



Innovation by Chemistry

Our Time to

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**Annual Report** 2015

April 1, 2014–March 31, 2015

## 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

## 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.

### 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.

**Established in 1926** as a manufacturer of rayon, Toray has evolved into a wide range of business areas from basic materials to processed products and a developer of a diverse range of products including the three major synthetic fibers—nylon, polyester, and acrylic—as well as high-performance films, engineering plastic resins, carbon fiber composite materials, electronics and information related products, high-performance membranes, and pharmaceuticals and medical materials.

# Innovation by Chemistry

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The Company has cultivated its core technologies in organic synthetic chemistry, polymer chemistry, and biotechnology since its inception while broadening its scope from fibers to films, chemicals, and resins and developing business in

# Advanced Materials

electronics and information related products, carbon fiber composite materials, medical & health, and water treatment. Toray recently added nanotechnology as a fourth core technology and is developing a diverse array of advanced materials targeted at growth markets.

Polymer  
Chemistry

Organic  
Synthetic  
Chemistry



Biotechnology

# Generate Future Industry

Nanotechnology

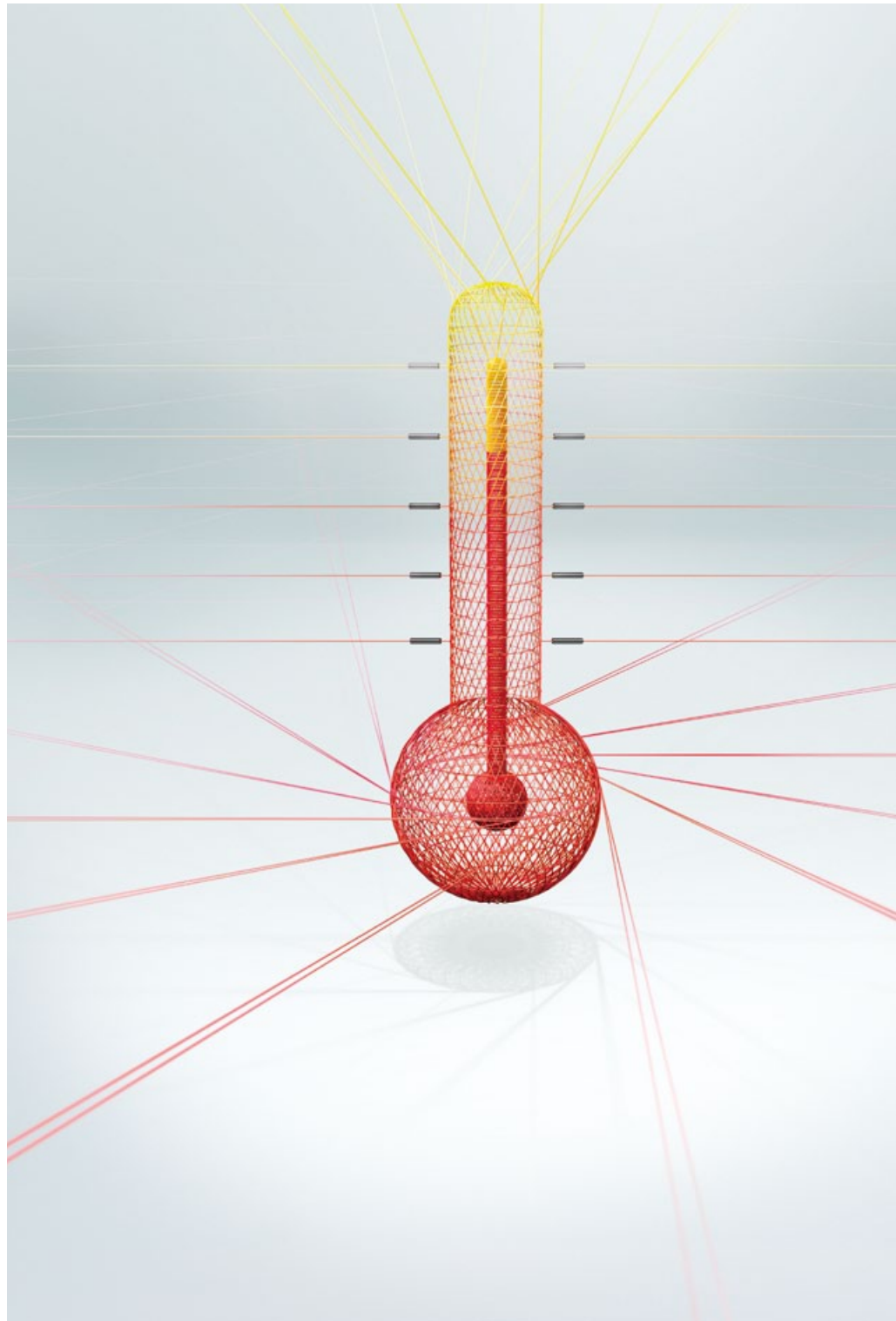


**History shows that advanced materials created in one period become the core drivers of industry in the next period.**

**This means materials, which are the foundation of all products, have the power to potentially bring about a fundamental transformation in society and people's lives.**



MATERIALS  
CAN CHANGE  
OUR LIVES





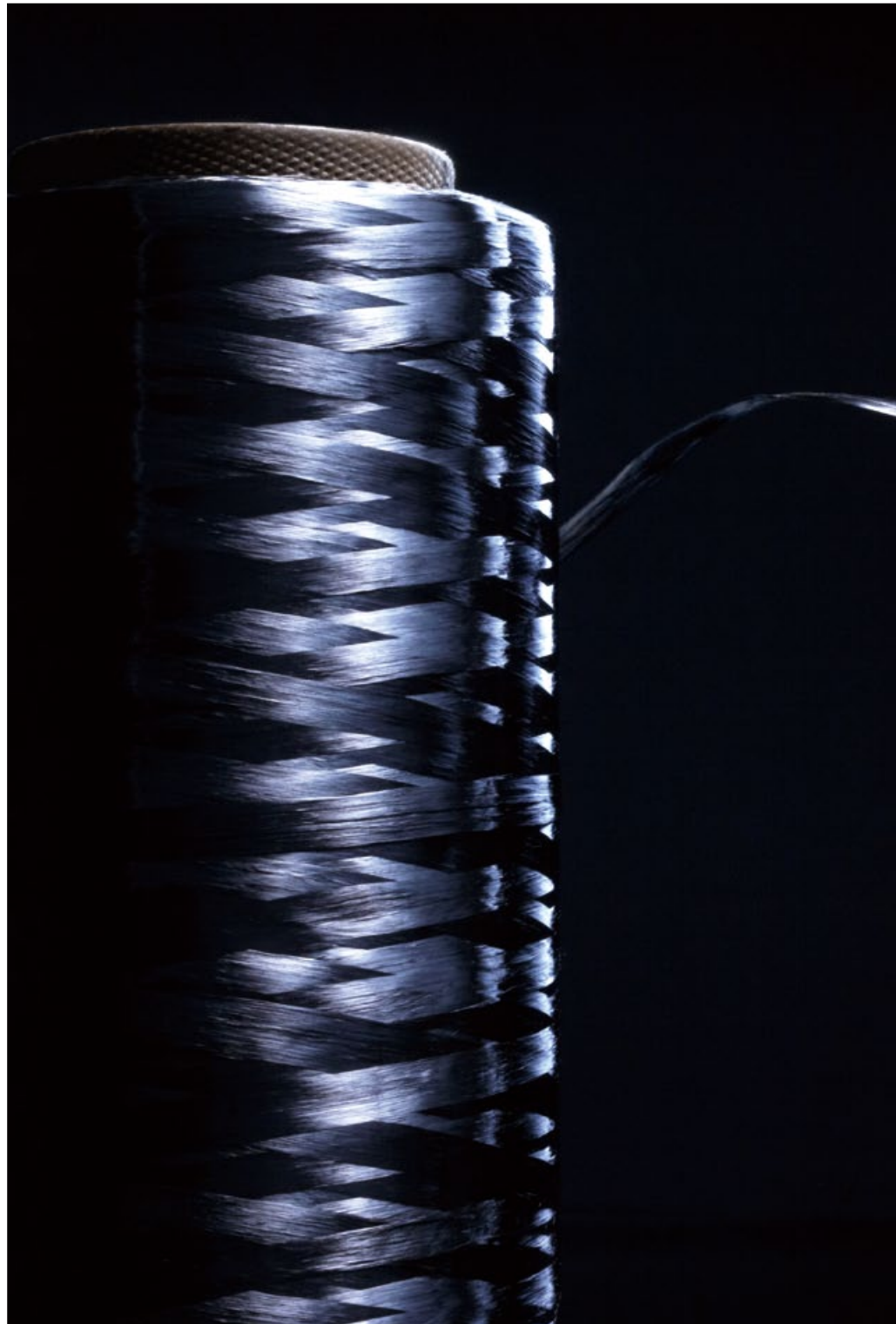


# FIBER THAT ABSORBS MOISTURE FROM THE SKIN AND PRODUCES HEAT

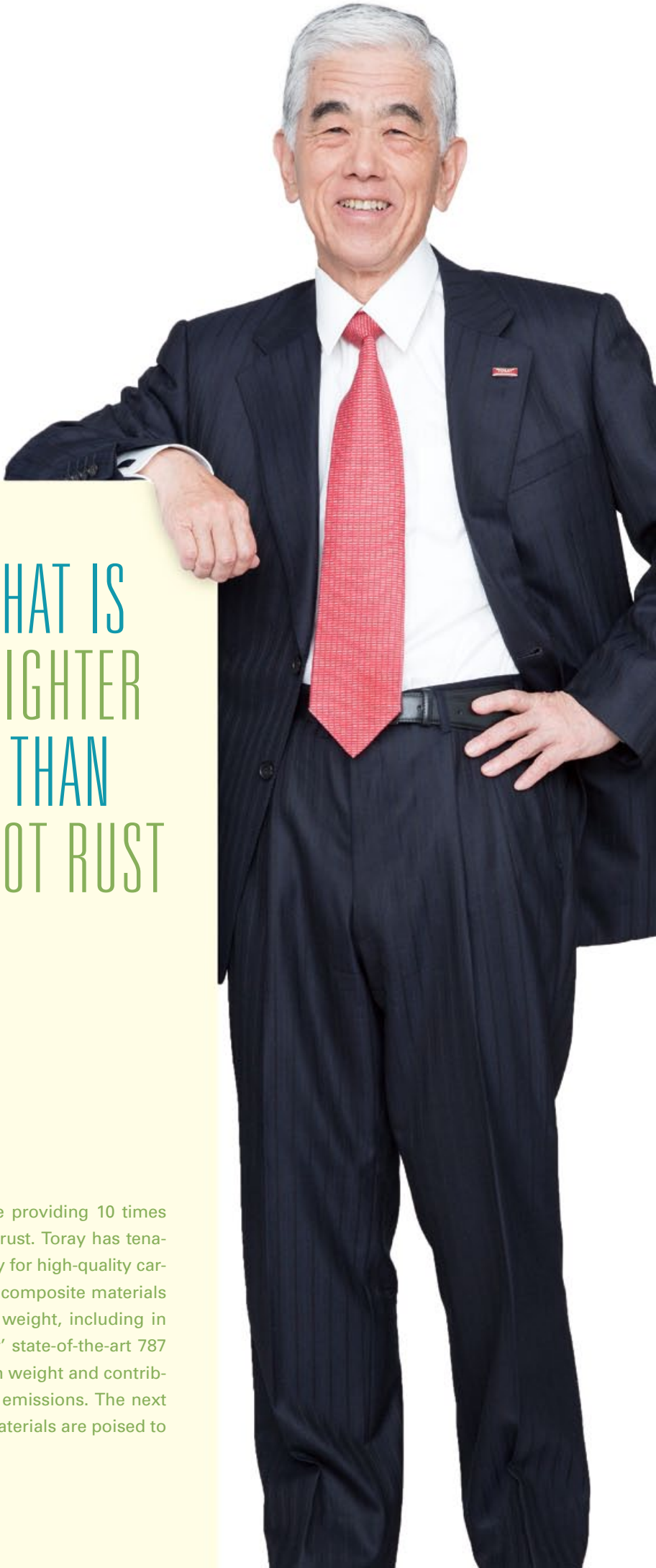


Toray combined four materials—acrylic with high moisture retention, rayon that generates heat from moisture vapor, polyester that quickly absorbs and dries sweat, and polyurethane that stretches for a soft fit to create the functional HEATTECH® innerwear that quickly absorbs sweat and turns it into heat. Created by using the power of chemistry to create the same level of functionality as natural fibers, HEATTECH® consistently provides world-class quality and continues to be advanced to provide even greater comfort to the people who wear it.

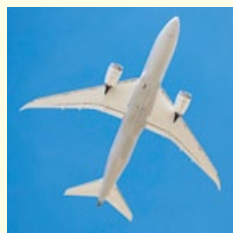
HEATTECH® is a registered trademark of Fast Retailing Co., Ltd.





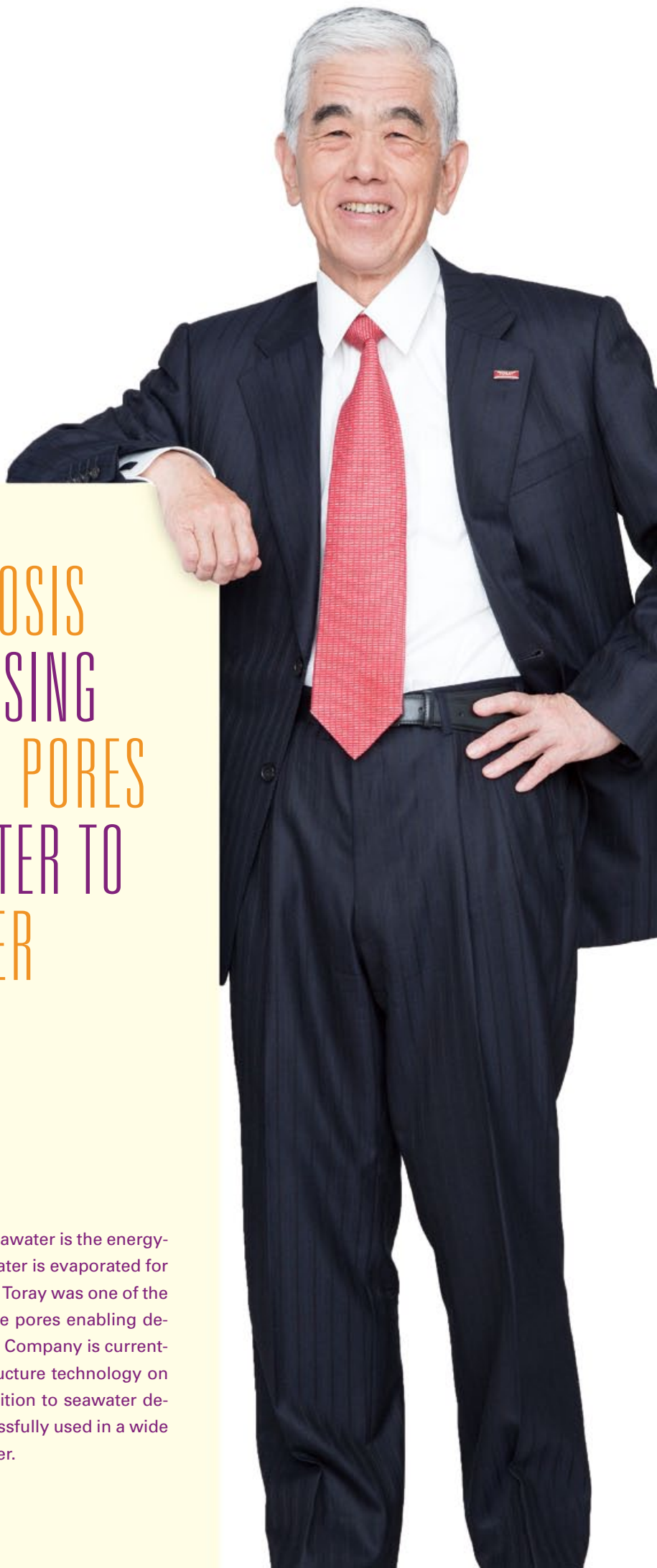


CARBON FIBER THAT IS  
SUBSTANTIALLY LIGHTER  
AND STRONGER THAN  
STEEL AND WILL NOT RUST



Carbon fiber is one quarter the weight while providing 10 times the tensile strength of steel, plus it does not rust. Toray has tenaciously honed its stable production technology for high-quality carbon fiber over 50 years. Toray's carbon fiber composite materials are currently used for 50% of the structural weight, including in the wings and fuselage, of Boeing Company' state-of-the-art 787 Dreamliner enabling a significant reduction in weight and contributing to reducing fuel consumption and CO<sub>2</sub> emissions. The next area where Toray's carbon fiber composite materials are poised to provoke major innovation is in automobiles.





# REVERSE OSMOSIS MEMBRANES USING NANO-LEVEL FINE PORES TO TURN SEAWATER TO FRESH WATER



The conventional approach to desalinating seawater is the energy-intensive evaporation method in which seawater is evaporated for the removal of its salt content and impurities. Toray was one of the first to reverse osmosis membrane using fine pores enabling desalination without requiring evaporation. The Company is currently developing sub-nanometer scale microstructure technology on the one ten-billionth of a meter scale. In addition to seawater desalination, the technology is also being successfully used in a wide range of areas, such as for reusing wastewater.



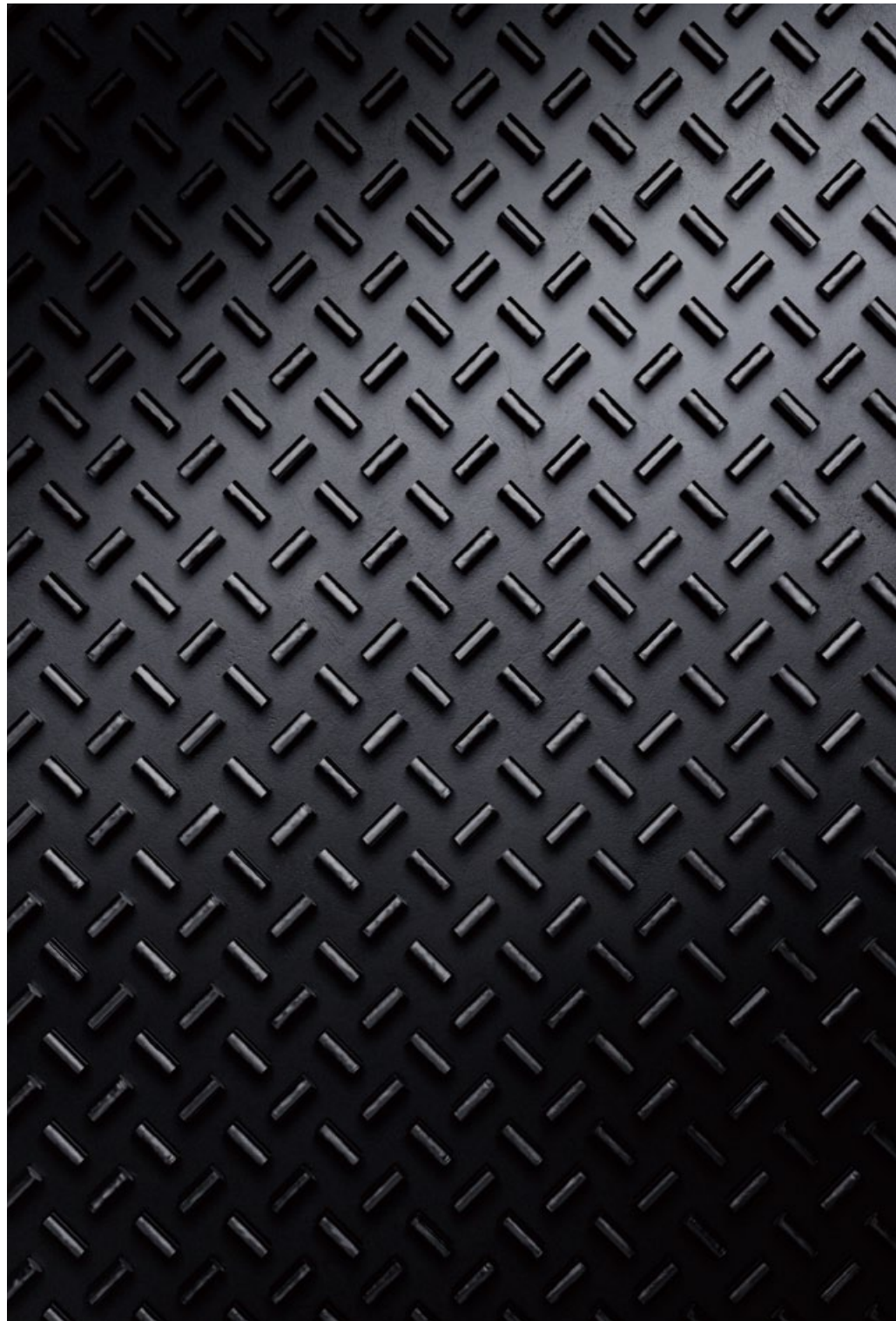


# RUSTPROOF NON-METAL FILM THAT LOOKS LIKE METAL



Picasus® is an environmentally-friendly multilayer laminate film made of different polymers with thicknesses of just a few nanometers that provides the sheen and texture of metal without requiring coloring or plating. The film's features include allowing electromagnetic waves to pass through for wireless communication, the ability of integral molding with resin, the ease of applying print, and resilience to heat and chemicals. Since rust is not a concern, we are expanding the product's applications from smartphones to automobiles for products that require a metallic-looking finish.









# FLAME-RETARDANT PLASTIC WITH STRONG HEAT AND CHEMICAL RESISTANCE

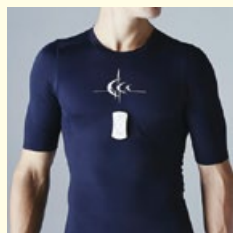


Torelina<sup>®</sup>, a polyphenylene sulfide (PPS) resin, is super engineering plastic\* that excels in such areas as heat resistance and chemical resistance, flame retardance, mechanical strength, and dimensional stability—even compared with other thermoplastic resins. With these features, it is used widely as a material in automotive electronic components, electrical and electronic parts, office automation equipment, and home appliances. As a lightweight material, it is expected to find increased applications as a replacement for metals.

\* An engineering plastic developed by enhancing the properties of resin, which is normally vulnerable to heat. Super engineering plastics can withstand temperatures of 150°C and higher for long periods of time.



# FUNCTIONAL MATERIAL THAT BIOSENSES BODY SIGNALS



Toray took on a new challenge and collaborated with Nippon Telegraph and Telephone Corporation (NTT) to develop and commercialize hitoe™, a functional material capable of gathering biological information. Nanofibers measuring just 1/100th the diameter of a human hair are coated with special highly conductive polymers and are used for biosensing clothing with the ability to sense a heart rate, cardiographic waveforms, and other bioinformation. Highly durable, formfitting and breathable, the material is attracting attention for use in sports, health, and medical fields and a variety of industries.



