair value is based on the carrying value.

Derivative transactions

Please refer to Note 7. DERIVATIVES in the Notes to the Consolidated Financial Statements.

2. Financial instruments for which it is extremely difficult to determine the fair value

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unlisted equity securities	**¥ 83,080**	¥ 79,533	**$ 735,221**
Unlisted debt securities	**2,000**	—	**17,699**

These securities have no quoted market price and the fair value is extremely difficult to determine. Therefore, they are not included in the preceding table.

3. Redemption schedule for receivables and investment securities with maturities at March 31, 2016 and 2015

Millions of yen

	2016			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposits	**¥ 120,168**	**¥ —**	**¥ —**	**¥ —**
Trade receivables	**402,106**	**114**	**—**	**—**
Investment securities				
Held-to-maturity debt securities	**16**	**79**	**10**	**—**
Other securities	**986**	**—**	**10**	**100**
	¥ 523,276	**¥193**	**¥ 20**	**¥ 100**

Millions of yen

	2015			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposits	¥ 116,193	¥ —	¥ —	¥ —
Trade receivables	405,329	1	—	—
Investment securities				
Held-to-maturity debt securities	7	70	7	—
Other securities	4,282	—	10	700
	¥ 525,811	¥ 71	¥ 17	¥ 700

Thousands of U.S. dollars

	2016			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposits	**$ 1,063,434**	**$ —**	**$ —**	**$ —**
Trade receivables	**3,558,460**	**1,009**	**—**	**—**
Investment securities				
Held-to-maturity debt securities	**142**	**699**	**88**	**—**
Other securities	**8,726**	**—**	**88**	**885**
	$ 4,630,761	**$1,708**	**$ 177**	**$ 885**

4. The redemption schedule for long-term debt is disclosed in Note 4. SHORT-TERM BANK LOANS, LONG-TERM DEBT AND LEASE OBLIGATIONS of the Notes to the Consolidated Financial Statements.

6. SECURITIES

At March 31, 2016 and 2015, information on securities classified as held-to-maturity debt securities was as follows:

	Millions of yen				Thousands of U.S. dollars			
	2016				2016			
	Carrying value	Fair value	Unrealized gains	Unrealized losses	Carrying value	Fair value	Unrealized gains	Unrealized losses
Held-to-maturity debt securities	**¥ 105**	**¥ 110**	**¥ 5**	**¥ —**	**$ 929**	**$ 973**	**$ 44**	**$ —**

	Millions of yen			
	2015			
	Carrying value	Fair value	Unrealized gains	Unrealized losses
Held-to-maturity debt securities	¥ 84	¥ 84	¥ 0	¥ —

At March 31, 2016 and 2015, information on securities classified as other securities was as follows:

	Millions of yen				Thousands of U.S. dollars			
	2016				2016			
	Carrying value	Acquisition cost	Unrealized gains	Unrealized losses	Carrying value	Acquisition cost	Unrealized gains	Unrealized losses
Other securities	**¥ 151,051**	**¥ 65,632**	**¥ 87,758**	**¥ 2,339**	**$ 1,336,735**	**$ 580,814**	**$ 776,619**	**$ 20,699**

	Millions of yen			
	2015			
	Carrying value	Acquisition cost	Unrealized gains	Unrealized losses
Other securities	¥ 181,235	¥ 67,556	¥ 114,383	¥ 704

7. DERIVATIVES

The Company and its consolidated subsidiaries had the following derivative contracts outstanding at March 31, 2016 and 2015:

Hedge accounting is not applied	Millions of yen			Thousands of U.S. dollars		
	2016			**2016**		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:						
Buying U.S. dollar	**¥7,408**	**¥ (332)**	**¥ (332)**	**$ 65,558**	**$ (2,938)**	**$ (2,938)**
Buying euro	**31**	**(0)**	**(0)**	**274**	**(0)**	**(0)**
Buying Chinese yuan	**680**	**(2)**	**(2)**	**6,018**	**(18)**	**(18)**
Buying Thai baht	**360**	**(12)**	**(12)**	**3,186**	**(106)**	**(106)**
Buying Japanese yen	**7,678**	**55**	**55**	**67,947**	**487**	**487**
Selling U.S. dollar	**11,923**	**296**	**296**	**105,513**	**2,619**	**2,619**
Selling euro	**187**	**(7)**	**(7)**	**1,655**	**(62)**	**(62)**
Selling British pound	**41**	**1**	**1**	**363**	**9**	**9**
Selling Chinese yuan	**18**	**(0)**	**(0)**	**159**	**(0)**	**(0)**
Selling Japanese yen	**1,614**	**41**	**41**	**14,283**	**363**	**363**
Foreign currency swaps:						
Receiving U.S. dollar, paying Korean won	**1,076**	**(22)**	**(22)**	**9,522**	**(195)**	**(195)**
Receiving U.S. dollar, paying Thai baht	**5,132**	**38**	**38**	**45,416**	**336**	**336**
	¥ —	**¥ 56**	**¥ 56**	**$ —**	**$ 496**	**$ 496**

	Millions of yen		
	2015		
	Contract amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:			
Buying U.S. dollar	¥4,843	¥ 59	¥ 59
Buying euro	42	0	0
Buying Thai baht	366	34	34
Buying Japanese yen	2,578	(27)	(27)
Selling U.S. dollar	8,628	(189)	(189)
Selling euro	477	2	2
Selling British pound	131	(1)	(1)
Selling Chinese yuan	8	0	0
Selling Japanese yen	1,099	(5)	(5)
Foreign currency swaps:			
Receiving U.S. dollar, paying Korean won	1,198	(74)	(74)
Receiving U.S. dollar, paying Thai baht	1,835	4	4
Interest rate swaps:			
Floating-rate receipt, fixed-rate payment	1,098	4	4
	¥ —	¥ (193)	¥ (193)

Hedge accounting is applied

Millions of yen

		2016		
Hedge accounting method	Type of derivative and principal hedged items	Contract amount	Fair value	Estimation method for fair value
Deferral hedge method	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables			
	Buying Japanese yen	**¥ 1,856**	**¥ 31**	**Forward foreign exchange quotes**
	Selling U.S. dollar	**772**	**24**	
	Selling euro	**367**	**(14)**	
	Selling Japanese yen	**258**	**3**	
	Foreign currency options:			
	Accounted for as part of trade payables			
	Buying Japanese yen (call)	**396**	**3**	**The price provided by correspon-**
	Selling Japanese yen (put)	**198**	**(2)**	**dent financial institutions**
	Foreign currency swaps:			
	Accounted for as part of long-term bank loans			
	Receiving U.S. dollar, paying Korean won	**6,403**	**234**	**The price provided by correspon-**
	Receiving Japanese yen, paying Korean won	**6,000**	**26**	**dent financial institutions**
	Interest rate swaps:			
	Accounted for as part of long-term bank loans			**The price provided by correspon-**
	Floating-rate receipt, fixed-rate payment	**14,790**	**(153)**	**dent financial institutions**
Special accounting method for interest rate swaps	Interest rate swaps:			
	Accounted for as part of bonds and long-term bank loans			
	Floating-rate receipt, fixed-rate payment	**2,000** *1		
	Floating-rate receipt, floating-rate payment	**26,900**		**—**
	Fixed-rate receipt, floating rate payment	**53,000**		
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables (Forecasted transactions)			
	Buying U.S. dollar	**26,720**	**(707)**	**Forward foreign exchange quotes**
	Buying euro	**542**	**6**	
	Buying Chinese yuan	**566**	**(7)**	
	Buying Korean won	**174**	**(4)**	
	Buying Indian rupee	**179**	**(0)**	
	Selling U.S. dollar	**13,467**	**564**	
	Selling euro	**1,117**	**9**	
	Selling British pound	**7**	**0**	
	Selling Chinese yuan	**75**	**(1)**	
	Selling Thai baht	**2**	**0**	
	Selling Japanese yen	**29**	**0**	
	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables			
	Buying U.S. dollar	**19,569** *2		
	Buying euro	**190**		
	Buying Chinese yuan	**410**		
	Buying Japanese yen	**5**		
	Selling U.S. dollar	**34,467**		**—**
	Selling euro	**3,684**		
	Selling British pound	**22**		
	Selling Chinese yuan	**592**		
	Selling Thai baht	**20**		
	Selling Japanese yen	**2**		
	Foreign currency swaps:			
	Accounted for as part of long-term bank loans			
	Receiving U.S. dollar, paying Japanese yen	**177,778** *2		**—**
	Receiving Australian dollar, paying Japanese yen	**3,129**		
		¥ —	**¥ 12**	