**Green innovation contributing to realizing an environmentally-friendly and sustainable low carbon society.**

**Life innovation in the medical field centered on pharmaceuticals, medical materials and biotools and the healthcare field using advanced materials.**

**Our innovation at the most fundamental level of materials vastly changes the world's industries, enables richer lifestyles, and one by one helps resolve the issues facing the earth's environment, people, and society.**



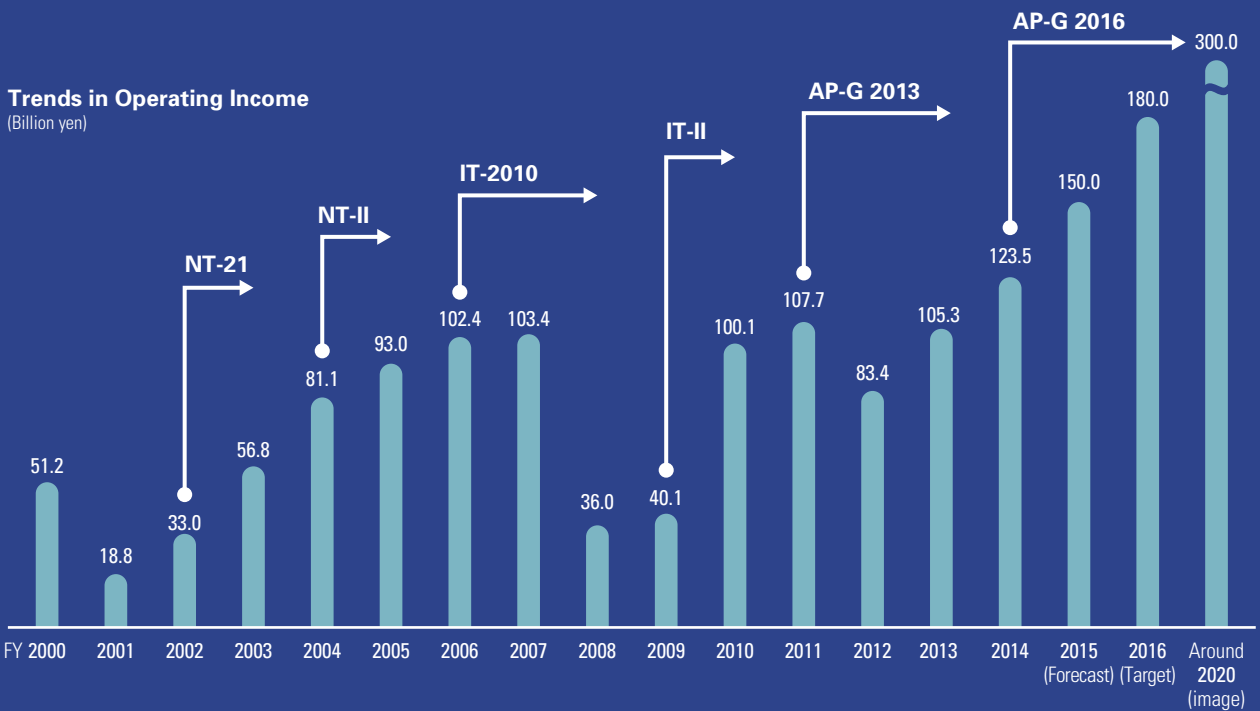
Akihiro Nikkaku  
President



and MORE...

**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 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. We are continuing this proactive management stance with Project AP-G 2016 that launched in fiscal 2014 and sets consolidated performance targets for **fiscal 2016 of ¥2.3 trillion in net sales and ¥180 billion in operating income.**

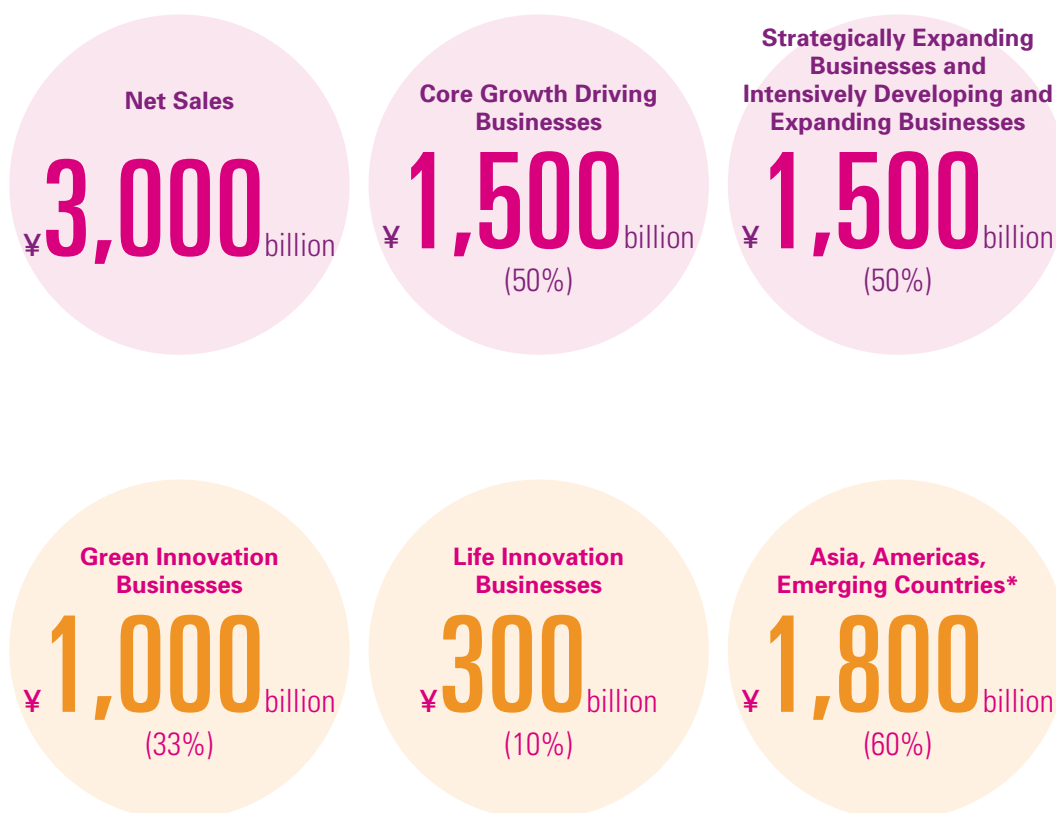
# Integrated Value Creation





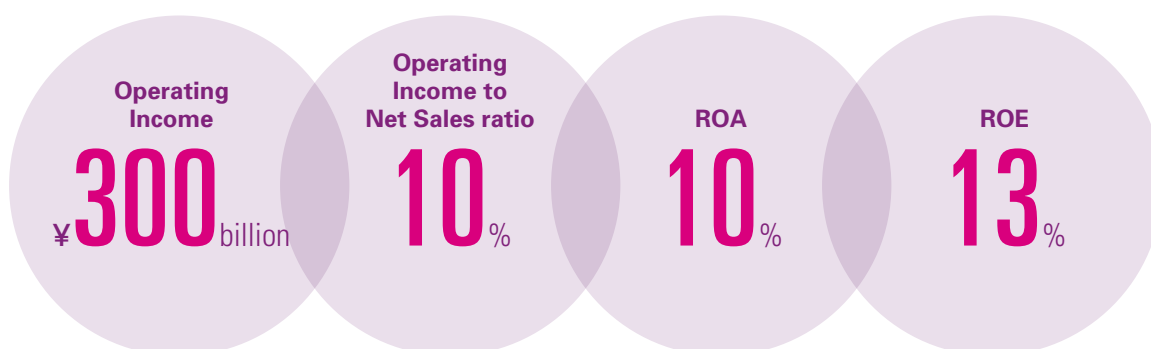
**Long-term Corporate Vision: AP-Growth TORAY 2020:** Toray Group's vision is to be "a corporate group that continually increases revenues and profits," "a corporate group that proactively contributes to social development and environmental stewardship," and "a corporate group that provides high value for all stakeholders." To realize this vision, we are stepping up efforts to expand earnings and broaden our global operations while continuing to develop the green innovation and life innovation businesses. Our performance objective is attaining **consolidated net sales of ¥3 trillion and operating income of ¥300 billion around the year 2020.**

### Image of Financial Indicators Around 2020



( ) net sales ratio

\*Under "Project AP-G 2013," sales forecast to Asia and Emerging countries was 1,500 billion yen. Forecast is revised as above in "Project AP-G 2016."



# Consolidated Financial & Non-financial Highlights

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

	Millions of yen					Thousands of U.S. dollars*1
	2015	2014	2013	2012	2011	2015
<b>Financial Highlights</b>						
<b>For the year:</b>						
Net sales	<b>¥2,010,734</b>	¥1,837,778	¥1,592,279	¥1,588,604	¥1,539,693	<b>\$ 16,756,117</b>
Operating income	<b>123,481</b>	105,253	83,436	107,721	100,087	<b>1,029,008</b>
Net income	<b>71,021</b>	59,608	48,477	64,218	57,925	<b>591,842</b>
Cash flows from operating activities	<b>141,282</b>	161,455	100,815	104,410	129,214	<b>1,177,350</b>
Cash flows used in investing activities	<b>(140,662)</b>	(214,826)	(107,525)	(104,002)	(50,734)	<b>(1,172,183)</b>
Free cash flows	<b>620</b>	(53,371)	(6,710)	408	78,480	<b>5,167</b>
Cash flows from financing activities	<b>(9,998)</b>	41,475	26,167	(23,645)	(33,039)	<b>(83,317)</b>
Capital expenditures	<b>124,929</b>	118,207	99,135	98,384	55,942	<b>1,041,075</b>
Depreciation and amortization	<b>81,480</b>	78,743	67,588	67,443	70,479	<b>679,000</b>
R&D expenditure	<b>59,504</b>	55,500	53,342	51,450	46,566	<b>495,867</b>
<b>At year-end:</b>						
Total assets	<b>¥2,357,925</b>	¥2,119,683	¥1,731,933	¥1,581,501	¥1,567,470	<b>\$ 19,649,375</b>
Net assets	<b>1,080,757</b>	944,625	778,626	674,149	640,970	<b>9,006,308</b>
<b>Per share of common stock (in yen and U.S. dollars):</b>						
Net income:						
Basic	<b>¥ 44.33</b>	¥ 36.59	¥ 29.75	¥ 39.41	¥ 36.41	<b>\$ 0.37</b>
Diluted	<b>44.28</b>	35.70	28.90	37.46	34.43	<b>0.37</b>
Cash dividends	<b>11</b>	10	10	10	7.5	<b>0.09</b>
Net assets	<b>616.70</b>	527.32	444.45	384.90	363.90	<b>5.14</b>
<b>Ratios:</b>						
Operating income to net sales	<b>6.1%</b>	5.7%	5.2%	6.8%	6.5%	
Equity ratio	<b>41.8%</b>	40.5%	41.8%	39.7%	37.8%	
ROA	<b>5.5%</b>	5.5%	5.0%	6.8%	6.4%	
ROE	<b>7.7%</b>	7.5%	7.2%	10.5%	10.9%	
Debt/equity ratio (times)	<b>0.71</b>	0.76	0.73	0.77	0.83	
<b>Non-financial Highlights</b>						
Number of employees						
Toray	<b>7,232</b>	7,123	7,097	6,976	6,797	
Domestic	<b>10,299</b>	10,247	10,177	10,303	10,261	
Overseas	<b>28,258</b>	28,511	25,310	22,948	21,682	
Percentage of women in management positions (non-consolidated)*2	<b>8.33%</b>	7.95%	7.49%	7.06%	6.77%	
Employment rate for the handicapped (non-consolidated)*3	<b>2.12%</b>	2.07%	2.03%	1.96%	1.95%	
Social contribution activities*4 (billions of yen)	<b>1.2</b>	1.1	1.1	1.2	1.3	

\*1: U.S. dollar amounts have been converted from yen at the exchange rate of ¥120=US\$1, the approximate exchange rate prevailing on March 31, 2015.

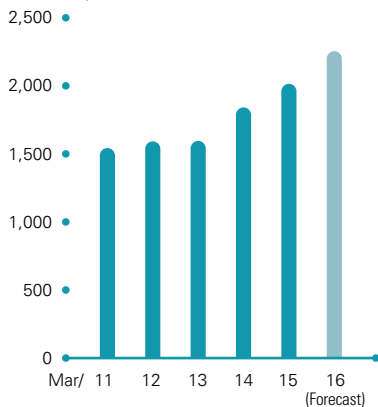
\*2: As of end April each year

\*3: As of end June each year

\*4: See page 11 for more details.

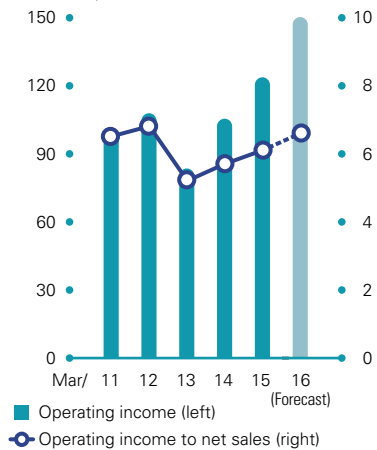
### Net Sales

(Billions of yen)



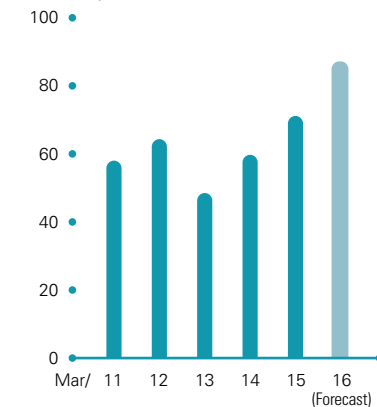
### Operating Income and Operating Income to Net Sales

(Billions of yen)



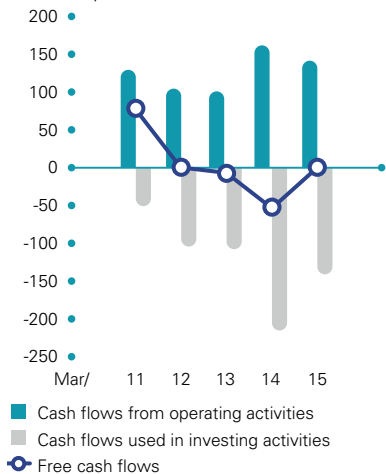
### Net Income

(Billions of yen)



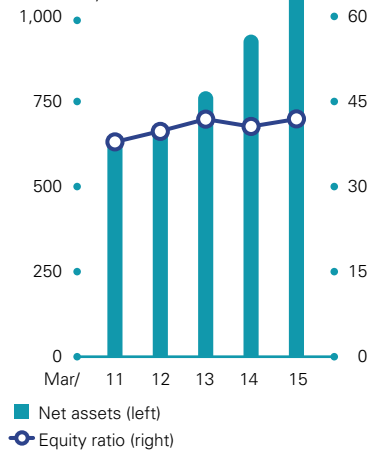
### Cash Flows

(Billions of yen)



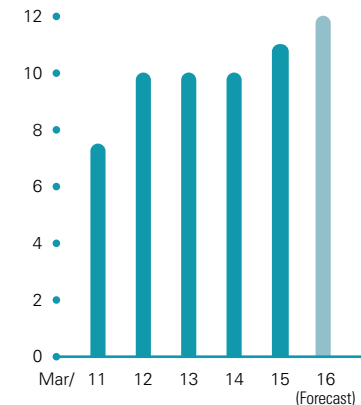
### Net Assets and Equity Ratio

(Billions of yen)



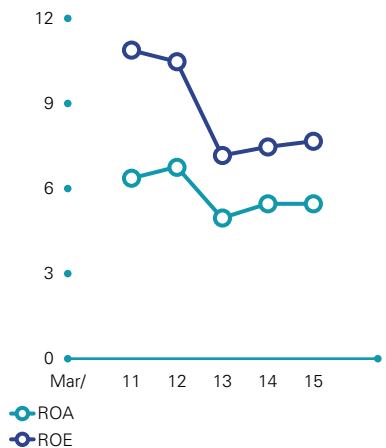
### Cash Dividend Per Share

(Yen)

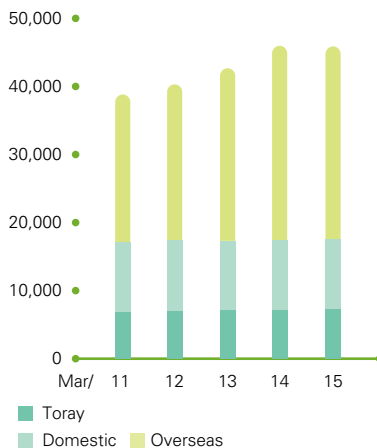


### ROA and ROE

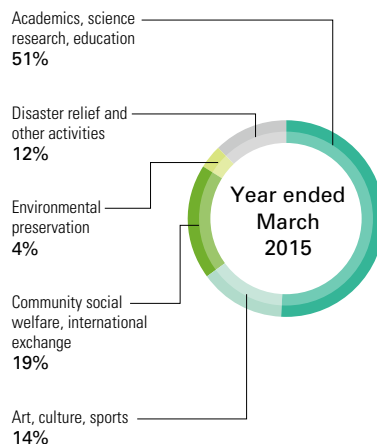
(%)



### Number of Employees



### Breakdown of Social Contribution Activities



## To Our Stockholders and Investors

# TORAY GROUP IS ADVANCING GROWTH STRATEGIES AND ITS COMPETITIVENESS

IN ALL ASPECTS IN ITS AIM TO BE A CORPORATE GROUP  
WITH HIGH VALUE FOR ALL STAKEHOLDERS.

## Fiscal 2014 Performance Review

### Record levels of sales and profits

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

The global economy generally continued expanding at a stable pace in fiscal 2014. Business conditions steadily recovered in the United States and improved overall in Europe while China's rate of economic expansion slowed and ASEAN region business conditions were flat. The Japanese economy stalled during the year as private demand and production activity suffered from a demand fallback following the demand rush before the increase in the consumption tax. Nevertheless, the moderate recovery trend continued, supported by the effects of government policies and other factors.

In these conditions, the Group continued steadily advancing its growth strategies and further strengthened its total cost competitiveness in accordance with the medium-term management program Project AP-G 2016, which was launched in April 2014 and will continue through fiscal 2016.

The result of these efforts were record levels of sales and profit in all categories in fiscal 2014 with year-on-year

risks in consolidated net sales of 9.4% to ¥2,010.7 billion, operating income 17.3% to ¥123.5 billion, and net income 19.1% to ¥71.0 billion. The Company also improved its profitability and capital efficiency, raising the ratio of operating income to net sales by 0.4 percentage points to 6.1% and ROE by 0.2 points to 7.7%.

The Carbon Fiber Composite Materials segment led the Company's profit growth on brisk demand and a widening range of product applications. The Plastics & Chemicals segment's results were boosted by higher shipments of products for automotive and back sheets for solar cells applications. The Fibers & Textiles segment overcame the impact of the consumption tax hike on domestic sales of materials for apparel applications to post sales and profit growth on brisk business in other sectors led by automotive applications.

Based on the earnings performance for the period under review and taking into account the need to maintain retained earnings necessary for future growth, Toray raised the per-share dividend payment by ¥1 yen year on year for an aggregate annual dividend of ¥11 per share in fiscal 2014.



*Akihiro Nikkaku*

**Akihiro Nikkaku**  
President

## To Our Stockholders and Investors

### **Innovation and proactive management to make each business the global leader**

The Toray Group is actively implementing the medium-term management program Project AP-G 2016, covering the three fiscal years from 2014 to 2016. The project is the current stage toward fulfilling its AP-Growth TORAY 2020 long-term corporate vision for its business structure and achieving the performance targets for consolidated net sales of ¥3 trillion and operating income of ¥300 billion around the year 2020.

Project AP-G 2016 is designed to continue advancing and building on our accomplishments expanding businesses in growth fields and regions and to further

advance the cost reductions and other measures to reinforce the business foundation while adding the third component of innovation and proactive management. The project sets fiscal 2016 consolidated targets of ¥2,300 billion in net sales and ¥180 billion in operating income. To achieve these targets, we are accelerating our business expansion into domains where we can fully leverage Toray Group's strengths and tackling our tasks with designing strategies to become the global leader in each of our business segments.

At the same time, we will step up growth investment 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.

## Project AP-G 2016 Basic Strategies



● Eyeglass frames made of Torayca®, Toray's lightweight high tensile strength carbon fiber



## Pressing forward with the Group-wide projects

In the eight basic strategies established in Project AP-G 2016, the priority measures identified are to expand business in growth fields, expand business in growth countries and regions, and bolster our competitiveness, and these are being strongly promoted in our Group-wide projects.

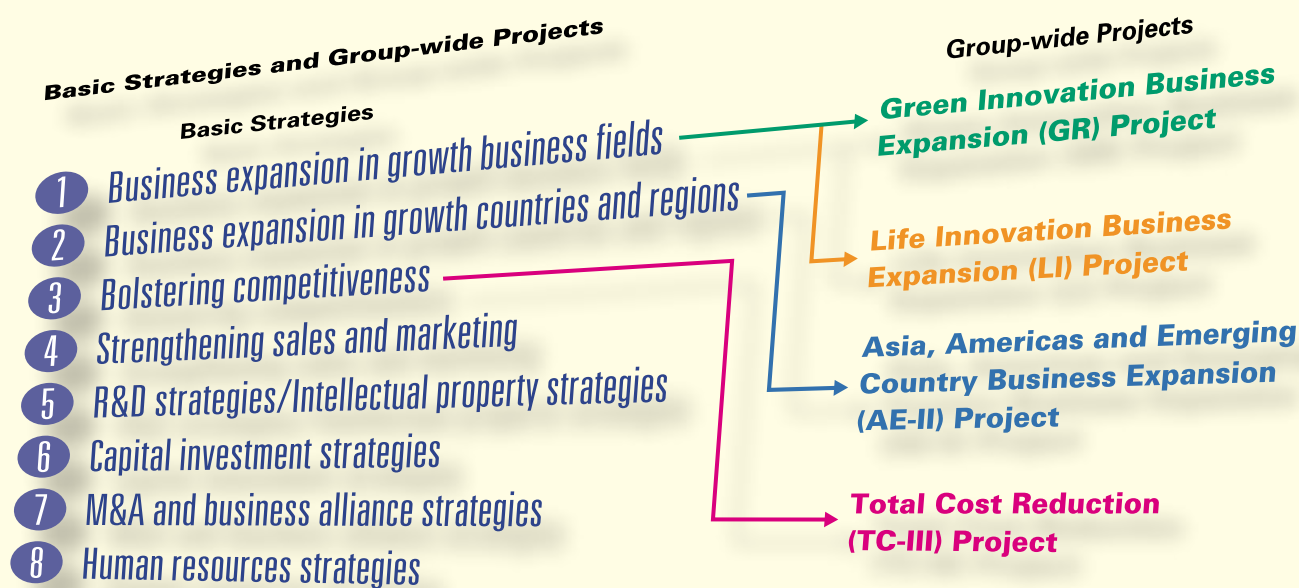
As a way to achieve business expansion in growth fields, we are harnessing two key strengths, our technological capabilities and global business foundation, to focus on developing advanced materials and new businesses in two thematic domains: the Green Innovation Business Expansion (GR) Project, which contributes to solutions for environmental, resource, and energy

issues, and the Life Innovation Business Expansion (LI) Project, which centers on contributing to pharmaceutical, healthcare, and related fields.

Business expansion in growth countries and regions is moving forward under the Asia, Americas and Emerging Country Business Expansion (AE-II) Project aimed at fully capturing the growing demand in countries and regions like emerging countries.

Total Cost Reduction (TC-III) Project continues the advances in reducing variable and fixed costs while also promoting production process innovation and total operational cost reduction in sales and marketing.

We have made significant progress with the Project AP-G 2016 Group-wide projects, and I would like to report the current status of each project.



### Progress of "Project AP-G 2016"

	FY2013	FY2014	FY2016 Target
Net Sales	1,837.8	2,010.7	2,300.0
Operating Income	105.3	123.5	1,80.0
Operating Income to Net Sales Ratio	5.7%	6.1%	8.0%
ROA	5.5%	5.5%	8.0%
ROE	7.5%	7.7%	10.0%

(Billion of yen)

ROA=Operating Income/Total Assets  
ROE=Net Income/Shareholders' Equity

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

Guide line of D/E ratio:  
**Below 1**

## To Our Stockholders and Investors

### Increasing use of carbon fiber composite materials in aircraft plus automobiles

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.

The GR Project generated net sales of ¥565.5 billion in fiscal 2014, marking substantial progress toward the ¥700 billion target in fiscal 2016. Particular advances

were made in new applications in the aircraft and automotive fields for carbon fiber composite materials, which promise to be a significant contributor as a next-generation lightweight material for saving energy.

#### Agreement with Boeing to supply materials for the 777X model aircraft

Toray entered into a basic agreement with Boeing, of the United States, to supply TORAYCA® prepreg carbon fiber materials for the aircraft maker's 777X model aircraft planned to begin delivery in 2020 as the successor to the 777 model. We are currently in talks with Boeing to extend the comprehensive agreement begun in November 2005 under which Toray is supplying TORAYCA® prepreg for use in the wings, fuselage, and other sections of the 787 model for another 10 years or more with the inclusion of the 777X model.



©Boeing

The total value of the materials supplied for the 787 and 777X model aircrafts is expected to exceed ¥1 trillion.

#### Carbon fiber materials used in the Toyota Mirai fuel cell vehicle

Toray's carbon fiber materials are used in the Mirai fuel cell vehicle, launched in December 2014 by Toyota Motor Corporation.



©Toyota Motor Corporation

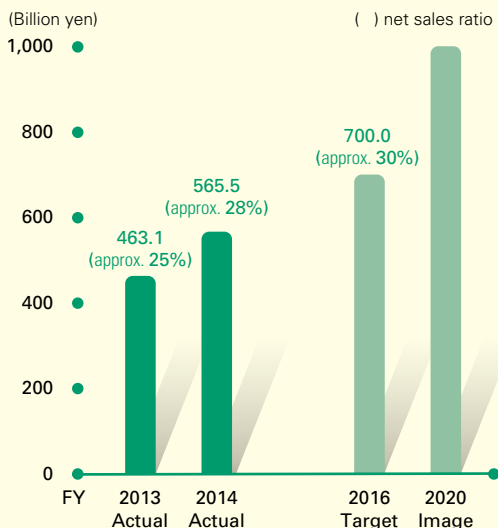
Toray and Toyota teamed up to produce a carbon fiber reinforced thermoplastic (CFRTP) material for use in the fuel cell "stack frame," which protects the batteries and acts as all equivalent of a floor section for the automobile. This is the world's first\* use of CFRTP in the structural part of a (mass) production vehicle. Carbon paper Toray has developed for over 30 years was used for the electrode substrate of fuel cell stack—the heart of a fuel cell vehicle—and contributes to saving space while improving fuel cell stack performance. The Mirai also uses Toray's high strength carbon fiber, which was specifically developed for strength, weight, and safety, as material for its high pressure hydrogen tank.

The Toray Group is accelerating the technological development of carbon fiber composite materials for a variety of automotive applications.

\*Based on Toray research as of November 2014

## Project AP-G 2016 Green Innovation Business Expansion (GR) Project

### Green Innovation Business Expansion Plan



**Developing new businesses while expanding the pharmaceuticals and medical businesses**

The Life Innovation Business Expansion (LI) Project aims to expand business in our present pharmaceutical and medical businesses and apply the 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 the pharmaceutical and medical businesses, we will achieve this by creating new products and cultivating new business fields as well as strengthening development of our competitive advanced materials for medical equipment and healthcare products. We will also collaborate with strategic partners, participate in medical clusters, and take other steps to expand business, accelerate development, and explore new business avenues.

The LI Project produced net sales of ¥140.0 billion in fiscal 2014 as it steadily progressed toward the ¥170.0 billion target for fiscal 2016. The project is focused on expanding the pharmaceuticals and medical businesses while accelerating the development of new businesses.

**Toray establishes its life innovation business brand**

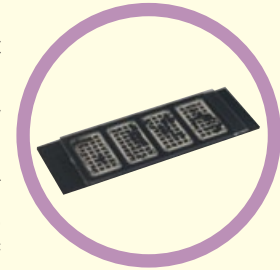
Toray made a key strategic advancement in the Life Innovation Business Expansion (LI) Project with the establishment of a new integrated brand logo for the Group's life innovation products, services, and related activities. The Toray Group is aiming to strengthen and expand the Life Innovation Business driven by a strong desire to apply its advanced materials and technologies to address social issues in the medical, health, longevity, and other fields and realize life innovation from a comprehensive perspective around the world.

The brand logo for the Life Innovation Business links the first letters of life and innovation creating an image connecting the "i" representing human innovation and the surprise and smiles evoked by an exclamation point "!".



**Toray participates in a development project for the next-generation cancer diagnostic system**

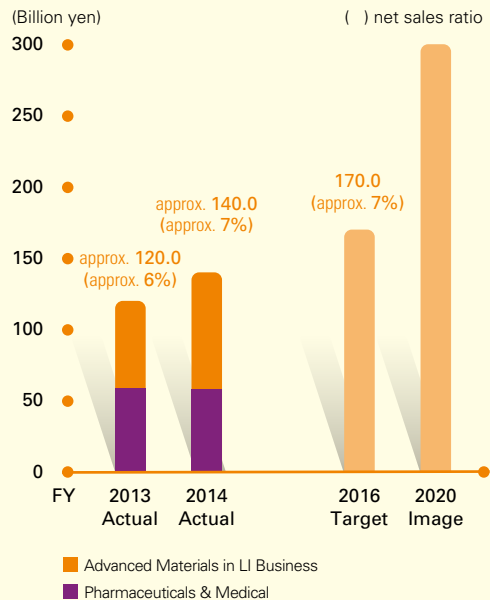
Toray is participating in an industry-academia-government collaboration project to develop the Company's high sensitivity DNA chip 3D-Gene® for use in the world's first biotool for early detection of biomarkers for dementia and 13 types of cancer, including breast and colon cancer.



**Project AP-G 2016  
Life Innovation  
Business Expansion**

**(LI) Project**

**Life Innovation Business Expansion Plan**



# To Our Stockholders and Investors

## Further strengthening organic integration of overseas bases, developing new markets, and expanding business

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.

AE-II Project net sales continued steadily rising in fiscal 2014 to reach ¥944.0 billion and represents 47% of

the Company's total sales. The Toray Group is continuing to strengthen the organic integration of its overseas bases and establish new business bases as it seeks to attain ¥1,150.0 billion in net sales representing approximately 50% of total sales in fiscal 2016.

Key AE-II Project topics in fiscal 2014 are as stated below.

### Initiatives in Asia and emerging countries

#### China: New R&D system established in Shanghai

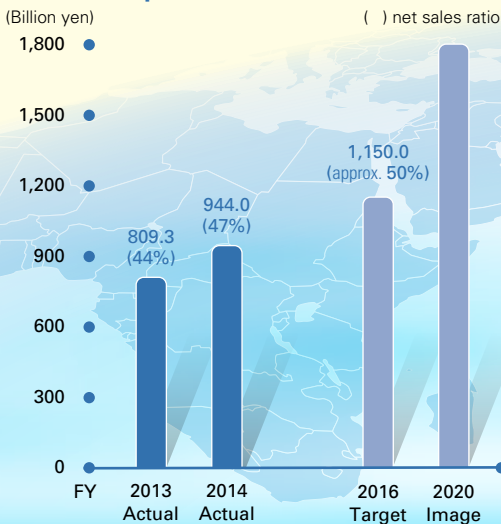
A new research facility was completed at Toray Advanced Materials Research Laboratories (China) Co., Ltd. (TARC) and a new R&D system was established for the Shanghai, China base. The new research facility has fully equipped testing, analysis, and assessment facilities, including molding and printing equipment, and provides complete product development and technical service functions for the Film, Carbon Fiber Composite Materials, Electronic & Information Materials, and other operations in China.

#### Indonesia: Expanded production facilities for high-performance polypropylene spunbond nonwoven fabric

The Company committed to expanding the production facility for high-performance polypropylene (PP) spunbond at P.T. Toray Polytech Jakarta (TPJ), in Indonesia. Demand for disposable diapers, which is the primary application for PP spunbond, is expected to grow rapidly in ASEAN countries as income levels rise, and the Company is preparing to meet strong demand by bolstering its supply structure from its bases in South Korea, China, and Indonesia.

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

### Asia, Americas and Emerging Country Business Expansion Plan



### Major Capital Expenditure Projects

#### FY March 2015

- ▶ Toray
- ▶ CFA (Toray Carbon Fibers America, Inc.)
- ▶ CFE (Toray Carbon Fibers Europe S.A.)
- ▶ TAK (Toray Advanced Materials Korea Inc.)

#### FY March 2016

- ▶ TAK (Toray Advanced Materials Korea Inc.)
- ▶ TPJ (P.T. Toray Polytech Jakarta)
- ▶ TCK (Toray Chemical Korea Inc.)
- ▶ TCA (Toray Composites (America), Inc.)

Carbon fiber production facilities

PPS (polyphenylene sulfide) resin production facilities

High-performance polypropylene spunbond production facilities

Polyester staple fiber production facilities

Carbon fiber TORAYCA® prepreg production facilities

### Thailand: Preparing for growing CFRP parts demand in Japan and Thailand

Toray committed to increasing the production capacity of carbon fiber reinforced plastic (CFRP) parts at Toray Carbon Magic Co., Ltd. (TCM) and its mass production plant in Thailand. Toray plans to introduce production and after processing facilities, such as autoclave molding, machining, and painting, which will become operational from the second half of 2014 through 2016. TCM is serving as the core of the Company's CFRP composites business and is collaborating with the overseas bases in Germany and the United States to develop markets and broaden applications for CFRP. The Group is enhancing all stages of its supply chain from upstream carbon fibers to midstream intermediate materials and downstream CFRP composites to support strong business growth for the carbon fiber composite material business.

### India: Automotive airbag base fabric business established

Toray and Kusumgar Corporates Private Limited established Toray Kusumgar Advanced Textile Private Limited (TKAT) to manufacture and distribute airbag base fabric in India with operations planned to start in October 2016. The Toray Group has been boosting the quality competitiveness of its airbag business by integrating production of all materials from yarns to airbag textiles while strengthening its global production systems and enhancing the R&D and marketing functions.

### Initiatives in the Americas

#### Mexico: Construction of a resin compounding base

Toray and its U.S. subsidiary Toray Resin Co. (TREC)

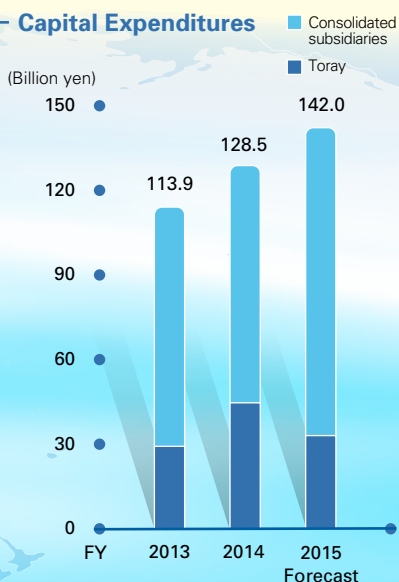
established Toray Resin Mexico S.A. de C.V. (TRMX) in Mexico, making Toray the first Japanese engineering plastic manufacturer to establish its own resin compounding production base in the country. Constructed inside the Mexico plant of Zoltek Companies, Inc. which became a wholly owned Toray subsidiary in February 2014, the plant began operations in February 2015 with production capacity of 10,000 tons of nylon and polybutylene terephthalate (PBT) resin compound annually. The TREC Indiana plant and New Mexico facility combine to give Toray an annual resin compound production capacity of 34,000 tons in the Americas.

The Toray Group is seeking to grow its resin business by establishing a global network of resin compounding production bases with the aim of strengthening its supply structure and capturing the new demand arising from the rapidly developing automobile industry in Mexico where automakers are setting up manufacturing bases to produce vehicles for export to the U.S. and other countries.

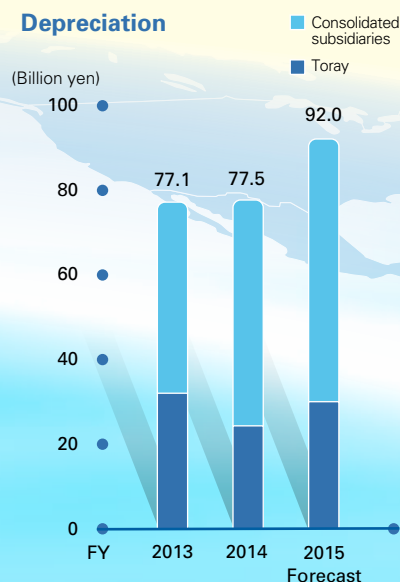
### Actively investing in global growth

Project AP-G 2016 calls for aggressive investment in R&D and facilities aimed at realizing sustaining 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 2015, the Company plans to increase its investment in corporate growth from the previous fiscal year.

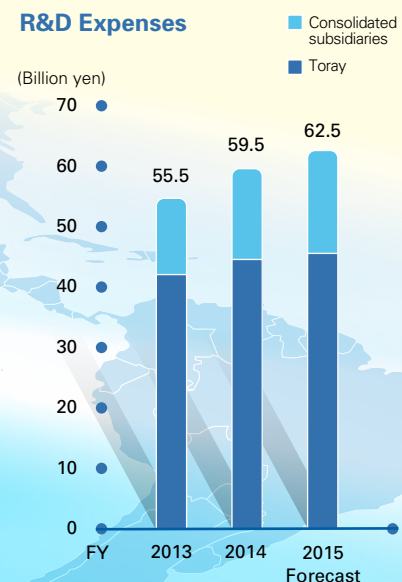
#### Capital Expenditures



#### Depreciation



#### R&D Expenses





## To Our Stockholders and Investors

### Creating a resilient business structure Target to reduce costs by ¥200 billion from 2014 to 2016

The Total Cost Reduction (TC-III) Project seeks to constantly strengthen our corporate structure and create a resilient business structure with the aim of reducing costs by ¥200 billion from 2014 to 2016 and thereby achieve a world-leading level of cost competitiveness.

The primary objective of TC-III will be to extend and deepen the TC-II Project's AP-G 2013 initiatives to cut variable costs and control fixed costs while also focusing on production process innovation and total operational cost reduction in sales and marketing.

In fiscal 2014, the Company reduced variable costs

by ¥30.1 billion and fixed costs by ¥19.9 billion. The Company has introduced a Performance Ratio (P-ratio) to monitor the ratio of growth rates for fixed costs and marginal profit with the aim of maintaining a rise in fixed costs in line with growth in profit during the business expansion. Management is seeking to hold the P-ratio at 1.0 or lower or otherwise maintain fixed costs within the divisional budgets.

Production process innovation and total operational cost reductions saved another ¥14.6 billion in fiscal 2014, bringing the total reductions achieved under TC-III Project to ¥64.6 billion.

While implementing the growth strategies described earlier, the Toray Group is also implementing comprehensive measures to enhance its competitiveness.

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

#### 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

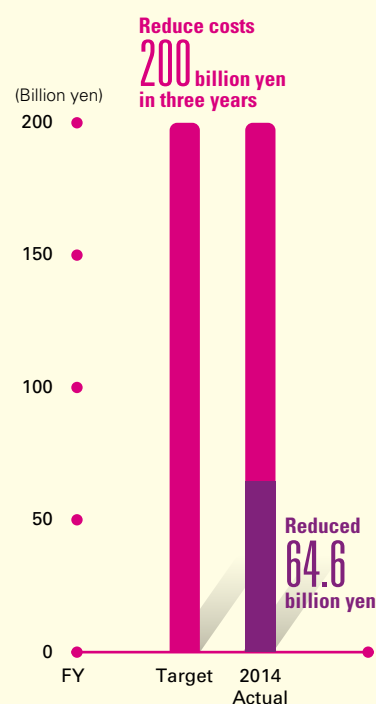
#### Results of FY2014

Variable costs:  
Reduced **30.1** billion yen  
(Reduction ratio 3.6%)

Fixed costs:  
Reduced **19.9** billion yen  
(P-ratio=0.98)

Effects from innovation  
of production processes  
and total operational cost  
reduction in sales and  
marketing

Total: **14.6** 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

**Rising sales and profits supported by ongoing economic recovery**

The Company got off to a solid start for the Project AP-G 2016 in fiscal 2014, the first year of the project, supported by ongoing general moderate economic recovery.

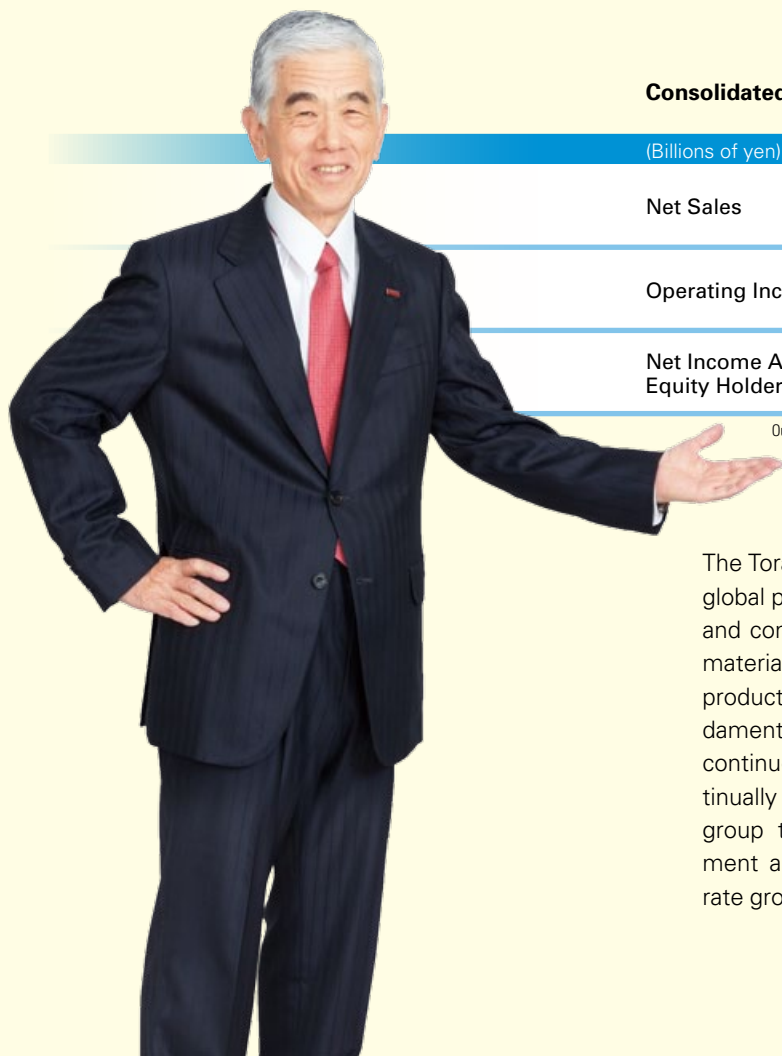
The global economy is expected to continue steadily expanding overall driven by the U.S. and developed country economies. However, risk factors will need to be monitored, including slowing economic growth in China and some emerging countries and the potential impacts from instability in the foreign exchange and international commodities markets. Moderate recovery is also expected for the Japanese economy supported

by improving employment and income environments, recovery in exports, declining oil prices, and a boost from economic policies. The primary risk factor to monitor would be a downturn in overseas economic conditions, which could put downward pressure on Japanese business conditions.

In these conditions, the Toray Group's consolidated forecasts for fiscal 2016 are for net sales of ¥2,250.0 billion, operating income of ¥150.0 billion, and net income attributable to equity holders of the parent of ¥87.0 billion. Based on this outlook, we aim to increase our dividend for a second consecutive year to an annual cash dividend of ¥12 per share.

# Fiscal 2015

## Performance Forecast



**Consolidated Performance Results Forecast for Fiscal 2015**

(Billions of yen)

(Billions of yen)	FY2015 (Forecast)	Changes
Net Sales	2,250.0	+11.9%
Operating Income	150.0	+21.5%
Net Income Attributable to Equity Holders of the Parent	87.0	+22.5%

Our forecasts are predicated on an assumed foreign currency exchange rate of ¥115/US\$1.

The Toray Group will continue 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. The Toray Group continues to strive 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."



## Special Feature



# TORAY ENABLES THE FUTURE OF AUTOMOBILES

**Toray's fibers, resins, films, and carbon fibers are used in automobiles around the world.**

**Toray's advanced materials capabilities are creating new possibilities for the automobiles of the future.**

## It all started from RAYON

Toray's presence in the automobile industry dates back to 1941 when it began providing reinforced rayon fiber for tire cords to Tier 1 and Tier 2 suppliers of automobile manufacturers.

The products we supply expanded from fibers to resin (plastics) and films and on to carbon fiber composite materials, and today our products are used in a

virtually endless list of automotive parts and components from tire cords to airbags, seatbelts, switches, connectors, LCD color films, cabin filters, propeller shafts, spoilers, and hoods. Automotive materials currently account for approximately 10% of Toray Group's sales with plastics resins comprising about 50% of these sales.



## List of Applications for Toray Materials

### Interior

- Instrument panel
- Seat
- Door
- Carpet
- Ceiling

### FCV (Fuel Cell Vehicle)

- PCU (Power Control Unit)
- Battery module
- LiB (Lithium-ion Battery)
- Motor
- Fuel cell (stack)
- CHG tank

### HEV (Hybrid Electric Vehicle)

- Engine
- Propeller shaft
- PCU (Power Control Unit)
- Battery module
- Motor
- Battery charger

### Exterior

- Side glass
- Rear glass
- Front bumper
- Rear bumper
- Mirror
- Indicator
- Back door
- Roof
- Grill
- Lamp
- Door
- Tire

### Electrical

- Wire harness
- Optical fiber harness
- Meter
- Car navigation
- Millimeter-wave radar
- A/C
- Onboard camera
- Solar cell

### EV (Electric Vehicle)

- PCU (Power Control Unit)
- Battery module
- Motor
- Battery charger

### Power train

- ECU (Engine Control Unit)
- Front end module
- Power steering
- Suspension
- Wire harness
- Propeller shaft
- Engine

## The key word is LIGHTER

In this way, the use of Toray's diverse variety of materials in automotive parts and materials has played a role in the history of making automobiles lighter. Even today, automobiles continue to use more and more electronics, and automakers are seeking components made from lighter materials because each new electronic control device also adds to vehicle weight.

Steelmakers are also working with automakers to

make vehicles lighter through the development of more advanced, thin, and easy-to-process high-tensile-strength steel plates for use as structural materials such as car bodies. In the same way, automakers are looking to lighten vehicle weight by using plastic or aluminum rather than ferrous metal for components that are not part of the vehicle structure. Leveraging its strengths from many years of supplying resin materials to auto parts makers, Toray is increasing its market share in materials for automotive applications.

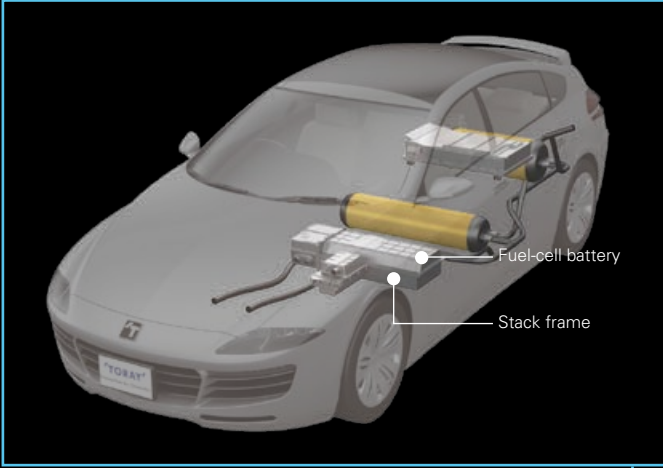
## THE ONE-MINUTE takt-time barrier

In addition, carbon fiber is now in the spotlight for offering 10 times the tensile strength at one-fourth of the weight of steel. This is a huge business opportunity for Toray, the world's largest maker of carbon fiber.

Toray's top priority for the carbon fiber reinforced plastic (CFRP) business is developing products for the automobile market, following up on its product development for the aircraft market. In 2011, the Company created the ultra lightweight TEEWAVE® electric vehicle concept car to show the potential of vehicle bodies made of carbon fiber. At present, however, carbon fiber is used for spoilers, propeller shafts, radiator supports, and similar parts while its use in the core body structure (monocoque) is still limited to race cars and some luxury vehicles.

The reasons carbon fiber are not being used are molding time (takt time) and cost. Specifically, the molding technology does not meet the "one minute" takt time required by Japanese automaker production lines and automation technology has not been developed. For Toray, the first barrier to overcome will be developing technology to enable shorter CFRP molding time.

High tension steel has short takt times because of various welding methods, such as spot welding. Unlike cases where Toray is the sole supplier of carbon fiber materials such as for tens of aircraft a month,



one-of-a-kind race cars, or hand-built supercars, in the case of economy models produced at a 30,000-car-per-month level at a factory using the kanban system, a long takt time would substantially increase production costs because adapting around this would require adding assembly lines and holding more in-progress stock as inventories.

## World's first\* USE OF CFRTP in automobile structural parts

The arrival of electric vehicles and fuel-cell vehicles in recent years as a way to address global environment, natural resource, and energy issues has spurred the use of carbon fiber in automobile body structures for their need to be lighter. This led to the carbon fiber reinforced thermoplastic (CFRTP) developed by Toray in collaboration with automakers becoming the world's first CFRTP to be used in the structural section of mass production vehicles. The CFRTP fuel cell stack frames are harder than steel and lighter than aluminum and protect the fuel cells that are the very heart of the vehicles.

Whereas thermoset CFRP becomes harder when heated, CFRTP melts as it is heated and hardens as it cools. As these characteristics enable an easy molding process, CFRTP can be applied to high tensile steel frames in the press molding stage.

\*Based on Toray research as of November 2014





The TEEWAVE® AR1 electric vehicle concept car Toray made with a carbon fiber body in 2011

## COMPLEMENTARY RELATIONSHIP with other materials

It will be several more years before CFRTP can be combined with other materials as part of an automated assembly process resembling the often-seen image of an automobile assembly line with sparks flying as industrial robots spot weld high tensile joints. Neither do we think an era when the structural materials of automobiles

will be made entirely of carbon fiber is close at hand. It is clear use of carbon fiber as a replacement material will grow sharply in the future, and Toray is actively working to increase carbon fiber applications in the automobile market.