Millions of yen

Hedge accounting method	Type of derivative and principal hedged items	2015 Contract amount	2015 Fair value	2015 Estimation method for fair value
Deferral hedge method	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables			
	Buying U.S. dollar	¥ 103	¥ 5	Forward foreign exchange quotes
	Buying Japanese yen	1,349	(23)	
	Selling U.S. dollar	606	(12)	
	Selling euro	255	(2)	
	Foreign currency options:			
	Accounted for as part of trade payables			
	Buying Japanese yen (call)	210	(8)	The price provided by
	Selling Japanese yen (put)	126	5	correspondent financial institutions
	Foreign currency swaps:			
	Accounted for as part of long-term bank loans			The price provided by
	Receiving U.S. dollar, paying Korean won	3,460	(35)	correspondent financial institutions
	Interest rate swaps:			
	Accounted for as part of long-term bank loans			The price provided by
	Floating-rate receipt, fixed-rate payment	641	(15)	correspondent financial institutions
Special accounting method for interest rate swaps	Interest rate swaps:			
	Accounted for as part of bonds and long-term bank loans			
	Floating-rate receipt, fixed-rate payment	26,200 *1		
	Floating-rate receipt, floating-rate payment	37,600		—
	Fixed-rate receipt, floating rate payment	53,000		
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables (Forecasted transactions)			
	Buying U.S. dollar	26,003	316	Forward foreign exchange quotes
	Buying euro	2,594	(90)	
	Buying Canadian dollar	475	(1)	
	Buying Chinese yuan	1,993	60	
	Buying Korean won	152	8	
	Buying Indian rupee	1,084	3	
	Selling U.S. dollar	23,822	(335)	
	Selling euro	1,550	62	
	Selling British pound	6	0	
	Selling Chinese yuan	285	(4)	
	Selling Thai baht	57	(1)	
	Selling Japanese yen	107	(1)	
	Foreign currency swaps:			
	Accounted for as part of long-term bank loans (Forecasted transactions)			The price provided by
	Receiving U.S. dollar, paying Japanese yen	20,000	(330)	correspondent financial institutions
	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables			
	Buying U.S. dollar	21,497 *2		
	Buying euro	258		
	Buying British pound	11		
	Buying Chinese yuan	82		
	Buying Korean won	155		—
	Buying Japanese yen	4		
	Selling U.S. dollar	36,436		
	Selling euro	2,904		
	Selling British pound	34		
	Selling Chinese yuan	1,399		
	Selling Thai baht	78		
	Foreign currency swaps:			
	Accounted for as part of long-term bank loans			
	Receiving U.S. dollar, paying Japanese yen	154,320 *2		
	Receiving Australian dollar, paying Japanese yen	3,129		—
		¥ —	¥ (398)	

Thousands of U.S. dollars

		2016		
Hedge accounting method	Type of derivative and principal hedged items	Contract amount	Fair value	Estimation method for fair value
Deferral hedge method	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables			
	Buying Japanese yen	**$ 16,425**	**$ 274**	**Forward foreign exchange quotes**
	Selling U.S. dollar	**6,832**	**212**	
	Selling euro	**3,248**	**(124)**	
	Selling Japanese yen	**2,283**	**27**	
	Foreign currency options:			
	Accounted for as part of trade payables			
	Buying Japanese yen (call)	**3,504**	**27**	**The price provided by correspon-**
	Selling Japanese yen (put)	**1,752**	**(18)**	**dent financial institutions**
	Foreign currency swaps:			
	Accounted for as part of long-term bank loans			
	Receiving U.S. dollar, paying Korean won	**56,664**	**2,071**	**The price provided by correspon-**
	Receiving Japanese yen, paying Korean won	**53,097**	**230**	**dent financial institutions**
	Interest rate swaps:			
	Accounted for as part of long-term bank loans			**The price provided by correspon-**
	Floating-rate receipt, fixed-rate payment	**130,885**	**(1,354)**	**dent financial institutions**
Special accounting method for interest rate swaps	Interest rate swaps:			
	Accounted for as part of bonds and long-term bank loans			
	Floating-rate receipt, fixed-rate payment	**17,699** *1		
	Floating-rate receipt, floating-rate payment	**238,053**		**—**
	Fixed-rate receipt, floating rate payment	**469,027**		
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables (Forecasted transactions)			
	Buying U.S. dollar	**236,460**	**(6,257)**	**Forward foreign exchange quotes**
	Buying euro	**4,796**	**53**	
	Buying Chinese yuan	**5,009**	**(62)**	
	Buying Korean won	**1,540**	**(35)**	
	Buying Indian rupee	**1,584**	**(0)**	
	Selling U.S. dollar	**119,177**	**4,991**	
	Selling euro	**9,885**	**80**	
	Selling British pound	**62**	**0**	
	Selling Chinese yuan	**664**	**(9)**	
	Selling Thai baht	**18**	**0**	
	Selling Japanese yen	**257**	**0**	
	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables			
	Buying U.S. dollar	**173,177** *2		
	Buying euro	**1,681**		
	Buying Chinese yuan	**3,628**		
	Buying Japanese yen	**44**		
	Selling U.S. dollar	**305,018**		**—**
	Selling euro	**32,602**		
	Selling British pound	**195**		
	Selling Chinese yuan	**5,239**		
	Selling Thai baht	**177**		
	Selling Japanese yen	**18**		
	Foreign currency swaps:			
	Accounted for as part of long-term bank loans			
	Receiving U.S. dollar, paying Japanese yen	**1,573,257** *2		**—**
	Receiving Australian dollar, paying Japanese yen	**27,690**		
		$ —	**$ 106**	

*1 The fair value of interest rate swaps to which a special accounting method is applied is included in the fair value of bonds and long-term bank loans in Note 5. FINANCIAL INSTRUMENTS of the Notes to the Consolidated Financial Statements because such interest rate swaps are accounted for together with the corresponding bonds and long-term bank loans.