That said, our aim is not to completely replace steel, aluminum, and other materials with carbon fiber, as we believe it can be used in a complementary relationship with them. Since most automobile parts and materials are composites of various materials, we are focusing on developing technologies to combine CFRTP with other materials to provide advanced materials that are optimized to automaker specifications.

## CROSS-DIVISIONAL Materials Development Teams

The Automotive Material Strategic Planning Dept. acts as a coordinator across the various materials development teams with the aim of connecting the Toray Group's potential, including rediscovering and applying buried technology, to customer needs in the automobile industry.

In the past, the materials teams have each focused directly on specific customer needs and based their development activities solely on the specifications provided by individual customers.

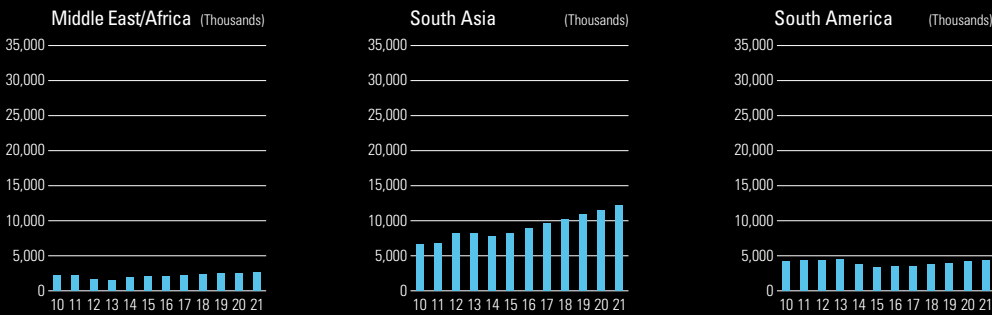
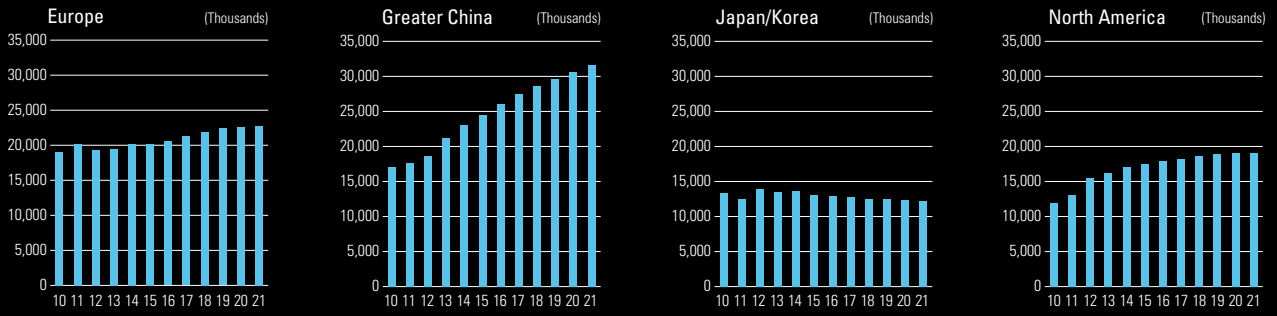
As part of its external marketing activities, the Automotive Material Strategic Planning Department acts as the contact point for customers and materials teams, thereby facilitating Toray's ability to apply its comprehensive strengths.

### Yukio Ishino

Director,  
Automotive Material Strategic  
Planning Dept.



Global Automobile Production Forecasts and a Map of Toray Automotive Material Supply Hubs Source: IHS Automotive



## The IMPORTANCE of being an approved supplier in Europe

Worldwide automobile production is expected to continue increasing as populations grow and income levels rise in developing countries. Toray is responding to these trends by expanding globally in ways that account for the regional characteristics of Japan, the United States, Europe, China, South Korea, Asia, and developing countries.

We believe it will be particularly important to be an approved supplier in Europe in the future. Automakers in Europe are actively introducing technologies to reduce vehicle weight not only to comply with strict environmental regulations but also to enhance fundamental vehicle performance features such as speed, turning, and braking. These European-developed technologies to lighten vehicles are gaining traction for uses in China, Brazil, and other emerging countries. While market growth in Asia, especially China, and other emerging countries will certainly drive unit production growth, we believe as a materials maker it is

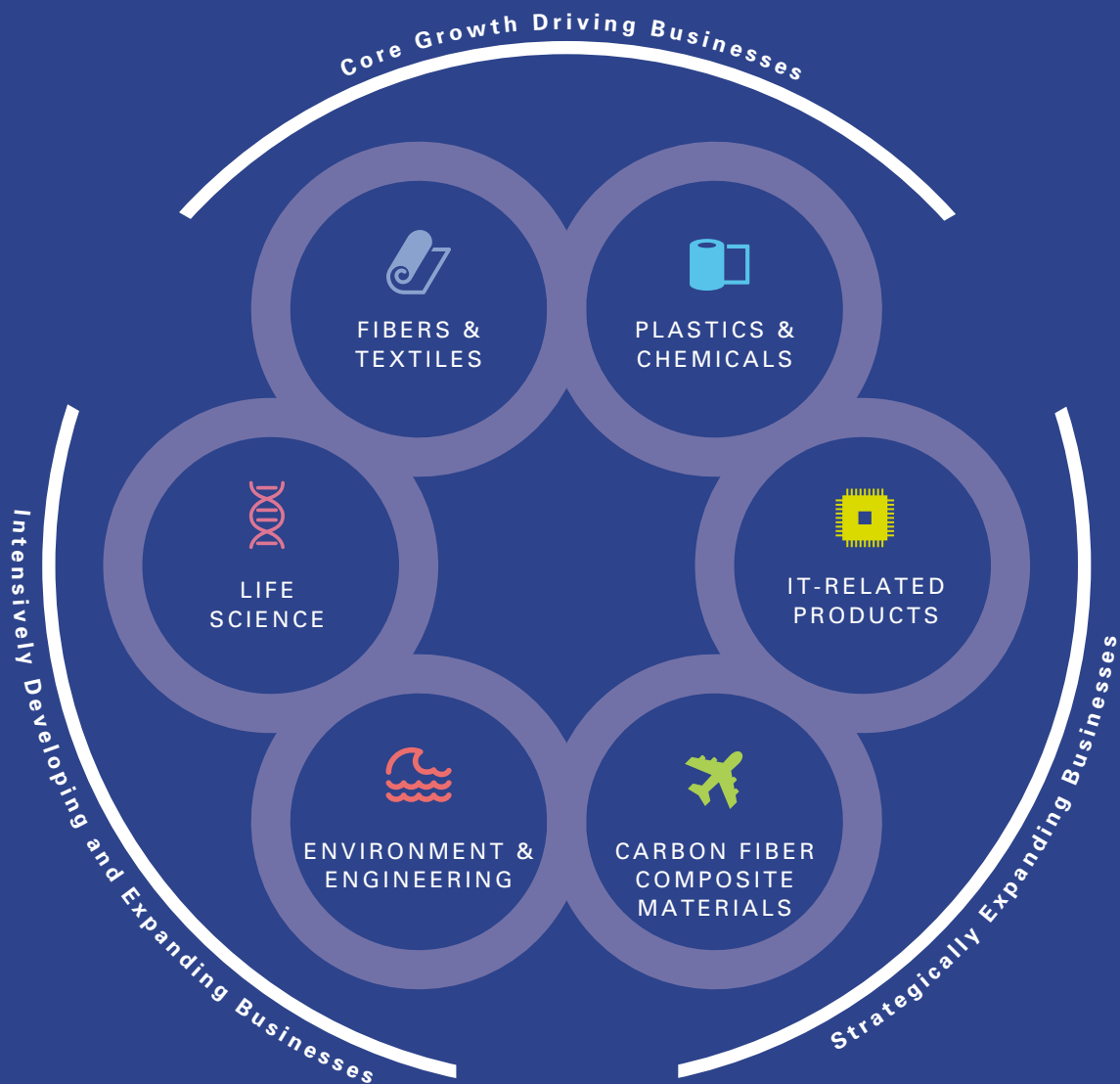
very important for our strategic global expansion to elevate our reputation in Europe. Toray is accordingly focusing its efforts on strengthening its unified supply chain for its globally competitive CFRP materials from carbon fiber to intermediate materials and molded products using its subsidiaries in France, Germany, and Italy as bases.

## TORAY will change automobiles around the world

We believe there is unlimited potential for materials that are friendly to people and the environment and for technologies that contribute to a more affluent society through materials.

Toray will broaden the scope of what is possible in developing innovative automobiles around the world by leveraging its strengths in materials to enable automakers to address many challenges such as environmental and energy issues, demand for improved vehicle safety, comfort, and impact resistance, and needs arising from growing use of information and electronics technologies.

# Toray Group Segments



The 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, the 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.

# Toray Group Segments

Business Categories

Segments



**Core Growth Driving Businesses**

Net Sales Ratio **67.3%**

Operating Income Ratio **55.2%**

**FIBERS & TEXTILES**

**PLASTICS & CHEMICALS**



**Strategically Expanding Businesses**

Net Sales Ratio **20.2%**

Operating Income Ratio **35.2%**

**IT-RELATED PRODUCTS**

**CARBON FIBER COMPOSITE MATERIALS**



**Intensively Developing and Expanding Businesses**

Net Sales Ratio **11.8%**

Operating Income Ratio **8.4%**

**ENVIRONMENT & ENGINEERING**

**LIFE SCIENCE**

Notes: 1 Each percentage shows the share of net sales/operating income in the consolidated net sales/consolidated operating income respectively in the segment.  
 2 Excludes other businesses, equivalent to ¥14.3 billion (0.7%) in net sales and ¥1.9 billion (1.2%) in operating income, and adjustment of operating income of -¥20.7 billion.

## Main Products

## Application Examples

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

- 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 other plastics; zeolite catalysts; fine chemicals for pharmaceuticals and agrochemicals; veterinary medicine (excludes film and resin covered in IT-related Products segment)

- 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 information and telecommunications related products; materials for electronic circuits and semiconductors; color filters for LCDs and related materials; magnetic recording materials; graphic materials and IT 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
- Printing: waterless printing plates, relief printing on resins, printing equipment
- Backup tapes for server: PET film
- In-vehicle multimedia LANs: optical fiber
- Semiconductors: semiconductor coating materials

Carbon fibers, carbon fiber composite materials and their 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

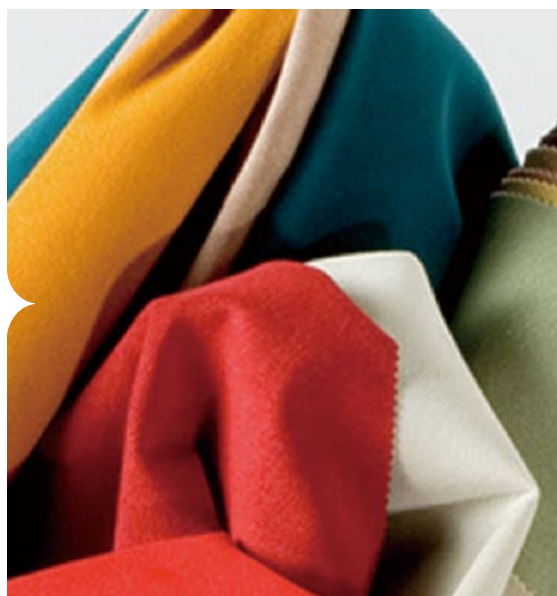
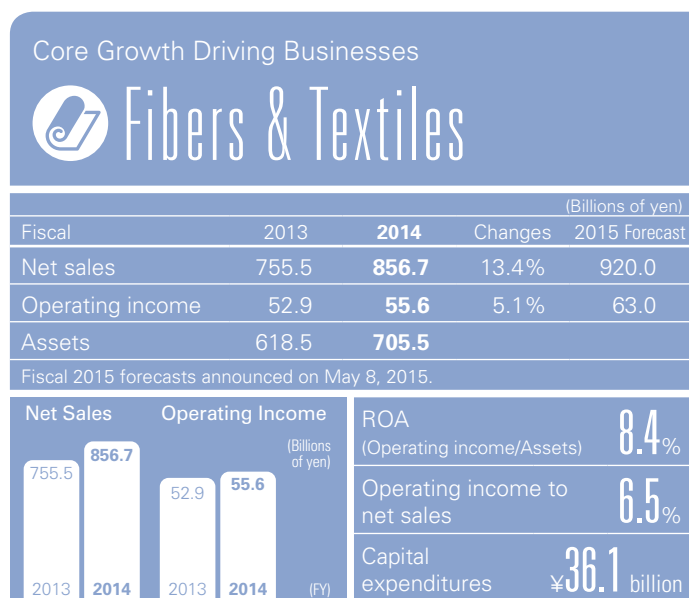
- Seawater desalination facilities: water treatment membranes and equipment
- Sewage and waste-water treatment facilities: water treatment membranes and equipment
- Condominiums
- Housing: wall siding for houses, interior materials for buildings
- Plants and manufacturing facilities: comprehensive engineering services

Pharmaceuticals and medical products; analysis, physical evaluation and research services

- Pharmaceuticals (natural interferon-beta preparation, oral prostacyclin-derivative, oral anti-pruritus drugs)
- Medical treatment devices (hemodialyzers, blood purifiers for severe sepsis, dialysis equipment)



## Toray Group Segments



### Summary of Consolidated Financial Results for the Year Ended March 31, 2015 (Fiscal 2014)

Fibers & Textiles segment net sales increased 13.4% year on year to ¥856.7 billion. Operating income rose 5.1% to ¥55.6 billion.

In Japan, demand for apparel applications remained weak in general due to the prolonged impact of the consumption tax rate increase. Against this backdrop, Toray Group worked to expand sales and sophisticate the business through promotion of a business that integrated fibers, textiles, to final products, businesses. In industrial applications, sales were robust led by those to automotive applications.

Overseas, while being affected by a slowdown in demand in Europe and sluggish domestic demand in China, textile subsidiaries in Southeast Asia and China pursued sales expansion and a shift towards high value added products. Also shipment for automotive applications, and hygiene products in emerging countries remained strong.

Toray Chemical Korea Inc., which became a consolidated subsidiary at the end of the previous fiscal year, contributed to sales increase of the segment, but amortization of goodwill affected profit.

### Outlook for the Year Ending March 2016 (Fiscal 2015)

We anticipate a gradual economic recovery in Japan even as the sluggish demand caused by the consumption tax hike and conditions that do not yet allow an optimistic outlook. Overseas, we expect demand to remain sluggish in Europe and underlying weakness in domestic demand in China. At the same time, solid economic conditions are anticipated in the United States.

In this business environment, the segment will continue strengthening and expanding the integrated fibers, textiles, to final products, businesses, which is a core strength of the Toray Fibers & Textiles segment, while seeking to grow sales of applications for automotive airbags and disposable diapers, the environmental field, and other growth fields, and in China, emerging countries, the United States, and other growth regions. The segment 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.

## Topics

### Decision to establish the airbag base fabric business in India

Toray joined with India functional textile manufacturing and sales company Kusumgar Corporates to establish Toray Kusumgar Advanced Textile Private Limited with the plan to start mass production and distribution of airbag base fabric in October 2016.

Toray is raising its quality competitiveness to a higher level through integrated production from yarn to fabric while also augmenting its global production system, research and development functions, and marketing capabilities. The creation of the airbag base fabric manufacturing and sales company in India is a key step in this direction. We are organically integrating the functions for our airbag business bases to create fully localized operations from product development to production and supply to meet the needs of automobile makers and airbag module makers worldwide.

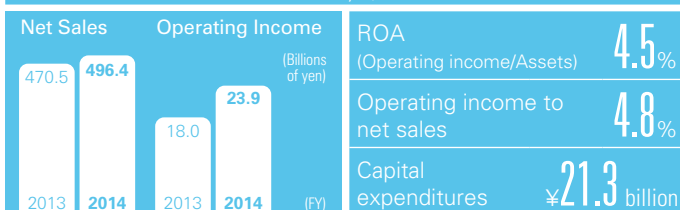
## Core Growth Driving Businesses



# Plastics & Chemicals

(Billions of yen)				
Fiscal	2013	2014	Changes	2015 Forecast
Net sales	470.5	496.4	5.5%	570.0
Operating income	18.0	23.9	32.6%	30.0
Assets	507.1	562.1		

Fiscal 2015 forecasts announced on May 8, 2015.



### Summary of Consolidated Financial Results for the Year Ended March 31, 2015 (Fiscal 2014)

Plastics & Chemicals segment net sales increased 5.5% year on year to ¥496.4 billion. Operating income rose 32.6% to ¥23.9 billion.

In the resin business, overall domestic shipment remained strong despite sluggish shipment due to the impact of the consumption tax rate increase in some applications including automobiles. Overseas, shipment at the subsidiaries in the U.S. and China expanded for automotive applications.

In the film business, shipment expanded led by increased demand in China for films for solar cell back sheets and Toray Group pursued a shift towards high value added products for food packaging applications. The business, although partly affected by price competition, remained strong on the whole.

### Outlook for the Year Ending March 2016 (Fiscal 2015)

The business outlook for Japan includes various unstable factors, such as the potential for sharp fluctuations in raw material and fuel prices, along with ongoing concerns in other areas including a slow recovery in automobile production and sluggish demand for home appliances and general industrial applications. We expect overseas demand to continue strong centered on North America and emerging countries.

In this business environment, in the resins business, we plan to maximize sales of strong-selling products and expand sales in the United States, China, ASEAN, and emerging countries through local technology centers while quickly incorporating material and fuel costs rises into our product prices to maintain and expand the spread between these costs and sales prices. In the films business, although we expect strong pressure from customers to lower prices, we will continue expanding sales of high value-added products for packaging and industrial applications.

## Topics

### New resin compounding base in Mexico starts operations

Toray and subsidiary Toray Resin Co. (TREC), of the United States, jointly established a new company, Toray Resin Mexico S.A. de C.V. (TRMX) in Mexico. Automotive industry manufacturers are actively setting up operations in Mexico, which offers a fully developed infrastructure and is becoming an export production base for the United States and other countries. TRMX is the first Japanese engineering plastic manufacturer to establish its own resin compound production base in Mexico. Constructed inside the Mexico plant of large tow carbon fiber manufacturer Zoltek Companies, Inc. which became a wholly owned Toray subsidiary in February 2014, TRMX began operations in February 2015 with annual production capacity of 10,000 tons of nylon and polybutylene terephthalate (PBT) resin compound. The TREC Indiana plant and new Mexico facility combine to give Toray an annual resin compound production capacity of 34,000 tons in the Americas.

The addition of TRMX gives the Toray Group 11 resin compound bases in eight countries—Japan, China (Shenzhen, Suzhou, Tianjin, Chengdu), Thailand, Malaysia, Indonesia, South Korea (scheduled to start operations in fiscal 2015), the United States, and Mexico. The local production capabilities enable us to supply products in a timely manner and services specifically catered to customer needs.

## Toray Group Segments

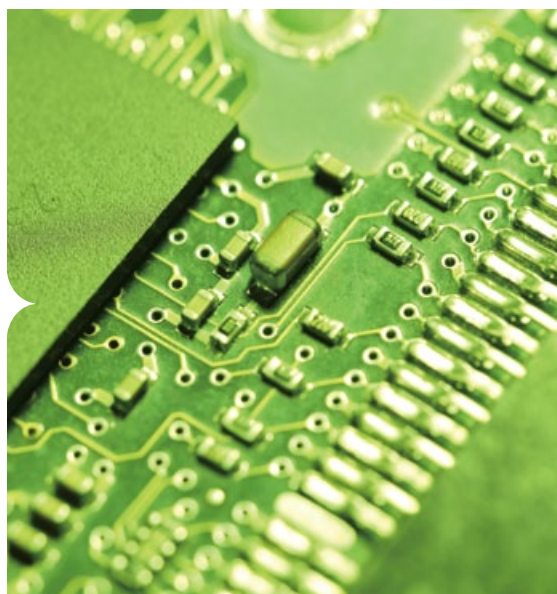
Strategically Expanding Businesses

### IT-related Products

(Billions of yen)				
Fiscal	2013	2014	Changes	2015 Forecast
Net sales	245.7	<b>248.0</b>	0.9%	280.0
Operating income	24.6	<b>24.5</b>	-0.4%	29.0
Assets	361.1	<b>360.4</b>		

Fiscal 2015 forecasts announced on May 8, 2015.

Net Sales	245.7	248.0	Operating Income	24.6	24.5	ROA (Operating income/Assets)	6.8%
	2013	2014		2013	2014	Operating income to net sales	9.9%
					(FY)	Capital expenditures	¥17.9 billion



### Summary of Consolidated Financial Results for the Year Ended March 31, 2015 (Fiscal 2014)

IT-related Products segment net sales increased 0.9% year on year to ¥248.0 billion. Operating income declined 0.4% to ¥24.5 billion.

In the IT-related Products segment, shipment of large LCD panel-related materials such as films and processed film products increased, reflecting the recovery in production by panel manufacturers and the shift to larger displays. Shipment of smartphone- and tablet terminal-related materials was strong in general, although the business was affected by some production adjustments by end customers. On the other hand, shipment of PDP-related materials declined, as a major customer withdrew from the PDP business. Also, all materials continued to be affected by price competition.

#### Sub-segments

(Billions of yen)			
Fiscal	2013	2014	Changes
Display materials	85.5	<b>83.8</b>	-2%
Electronic components, semiconductors, electric circuit materials	106.6	<b>109.7</b>	3%
Data storage materials	30.9	<b>33.7</b>	9%
Equipment, others	22.7	<b>20.7</b>	-9%

### Outlook for the Year Ending March 2016 (Fiscal 2015)

We expect demand to grow for 4K-TV and other products but anticipate an overall adjustment phase materializing for large LCD panel demand.

We expect demand for materials used in smartphones and tablet devices to continue at last year's levels. We also expect the downward pressure on prices to continue growing more intense.

In this business environment, we will seek to expand sales and market share for our high value-added films and processed film products for display and electronic component applications by focusing on application segments where demand is strongest. We will also focus on raising sales of other products including organic EL materials, semiconductor materials, printing materials, and battery separator films.

## Topics

### Battery separator film supply structure fortified in Malaysia

Toray installed new slitting lines at wholly-owned subsidiary Penfibre Sdn. Berhad, a maker of polyester (PET) film in Penang, Malaysia, and in January 2015 commenced commercial production of SETELA™ battery separator film.

SETELA™ provides a high level of safety while effectively responding to demand for higher capacity and higher output battery performance and is gaining widespread usage as a separator for lithium-ion secondary batteries used in computers, portable devices, and electric vehicles. Applications are expected to expand in line with the stricter environmental regulations in all countries and in the energy efficiency vehicle (EEV) market, which includes hybrid, plug-in, and electric vehicles, in ASEAN countries with rapid economic growth.

Malaysia is advancing a national initiative to be a hub of EEV production for Southeast Asia, and adding Malaysia to its SETELA™ production and sales bases in Japan, the United States, France, South Korea, and China enables Toray to also capture the strong demand in the ASEAN region.



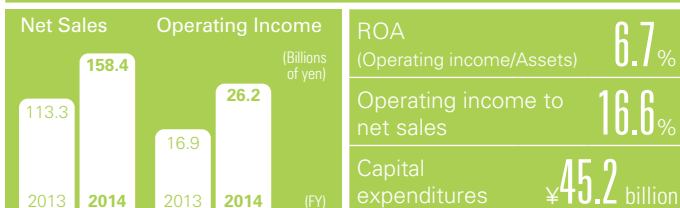
Strategically Expanding Businesses



## Carbon Fiber Composite Materials

(Billions of yen)				
Fiscal	2013	2014	Changes	2015 Forecast
Net sales	113.3	158.4	39.7%	190.0
Operating income	16.9	26.2	54.9%	32.0
Assets	341.8	436.8		

Fiscal 2015 forecasts announced on May 8, 2015.



### Summary of Consolidated Financial Results for the Year Ended March 31, 2015 (Fiscal 2014)

Carbon Fiber Composite Materials segment net sales increased 39.7% year on year to ¥158.4 billion. Operating income increased 54.9% to ¥26.2 billion.

In the Carbon Fiber Composite Materials segment, demand for aircrafts as well as that in the environment and energy fields including compressed natural gas tank applications expanded and automotive-related demand was also strong such as in Europe, while shipment of carbon fibers and intermediate products (prepreg) increased for aerospace applications and general industrial applications. Toray Group also worked on restoration of prices of general products used in sports and industrial applications.

Zoltek Companies, Inc., which became a consolidated subsidiary at the end of the previous fiscal year, contributed to sales increase of the segment, but amortization of goodwill affected profit.

#### Sub-segments

(Billions of yen)			
Fiscal	2013	2014	Changes
Aircraft	57.2	78.0	36%
Sporting goods	14.2	16.0	13%
Industrial	41.9	64.4	54%

### Outlook for the Year Ending March 2016 (Fiscal 2015)

We anticipate strong growth in worldwide demand for carbon fiber in 2015 supported driven by continuing demand for aircraft and energy-related applications. In the Asian market, we expect ongoing pricing competition for general-purpose industrial and sports applications while the recovery pace for prices slows due to the weak value of the yen.

In this business environment, we plan to maintain steady shipments of carbon fiber for aircraft applications centered on our Boeing 787 account and to expand general industrial application sales in line with the growing demand for environment and energy-related product applications. In carbon fiber products for sports applications, we will shift to high value-added products and revise prices on general-purpose products.

## Topics

### Agreement to supply TORAYCA® Prepreg for the Boeing 777X

Toray and Boeing Company, of the United States, entered into a fundement agreement for Toray to supply carbon fiber TORAYCA® prepreg for the new Boeing 777X aircraft. The companies are accordingly negotiating the existing comprehensive agreement signed in November 2005 to supply prepreg for the 787 Dreamliner with aim to include 777X and extend its contract period for more than ten years.

Boeing is developing the 777X aircraft as a large-sized twin-engine passenger aircraft as the successor to the existing 777 with a plan to deliver the first plane in 2020. The Company will use TORAYCA® prepreg as the material for the aircraft's main wings. TORAYCA® prepreg is currently used in the main wings and fuselage of the Boeing 787. Boeing is planning to increase monthly production of the 787 from the current 10 aircraft to 12 in 2016 and 14 by the end of 2019. The total value of materials the Toray Group will supply for the 787 and 777X programs is expected to surpass ¥1 trillion.

Toray Composites (America), Inc. is currently expanding its TORAYCA® prepreg production lines with the aim of starting production with the new facilities in January 2016, and plans will soon be finalized for production at the South Carolina business site acquired in February 2014.

## Toray Group Segments

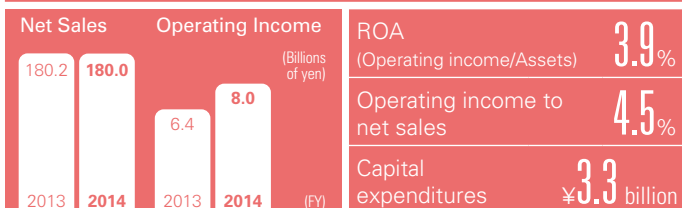
Intensively Developing and Expanding Businesses



### Environment & Engineering

(Billions of yen)				
Fiscal	2013	2014	Changes	2015 Forecast
Net sales	180.2	180.0	-0.1%	215.0
Operating income	6.4	8.0	25.4%	10.0
Assets	202.1	204.2		

Fiscal 2015 forecasts announced on May 8, 2015.



### Summary of Consolidated Financial Results for the Year Ended March 31, 2015 (Fiscal 2014)

Environment & Engineering segment net sales declined 0.1% year on year to ¥180.0 billion. Operating income increased 25.4% to ¥8.0 billion.

In the water treatment business, amid weakness of demand in the global market, the shipment of reverse osmosis membranes, etc. for seawater desalination projects increased and Toray Chemical Korea Inc., which became a consolidated subsidiary at the end of the previous fiscal year, contributed to the business performance.

Among domestic subsidiaries in the segment, an engineering subsidiary performed strongly on the back of progress in plant construction.

### Outlook for the Year Ending March 2016 (Fiscal 2015)

The outlook for water treatment business conditions includes an ongoing strong market in North America but uncertain conditions elsewhere around the world due to factors including the low oil prices and political instability in the Middle East and the financial issues in Europe. In this business environment, the Company will focus on expanding sales while implementing widespread cost reductions.

In the engineering business, we will aim to increase plant construction projects and raise orders for industrial equipment and equipment related to lithium-ion batteries and semiconductors.



## Topics

### Contributing to realizing the Kitakyushu Zero-Emission Transportation System

Kitakyushu TEK & FP LLC and HKK & TEK LLC, which are Group companies affiliated with Toray Engineering Co., Ltd., in April 2015 began full operation of the zero-emission transportation system in Wakamatsu Ward, Kitakyushu. The city of Kitakyushu is collaborating with the Toray Group and other private enterprises to realize a completely carbon dioxide and other emission-free transportation system as part of its goal to be "the world's environmental city." The system uses large rechargeable batteries to store electricity produced by solar power and provide power for electric buses used on city bus routes.

The electric buses started running in March 2014 and the system became a primarily solar-powered and completely zero-emission transportation system in October with the installation of the solar power generation system and large storage batteries to provide a stable power source. The Toray Group was involved in every step of the operation from providing the raw materials and solar panels to designing, constructing, operating, and maintaining the facility.



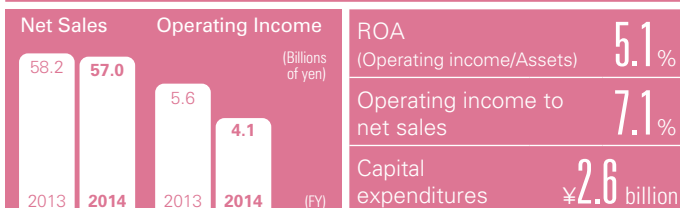
Intensively Developing and Expanding Businesses



## Life Science

(Billions of yen)				
Fiscal	2013	2014	Changes	2015 Forecast
Net sales	58.2	57.0	-2.0%	60.0
Operating income	5.6	4.1	-27.4%	5.0
Assets	76.4	82.9		

Fiscal 2015 forecasts announced on May 8, 2015.



### Summary of Consolidated Financial Results for the Year Ended March 31, 2015 (Fiscal 2014)

Life Science segment net sales declined 2.0% year on year to ¥57.0 billion. Operating income decreased 27.4% to ¥4.1 billion.

In the pharmaceutical business, while shipment of REMITCH®\*, an oral anti-pruritus drug for hemodialysis patients, expanded robustly, that of natural-type interferon beta preparation FERON® was weak due to the impact of intensified competition, and orally active prosta-cyclin derivative DORNER® was affected by the NHI drug price revision and the increasing sales of its generic versions. License revenue also decreased compared with the previous fiscal year. In the medical devices business, shipment of dialyzers grew strongly.

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

### Outlook for the Year Ending March 2016 (Fiscal 2015)

The pharmaceutical and medical device markets are expected to grow steadily overall even as competition continues intensifying from the growing number of generic drugs.

In these conditions, we will seek to continue expanding sales of the REMITCH® and NOPICOR® oral anti-pruritus drugs for hemodialysis and chronic liver disease patients in the pharmaceuticals business and dialyzers, dialysis equipment, and other equipment in the medical devices business.

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

## Topics

### Distribution agreement for acute blood purification devices in eight European countries

Toray signed an exclusive distribution agreement covering eight countries in Europe with Fresenius Medical Care AG & Co. KGaA, of Germany, for Toray's TORAYMYXIN®, a blood purification device for removing endotoxin, and a polymethyl-methacrylate (PMMA) hemofilter for continuous hemofiltration. Since its introduction in 1994, TORAYMYXIN® has often been used in clinical practice in Japan to treat severe sepsis and septic shock mainly as a blood purification device with an absorption column for removing endotoxin, a cause of sepsis. A continuous blood filtration device with a PMMA hemofilter, TORAYMYXIN® obtained approval for manufacture in 1991 and is often used in the emergency and intensive care fields to treat acute kidney failure and to support organ dysfunction.

**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.

# Integrated Value Management

## **R&D and Intellectual Property**

**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 material 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.

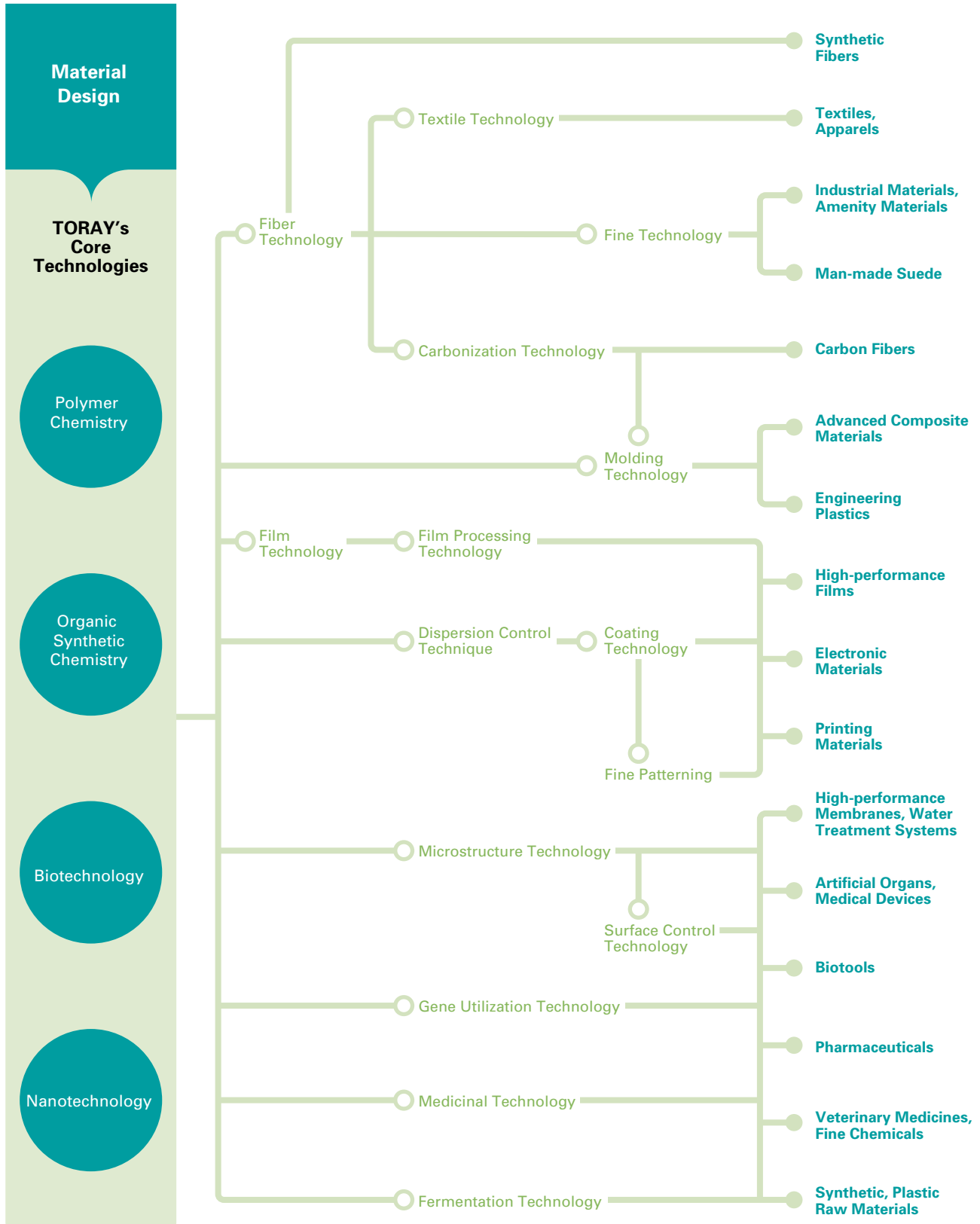
#### 7 Advanced Analytical Capabilities

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.



## 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.



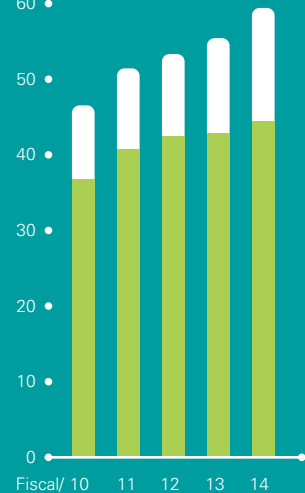
# R&D

## R&D Expenditure and Achievements

### R&D Expenses

(Billions of yen)

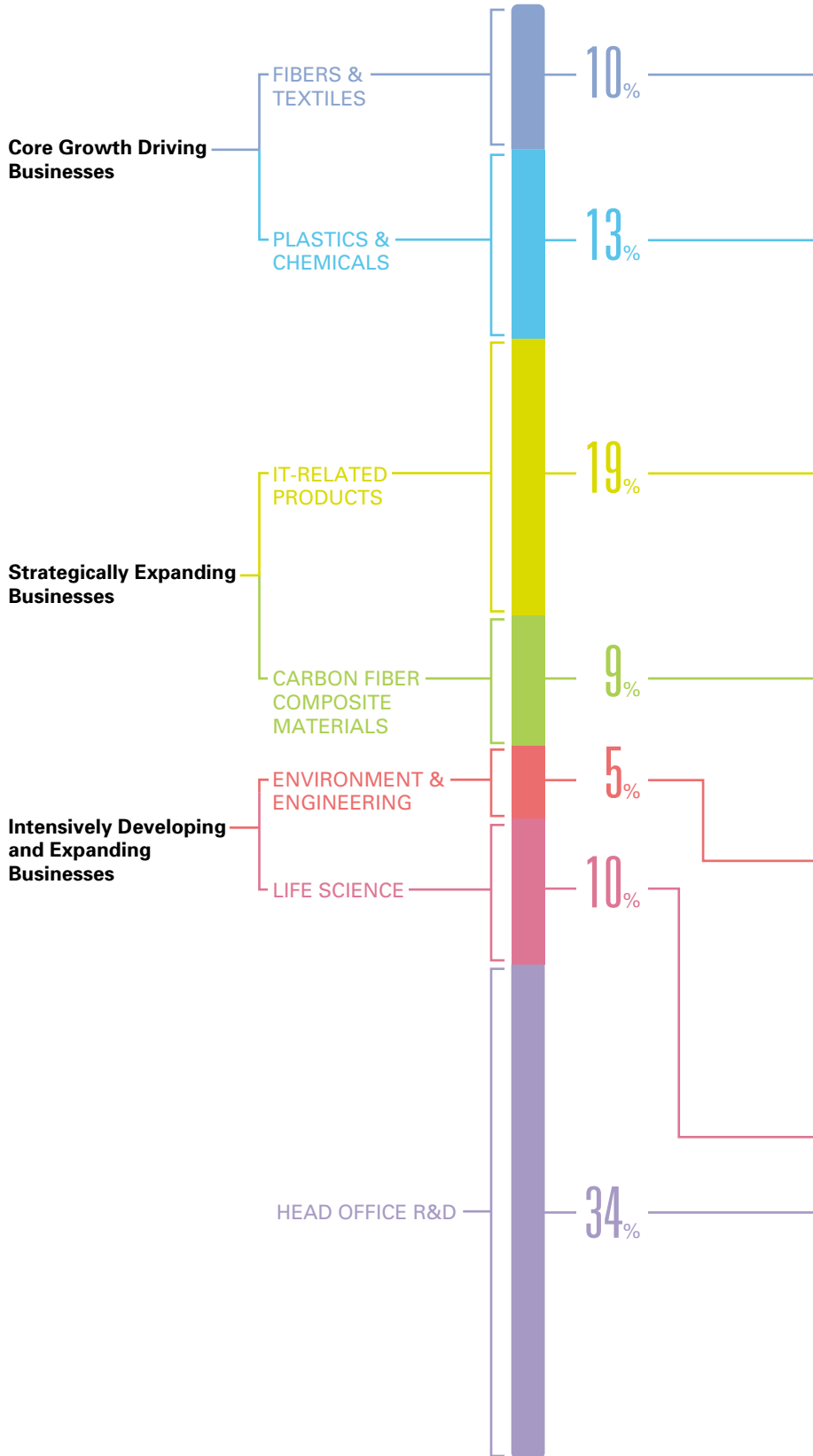
59.5  
billion yen



■ Toray  
■ Consolidated subsidiaries

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.

### Percentage Breakdown of Total R&D Expenses in Fiscal 2014



## Fiscal 2014 R&D Achievements

Newly developed products include the Salacona<sup>®</sup> nylon filament yarn textile with a high-quality texture and soft, fresh feel, Technoclean<sup>®</sup> soil-resistant textile made with nanoscale processing technology, and Pentas<sup>®</sup> Alpha polyester-raw cotton created to provide a soft feel and high moisture absorption and wicking properties.

Toray developed a self-repairing coating film with high elasticity—up to 300%—and superior scratch resistance that maintains its luster even with long-term use. The segment also developed a high-performance polyphenylene sulfide (PPS) film that enables strong thermal adhesion of different materials, such as metal and fiber sheet.

Toray developed a heat-resistant photosensitive resist that vastly simplifies the ion injection processes for silicon carbide transistors that will be used in next-generation power electronics. The segment also developed a white LED phosphor sheet that can improve the brightness of a white LED device by 10% or more without increasing input power.

Toray developed new prepreg sheet using unidirectionally arrayed chopped strands (UACS) that provides superior moldability for even complex shapes and the same mechanical properties as existing unidirectional (UD) prepreg using single-direction continuous fiber.

In the water treatment field, The Chemical Society of Japan awarded Toray the 63rd Chemical Technology Award in recognition of its development of an innovative high performance (high water quality, energy efficient) and contamination resistant reverse osmosis membrane. The segment also developed a new water purifier cartridge for pitchers with high particle removal performance and a faster filtering rate of one liter of water in about three minutes compared to the Company's existing cartridges that require about five minutes.

In the pharmaceuticals field, the Company filed for an additional indication of improvement of pruritus in chronic liver disease patients in Japan for REMITCH<sup>®</sup> CAPSULES 2.5 µg. Also in the medical field, Toray launched sales of the RAY-FAST<sup>®</sup> high-sensitivity protein detection system (for research use) and applied for approval to manufacture and market a catheter ablation system for patients with paroxysmal atrial fibrillation.

\*REMITCH<sup>®</sup> is a registered trademark of Torii Pharmaceutical Co., Ltd.

In electrolytic membranes for fuel cells, the segment collected data showing that using Toray's hydrocarbon films can vastly reduce the amount of platinum use in the batteries. Toray also joined an industry-academic-government collaboration project led by the New Energy and Industrial Technology Development Organization (NEDO) to develop a next-generation cancer diagnosis system.

## R&D Topics

### TOPICS

# 1

## Development begun of a next-generation cancer diagnosis system capable of detecting several types of cancer from a single blood sample

Toray joined in an industry-academic-government collaboration project with National Cancer Center (NCC) and other institutions and began developing the world's most advanced diagnosis system for simple detection of cancer and dementia at standard health exams. The project is applying Toray's 3D-Gene<sup>®</sup> highly sensitive DNA microarray technology and the innovative micro-RNA (micro-ribonucleic acids found in blood and urine) biomarker identification method Toray jointly developed with NCC to the massive amount of samples in the NCC biobank with the aim of developing the world's first practical-use biotool for early detection of biomarkers for 13 types of cancers, including breast and bowel cancers, and dementia.



### TOPICS

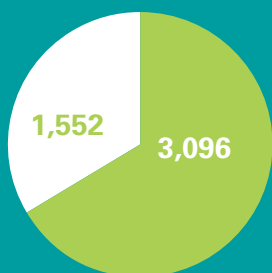
# 2

## Development of a white LED phosphor sheet with improved brightness

Toray developed a phosphor sheet that can improve the brightness of a white LED device by 10% or more without increasing input power. White LEDs have a wide range of uses from backlight for liquid-crystal displays and smartphone camera flashes to lighting for homes and stores. White LED light is challenging, however, because of the difficulty achieving high brightness and because the white light becomes uneven from phosphors settling or flocculating. Toray successfully developed a unique method to increase brightness and minimize color variation by evenly distributing phosphor particles on a sheet made using silicon resin. The material can also contribute to a vast reduction in processing costs by enabling a phosphor layer to be formed efficiently only on the light-emitting face of the LED chip. In addition, the decreased amount of phosphors used allows us to reduce rare earth usage.

**Toray Patents Filed in Year Ended March 31, 2015**

■ Overseas  
■ Domestic

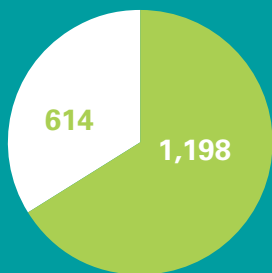


# Intellectual Property

## Basic Policy and Priority Strategies

**Total Patents Held to Date**

■ Overseas  
■ Domestic



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, America 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.

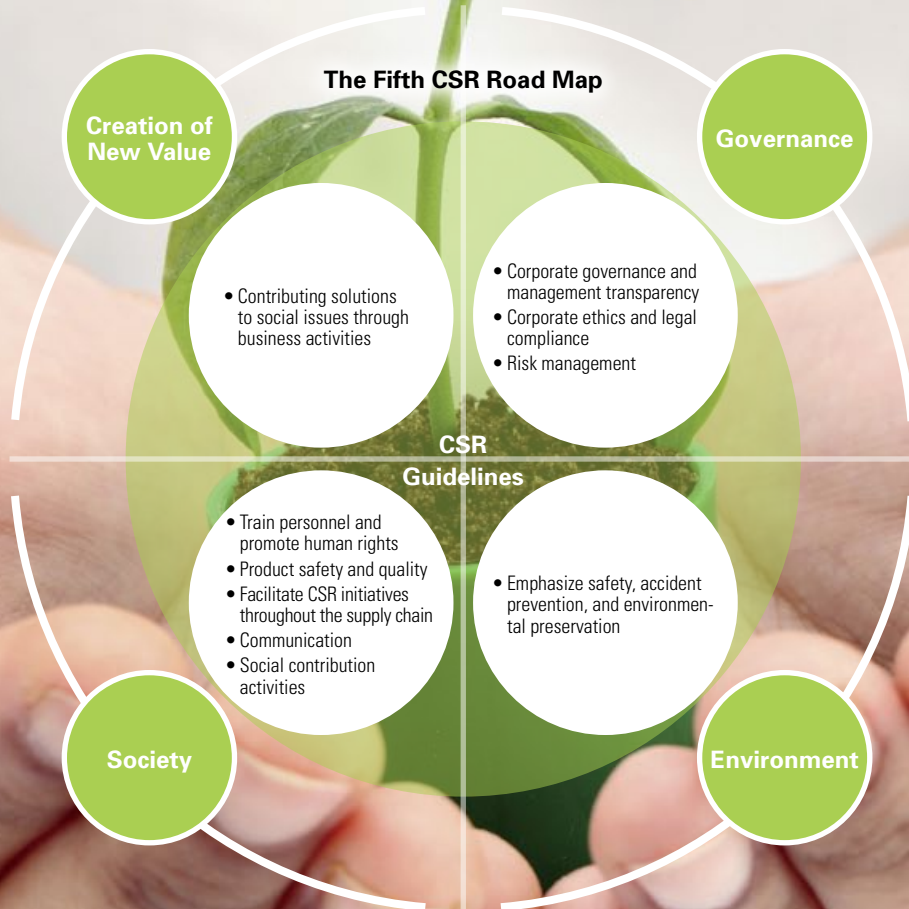
In fiscal 2014, Toray Group filed 1,552 patent applications in Japan and 3,096 overseas, and 614 patents in Japan and 1,198 overseas were registered.

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](http://www.toray.com/ir/library/lib_005.html)



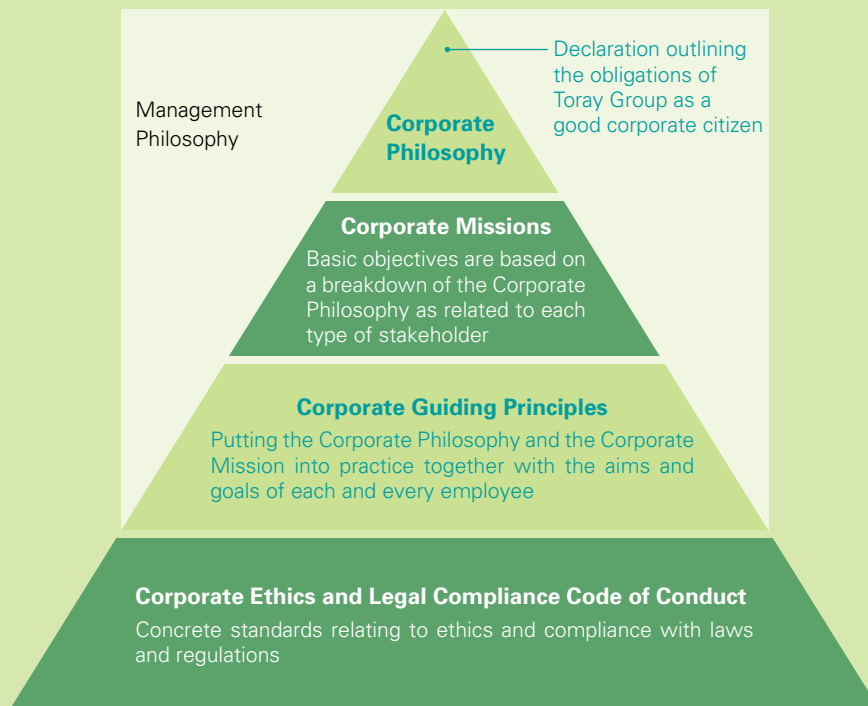
# Sustainable Management



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.