*2 The fair value of forward foreign exchange contracts to which the allocation method is applied, except for forecasted transactions, is included in the fair value of trade receivables, trade payables and long-term bank loans in Note 5. FINANCIAL INSTRUMENTS of the Notes to the Consolidated Financial Statements since such forward foreign exchange contracts are accounted for together with the corresponding trade receivables, trade payables and long-term bank loans.

8. RETIREMENT BENEFIT PLAN

The changes in the retirement benefit obligation during the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Retirement benefit obligation at beginning of the year	**¥ 210,751**	¥ 192,516	**$ 1,865,053**
Cumulative effect of changes in accounting policies	**—**	24,477	**—**
Restated balance	**210,751**	216,993	**1,865,053**
Service cost	**7,489**	7,358	**66,274**
Interest cost	**1,660**	1,769	**14,690**
Actuarial gains and losses	**1,270**	(610)	**11,239**
Retirement benefit paid	**(16,203)**	(16,100)	**(143,389)**
Past service cost	**—**	(97)	**—**
Effect of change in accounting period	**1,363**	—	**12,062**
Other	**(2,904)**	1,438	**(25,699)**
Retirement benefit obligation at end of the year	**¥ 203,426**	¥ 210,751	**$ 1,800,230**

The changes in the plan assets at fair value during the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Plan assets at beginning of the year	**¥ 140,541**	¥ 123,844	**$ 1,243,726**
Expected return on plan assets	**2,888**	2,657	**25,558**
Actuarial gains and losses	**(6,789)**	18,024	**(60,080)**
Contributions	**7,727**	6,809	**68,381**
Retirement benefit paid	**(10,873)**	(11,612)	**(96,221)**
Effect of change in accounting period	**(336)**	—	**(2,973)**
Other	**(1,798)**	819	**(15,912)**
Plan assets at end of the year	**¥ 131,360**	¥ 140,541	**$ 1,162,478**

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2016 and 2015 for the Company's and its consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Funded retirement benefit obligation	**¥ 108,274**	¥ 114,841	**$ 958,177**
Plan assets at fair value	**(131,360)**	(140,541)	**(1,162,478)**
	(23,086)	(25,700)	**(204,301)**
Unfunded retirement benefit obligation	**95,152**	95,910	**842,053**
Net liability for retirement benefits in the balance sheets	**72,066**	70,210	**637,752**
Net defined benefit liability	**104,803**	106,293	**927,460**
Net defined benefit asset (included in other non-current assets)	**(32,737)**	(36,083)	**(289,708)**
Net liability for retirement benefits in the balance sheets	**¥ 72,066**	¥ 70,210	**$ 637,752**

The components of retirement benefit expense for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Service cost	**¥ 7,489**	¥ 7,358	**$ 66,274**
Interest cost	**1,660**	1,769	**14,690**
Expected return on plan assets	**(2,888)**	(2,657)	**(25,558)**
Amortization of actuarial gains and losses	**7,107**	9,234	**62,894**
Amortization of past service cost	**(4,300)**	(3,566)	**(38,053)**
Retirement benefit expense	**¥ 9,068**	¥ 12,138	**$ 80,248**

In addition to the above, special severance payments of ¥1,329 million ($11,761 thousand) and ¥519 million were recognized for the years ended March 31, 2016 and 2015, respectively. Contributions to the defined contribution pension plan of ¥6,057 million ($53,602 thousand) and ¥5,544 million were recognized for the years ended March 31, 2016 and 2015, respectively.

The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Past service cost	**¥ (4,300)**	¥ (3,469)	**$ (38,053)**
Actuarial gains and losses	**(559)**	27,580	**(4,947)**
Total	**¥ (4,859)**	¥ 24,111	**$ (43,000)**

The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unrecognized past service cost	**¥ (8,423)**	¥(12,909)	**$ (74,540)**
Unrecognized actuarial gains and losses	**15,276**	13,816	**135,186**
Total	**¥ 6,853**	¥ 907	**$ 60,646**

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2016 and 2015 was as follows:

	2016	2015
Bonds	**10%**	11%
Stocks	**57%**	59%
Life insurance	**24%**	22%
Cash and time deposits	**7%**	4%
Other	**2%**	4%
Total	**100%**	100%

The expected return on plan assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above plans were as follows:

	2016	2015
Discount rate	**Primarily 0.6%**	primarily 0.6%
Expected rate of return on plan assets	**Primarily 2.0%**	primarily 2.0%
Expected rate of salary increase	**Primarily 7.5%**	primarily 7.5%

9. STOCK OPTION PLANS

1. Stock option expense included in selling, general and administrative expenses amounted to ¥351 million ($3,106 thousand) and ¥347 million for the years ended March 31, 2016 and 2015, respectively.

2. Information on stock options issued
The following table summarizes the stock options outstanding as of March 31, 2016.

Company name		Toray Industries, Inc.		
		No.1 Stock Option Plan	No.2 Stock Option Plan	No.3 Stock Option Plan
Position and number of grantees	Members of the Board of the Company	28	26	26
	Directors of the Company	32	32	26
Type and number of shares to be issued upon exercise	Common stock	747,000 shares	844,000 shares	583,000 shares
Grant date		August 20, 2011	August 4, 2012	August 10, 2013
Vesting conditions		Based on the number of months that have elapsed during the vesting period	Based on the number of months that have elapsed during the vesting period	Based on the number of months that have elapsed during the vesting period
Vesting period		June 24, 2011- June 22, 2012	June 22, 2012- June 26, 2013	June 26, 2013- June 25, 2014
Exercise period		August 21, 2011- August 20, 2041	August 5, 2012- August 4, 2042	August 11, 2013- August 10, 2043

Company name		Toray Industries, Inc.	
		No.4 Stock Option Plan	No.5 Stock Option Plan
Position and number of grantees	Members of the Board of the Company	25	23
	Directors of the Company	27	31
Type and number of shares to be issued upon exercise	Common stock	569,000 shares	358,000 shares
Grant date		August 9, 2014	August 22, 2015
Vesting conditions		Based on the number of months that have elapsed during the vesting period	Based on the number of months that have elapsed during the vesting period
Vesting period		June 25, 2014- June 24, 2015	June 24, 2015- June 28, 2016
Exercise period		August 10, 2014- August 9, 2044	August 23, 2015- August 22, 2045

Company name		Toray Chemical Korea Inc.		
		No.1 Stock Option Plan	No.2 Stock Option Plan	No.3 Stock Option Plan
Position and number of grantees	Executives of the Company	15	1	5
Type and number of shares to be issued upon exercise	Common stock	526,816 shares	18,815 shares	108,160 shares
Grant date		March 21, 2008	July 22, 2008	March 20, 2009
Vesting conditions		Holders must be in continuous employment from the grant date to the vesting date of March 20, 2011	Holders must be in continuous employment from the grant date to the vesting date of July 21, 2011	Holders must be in continuous employment from the grant date to the vesting date of March 19, 2012
Vesting period		March 21, 2008- March 20, 2011	July 22, 2008- July 21, 2011	March 20, 2009- March 19, 2012
Exercise period		March 21, 2011- March 20, 2018	July 22, 2011- July 21, 2018	March 20, 2012- March 19, 2019

Company name		Toray Chemical Korea Inc.		
		No.4 Stock Option Plan	No.5 Stock Option Plan	No.6 Stock Option Plan
Position and number of grantees	Executives of the Company	**2**	**4**	**5**
Type and number of shares to be issued upon exercise	Common stock	**20,000 shares**	**38,468 shares**	**41,120 shares**
Grant date		**March 19, 2010**	**March 18, 2011**	**March 23, 2012**
Vesting conditions		**Holders must be in continuous employment from the grant date to the vesting date of March 18, 2013**	**Holders must be in continuous employment from the grant date to the vesting date of March 17, 2014**	**Holders must be in continuous employment from the grant date to the vesting date of March 22, 2015**
Vesting period		**March 19, 2010- March 18, 2013**	**March 18, 2011- March 17, 2014**	**March 23, 2012- March 22, 2015**
Exercise period		**March 19, 2013- March 18, 2020**	**March 18, 2014- March 17, 2021**	**March 23, 2015- March 22, 2022**

The following table summarizes movements of stock options during the year and price information on stock options as of March 31, 2016. The number of stock options are translated into the number of shares.