# Toray Group's Corporate Philosophy and CSR Activities

## Toray's Management Philosophy and Code of Conduct



Toray Group views the objective of CSR to be to realize sustainable social and corporate development by applying "Response + Ability" to social issues and changes.

Throughout our history, our mission has been to contribute to society through our core business activities following our Corporate Philosophy of "contributing to society through the creation of new value with innovative ideas, technologies and products," and our Management Philosophy is to realize this mission by fulfilling our CSR.

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

Toray Group implements environmentally responsible management considering the entire produce life cycle. The Group considers the entire life cycle of products and services in all business activities with the aim of reducing its environmental impact while raising its corporate and social value. It is the foundation of Toray's Green Innovation Businesses. To implement Lifecycle Management, Toray Group has adopted LCA\*<sup>1</sup> methods and the Toray Eco-Efficiency Analysis (T-E2A)\*<sup>2</sup> tool, and is working to entrench and promote them throughout its business activities.

\*1 Lifecycle Assessment (LCA) is a method for quantitatively assessing the resources that have gone into a product and the impact the product.

\*2 Toray Eco-Efficiency Analysis (T-E2A) is an 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 Fight Global Warming

Toray Group was an early adopter of greenhouse gas (GHG) reduction initiatives aimed at realizing a sustainable low-carbon society. Under the Fourth Medium-Term Environmental Plan launched 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.

## Voluntary Reduction in Atmospheric Emission of Chemical Substances

Toray Group regards the reduction of environmental loads, including releases of chemical substances into the atmosphere, as one of its most important priorities. We are working to achieve this goal through group level initiatives.

Under the Fourth Medium-Term Environmental Plan, launched in April 2011, we are systematically implementing voluntary initiatives to resolutely achieve the targets of fiscal 2015 for reducing emissions of substances covered by the PRTR law and volatile organic substances (VOCs).

## Initiatives to Prevent Air and Water Pollution

Toray Group's environmental preservation activities include permanent measures to prevent air and water pollution at its production facilities. Efforts in Japan and overseas in recent years include installing desulfurization systems, converting to alternative fuels to reduce sulfur oxide (SOx) emissions, and expanding our wastewater treatment facilities and other measures to lower chemical oxygen demand (COD) levels.

## 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.

## Initiatives to Reduce Waste

Toray Group is seeking to achieve zero waste emissions to help create a sustainable, recycling-oriented society. The Group is implementing 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 Conservation Initiatives

Toray Group recognizes the protection of biodiversity as an important theme in its initiatives for reducing greenhouse gases and confronting global environmental problems.

Toray Group formulated the Biodiversity Initiatives in fiscal 2010 to position the protection of biodiversity. Since classifying Toray Group's activities under the Biodiversity Initiatives, Toray Group has been formulating three-year road maps for fiscal 2013 to fiscal 2015 and implementing measures in order of priority. Fiscal 2014 was the second fiscal year for the activities in the second roadmap, and the Group also launched initiatives to address new challenges.

In 2012, Toray Group revised its policies on greenery adopted in 1973 to formulate Toray Group's Basic Policy for Increasing Green Areas. This responded to recent public expectations for companies to give consideration to biodiversity as well as protect green areas made up of natural forests\*<sup>3</sup> at plants that have been protected since operations began. Under the policy, in 2013, each Toray plant formulated a policy and plan with a view to 2020 and initiated efforts aimed at sustainable preservation activities.

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

## Sustainable Management CSR Initiatives

### CSR Procurement and Purchasing

#### CSR Procurement and Purchasing Activities

Toray Group works with suppliers and distribution partners to ensure that its supply chain meets social expectations. The Group has created CSR Procurement Guidelines to ensure that it is providing customers with environmentally friendly and socially responsible materials and products.

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 realize this approach and ensure that the transactions it conducts are fair.

Toray has established contact points for CSR procurement, through which we manage and internally share customer and supplier information.

#### Environmentally Conscious Distribution Policies

Toray's Basic Distribution Policies emphasize environmental preservation, together with fair and equitable transactions. While continuing to work to improve quality and reduce environmental impact, Toray also promotes understanding of its distribution policies. This is done through Basic Distribution Policy Briefings, held annually for distribution-partner companies.

### Training and Human Rights

#### Promoting Human Rights

Toray Group believes that respect for human rights is a mandatory principle for corporate management. The 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 launched new initiatives to eliminate discrimination based on gender identification and sexual preference.

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.

#### 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.

To develop human resources in the following three objectives, 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.

- **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**



## Promoting Diversity

Toray Group promotes diversity to help create thriving workplaces where people from diverse backgrounds can perform to their full potential.

Toray has long supported career advancement for women and seeks to provide a work environment that meets their needs. The Company appointed its first female manager in 1958 and introduced a childcare leave program in 1974, almost 20 years before the related law was passed; in 2003 a Toray Group company appointed a woman as president. The Company has continued to improve its systems and programs in this area, most recently initiating the Advancement of Women Project in 2004.

As a result of the ongoing implementation of such initiatives, the number and percentage of women holding management positions at Toray continues to rise each year. As of end April 2015, 8.33% of unit manager or higher positions and 4.42% of section manager or higher positions were held by women.

# 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

In fiscal 2014, the first year of the Project AP-G 2016 medium-term management program, we enhanced information reporting through our internal systems, the Company website, and other media to promote and deepen the understanding of our stakeholders both inside and outside the Company. Under the Asia, America, and Emerging Country Business Expansion (AE-II) Project, the Toray Group global website has been expanded and country-specific sites have been enhanced or added for the United States, China, Indonesia, Thailand, Malaysia, India, and Taiwan. Preparations are also under way to create websites for Europe, Brazil, and South Korea.

The Group's websites are configured using responsive web design to make them easy to use and enable optimal viewing on smartphones, tablets, and other devices with any screen size.

## 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 the website for shareholders 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 2014, Toray held four results briefings and held 773 meetings with investors and analysts.

Toray believes that customers come first, and as part of this commitment conducts regular customer satisfaction surveys.

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 2014, the Company issued 184 press releases and responded to 336 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 the factory grounds for summer festivals.

### Principal SRI indexes in which Toray is included

- FTSE KLD Global Climate 100 Index
- Morningstar Socially Responsible Investment Index

(as of March 31, 2015)

## Sustainable Management CSR Initiatives

# Social Contribution Activities

### Our Social Contribution Policy

Toray Group established the Toray Group Social Initiative Policies in 2005 to articulate its approach to voluntary, ongoing efforts to contribute to society as a responsible corporate citizen. These policies were formulated based on the Group's corporate philosophy of "contributing to society through the creation of new value with innovative ideas, technologies and products."

In fiscal 2014, Toray invested some ¥1.2 billion on a consolidated basis (0.9% of consolidated ordinary income) and some ¥800 million on a non-consolidated basis (1.7% of non-consolidated ordinary income). The main beneficiaries were the Toray Science Foundation in Japan and three ASEAN countries (Malaysia, Thailand, and Indonesia).

### 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 July 2014, all four student representatives from Japan that won events at the Japan Biology Olympiad, which Toray has hosted since 2007, also earned medals—one gold medal and three silver medals—at the 25th International Biology Olympiad in Malaysia. This was an outstanding accomplishment among the 239 participants from 61 countries and regions.





## Promoting vegetation growth and boosting agricultural productivity in desert and degraded areas of South Africa using ROLL PLANTER® made of eco-friendly Ecodear® polylactic acid fiber

Emerging countries often lack the technical resources to respond to drought conditions that can cause desertification and soil degradation that ultimately exacerbate a food crisis. Dust pollution from mining activities is also becoming a major health issue in many countries.

The Toray Group is applying its leading technologies to address these environmental issues through a consortium launched in 2012 with Japanese knit fabric maker Mitsukawa Co., Ltd. and Netafim Japan Co., Ltd., a developer of drip irrigation systems in Israel. Using the ROLL PLANTER®, the consortium is developing an easy installation and handling system to promote vegetation growth and boost agricultural productivity in desert and degraded regions. The feasibility study and the demonstration experiments in South Africa were conducted with the support of the Japanese Ministry of Economy, Trade and Industry and the United Nations Development Programme. The tests successfully demonstrated the system's ability to grow cash crops for harvest in desert and degraded soil conditions, promote vegetation growth in mine tailing sites, and contribute to local job creation.

The tube-shaped ROLL PLANTER® is filled with sand and soil and embedded into the ground surface to serve as a foundation for vegetation. Crop seeds are then sown and root growth is promoted inside the ROLL PLANTER®.

In agricultural applications, water and fertilizer is added to the soil in the ROLL PLANTER® to promote plant growth. At mine tailing sites, meteoric water is collected and used to grow vegetation in the planters, which helps reduce the amount of dust blown into the air. The ROLL PLANTER® is completely environmentally friendly and made of Toray's Ecodear® polylactic acid fiber, which is composed of plant-based materials and biodegraded into water and carbon dioxide by microorganisms after five to ten years. In addition to UV resistance, the planter's excellent ventilation and water retention properties maintain optimal root temperatures and enable maximum crop growth with minimal use of water and fertilizer.

The ROLL PLANTER® is also being developed for use in rooftop gardens and school playgrounds in Japan and have potential to be effective for controlling wind-blown sand in China.

The ROLL PLANTER® system, in recognition of its potential as unparalleled problem-solving technology that can be readily introduced into emerging countries as a system to promote the planting of vegetation and crops on desert and degraded lands, received the METI\* Minister award in the 24th annual convocation of the Fuji Sankei Group's "The Grand Prize for the Global Environment Award" program.

\*METI refers to the Ministry of Economy, Trade, and Industry.



### Crop Cultivation

- 1 Local manufacturing of ROLL PLANTER®
- 2 ROLL PLANTER® placement and seeding at degraded soil sites
- 3 Bell peppers growing in ROLL PLANTER®

### Vegetation at former mining sites

- 4 ROLL PLANTER® placement at mine tailing sites
- 5 Vegetation growth at mine tailing sites

\*ROLL PLANTER® is a registered trademark of Mitsukawa Co., Ltd.

For more information on CSR, please see:

<http://www.toray.com/csr/>

## Sustainable Management Corporate Governance

# Toray Group's Basic Policy on Corporate Governance

Toray Group's basic policy on corporate governance is contained in our Corporate Missions, which requires us to provide stockholders with dependable and trustworthy management. Our Corporate Guiding Principles require us to obtain the trust of society and meet their expectations by acting fairly while maintaining high ethical standards and a strong sense of responsibility and maintaining transparency in management. We regard these as our most important management policies.

### Outline of Corporate Governance Structure

Our Board of Directors has 25 members.

(1) As a manufacturer that supplies a wide range of industries with basic materials, Toray must base management judgments and decision-making on a specialized knowledge of each business. Also in light of the managements' accountability to stockholders, we believe that decision-making and execution of duties, under the supervision of diverse perspectives by members of the Board well-versed in Toray's businesses who are elected at general stockholders meetings ensure fulfillment of management responsibility and transparency. For this reason, we have not introduced an operating officer system.

Rather, in the matter of decision-making we adhere strictly to the authority of top management. Toray's business execution has the following three characteristics.

- a. Strict adherence to the authority reserved to the Board of Directors, President, and General Managers.
- b. Strict adherence to roles and functions expected of each executive meeting.
- c. The Board of Directors does not only function as a decision-making body concerning important matters, including those as stipulated by the Corporation Law, but also serves as a mechanism for the mutual monitoring of respective duties of members of the Board through the presentation of reports by each member

of the Board and the exchange of opinions.

There are rules on the resolution of important matters based on the level of importance that determine whether a matter is resolved by the Board of Directors, by the President, or by divisional General Managers.

In the case of capital investment, for example, such matters are resolved depending on the amount of investment involved (the degree of importance). The Executive Committee and Board of Senior Vice Presidents each play a deliberative role in facilitating resolutions by the Board of Directors and approvals by the President. The Executive Committee is responsible for policy deliberations, while the Board of Senior Vice Presidents addresses issues related to planning and implementation.

Additionally, for every key management issue, company-wide committees are established in order to play a supplementary role in management execution.

- (2) There are four corporate auditors, including two outside corporate auditors. The outside corporate auditors have no business dealings whatsoever with Toray. Under Toray's system for monitoring execution of operations by members of the Board, corporate auditors attend Board of Directors meetings, and meet with the President, all members of the Board, and divisional General Managers. They also perform regular audits of all Toray offices, plants, and Japanese and overseas subsidiaries and affiliates in accordance with plans for each fiscal year adopted by Board of Corporate Auditors meetings, which are held at least once every three months.

Auditing Department performs planned internal audits not only that of the Company but also audits of Japanese and overseas subsidiaries and affiliates.

Toray's new outside director was elected at the Ordinary General Meeting of Stockholders held in June 2015. This move is intended to bring a broader perspective to the supervisory duties of the board and to further increase transparency and objectivity in management. This addition raises the number of outside directors to two.

Toray operates under a corporate auditor system. Two members of the four-member Board of Corporate Auditors are outside corporate auditors.

To ensure management transparency and objective and impartial management oversight, the Board of Corporate Auditors is completely independent from the Board of Directors.

Outside directors are appointed in consideration of the Tokyo Stock Exchange criteria for establishing the independence of "independence directors," and Toray has notified



the Tokyo Stock Exchange that its two outside directors and its two outside corporate auditors (all four independent directors) meet the its criteria for independence.

### Basic Policy on Internal Control Systems and Their Development

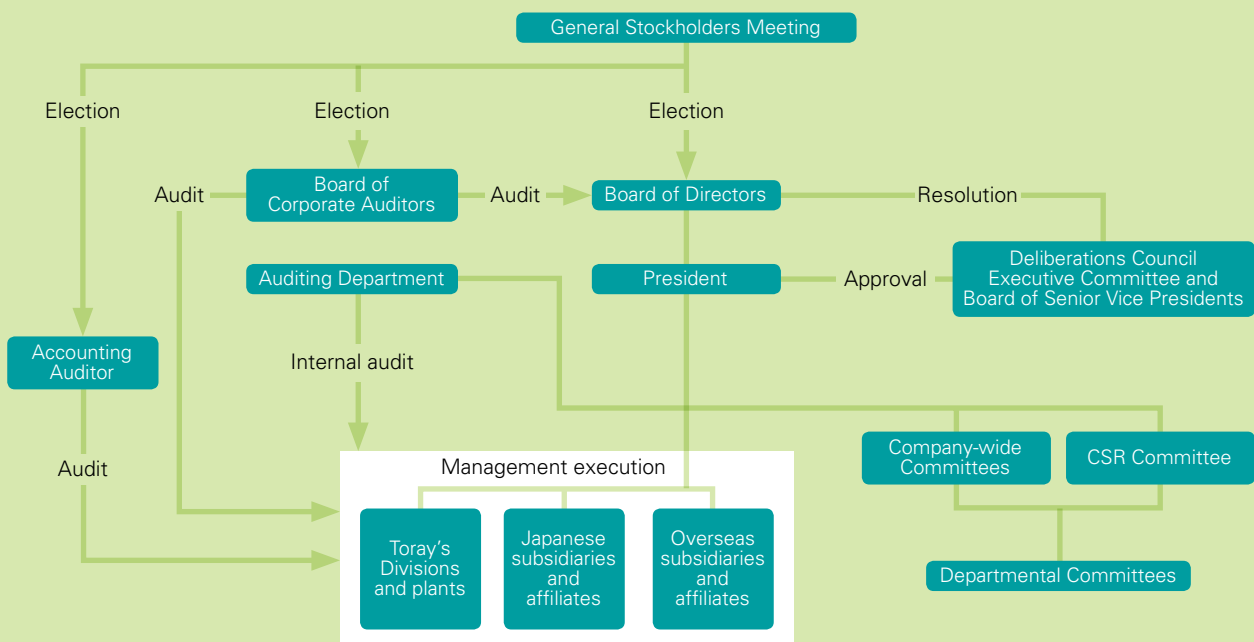
We develop and maintain internal control systems as a framework for the development of appropriate organizational structures, the formulation of rules and regulations, the dissemination of information and the monitoring

of business operations. The purpose of these systems is to ensure that all Toray Group executives and employees are able to realize the Corporate Philosophy, Corporate Missions and Corporate Guiding Principles of the Toray Group, as expressed in the words "contributing to society through the creation of new value with innovative ideas, technologies and products." We review and improve these systems as required to ensure that our business operations are conducted efficiently and in compliance with the law. The following systems and items have been established.

- System to ensure that the execution of duties by members of the Board and employees comply with laws and regulations and the Company's Articles of Incorporation
- System to ensure the efficient execution of duties by members of the Board
- System for preserving and managing information pertaining to the execution of duties by the members of the Board
- Rules and other systems pertaining to controls over risks of loss
- System for ensuring the appropriateness of subsidiary operations
- System for reporting to the corporate auditors and system for confirming that the Toray Group directors, employees, or others that reported information do not use the system for unacceptable purposes
- Items concerning the accounting policy for expenses and debts incurred by corporate auditors in the execution of their duties
- Items concerning employees assisting auditors with their duties, items concerning employee independence from directors, and items concerning confirmation of the effectiveness of instructions by corporate auditors to employees

### Governance Structure

Toray Group is determined to justify the trust placed in it by society by working in good faith to maintain highly transparent governance systems.





## Sustainable Management Corporate Governance

# Auditing by Corporate Auditors, Internal Auditors

The corporate auditors, including the outside corporate auditors, possess considerable expertise concerning financial and accounting affairs. In fiscal 2014, too, they attended meetings of the Board of Directors and other important meetings earlier in the deliberation process, and they held

meeting with all members of the Board, divisional and departmental general managers and conducted periodic audits of Toray offices and plants worldwide, including subsidiaries and affiliated companies.

The corporate auditors also work closely with internal control organizations. For example, they attend as observers at meetings of the Corporate Ethics Committee, which was established to promote corporate ethics and regulatory compliance as key elements of corporate social responsibility, and the Company-Wide Legal Compliance Committee.

The Audit Department, which reports directly to the President, was established as part of our internal control structure. Its task is to conduct internal audits of Toray and its subsidiaries and affiliated companies. Information is continually exchanged. For example, all audit reports submitted to the President by the Audit Department are also submitted to the corporate auditors.

### Remuneration

#### (I) Details of Remuneration in Fiscal 2014

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)	1,539	1,098	157	22	261	29
Corporate auditors (excluding outside corporate auditors)	86	79	7	—	—	2
Outside director	9	9	—	—	—	1
Outside corporate auditors	21	19	2	—	—	2

Notes: 1. Recipients included four members of the Board who retired during fiscal 2014.

2. Total amounts of remuneration do not include ¥75 million paid in salaries to nine employee-directors.

#### (II) 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	146	Member of the Board	Filing company	107	17	—	22
Akihiro Nikkaku	142	Member of the Board	Filing company	103	17	—	22

Note: Information about consolidated remuneration is shown only for persons receiving more than ¥100 million.

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

Remuneration for members of the Board consists of monthly remuneration, a bonus and stock acquisition rights in the form of stock options; meanwhile remuneration for corporate auditors consists of monthly remuneration. The purpose of this structure is to ensure management transparency and fairness, and to provide enhanced incentives for the improvement of financial performance and corporate value from short-, medium- and long-term perspectives.

Furthermore, the amount of remuneration to directors and auditors is determined while taking into account the results of research conducted by a third-party organization to ensure an objective perspective.

The maximum total amount of monthly remuneration is determined by resolution at the Ordinary General Meeting of Stockholders. Resolutions are passed as required to determine whether or not bonuses should be paid and the amount of such bonuses.

Ordinary General Meetings of Stockholders set upper limits for the number of stock options granted to members of the Board as remuneration, and for the total amount of remuneration provided. The Board of Directors determines the number of stock options granted to members of the Board within those limits according to internal regulations established by the Company.

# Corporate Ethics and Legal Compliance

All of us at Toray Group are working as one to uphold corporate ethics and ensure legal compliance in accordance with clear guidelines established by and under the leadership of the top management.

## Framework for Promoting Corporate Ethics and Legal Compliance

Toray has established a Corporate Ethics Committee and a Company-Wide Legal Compliance Committee. Chaired by the company president, the Corporate Ethics Committee discusses comprehensive policies on corporate ethics with labor-management cooperation. Operating under this committee, the Company-Wide Legal Compliance Committee is primarily comprised of section managers, and promotes independent activities that place importance on direct communication with upper management while addressing group-wide issues. CSR/legal compliance committees at the division- and plant-level encourage employees to perform related on-site activities.

Toray has established CSR/legal compliance committees

at its group companies in Japan, 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 both in Japan and abroad. In the event that a violation is discovered, strict discipline is carried out in consultation with the Company's Rewards and Sanctions Committee, and exhaustive steps are taken to publicly disclose relevant information, investigate the causes, and implement measures to prevent a recurrence.

All Toray executives and employees, including contracted, part-time and temporary personnel, receive a copy of the Corporate Ethics and Legal Compliance Handbook, which explains expectations for proper conduct in detail. In fiscal 2015, the Company plans to update the handbook and expand its application to all affiliated companies in Japan. The Company is also working to ensure the comprehensiveness of its efforts, preparing complete codes of conduct, guidelines, handbooks, and other materials for affiliated companies overseas.

## Framework for Promoting Corporate Ethics and Legal Compliance in Toray



## Sustainable Management Corporate Governance

# Risk Management

Toray Group believes risk management is a fundamental element of corporate management. It operates a Group-wide risk management system based on three-year cycles, and strives to identify and reduce potential risks. The Group has also established Crisis Management Regulations. Accordingly, an emergency quick response system is ready for deployment across the entire company in the event of a major crisis to prevent crisis escalation and carry out rapid recovery.

### Developing Risk Management System

Toray has established the Group-wide Risk Management Committee under the CSR Committee in order to monitor the status of company-wide risk reduction efforts in normal

times and to manage the functions of planning and promotion of company-wide risk management measures in an integrated manner.

Under the Risk Management Committee, local risk management committees have been established at each of Toray's divisions, departments, offices, and plants. Each committee works to minimize risks specific to its respective business site, while taking measures to prevent incidents from occurring.

Group companies are also promoting activities to reduce risks specific to them and report the status of activities each fiscal year to the Group-Wide Risk Management Committee.

In identifying risks to the Toray Group, we assess all potential risks that could affect our operations from a group-wide perspective and decide what risks to address and how to rank them based on their magnitude of impact and content (priority risks), and we work to improve measures aimed at reducing our exposure to these risks through a PDCA cycle.

### Dealing with Priority Risks

The Toray Group's response to priority risks is proceeding under units responsible for each risk category as well as working groups that span multiple divisions and departments. The Group-Wide Risk Management Committee receives regular reports about each priority risk and the status of response measures and assesses progress toward



the reduction of risks after seeking input from the director in charge of each area. In fiscal 2015, we will continue to work to implement countermeasures we have been unable to execute owing to relative priority in our ranking.

#### 1. Information security risks

Toray continued to use e-learning to provide security training. In fiscal 2014, a total of 8,401 employees completed this program. In addition, we strengthen our information security by switching to a system where we can comprehensively follow four security management targets from our previous system centered on working groups.

#### 2. Supply-chain risks

Toray Group checked the status of use of conflict minerals with regard to all products manufactured by the Group and ensured that customer inquiries are answered promptly and efficiently based on central management of data.

### Crisis Management System

Toray's Crisis Management Regulations set out basic principles for a group-wide response to serious risks affecting Toray Group. The purpose of the regulations is 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.

### Security Trade Administration

Toray maintains strict control over exports of all products, equipment, materials and samples and provision of technologies to overseas entities, with particular emphasis placed on control over items which are subject to the list control and whose exports require permission by the Minister of Economy, Trade and Industry, such as TORAYCA<sup>®</sup> resin compounds, carbon fiber composite materials, coatings for semiconductors and water treatment membranes.

### Promotion of Business Continuity Plan (BCP)

We have always regarded major earthquakes as a significant risk factor and conducted activities under our Major Earthquake Business Continuity Plan.

In fiscal 2014, training activities were conducted in a scenario of a major earthquake along the Nankai Trough causing various types of damage to Toray Group companies and plants from Shizuoka westward in Japan. We also implemented business continuity measures, including steps to reduce risk by developing a safety confirmation system covering all domestic Group companies, systematically implementing earthquake-proofing of plant buildings, and verifying our business continuity planning for products for which we have a strong responsibility to supply to society.

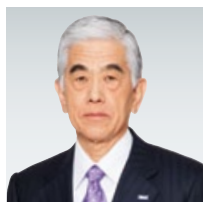
Further, the Great East Japan Earthquake reconfirmed the importance of promptly and effectively verifying the damage status at the Toray Group and business partners, and the Company formulated and began operating the Toray Damage Map System utilizing data from the internal company system (business partner information) and external services (maps, damage reports).



# Corporate Information

## Board of Directors and Corporate Auditors

(As of June 24, 2015)



President and  
Representative Member  
of the Board

**Akihiro Nikkaku**



Executive Vice President  
and Representative  
Member of the Board

**Eizo Tanaka**



Executive Vice President  
and Representative  
Member of the Board

**Koichi Abe**



Senior Vice President  
(Member of the Board & Member  
of the Executive Committee)

**Moriyuki Onishi**



Senior Vice President  
(Member of the Board & Member  
of the Executive Committee)

**Shinichi Okuda**



Senior Vice President  
(Member of the Board & Member  
of the Executive Committee)

**Kazushi Hashimoto**



Senior Vice President  
(Member of the Board & Member  
of the Executive Committee)

**Ryo Murayama**



Senior Vice President  
(Member of the Board & Member  
of the Executive Committee)

**Yukichi Deguchi**



Senior Vice President  
(Member of the Board & Member  
of the Executive Committee)

**Akira Umeda**



Senior Vice President  
(Member of the Board)

**Akira Uchida**



Senior Vice President  
(Member of the Board)

**Shogo Masuda**



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**



Vice President  
(Member of the Board)

**Kunihiko Yoshida**



Vice President  
(Member of the Board)

**Yasuo Suga**



Vice President  
(Member of the Board)

**Hirofumi Kobayashi**



Vice President  
(Member of the Board)

**Masashi Fujita**



Vice President  
(Member of the Board)

**Kazuhiko Shutou**



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)

**Kunio Ito<sup>\*1</sup>**



Vice President  
(Member of the Board)

**Ryoji Noyori<sup>\*1</sup>**



Corporate Auditors

**Kiyoshi Fukuchi**



Corporate Auditors

**Motoyuki Yagita**



Corporate Auditors

**Toshio Nagai<sup>\*2</sup>**



Corporate Auditors

**Kazuya Jono<sup>\*2</sup>**

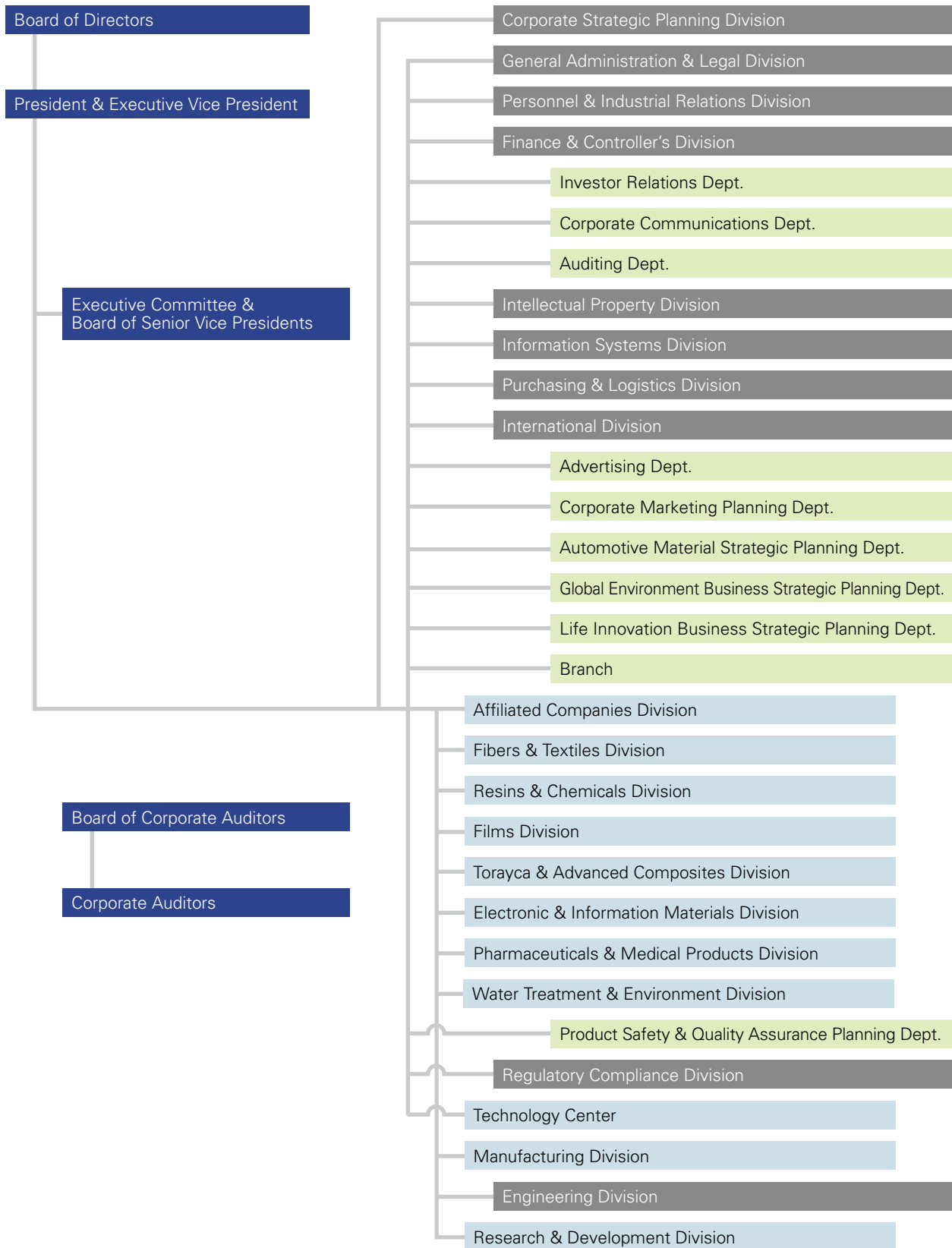
\*1 Kunio Ito and Ryoji Noyori are outside directors.

\*2 Toshio Nagai and Kazuya Jono are outside corporate auditors.



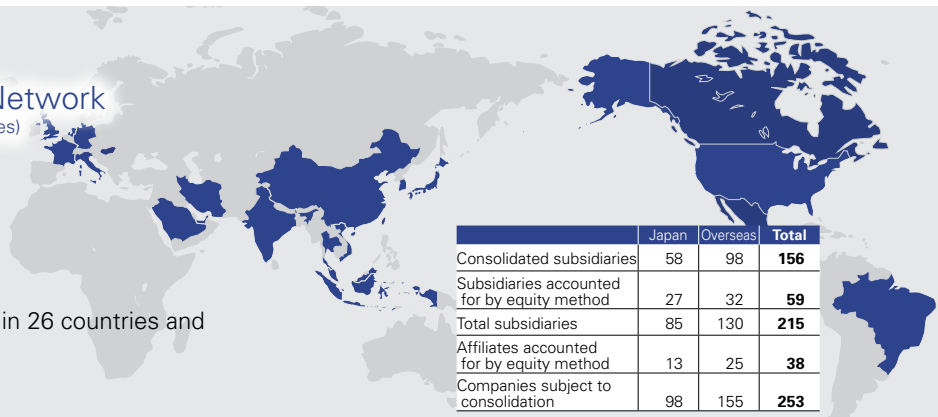
# Organization

(As of July 1, 2015)



# Toray Group Worldwide Network

(Major consolidated subsidiaries and affiliates)  
(As of March 31, 2015)



	Japan	Overseas	Total
Consolidated subsidiaries	58	98	156
Subsidiaries accounted for by equity method	27	32	59
Total subsidiaries	85	130	215
Affiliates accounted for by equity method	13	25	38
Companies subject to consolidation	98	155	253

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

## 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)

### Czech Republic

#### Consolidated Subsidiary

- Toray Textiles Central Europe s.r.o. (TTCE)

### Germany

#### Consolidated Subsidiaries

- 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)

#### Subsidiary Accounted for by Equity Method

- Toray International Taipei Inc. (TIPT)
- 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

- Pentfabric Sdn. Berhad (PAB)
- Pentfibre 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)

#### 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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Sao Paulo - SP 01310-100, Brasil  
Telephone/Facsimile: 55 (11) 4314-7792

# Financial Section

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# Six-Year Summary of Selected Financial Data

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

	Millions of yen					
	2015	2014	2013* <sup>2</sup>	2012	2011	2010
<b>Net sales*<sup>1</sup></b>	<b>¥ 2,010,734</b>	¥ 1,837,778	¥ 1,592,279	¥ 1,588,604	¥ 1,539,693	¥ 1,359,631
Fibers & Textiles	<b>856,676</b>	755,474	632,150	638,375	584,115	525,204
Plastics & Chemicals	<b>496,370</b>	470,542	395,835	397,815	382,299	332,735
IT-related Products	<b>247,975</b>	245,741	237,593	243,404	262,027	230,433
Carbon Fiber Composite Materials	<b>158,365</b>	113,342	77,620	69,914	67,018	50,676
Environment & Engineering	<b>179,988</b>	180,197	178,355	170,247	178,183	159,787
Life Science	<b>57,039</b>	58,205	56,599	55,554	52,430	46,656
Others	<b>14,321</b>	14,277	14,127	13,295	13,621	14,140
<b>Operating income</b>	<b>123,481</b>	105,253	83,436	107,721	100,087	40,107
<b>Income (loss) before income taxes and minority interests</b>	<b>114,469</b>	97,760	77,828	101,091	82,893	(2,415)
<b>Net income (loss)</b>	<b>71,021</b>	59,608	48,477	64,218	57,925	(14,158)
<b>Net cash provided by operating activities</b>	<b>141,282</b>	161,455	100,815	104,410	129,214	166,215
<b>Depreciation and amortization</b>	<b>81,480</b>	78,743	67,588	67,443	70,479	74,904
<b>Capital expenditures</b>	<b>124,929</b>	118,207	99,135	98,384	55,942	57,073
<b>Total assets</b>	<b>2,357,925</b>	2,119,683	1,731,933	1,581,501	1,567,470	1,556,796
<b>Property, plant and equipment, net</b>	<b>855,593</b>	781,235	627,240	561,923	531,595	580,344
<b>Interest-bearing liabilities</b>	<b>700,258</b>	654,163	532,002	481,906	493,509	632,160
<b>Net assets</b>	<b>1,080,757</b>	944,625	778,626	674,149	640,970	518,216

Yen

<b>Per share of common stock:</b>						
Net income (loss):						
Basic	<b>¥ 44.33</b>	¥ 36.59	¥ 29.75	¥ 39.41	¥ 36.41	¥ (10.12)
Diluted	<b>44.28</b>	35.70	28.90	37.46	34.43	—
Cash dividends	<b>11.00</b>	10.00	10.00	10.00	7.50	5.00
Net assets	<b>616.70</b>	527.32	444.45	384.90	363.90	336.65
<b>Ratios:</b>						
Operating income to net sales	<b>6.14%</b>	5.73%	5.24%	6.78%	6.50%	2.95%
Net income (loss) to net sales	<b>3.53</b>	3.24	3.04	4.04	3.76	(1.04)
Equity ratio	<b>41.8</b>	40.5	41.8	39.7	37.8	30.3
Return on equity	<b>7.7</b>	7.5	7.2	10.5	10.9	(3.0)
Debt/equity ratio (times)	<b>0.71</b>	0.76	0.73	0.77	0.83	1.34

Yen

<b>Common stock price range:</b>						
High	<b>¥ 1,057.5</b>	¥ 786	¥ 654	¥ 631	¥ 643	¥ 591
Low	<b>626</b>	584	421	511	420	390
<b>Number of employees</b>	<b>45,789</b>	45,881	42,584	40,227	38,740	37,936

\*1 Effective from the year ended March 31, 2011, "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Accounting Standards Board of Japan (ASBJ) Statement No.17, March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20, March 21, 2008) are applied. Accordingly, segment information for the year ended March 31, 2010 is restated.

\*2 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.

# Management's Discussion and Analysis

## OVERVIEW

During the period covered by year ended March 31, 2015 (fiscal 2014), the global economy in general continued to grow steadily. While the pace of economic expansion in China remained slow and the economy of the ASEAN region also remained stagnant, the U.S. economy recovered steadily and European economy as a whole picked up gradually. Japan continued to register modest economic recovery on the back of steady improvement in employment and income situations as well as policy effects, despite signs of weakness in consumer spending and production due to the reaction to the last-minute demand caused by the consumption tax rate increase.

Under such circumstances, Toray Group in April 2014 launched its new medium-term management program "Project AP-G 2016" with the final year being fiscal year 2016, and implemented the growth strategy with focus on business expansion in growth business fields and business expansion in growth countries and regions and bolstered 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 were the highest ever.

## INCOME ANALYSIS

### Net Sales

Consolidated net sales in the year ended March 31, 2015 amounted to ¥2,010.7 billion, up 9.4% or ¥173.0 billion from the previous fiscal year. Sales increased in all business segments but Environment & Engineering and Life Science.

### Costs and Expenses

The ratio of total costs and expenses to net sales for the year was 93.9%, down 0.4 percentage points from the previous fiscal year.

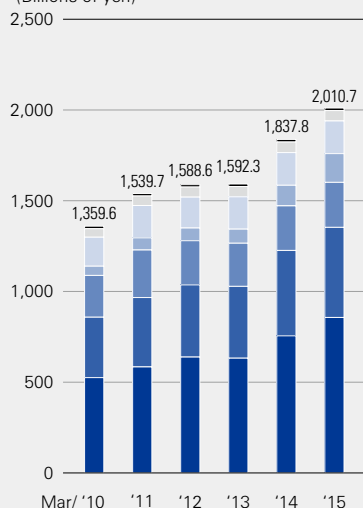
Consolidated net sales increased 9.4% year on year, and cost of sales increased 8.5%. As a result, the cost of sales ratio decreased 0.7 percentage points to 80.1%.

Selling, general and administrative expenses increased ¥28.4 billion, or 11.5%, to ¥275.8 billion. The ratio of selling, general and administrative expenses to net sales increased 0.3 percentage points to 13.7%.

R&D expenses increased ¥4.0 billion, or 7.2%, to ¥59.5 billion.

### Net Sales by Segment

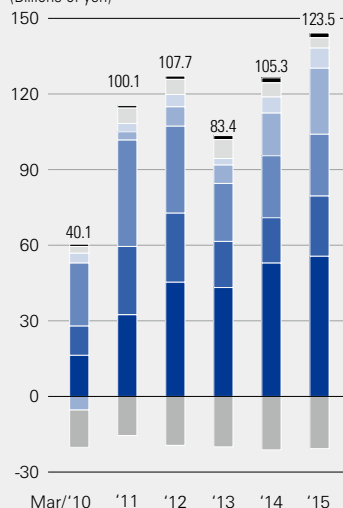
(Billions of yen)



■ Fibers & Textiles ■ Plastics & Chemicals ■ IT-related Products  
 ■ Carbon Fiber Composite Materials ■ Environment & Engineering  
 ■ Life Science ■ Others

### Operating Income by Segment

(Billions of yen)



■ Fibers & Textiles ■ Plastics & Chemicals ■ IT-related Products  
 ■ Carbon Fiber Composite Materials ■ Environment & Engineering  
 ■ Life Science ■ Others ■ Adjustment

\*1 Effective from the year ended March 31, 2011, "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17 of March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20 of March 21, 2008) are applied. Accordingly, segment Information for the year ended March 31, 2010 is restated.

\*2 Operating income by segment that is not attributable to any segment is included in "Adjustment."



### Operating Income and Net Income

Consolidated operating income increased ¥18.2 billion or 17.3% from the previous fiscal year, to ¥123.5 billion, and the ratio of operating income to net sales rose 0.4 percentage point to 6.1%. Operating income rose in the Fibers & Textiles, Plastics & Chemicals, Carbon Fiber Composite Materials and Environment & Engineering segments.

In net other income (expenses), Toray Group reported ¥9.0 billion in expenses, a ¥1.5 billion year-on-year increase. Interest and dividend income increased ¥0.3 billion over the previous fiscal year to ¥4.1 billion, while interest expense increased ¥1.5 billion to ¥6.3 billion. As a result, net financial expenses increased ¥1.1 billion to ¥2.2 billion. Equity in earnings of unconsolidated subsidiaries and affiliated companies increased ¥4.1 billion to ¥11.8 billion. Loss on impairment of fixed assets decreased ¥6.5 billion year on year to ¥7.9 billion. Loss on sales and disposal of property, plant and equipment, net, increased by ¥0.5 billion to ¥5.7 billion.

As a result of the above, income before income taxes and minority interests increased ¥16.7 billion to ¥114.5 billion. After deductions for income taxes and minority interests in earnings of consolidated subsidiaries, net income amounted to ¥71.0 billion, up ¥11.4 billion from the previous fiscal year.

Net income per share was ¥44.33, an increase of ¥7.74. The Company declared a year-end cash dividend of ¥6.00 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 ¥11.00 per share.

### Business Performance by Segment

#### *Fibers & Textiles*

In Japan, demand for apparel applications remained weak in general due to the prolonged impact of the consumption tax rate increase. Against this backdrop, Toray Group worked to expand sales and sophisticate the business through promotion of a business that integrates fibers to textiles to final products. In industrial applications, sales were robust led by those to automotive applications.

Overseas, while being affected by a slowdown in demand in Europe and sluggish domestic demand in China, textile subsidiaries in Southeast Asia and China pursued sales expansion and a shift towards high value added products. Also shipment for automotive applications, and hygiene products in emerging countries remained strong.

Toray Chemical Korea Inc., which became a consolidated subsidiary at the end of the previous fiscal year, contributed to sales increase of the segment, but amortization of goodwill affected profit.

As a result, overall sales of Fibers & Textiles segment in the fiscal year ended March 31, 2015 increased 13.4% to ¥856.7 billion from the previous year and operating income increased 5.1% to ¥55.6 billion.

#### *Plastics & Chemicals*

In the resin business, overall domestic shipment remained strong despite sluggish shipment due to the impact of the consumption tax rate increase in some applications including automobiles. Overseas, shipment at the subsidiaries in the U.S. and China expanded for automotive applications.

In the film business, shipment expanded led by increased demand in China for films for solar cell back sheets and Toray Group pursued a shift towards high value added products for food packaging applications. The business, although partly affected by price competition, remained strong on the whole.

As a result, overall sales of Plastics & Chemicals segment increased 5.5% to ¥496.4 billion from the previous year and operating income increased 32.6% to ¥23.9 billion.

#### *IT-related Products*

In the IT-related Products segment, shipment of large LCD panel-related materials such as films and processed film products increased, reflecting the recovery in production by panel manufacturers and the shift to larger displays. Shipment of smartphone- and tablet terminal-related materials was strong in general, although the business was affected by some production adjustments by end customers. On the other hand, shipment of PDP-related materials declined, as a major customer withdrew from the PDP business. Also, all materials continued to be affected by price competition.

As a result, overall sales of IT-related Products segment increased 0.9% to ¥248.0 billion from the previous year and operating income decreased 0.4% to ¥24.5 billion.

#### *Carbon Fiber Composite Materials*

In the Carbon Fiber Composite Materials segment, demand for aircrafts as well as that in the environment and energy fields including compressed natural gas tank applications expanded and automotive-related demand was also strong such as in Europe, while shipment of carbon fibers and intermediate products (prepreg) increased for aerospace applications and general industrial applications. Toray Group also worked on restoration of prices of general products used in sports and industrial applications.

Zoltek Companies, Inc., which became a consolidated subsidiary at the end of the previous fiscal year, contributed to sales increase of the segment, but amortization of goodwill affected profit.

As a result, overall sales of Carbon Fiber Composite Materials segment increased 39.7% to ¥158.4 billion from the previous year while operating income increased 54.9% to ¥26.2 billion.

#### *Environment & Engineering*

In the water treatment business, amid weakness of demand in the global market, the shipment of reverse osmosis membranes, etc. for seawater desalination projects increased and

Toray Chemical Korea Inc., which became a consolidated subsidiary at the end of the previous fiscal year, contributed to the business performance.

Among domestic subsidiaries in the segment, an engineering subsidiary performed strongly on the back of progress in plant construction.

As a result, overall sales of Environment & Engineering segment decreased 0.1% to ¥180.0 billion from the previous year, while operating income increased 25.4% to ¥8.0 billion.

### Life Science

In the pharmaceutical business, while shipment of REMITCH<sup>®</sup>\*, an oral anti-pruritus drug for hemodialysis patients, expanded robustly, that of natural-type interferon beta preparation FERON<sup>®</sup> was weak due to the impact of intensified competition, and orally active prostacyclin derivative DORNER<sup>®</sup> was affected by the NHI drug price revision and the increasing sales of its generic versions. License revenue also decreased compared with the previous fiscal year. In the medical devices business, shipment of dialyzers grew strongly.

As a result, overall sales of Life Science segment decreased 2.0% to ¥57.0 billion from the previous year while operating income declined 27.4% to ¥4.1 billion.

\*REMITCH<sup>®</sup> is a registered trademark of Torii Pharmaceutical Co., Ltd.

### Others

Net sales increased 0.3% to ¥14.3 billion from the previous year while operating income declined 4.3% to ¥1.9 billion.

## FINANCIAL POSITION

### Analysis of Assets, Liabilities and Net Assets

As of March 31, 2015, Toray Group's total assets stood at ¥2,357.9 billion, up ¥238.2 billion from the end of the previous fiscal year, as current assets rose by ¥97.5 billion primarily reflecting an increase in inventory as well as notes and accounts receivable while fixed assets rose by ¥140.7 billion due mainly to increase in property, plant and equipment and investment securities.

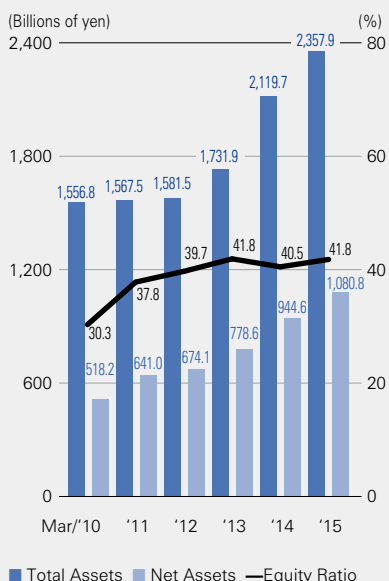
Total liabilities rose ¥102.1 billion from the end of the previous fiscal year to ¥1,277.2 billion, primarily due to an increase in interest-bearing debts.

Net assets grew by ¥136.1 billion compared with the end of the previous fiscal year to ¥1,080.8 billion, reflecting the increase in retained earnings from net income and fluctuation in foreign currency translation adjustment. Net assets less minority interests and stock acquisition rights stood at ¥985.7 billion. The equity ratio at the end of the fiscal year came to 41.8%, a 1.3 percentage-point increase compared with the level at the end of the previous fiscal year.

### CASH FLOWS

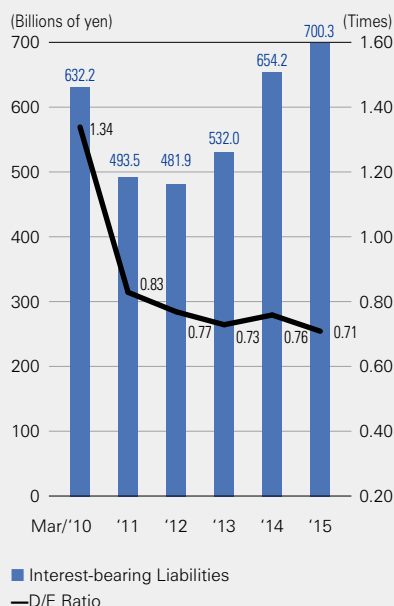
In the year ended March 31, 2015, net cash provided by operating activities exceeded net cash used in investing activities by ¥0.6 billion. On the other hand, net cash used in financing

### 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



activities was ¥10.0 billion due mainly to purchase of treasury stock. Including fluctuations in foreign currency exchange rates, cash and cash equivalents at fiscal year-end stood at ¥112.5 billion, down ¥0.6 billion or 0.6% from the end of the previous fiscal year.

#### Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥141.3 billion, down ¥20.2 billion from the previous fiscal year. Major factors for provision of cash include income before income taxes and minority interests of ¥114.5 billion and depreciation and amortization of ¥81.5 billion, while major factors for use of cash include an increase in trade receivables of ¥33.9 billion and income taxes paid of ¥29.5 billion.