(1) Number of stock options

Company name	Toray Industries, Inc.				
	No.1 Stock Option Plan	No.2 Stock Option Plan	No.3 Stock Option Plan	No.4 Stock Option Plan	No.5 Stock Option Plan
Stock acquisition rights not yet vested					
As of March 31, 2015	—	—	—	**170,000**	—
Granted	—	—	—	—	**358,000**
Forfeited	—	—	—	—	—
Vested	—	—	—	**170,000**	**255,000**
As of March 31, 2016	—	—	—	—	**103,000**
Stock acquisition rights already vested					
As of March 31, 2015	**447,000**	**627,000**	**505,000**	**399,000**	—
Vested	—	—	—	**170,000**	**255,000**
Exercised	**95,000**	**115,000**	**84,000**	**89,000**	—
Forfeited	—	—	—	—	—
As of March 31, 2016	**352,000**	**512,000**	**421,000**	**480,000**	**255,000**

Company name	Toray Chemical Korea Inc.		
	No.1 Stock Option Plan	No.2 Stock Option Plan	No.3 Stock Option Plan
Stock acquisition rights not yet vested			
As of December 31, 2014	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
As of March 31, 2016*	—	—	—
Stock acquisition rights already vested			
As of December 31, 2014	**136,408**	**18,815**	**75,240**
Vested	—	—	—
Exercised	—	—	—
Forfeited	**136,408**	—	**75,240**
As of March 31, 2016*	—	**18,815**	—

Company name	Toray Chemical Korea Inc.		
	No.4 Stock Option Plan	No.5 Stock Option Plan	No.6 Stock Option Plan
Stock acquisition rights not yet vested			
As of December 31, 2014	—	—	**41,120**
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	**41,120**
As of March 31, 2016*	—	—	—
Stock acquisition rights already vested			
As of December 31, 2014	**20,000**	**28,468**	—
Vested	—	—	**41,120**
Exercised	—	—	—
Forfeited	**20,000**	**28,468**	**41,120**
As of March 31, 2016*	—	—	—

*Effective from the year ended March 31, 2016, Toray Chemical Korea Inc. has changed its year-end date from December 31 to March 31.

(2) Price information

Yen

Company name	Toray Industries, Inc.				
	No.1 Stock Option Plan	No.2 Stock Option Plan	No.3 Stock Option Plan	No.4 Stock Option Plan	No.5 Stock Option Plan
Exercise price	**¥ 1**	**¥ 1**	**¥ 1**	**¥ 1**	**¥ 1**
Weighted average price at exercise	**1,004**	**1,004**	**1,004**	**1,004**	—
Fair value per share at the grant date	**513**	**394**	**546**	**605**	**987**

Won

Company name	Toray Chemical Korea Inc.		
	No.1 Stock Option Plan	No.2 Stock Option Plan	No.3 Stock Option Plan
Exercise price	**₩ 6,030**	**₩ 8,480**	**₩ 6,900**
Weighted average price at exercise	—	—	—
Fair value per share at the grant date	**5,006**	**7,067**	**5,597**

Won

Company name	Toray Chemical Korea Inc.		
	No.4 Stock Option Plan	No.5 Stock Option Plan	No.6 Stock Option Plan
Exercise price	**₩ 10,800**	**₩ 11,900**	**₩ 9,980**
Weighted average price at exercise	—	—	—
Fair value per share at the grant date	**8,120**	**9,310**	**5,360**

U.S. dollars

Company name	Toray Industries, Inc.				
	No.1 Stock Option Plan	No.2 Stock Option Plan	No.3 Stock Option Plan	No.4 Stock Option Plan	No.5 Stock Option Plan
Exercise price	**$ 0.01**	**$ 0.01**	**$ 0.01**	**$ 0.01**	**$ 0.01**
Weighted average price at exercise	**8.88**	**8.88**	**8.88**	**8.88**	—
Fair value per share at the grant date	**4.54**	**3.49**	**4.83**	**5.35**	**8.73**

U.S. dollars

Company name	Toray Chemical Korea Inc.		
	No.1 Stock Option Plan	No.2 Stock Option Plan	No.3 Stock Option Plan
Exercise price	**$ 5.28**	**$ 7.42**	**$ 6.04**
Weighted average price at exercise	—	—	—
Fair value per share at the grant date	**4.38**	**6.18**	**4.90**

U.S. dollars

Company name	Toray Chemical Korea Inc.		
	No.4 Stock Option Plan	No.5 Stock Option Plan	No.6 Stock Option Plan
Exercise price	**$ 9.45**	**$ 10.41**	**$ 8.73**
Weighted average price at exercise	**—**	**—**	**—**
Fair value per share at the grant date	**7.10**	**8.15**	**4.69**

3. Estimation method and assumptions used for the per share fair value of stock options
   (1) Estimation method
   Black-Scholes model
   (2) Assumptions used for the per share fair value of stock options

Company name	Toray Industries, Inc.
	No.5 Stock Option Plan
Expected volatility*1	**32.473%**
Expected holding period*2	**8 years**
Expected dividend*3	**¥11 per share ($0.10)**
Risk-free rate*4	**0.223%**

*1 The expected volatility is based on actual share prices during 8 years from August 23, 2007 to August 21, 2015.
*2 The expected holding period is calculated based on the service period of past members of the Board.
*3 This is based on the dividend for the year ended March 31, 2015.
*4 The risk-free interest rate is the yield on Japanese government bonds for the period that corresponds to the remaining life of the option.

Because it is difficult to reasonably estimate the number of options that will expire in the future, only the number of options that have actually forfeited is applied.

10. INCOME TAXES

The statutory tax rates in Japan for the years ended March 31, 2016 and 2015 were 33.1% and 35.6%, respectively.

At March 31, 2016 and 2015, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Deferred tax assets:			
Accrued bonuses	**¥ 5,778**	¥ 6,091	**$ 51,133**
Depreciation and impairment loss	**11,932**	8,988	**105,593**
Net defined benefit liability	**34,731**	36,633	**307,354**
Tax loss carryforwards	**18,080**	36,630	**160,000**
Unrealized intercompany profits	**15,612**	13,107	**138,159**
Investments in subsidiaries and affiliated companies	**20,418**	17,259	**180,690**
Other	**31,403**	27,865	**277,903**
	137,954	146,573	**1,220,832**
Valuation allowance	**(44,154)**	(41,113)	**(390,743)**
Total deferred tax assets	**93,800**	105,460	**830,088**
Deferred tax liabilities:			
Reserve for advanced depreciation	**5,019**	5,422	**44,416**
Depreciation	**22,882**	25,402	**202,496**
Undistributed earnings of subsidiaries and affiliated companies	**16,028**	15,325	**141,841**
Unrealized gains on securities	**26,227**	35,923	**232,097**
Other	**21,589**	22,761	**191,053**
Total deferred tax liabilities	**91,745**	104,833	**811,903**
Net deferred tax assets	**¥ 2,055**	¥ 627	**$ 18,186**

At March 31, 2016 and 2015, deferred tax assets and liabilities were classified as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Deferred tax assets - current	**¥ 24,113**	¥ 31,034	**$ 213,389**
Deferred tax assets - non-current	**12,633**	13,294	**111,796**
Deferred tax liabilities - current (included in other current liabilities)	**59**	32	**522**
Deferred tax liabilities - non-current	**34,632**	43,669	**306,478**

The reconciliation of the statutory tax rate and the effective income tax rate for the years ended March 31, 2016 and 2015 was as follows:

	2016	2015
Statutory tax rate	**33.1%**	—%
Increase (decrease) in taxes resulting from:		
Permanent differences	**0.2**	—
Equity in earnings of unconsolidated subsidiaries and affiliated companies	**(1.2)**	—
Differences of tax rates for overseas consolidated subsidiaries	**(3.3)**	—
Undistributed earnings of subsidiaries and affiliated companies	**0.5**	—
Change in statutory tax rate	**1.3**	—
Amortization of goodwill	**2.2**	—
Other	**(3.3)**	—
Effective income tax rate	**29.5%**	—%

* Information for the year ended March 31, 2015 was not provided because the difference between the statutory tax rate and the effective income tax rate was less than 5% of the statutory tax rate.

The "Act to partially revise the Income Tax Act and Others" and the "Act to partially revise the Local Tax Act and Others" were enacted on March 29, 2016. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 32.3% to 30.9% for the temporary differences expected to be realized or settled in the period from April 1, 2016 to March 31, 2018 and 30.6% for the temporary differences expected to be realized or settled on or after April 1, 2018. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets, after offsetting deferred tax liabilities, by ¥583 million ($5,159 thousand), net deferred losses on hedges by ¥4 million ($35 thousand) and remeasurements of defined benefit plans by ¥204 million ($1,805 thousand), and increase deferred income taxes by ¥1,788 million ($15,823 thousand), net unrealized gains on securities by ¥1,411 million ($12,487 thousand) and foreign currency translation adjustments by ¥2 million ($18 thousand) as of and for the year ended March 31, 2016.

11. NET ASSETS

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the earned reserve) be transferred to the capital reserve and the earned reserve, respectively, until the sum of the capital reserve and the earned reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the stockholders, or by the Board of Directors if certain conditions are met.

At the June 2016 annual stockholders' meeting, stockholders approved the payment of cash dividends of ¥7.00 per share, aggregating to ¥11,196 million ($99,080 thousand) which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2016.

12. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2016, commitment line of credit to unconsolidated subsidiaries and affiliated companies was as follows:

	Millions of yen	Thousands of U.S. dollars
Total commitment line of credit	**¥ 400**	**$ 3,540**
Loans receivable outstanding	**156**	**1,381**
Balance	**¥ 244**	**$ 2,159**

This commitment does not necessarily imply that the unused amount may be fully utilized.

At March 31, 2016 and 2015, contingent liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
As guarantors of loans to:			
Unconsolidated subsidiaries and affiliated companies	**¥ 11,283**	¥ 4,552	**$ 99,850**
Other	**9,148**	6,346	**80,956**
	¥ 20,431	¥ 10,898	**$180,805**
Notes discounted	**¥ 89**	¥ —	**$ 788**
Export bills discounted	**635**	1,341	**5,619**
Notes endorsed	**1,160**	743	**10,265**
Contingent liabilities associated with securitization of receivables	**¥ 9,573**	¥ 10,032	**$ 84,717**

13. LEASES

Finance leases

The Group holds certain buildings, machinery and equipment and intangible assets by leases.

Finance lease transactions which do not transfer ownership of the leased assets whose lease inceptions are on or before March 31, 2008 are accounted for by a method similar to the method applicable to ordinary operating lease transactions. Total lease payments under these leases were ¥10 million ($88 thousand) and ¥133 million for the years ended March 31, 2016 and 2015, respectively. Pro forma information relating to acquisition costs, accumulated depreciation/amortization and net book value for property held under finance lease transactions which do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis at March 31, 2016 and 2015 was as follows:

	Millions of yen		
March 31, 2016:	Acquisition costs	Accumulated depreciation/ amortization	Net book value
Machinery and equipment	**¥ 19**	**¥ 17**	**¥ 2**
	¥ 19	**¥ 17**	**¥ 2**

	Millions of yen		
March 31, 2015:	Acquisition costs	Accumulated depreciation/ amortization	Net book value
Machinery and equipment	¥ 101	¥ 89	¥ 12
	¥ 101	¥ 89	¥ 12

	Thousands of U.S. dollars		
March 31, 2016:	Acquisition costs	Accumulated depreciation/ amortization	Net book value
Machinery and equipment	**$ 168**	**$ 150**	**$ 18**
	$ 168	**$ 150**	**$ 18**

Future minimum lease payments under finance leases subsequent to March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Due within one year	**¥ 2**	¥ 10	**$ 18**
Due after one year	**—**	2	**—**
Total	**¥ 2**	¥ 12	**$ 18**

The acquisition costs and future minimum lease payments under finance leases include the imputed interest expense portion.

Operating leases

Future minimum lease payments under noncancellable operating leases subsequent to March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Due within one year	**¥ 368**	¥ 411	**$ 3,257**
Due after one year	**1,323**	1,687	**11,708**
Total	**¥ 1,691**	¥ 2,098	**$ 14,965**

14. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2016 and 2015 were ¥58,783 million ($520,204 thousand) and ¥59,504 million, respectively.

15. LOSS ON IMPAIRMENT OF FIXED ASSETS

The Company and its consolidated subsidiaries grouped assets used for business based on the classification under the management accounting. For assets to be disposed and idle assets, each asset is considered to constitute a group.

For the year ended March 31, 2016, the carrying value of certain business-use assets for which profitability declined were written down to the recoverable amount. As a result, the Company and its consolidated subsidiaries recognized loss on impairment of fixed assets in the amount of ¥9,063 million ($80,204 thousand).

The major assets for which a loss on impairment was recognized were as follows:

			Millions of yen	Thousands of U.S. dollars
Location	Use	Classification	Loss on impairment	
Otsu, Shiga, Japan	Films production facilities	Buildings	**¥ 594**	**$ 5,257**
		Machinery and equipment	**1,401**	**12,398**
		Other	**243**	**2,150**
St-Maurice de Beynost, France	Films production facilities	Machinery and equipment	**¥ 3,949**	**$ 34,947**
		Other	**87**	**770**

The recoverable amount of the above assets was measured at their value in use. The value in use was calculated by discounting future cash flows at discount rates of 5% - 8%.

For the year ended March 31, 2015, the carrying value of certain business-use assets for which profitability declined were written down to the recoverable amount. As a result, its consolidated subsidiaries recognized loss on impairment of fixed assets in the amount of ¥7,915 million.

The major assets for which a loss on impairment was recognized were as follows:

			Millions of yen
Location	Use	Classification	Loss on impairment
Kaohsiung City, Taiwan	Films production facilities	Machinery and equipment	¥3,359
Gumi-si, Gyeongsangbuk-do, Korea	Aramid fiber production facilities	Machinery and equipment	¥1,808
		Other	26

The recoverable amount of the above assets was measured at their value in use. The value in use was calculated by discounting future cash flows at discount rates of 6% - 8%.

16. OTHER COMPREHENSIVE INCOME

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2016 and 2015.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Net unrealized (losses) gains on securities:			
Amount arising during the year	**¥ (26,313)**	¥ 41,773	**$ (232,858)**
Reclassification adjustments for gains and losses included in net income	**(2,099)**	(50)	**(18,575)**
Before tax effect	**(28,412)**	41,723	**(251,434)**
Tax effect	**10,544**	(10,415)	**93,310**
Net unrealized (losses) gains on securities	**(17,868)**	31,308	**(158,124)**
Net deferred (losses) gains on hedges:			
Amount arising during the year	**(137)**	(110)	**(1,212)**
Reclassification adjustments for gains and losses included in net income	**13**	225	**115**
Assets acquisition cost adjustment	**22**	42	**195**
Before tax effect	**(102)**	157	**(903)**
Tax effect	**2**	(60)	**18**
Net deferred (losses) gains on hedges	**(100)**	97	**(885)**
Foreign currency translation adjustments:			
Amount arising during the year	**(59,123)**	64,219	**(523,212)**
Reclassification adjustments for gains and losses included in net income	**—**	(2)	**—**
Before tax effect	**(59,123)**	64,217	**(523,212)**
Tax effect	**5**	(32)	**44**
Foreign currency translation adjustments	**(59,118)**	64,185	**(523,168)**
Remeasurements of defined benefit plans:			
Amount arising during the year	**(7,666)**	18,443	**(67,841)**
Reclassification adjustments for gains and losses included in net income	**2,807**	5,668	**24,841**
Before tax effect	**(4,859)**	24,111	**(43,000)**
Tax effect	**1,586**	(8,492)	**14,035**
Remeasurements of defined benefit plans	**(3,273)**	15,619	**(28,965)**
Share of other comprehensive income of unconsolidated subsidiaries and affiliated companies accounted for by the equity method:			
Amount arising during the year	**(3,722)**	5,315	**(32,938)**
Reclassification adjustments for gains and losses included in net income	**(211)**	(129)	**(1,867)**
Share of other comprehensive income of unconsolidated subsidiaries and affiliated companies accounted for by the equity method	**(3,933)**	5,186	**(34,805)**
Total other comprehensive income	**¥ (84,292)**	¥ 116,395	**$ (745,947)**

17. BUSINESS COMBINATIONS

Common control transactions

1. Summary of transaction

(1) Name and business of the combined company

Name of the combined company: Toray Chemical Korea Inc.

Business: Manufacture and distribution of fibers, water treatment filters, and A-PET sheets (cast film), etc.

(2) Dates of business combination

April 23, 2015 and July 23, 2015

(3) Legal form of business combination

Acquisition of shares from non-controlling shareholders

(4) Company name after business combination
No change
(5) Other matters concerning the summary of transaction
Toray Advanced Materials Korea Inc., the Company's consolidated subsidiary, acquired the shares in Toray Chemical Korea Inc., another consolidated subsidiary, through the tender offer to improve the efficiency and speed of management by strengthening the overall operation in the country, ultimately to respond swiftly and accurately to the changing business environment and to enable further business expansion in Korea.

2. Overview of accounting treatments
The transaction was treated as a transaction with non-controlling shareholders from among the common control transactions in accordance with the "Revised Accounting Standard for Business Combinations" and the "Revised Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

3. Information relating to additional acquisition
Acquisition cost and its breakdown
Cash ¥33,349 million ($295,124 thousand)

4. Information relating to changes in equity attributable to parent
(1) Main cause of changes in capital surplus
Additional acquisition of shares in the subsidiary
(2) Decrease in capital surplus arising from transaction with non-controlling shareholders
¥17,541 million ($155,230 thousand)

18. SEGMENT INFORMATION

(Segment information)
1. Outline of reportable segments
The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation to the segments and assess performance.
The Company identifies the following six segments according to the nature of the products and market for their products.

Reportable segment	Main products
Fibers & Textiles	Filament yarns, staple fibers, and woven and knitted fabrics of nylon, polyester and acrylic fibers, etc.; non-woven fabrics, ultra-microfiber non-woven fabric with suede texture and apparel products
Plastics & Chemicals	Nylon, ABS, PBT, PPS and other resins and molded products, polyolefin foam; polyester, polypropylene, PPS and other films and processed film products; raw materials for synthetic fibers and other plastics; zeolite catalysts; fine chemicals for pharmaceuticals and agrochemicals; veterinary medicine (excludes film and resin covered in IT-related Products segment)
IT-related Products	Films and plastic products for information and telecommunications related products; materials for electronic circuits and semiconductors; color filters for LCDs and related materials and equipment; magnetic recording materials; graphic materials and related equipment
Carbon Fiber Composite Materials	Carbon fibers, carbon fiber composite materials and their molded products
Environment & Engineering	Comprehensive engineering; condominiums; industrial equipment and machinery; environment-related equipment; water treatment membranes and related equipment; materials for housing, building and civil engineering
Life Science	Pharmaceuticals and medical devices

2. Measurement of sales, income, assets and other material items of reportable segments
The accounting policies for the reportable segments are the same as those described in Note 1. SIGNIFICANT ACCOUNTING POLICIES.
The figures of segment income are based on operating income.
Intersegment sales are determined based on consideration of the market price and related information.

3. Information on sales, income, assets and other material items of reportable segments

Millions of yen

Year ended March 31, 2016:	Fibers & Textiles	Plastics & Chemicals	IT-related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Total	Adjustments	Consolidated Total
Sales to outside customers	**¥ 892,039**	**¥ 521,238**	**¥ 251,072**	**¥ 186,196**	**¥ 183,324**	**¥ 55,841**	**¥ 14,720**	**¥ 2,104,430**	**¥ —**	**¥ 2,104,430**
Intersegment sales	**1,035**	**19,148**	**7,614**	**369**	**62,608**	**8**	**16,422**	**107,204**	**(107,204)**	**—**
Total sales	**¥ 893,074**	**¥ 540,386**	**¥ 258,686**	**¥ 186,565**	**¥ 245,932**	**¥ 55,849**	**¥ 31,142**	**¥ 2,211,634**	**¥ (107,204)**	**¥ 2,104,430**
Segment income	**¥ 68,909**	**¥ 29,384**	**¥ 26,150**	**¥ 36,115**	**¥ 9,584**	**¥ 3,068**	**¥ 1,962**	**¥ 175,172**	**¥ (20,692)**	**¥ 154,480**
Segment assets	**¥ 680,947**	**¥ 524,558**	**¥ 362,851**	**¥ 429,503**	**¥ 193,837**	**¥ 83,277**	**¥ 55,302**	**¥ 2,330,275**	**¥ (51,889)**	**¥ 2,278,386**
Depreciation and amortization	**25,839**	**18,514**	**17,034**	**21,313**	**4,408**	**2,832**	**1,201**	**91,141**	**27**	**91,168**
Investment in unconsolidated subsidiaries and affiliated companies accounted for by the equity method	**34,860**	**39,492**	**1,873**	**10,273**	**10,613**	**3,243**	**6,331**	**106,685**	**(451)**	**106,234**
Capital expenditures	**35,436**	**31,244**	**29,773**	**32,095**	**3,604**	**3,223**	**1,531**	**136,906**	**(350)**	**136,556**

Millions of yen

Year ended March 31, 2015:	Fibers & Textiles	Plastics & Chemicals	IT-related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Total	Adjustments	Consolidated Total
Sales to outside customers	¥ 856,676	¥ 496,370	¥ 247,975	¥ 158,365	¥ 179,988	¥ 57,039	¥ 14,321	¥ 2,010,734	¥ —	¥ 2,010,734
Intersegment sales	1,070	30,390	7,020	348	62,867	1	16,060	117,756	(117,756)	—
Total sales	¥ 857,746	¥ 526,760	¥ 254,995	¥ 158,713	¥ 242,855	¥ 57,040	¥ 30,381	¥ 2,128,490	¥ (117,756)	¥ 2,010,734
Segment income	¥ 55,600	¥ 23,875	¥ 24,494	¥ 26,228	¥ 8,020	¥ 4,072	¥ 1,901	¥ 144,190	¥ (20,709)	¥ 123,481
Segment assets	¥ 705,465	¥ 562,144	¥ 360,401	¥ 436,761	¥ 204,166	¥ 82,933	¥ 57,236	¥ 2,409,106	¥ (51,181)	¥ 2,357,925
Depreciation and amortization	23,234	18,957	15,702	15,913	4,089	2,287	1,152	81,334	146	81,480
Investment in unconsolidated subsidiaries and affiliated companies accounted for by the equity method	34,197	45,962	1,978	7,822	11,082	3,361	6,015	110,417	(693)	109,724
Capital expenditures	36,987	21,458	16,324	45,495	3,252	2,462	1,208	127,186	(2,257)	124,929

Year ended March 31, 2016:	Fibers & Textiles	Plastics & Chemicals	IT-related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Total	Adjustments	Consolidated Total
	Thousands of U.S. dollars									
Sales to outside customers	$ 7,894,150	$ 4,612,726	$ 2,221,876	$ 1,647,752	$ 1,622,336	$ 494,168	$ 130,265	$ 18,623,274	$ —	$ 18,623,274
Intersegment sales	9,159	169,451	67,381	3,265	554,053	71	145,327	948,708	(948,708)	—
Total sales	$ 7,903,310	$ 4,782,177	$ 2,289,257	$ 1,651,018	$ 2,176,389	$ 494,239	$ 275,593	$ 19,571,982	$ (948,708)	$18,623,274
Segment income	$ 609,814	$ 260,035	$ 231,416	$ 319,602	$ 84,814	$ 27,150	$ 17,363	$ 1,550,195	$ (183,115)	$ 1,367,080
Segment assets	$ 6,026,080	$ 4,642,106	$ 3,211,071	$ 3,800,912	$ 1,715,372	$ 736,965	$ 489,398	$ 20,621,903	$ (459,195)	$ 20,162,708
Depreciation and amortization	228,664	163,841	150,743	188,611	39,009	25,062	10,628	806,558	239	806,796
Investment in unconsolidated subsidiaries and affiliated companies accounted for by the equity method	308,496	349,487	16,575	90,912	93,920	28,699	56,027	944,115	(3,991)	940,124
Capital expenditures	313,593	276,496	263,478	284,027	31,894	28,522	13,549	1,211,558	(3,097)	1,208,460

Notes:

1) "Others" represents service-related businesses such as analysis, survey and research.

2) a) "Adjustments" of segment income for the year ended March 31, 2016 of ¥(20,692) million ($(183,115) thousand) includes intersegment eliminations of ¥(167) million ($(1,478) thousand) and corporate expenses of ¥(20,525) million ($(181,637) thousand). "Adjustments" of segment income for the year ended March 31, 2015 of ¥(20,709) million includes intersegment eliminations of ¥(1,303) million and corporate expenses of ¥(19,406) million. The corporate expenses consist of the headquarters' research expenses, etc. that are not allocated to each reportable segment.

b) "Adjustments" of segment assets for the year ended March 31, 2016 of ¥(51,889) million ($(459,195) thousand) includes intersegment eliminations of ¥(68,133) million ($(602,947) thousand) and corporate assets of ¥16,244 million ($143,752 thousand). "Adjustments" of segment assets for the year ended March 31, 2015 of ¥(51,181) million includes intersegment eliminations of ¥(69,543) million and corporate assets of ¥18,362 million. The corporate assets consist of the headquarters' research assets, etc. that are not allocated to each reportable segment.

3) "Segment income" is reconciled to operating income.

(Related information)

Geographic information

Sales to outside customers

Year ended March 31, 2016:	Japan	Asia		North America, Europe and other areas	Total
		China	Others		
	Millions of yen				
Sales to outside customers	¥995,093	¥ 352,967	¥ 387,219	¥ 369,151	¥ 2,104,430

Year ended March 31, 2015:	Japan	Asia		North America, Europe and other areas	Total
		China	Others		
	Millions of yen				
Sales to outside customers	¥ 929,797	¥ 344,545	¥ 387,962	¥ 348,430	¥ 2,010,734

Year ended March 31, 2016:	Japan	Asia		North America, Europe and other areas	Total
		China	Others		
	Thousands of U.S. dollars				
Sales to outside customers	$ 8,806,133	$ 3,123,602	$ 3,426,717	$ 3,266,823	$ 18,623,274

Sales amounts are allocated to countries or regions according to the customers' location.

Property, plant and equipment, net

	Millions of yen					
		Asia		North America, Europe and other areas		
March 31, 2016:	Japan	Republic of Korea	Others	U.S.A.	Others	Total
Property, plant and equipment, net	**¥ 315,020**	**¥ 168,706**	**¥ 158,930**	**¥ 91,080**	**¥ 96,876**	**¥ 830,612**

	Millions of yen					
		Asia		North America, Europe and other areas		
March 31, 2015:	Japan	Republic of Korea	Others	U.S.A.	Others	Total
Property, plant and equipment, net	¥ 321,535	¥ 164,467	¥ 173,970	¥ 84,589	¥ 111,032	¥ 855,593

	Thousands of U.S. dollars					
		Asia		North America, Europe and other areas		
March 31, 2016:	Japan	Republic of Korea	Others	U.S.A.	Others	Total
Property, plant and equipment, net	**$ 2,787,788**	**$ 1,492,973**	**$ 1,406,460**	**$ 806,018**	**$ 857,310**	**$ 7,350,549**

(Information about loss on impairment of fixed assets by reportable segments)

	Millions of yen								
Year ended March 31, 2016:	Fibers & Textiles	Plastics & Chemicals	IT-related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Elimination & Corporate	Total
Loss on impairment	**¥ —**	**¥ 5,281**	**¥ 3,297**	**¥ —**	**¥ 485**	**¥ —**	**¥ —**	**¥ —**	**¥ 9,063**

	Millions of yen								
Year ended March 31, 2015:	Fibers & Textiles	Plastics & Chemicals	IT-related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Elimination & Corporate	Total
Loss on impairment	¥ 1,925	¥ 1,545	¥ 3,612	¥ —	¥ 833	¥ —	¥ —	¥ —	¥ 7,915

	Thousands of U.S. dollars								
Year ended March 31, 2016:	Fibers & Textiles	Plastics & Chemicals	IT-related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Elimination & Corporate	Total
Loss on impairment	**$ —**	**$ 46,735**	**$ 29,177**	**$ —**	**$ 4,292**	**$ —**	**$ —**	**$ —**	**$ 80,204**

(Information about amortization and balance of goodwill by reportable segments)

	Millions of yen								
Year ended March 31, 2016:	Fibers & Textiles	Plastics & Chemicals	IT-related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Elimination & Corporate	Total
Amortization of goodwill	**¥ 1,331**	**¥1,132**	**¥ 3,102**	**¥ 3,116**	**¥ 356**	**¥ —**	**¥ —**	**¥ —**	**¥ 9,037**
Balance of goodwill	**9,762**	**4,328**	**17,814**	**19,786**	**2,609**	**—**	**—**	**—**	**54,299**

	Millions of yen								
Year ended March 31, 2015:	Fibers & Textiles	Plastics & Chemicals	IT-related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Elimination & Corporate	Total
Amortization of goodwill	¥ 1,239	¥ 234	¥ 3,109	¥ 2,659	¥ 344	¥ —	¥ 1	¥ —	¥ 7,586
Balance of goodwill	12,624	1,180	21,692	24,499	3,374	—	—	—	63,369

	Thousands of U.S. dollars								
Year ended March 31, 2016:	Fibers & Textiles	Plastics & Chemicals	IT-related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Elimination & Corporate	Total
Amortization of goodwill	**$ 11,779**	**$10,018**	**$ 27,451**	**$ 27,575**	**$ 3,150**	**$ —**	**$ —**	**$ —**	**$ 79,973**
Balance of goodwill	**86,389**	**38,301**	**157,646**	**175,097**	**23,088**	**—**	**—**	**—**	**480,522**

"Others" represents service-related businesses such as analysis, survey and research.

19. AMOUNTS PER SHARE

Basic net income per share is computed based on the net income attributable to owners of parent available for distribution to stockholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Diluted net income per share is computed based on the net income attributable to owners of parent available for distribution to the stockholders and the weighted-average number of shares of common stock outstanding during the year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of warrants and stock acquisition rights.

Amounts per share of net assets are computed based on the net assets available for distribution to the stockholders and the number of shares of common stock outstanding at year end.

Cash dividends per share represent the cash dividends proposed by the Board of Directors applicable to the respective years together with any interim cash dividends paid.

	Yen		U.S. dollars
	2016	2015	**2016**
Net income attributable to owners of parent:			
Basic	**¥ 56.38**	¥ 44.33	**$ 0.50**
Diluted	**56.31**	44.28	**0.50**
Cash dividends applicable to the year	**13.00**	11.00	**0.12**
Net assets	**591.50**	616.70	**5.23**

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Building a better working world

Independent Auditor's Report

The Board of Directors
Toray Industries, Inc.

We have audited the accompanying consolidated financial statements of Toray Industries, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Toray Industries, Inc. and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

June 28, 2016
Tokyo, Japan

Ernst & Young ShinNihon LLC

A member firm of Ernst & Young Global Limited

Investor Information

(As of March 31, 2016)

Common Stock:
Issued: 1,599,428,579 shares
(excluding treasury stock)
Number of Stockholders: 144,798

Annual General Meeting:
The annual general meeting of stockholders is normally held in June in Tokyo.

Listings:
Common stock is listed on the Tokyo Stock Exchange.

Independent Auditors:
Ernst & Young ShinNihon LLC

Transfer Agent:
Sumitomo Mitsui Trust Bank, Limited
1-4-1, Marunouchi Chiyoda-ku, Tokyo
100-0005, Japan

Cash Dividends Per Share

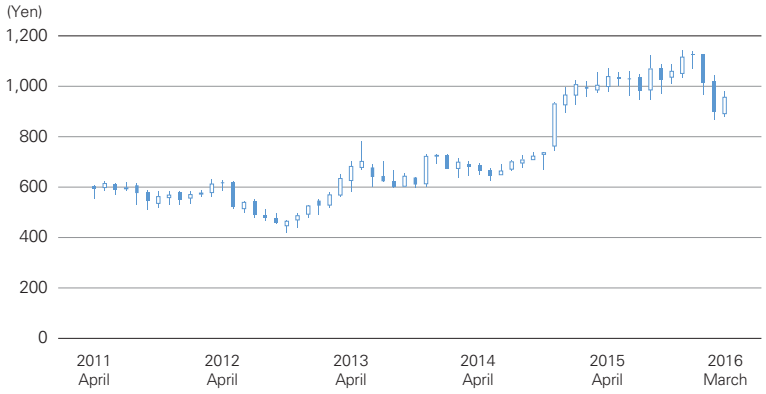
	FY 2015	FY 2014
Total for the year	¥13.00	¥11.00
Interim	6.00	5.00

Principal Stockholders

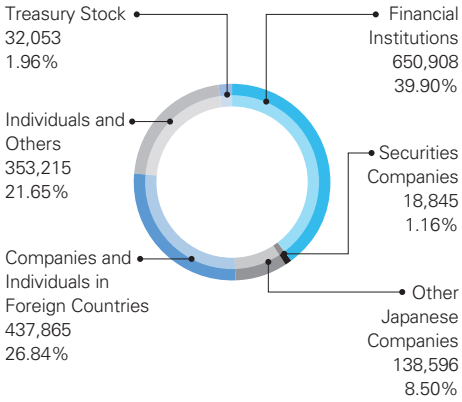
	Thousands of shares	Percentage of shares held
The Master Trust Bank of Japan, Ltd. (Trust Account)	120,414	7.53
Japan Trustee Services Bank, Ltd. (Trust Account)	104,611	6.54
Nippon Life Insurance Co.	71,212	4.45
Mitsui Life Insurance Co., Ltd.	35,961	2.25
Sumitomo Mitsui Banking Corporation	30,022	1.88
Japan Trustee Services Bank, Ltd. (Trust 4 Account)	24,701	1.54
Japan Trustee Services Bank, Ltd. (Trust 9 Account)	21,696	1.36
State Street Bank West Client – Treaty 505234	20,679	1.29
Japan Trustee Services Bank, Ltd. (Trust 7 Account)	20,083	1.26
The Bank of New York Mellon SA/NV 10	19,859	1.24

* Percentage of shares held is calculated excluding 32,052,824 shares of treasury stock.

Stock Price Range



Composition of Stockholders (Thousands of shares)



Corporate Data

(As of March 31, 2016)

Toray Industries, Inc.

Head Office
Nihonbashi Mitsui Tower, 1-1,
Nihonbashi-Muromachi 2-chome,
Chuo-ku, Tokyo 103-8666, Japan
Telephone: 81 (3) 3245-5111
Facsimile: 81 (3) 3245-5054
URL: http://www.toray.com

Established:
January 1926

Paid-in Capital:
¥147,873,030,771

Number of Employees:
45,839
Parent company: 7,223
Japanese subsidiaries: 10,520
Overseas subsidiaries: 28,096

Innovation by Chemistry

Toray Industries, Inc.

1-1, Nihonbashi-Muromachi 2-chome,
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Printed in Japan
Issued: September 2016