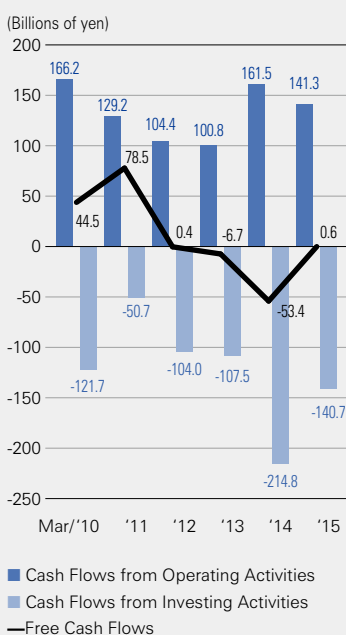
#### Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥140.7 billion, down ¥74.2 billion from the previous fiscal year. Main factors include capital expenditures of ¥126.9 billion.

#### Cash Flows from Financing Activities

Net cash used in financing activities was ¥10.0 billion, up ¥51.5 billion from the previous fiscal year. Main factors include repayment of long-term debt of ¥104.3 billion, purchase of treasury stock of ¥20.1 billion and cash dividends paid of ¥17.5 billion, which contrasted with proceeds from long-term debt of ¥136.9 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 loss 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, 2015 and 2014

Assets	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
<b>Current assets:</b>			
Cash (Note 5)	¥ 84,402	¥ 80,582	\$ 703,350
Time deposits (Notes 4 and 5)	31,791	33,556	264,925
Trade receivables (Notes 5 and 7):			
Notes receivable	26,548	25,685	221,233
Accounts receivable	378,782	326,409	3,156,517
Inventories (Note 3)	391,629	370,822	3,263,575
Deferred tax assets (Note 10)	31,034	25,600	258,617
Prepaid expenses and other current assets (Notes 5 and 6)	75,384	60,204	628,200
Allowance for doubtful accounts	(1,702)	(2,493)	(14,183)
<b>Total current assets</b>	<b>1,017,868</b>	<b>920,365</b>	<b>8,482,233</b>
<b>Property, plant and equipment</b> (Notes 4 and 13):			
Land	78,327	76,403	652,725
Buildings	585,009	547,810	4,875,075
Machinery and equipment	1,981,679	1,819,635	16,513,992
Construction in progress	68,865	97,810	573,875
	2,713,880	2,541,658	22,615,667
Accumulated depreciation	(1,858,287)	(1,760,423)	(15,485,725)
<b>Property, plant and equipment, net</b>	<b>855,593</b>	<b>781,235</b>	<b>7,129,942</b>
<b>Intangible assets</b> (Note 13):			
Goodwill	63,369	72,300	528,075
Other	35,137	27,784	292,808
<b>Total intangible assets</b>	<b>98,506</b>	<b>100,084</b>	<b>820,883</b>
<b>Investments and other assets:</b>			
Investments in unconsolidated subsidiaries and affiliated companies (Note 5)	121,164	100,643	1,009,700
Investment securities (Notes 4, 5 and 6)	185,078	146,232	1,542,317
Long-term loans receivable	1,523	1,551	12,692
Deferred tax assets (Note 10)	13,294	21,441	110,783
Other (Note 8)	67,733	50,454	564,442
Allowance for doubtful accounts	(2,834)	(2,322)	(23,617)
<b>Total investments and other assets</b>	<b>385,958</b>	<b>317,999</b>	<b>3,216,317</b>
<b>Total assets</b>	<b>¥ 2,357,925</b>	<b>¥ 2,119,683</b>	<b>\$ 19,649,375</b>

See accompanying notes to consolidated financial statements.



Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
<b>Current liabilities:</b>			
Short-term bank loans (Notes 4, 5 and 7)	¥ 142,346	¥ 131,444	\$ 1,186,217
Current portion of long-term debt (Notes 4, 5 and 7)	57,338	77,201	477,817
Commercial paper (Note 5)	5,000	10,000	41,667
Trade payables (Notes 5 and 7):			
Notes payable	36,557	33,403	304,642
Accounts payable	183,616	176,062	1,530,133
Income taxes payable (Note 10)	13,027	16,411	108,558
Accrued liabilities	57,596	52,439	479,967
Other current liabilities (Notes 4 and 10)	105,373	99,622	878,108
Total current liabilities	600,853	596,582	5,007,108
<b>Long-term debt</b> (Notes 4, 5 and 7)	490,717	428,932	4,089,308
<b>Deferred tax liabilities</b> (Note 10)	43,669	20,758	363,908
<b>Net defined benefit liability</b> (Note 8)	106,293	93,172	885,775
<b>Customers' guarantee deposits and other liabilities</b> (Note 4)	35,636	35,614	296,967
Total liabilities	1,277,168	1,175,058	10,643,067
<b>Commitments and contingent liabilities</b> (Note 12)			
<b>Net assets</b> (Note 11):			
Stockholders' equity:			
Common stock:			
Authorized—4,000,000,000 shares			
Issued—1,631,481,403 shares	147,873	147,873	1,232,275
Capital surplus	136,727	136,735	1,139,392
Retained earnings	544,557	505,834	4,537,975
Treasury stock, at cost	(21,345)	(1,455)	(177,875)
Total stockholders' equity	807,812	788,987	6,731,767
Accumulated other comprehensive income:			
Net unrealized gains on securities	79,093	49,546	659,108
Net deferred losses on hedges	(387)	(508)	(3,225)
Foreign currency translation adjustments	100,097	37,664	834,142
Remeasurements of defined benefit plans	(947)	(16,688)	(7,892)
Total accumulated other comprehensive income	177,856	70,014	1,482,133
Stock acquisition rights (Note 9)	1,207	991	10,058
Minority interests in consolidated subsidiaries	93,882	84,633	782,350
Total net assets	1,080,757	944,625	9,006,308
Total liabilities and net assets	¥ 2,357,925	¥ 2,119,683	\$ 19,649,375

## Consolidated Statements of Income

Toray Industries, Inc. and Consolidated Subsidiaries  
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
<b>Net sales</b>	<b>¥ 2,010,734</b>	¥ 1,837,778	<b>\$ 16,756,117</b>
<b>Costs and expenses:</b>			
Cost of sales (Notes 3, 8, 13 and 14)	<b>1,611,469</b>	1,485,171	<b>13,428,908</b>
Selling, general and administrative expenses (Notes 8, 13 and 14)	<b>275,784</b>	247,354	<b>2,298,200</b>
	<b>1,887,253</b>	1,732,525	<b>15,727,108</b>
Operating income	<b>123,481</b>	105,253	<b>1,029,008</b>
<b>Other income (expenses):</b>			
Interest expense	<b>(6,347)</b>	(4,894)	<b>(52,892)</b>
Interest and dividend income	<b>4,121</b>	3,794	<b>34,342</b>
Equity in earnings of unconsolidated subsidiaries and affiliated companies	<b>11,816</b>	7,700	<b>98,467</b>
Loss on sales and disposal of property, plant and equipment, net	<b>(5,708)</b>	(5,241)	<b>(47,567)</b>
Loss on impairment of fixed assets (Note 15)	<b>(7,915)</b>	(14,390)	<b>(65,958)</b>
Gain on sales and loss on write-down of investment securities, net	<b>446</b>	360	<b>3,717</b>
Other, net	<b>(5,425)</b>	5,178	<b>(45,208)</b>
	<b>(9,012)</b>	(7,493)	<b>(75,100)</b>
Income before income taxes and minority interests	<b>114,469</b>	97,760	<b>953,908</b>
<b>Income taxes</b> (Note 10):			
Current	<b>24,945</b>	26,558	<b>207,875</b>
Deferred	<b>14,792</b>	5,641	<b>123,267</b>
	<b>39,737</b>	32,199	<b>331,142</b>
Income before minority interests	<b>74,732</b>	65,561	<b>622,767</b>
<b>Minority interests in earnings of consolidated subsidiaries</b>	<b>(3,711)</b>	(5,953)	<b>(30,925)</b>
Net income	<b>¥ 71,021</b>	¥ 59,608	<b>\$ 591,842</b>

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Comprehensive Income

Toray Industries, Inc. and Consolidated Subsidiaries  
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
Income before minority interests	<b>¥ 74,732</b>	¥ 65,561	<b>\$ 622,767</b>
Other comprehensive income (Note 16)			
Net unrealized gains on securities	<b>31,308</b>	13,951	<b>260,900</b>
Net deferred gains on hedges	<b>97</b>	332	<b>808</b>
Foreign currency translation adjustments	<b>64,185</b>	94,354	<b>534,875</b>
Remeasurements of defined benefit plans	<b>15,619</b>	(82)	<b>130,158</b>
Share of other comprehensive income of unconsolidated subsidiaries and affiliated companies accounted for by the equity method	<b>5,186</b>	5,212	<b>43,217</b>
Total other comprehensive income	<b>116,395</b>	113,767	<b>969,958</b>
Comprehensive income	<b>¥ 191,127</b>	¥ 179,328	<b>\$ 1,592,725</b>
Total comprehensive income attributable to:			
Owners of the parent	<b>¥ 180,678</b>	¥ 167,273	<b>\$ 1,505,650</b>
Minority interests	<b>10,449</b>	12,055	<b>87,075</b>

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Changes in Net Assets

Toray Industries, Inc. and Consolidated Subsidiaries  
Years ended March 31, 2015 and 2014

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	Minority interests in consolidated subsidiaries	Total net assets
<b>Balance as of April 1, 2013</b>	¥ 147,873	¥ 136,748	¥ 462,536	¥ (1,170)	¥ 745,987	¥ 35,388	¥ (883)	¥ (55,515)	¥ (816)	¥ (21,826)	¥ 566	¥ 53,899	¥ 778,626
Cumulative effect of changes in accounting policies					—								—
Restated balance	147,873	136,748	462,536	(1,170)	745,987	35,388	(883)	(55,515)	(816)	(21,826)	566	53,899	778,626
Changes in:													
Dividends			(16,300)		(16,300)								(16,300)
Net income			59,608		59,608								59,608
Purchase of treasury stock				(394)	(394)								(394)
Disposition of treasury stock		(13)		109	96								96
Other			(10)		(10)								(10)
Items other than stockholders' equity, net						14,158	375	93,179	(15,872)	91,840	425	30,734	122,999
Total changes	—	(13)	43,298	(285)	43,000	14,158	375	93,179	(15,872)	91,840	425	30,734	165,999
<b>Balance as of March 31, 2014</b>	¥ 147,873	¥ 136,735	¥ 505,834	¥ (1,455)	¥ 788,987	¥ 49,546	¥ (508)	¥ 37,664	¥ (16,688)	¥ 70,014	¥ 991	¥ 84,633	¥ 944,625
<b>Balance as of April 1, 2014</b>	¥ 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			71,021		71,021								71,021
Purchase of treasury stock				(20,054)	(20,054)								(20,054)
Disposition of treasury stock		(41)		165	124								124
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
<b>Balance as of March 31, 2015</b>	¥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

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	Minority interests in consolidated subsidiaries	Total net assets
<b>Balance as of April 1, 2014</b>	\$ 1,232,275	\$ 1,139,458	\$ 4,215,283	\$ (12,125)	\$ 6,574,892	\$ 412,883	\$ (4,233)	\$ 313,867	\$ (139,067)	\$ 583,450	\$ 8,258	\$ 705,275	\$ 7,871,875
Cumulative effect of changes in accounting policies			(133,242)		(133,242)								(133,242)
Restated balance	1,232,275	1,139,458	4,082,042	(12,125)	6,441,650	412,883	(4,233)	313,867	(139,067)	583,450	8,258	705,275	7,738,633
Changes in:													
Dividends			(134,542)		(134,542)								(134,542)
Net income			591,842		591,842								591,842
Purchase of treasury stock				(167,117)	(167,117)								(167,117)
Disposition of treasury stock		(342)		1,375	1,033								1,033
Other		275	(1,367)	(8)	(1,100)								(1,100)
Items other than stockholders' equity, net						246,225	1,008	520,275	131,175	898,683	1,800	77,075	977,558
Total changes	—	(67)	455,933	(165,750)	290,117	246,225	1,008	520,275	131,175	898,683	1,800	77,075	1,267,675
<b>Balance as of March 31, 2015</b>	\$1,232,275	\$1,139,392	\$4,537,975	\$(177,875)	\$6,731,767	\$659,108	\$(3,225)	\$834,142	\$(7,892)	\$1,482,133	\$10,058	\$782,350	\$9,006,308

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Toray Industries, Inc. and Consolidated Subsidiaries  
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 114,469	¥ 97,760	\$ 953,908
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	81,480	78,743	679,000
Loss on impairment of fixed assets	7,915	14,390	65,958
Interest and dividend income	(4,121)	(3,794)	(34,342)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(11,816)	(7,700)	(98,467)
Interest expense	6,347	4,894	52,892
Loss on sales and disposal of property, plant and equipment, net	5,708	5,241	47,567
Gain and loss on sales and loss on write-down of investment securities, net	(857)	(343)	(7,142)
Insurance income	—	(6,818)	—
(Decrease) increase in net defined benefit liability	(364)	3,066	(3,033)
Increase in trade receivables	(33,861)	(6,330)	(282,175)
Increase in inventories	(5,006)	(18,908)	(41,717)
Decrease in trade payables	(694)	(1,582)	(5,783)
Other, net	9,395	15,933	78,292
Subtotal	168,595	174,552	1,404,958
Interest and dividends received	8,456	8,208	70,467
Interest paid	(6,277)	(4,962)	(52,308)
Income taxes paid	(29,492)	(23,161)	(245,767)
Proceeds from insurance	—	6,818	—
Net cash provided by operating activities	141,282	161,455	1,177,350
<b>Cash flows from investing activities:</b>			
Capital expenditures	(126,889)	(112,905)	(1,057,408)
Purchases of investment securities	(5,893)	(10,513)	(49,108)
Proceeds from sales of property, plant and equipment	4,608	2,057	38,400
Proceeds from sales of investment securities	4,061	954	33,842
Acquisition of shares of consolidated subsidiaries resulting in change in scope of consolidation	(702)	(91,391)	(5,850)
Other, net	(15,847)	(3,028)	(132,058)
Net cash used in investing activities	(140,662)	(214,826)	(1,172,183)
<b>Cash flows from financing activities:</b>			
Net decrease in short-term debt	(3,707)	(9,716)	(30,892)
Proceeds from long-term debt	136,850	170,139	1,140,417
Repayment of long-term debt	(104,266)	(100,266)	(868,883)
Purchase of treasury stock	(20,058)	(398)	(167,150)
Cash dividends paid	(17,530)	(17,357)	(146,083)
Other, net	(1,287)	(927)	(10,725)
Net cash (used in) provided by financing activities	(9,998)	41,475	(83,317)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>8,730</b>	<b>17,343</b>	<b>72,750</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(648)</b>	<b>5,447</b>	<b>(5,400)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>113,137</b>	<b>107,690</b>	<b>942,808</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥ 112,489</b>	<b>¥ 113,137</b>	<b>\$ 937,408</b>

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Toray Industries, Inc. and Consolidated Subsidiaries  
Years ended March 31, 2015 and 2014

## 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 majority interest in the subsidiaries is purchased.

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, 2015 and 2014 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
	2015	2014	2015
Cash	¥ 84,402	¥ 80,582	\$ 703,350
Time deposits	31,791	33,556	264,925
Less — Time deposits with maturities of over 3 months	(7,437)	(1,001)	(61,975)
Marketable securities with original maturities of 3 months or less	3,733	—	31,108
<b>Cash and cash equivalents</b>	<b>¥112,489</b>	<b>¥113,137</b>	<b>\$ 937,408</b>

### 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.

**i) 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 14 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 14 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.

**j) 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.

**k) 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.

**l) 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 minority stockholders, which is included in "minority interests in consolidated subsidiaries" in net assets.

**m) Changes in Accounting Policy Resulting from Revisions to Accounting Standards**

Effective from the year ended March 31, 2015, the Company and its domestic consolidated subsidiaries adopted provisions described in the main clause of Section 35 of "Accounting Standard for Retirement Benefits" (the Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012, hereinafter "the Standard") and provisions described in the main clause of Section 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015). Accordingly, the Company and its domestic consolidated subsidiaries have revised the calculation method for retirement benefit obligations and service costs, have changed the method for attributing projected retirement benefits to each period

from a straight-line basis to a benefit formula basis, and have changed the method for determining the discount rate as well.

The application of the Standard and guidance is subject to the tentative treatment set forth in Section 37 of the Standard, and the cumulative effect of the changes in the calculation method of retirement benefit obligations and service costs was added to or deducted from retained earnings at the beginning of the year ended March 31, 2015.

As a result, the beginning balance of net defined benefit liability at April 1, 2014 increased by ¥13,995 million (\$116,625 thousand), net defined benefit asset decreased by ¥10,482 million (\$87,350 thousand), and retained earnings decreased by ¥15,989 million (\$133,242 thousand). Operating income increased by ¥2,023 million (\$16,858 thousand) and income before income taxes and minority interests increased by ¥2,048 million (\$17,067 thousand) for the year ended March 31, 2015. In addition, net assets per share decreased by ¥9.13 (\$0.08), and basic net income per share and diluted net income per share increased by ¥0.87 (\$0.01), respectively.

#### **n) Changes in Accounting Policy Difficult to Distinguish from Changes in Accounting Estimate**

The primary depreciation method of property, plant and equipment (except lease assets), which was previously the declining-balance method for the Company and its domestic consolidated subsidiaries, has been changed to the straight-line method from the year ended March 31, 2015.

Toray Group implemented a new medium-term management program from the year ended March 31, 2015 to plan the priority allocation of capital expenditure to overseas countries and regions with expected economic growth as part of its capital expenditure strategy. Taking this opportunity, the Group has examined the demand trends and operating situation of domestic production facilities and has confirmed that the domestic production facilities are likely to operate stably over their useful lives in the future. The Group has therefore judged that it should adopt the straight-line method for depreciating domestic property, plant and equipment (except lease assets) to calculate periodic profit and loss more precisely.

As a result, operating income for the year ended March 31, 2015 increased by ¥7,818 million (\$65,150 thousand) and income before income taxes and minority interests increased by ¥8,001 million (\$66,675 thousand).

## **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 ¥120 to \$1.00, the approximate exchange

#### **o) Standards Issued but Not Yet Adopted**

##### **Accounting Standards for Business Combinations**

On September 13, 2013, the ASBJ issued "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7), "Revised Accounting Standard for Earnings Per Share" (ASBJ Statement No.2), "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10), and "Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No.4).

##### (1) Overview

Under these revised accounting standards, the accounting treatment for any changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary and the corresponding accounting for acquisition-related costs were revised. In addition, the presentation method of net income was amended, the reference to "minority interests" was changed to "non-controlling interests," and transitional provisions for these accounting standards were also defined.

##### (2) Scheduled Date of Adoption

The Company expects to adopt these revised accounting standards and guidance from the beginning of the year ending March 31, 2016.

##### (3) Impact of Adopting Revised Accounting Standards and Guidance

The impact of adopting the revised accounting standards and guidance on 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 15 years but are now amortized primarily over 14 years, effective from the year ended March 31, 2015, due to a decrease in the employees' average remaining years of service.

As a result, operating income for the year ended March 31, 2015 decreased by ¥1,946 million (\$16,217 thousand), and income before income taxes and minority interests decreased by ¥1,953 million (\$16,275 thousand).

rate prevailing on March 31, 2015. 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, 2015 and 2014, inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Merchandise and finished goods	<b>¥ 220,763</b>	¥ 211,837	<b>\$ 1,839,692</b>
Work in process	<b>78,606</b>	74,546	<b>655,050</b>
Raw materials and supplies	<b>92,260</b>	84,439	<b>768,833</b>
	<b>¥ 391,629</b>	¥ 370,822	<b>\$ 3,263,575</b>

Losses recognized and charged to cost of sales as a result of valuation at March 31, 2015 and 2014 were ¥2,193 million (\$18,275 thousand) and ¥2,559 million, respectively.

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

Short-term bank loans at March 31, 2015 and 2014 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, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Loans principally from banks and insurance companies with interest rates primarily from 0.01% to 7.05%, maturing serially through 2025:			
Unsecured	<b>¥ 408,025</b>	¥ 441,883	<b>\$ 3,400,208</b>
Secured	—	20,197	—
Lease obligations maturing serially through 2028:			
Unsecured	<b>4,857</b>	6,586	<b>40,475</b>
Yen notes with an interest rate of 0.42% due 2018	<b>30</b>	—	<b>250</b>
Yen notes with an interest rate of 0.93% due 2022	<b>20,000</b>	20,000	<b>166,667</b>
Yen notes with an interest rate of 1.01% due 2023	<b>20,000</b>	20,000	<b>166,667</b>
Zero coupon convertible bonds due 2019	<b>50,000</b>	—	<b>416,667</b>
Zero coupon convertible bonds due 2021	<b>50,000</b>	—	<b>416,667</b>
Korean won notes with an interest rate of 5.7% due 2014	—	2,998	—
U.S. dollar notes with an interest rate of 3 month U.S. dollar LIBOR+1.3% due 2014	—	1,055	—
	<b>552,912</b>	512,719	<b>4,607,600</b>
Less amounts due within one year	<b>58,608</b>	78,959	<b>488,400</b>
	<b>¥ 494,304</b>	¥ 433,760	<b>\$ 4,119,200</b>

At March 31, 2015, assets pledged as collateral were as follows:

	Millions of yen	Thousands of U.S. dollars
Time deposits	<b>¥ 4</b>	<b>\$ 33</b>
Property, plant and equipment, net	<b>5,953</b>	<b>49,608</b>
Investment securities	<b>40</b>	<b>333</b>
Others	<b>467</b>	<b>3,892</b>
	<b>¥ 6,464</b>	<b>\$ 53,867</b>

The annual maturities of long-term debt and lease obligations subsequent to March 31, 2015 were as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31:		
2016	¥ 58,608	\$ 488,400
2017	54,914	457,617
2018	105,380	878,167
2019	32,115	267,625
2020	52,227	435,225
2021 and thereafter	249,668	2,080,567
	¥ 552,912	\$ 4,607,600

## 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 exposed to the risk of market price fluctuations. Most of these securities are the shares of corporations with which the Company and its consolidated subsidiaries have business relationships. The fair value 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, 2015 and 2014 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		
	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	—
<b>Assets</b>	<b>¥ 730,328</b>	<b>¥ 730,435</b>	<b>¥ 107</b>
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
<b>Liabilities</b>	<b>¥ 915,574</b>	<b>¥ 947,386</b>	<b>¥ 31,812</b>
Derivative transactions *3			
Hedge accounting is not applied	¥ (193)	¥ (193)	¥ —
Hedge accounting is applied	(398)	(398)	—
<b>Derivative transactions</b>	<b>¥ (591)</b>	<b>¥ (591)</b>	<b>¥ —</b>

	Millions of yen		
	2014		
	Carrying value	Fair value	Unrealized gain (loss)
Cash and time deposits	¥ 114,138	¥ 114,138	¥ —
Trade receivables	352,094	352,094	—
Investment securities			
Held-to-maturity debt securities	94	94	(0)
Investment securities in subsidiaries and affiliated companies	17,753	13,665	(4,088)
Other securities	139,491	139,491	—
<b>Assets</b>	<b>¥ 623,570</b>	<b>¥ 619,482</b>	<b>¥ (4,088)</b>
Trade payables	¥ 209,465	¥ 209,465	¥ —
Short-term bank loans	131,444	131,444	—
Commercial paper	10,000	10,000	—
Bonds *1	44,053	44,089	36
Long-term bank loans *2	462,080	468,931	6,851
<b>Liabilities</b>	<b>¥ 857,042</b>	<b>¥ 863,929</b>	<b>¥ 6,887</b>
Derivative transactions *3			
Hedge accounting is not applied	¥ (85)	¥ (85)	¥ —
Hedge accounting is applied	(539)	(539)	—
<b>Derivative transactions</b>	<b>¥ (624)</b>	<b>¥ (624)</b>	<b>¥ —</b>



Thousands of U.S. dollars

	2015		
	Carrying value	Fair value	Unrealized gain
Cash and time deposits	\$ 968,275	\$ 968,275	\$ —
Trade receivables	3,377,750	3,377,750	—
Investment securities			
Held-to-maturity debt securities	700	700	0
Investment securities in subsidiaries and affiliated companies	229,050	229,942	892
Other securities	1,510,292	1,510,292	—
<b>Assets</b>	<b>\$ 6,086,067</b>	<b>\$ 6,086,958</b>	<b>\$ 892</b>
Trade payables	\$ 1,834,775	\$ 1,834,775	\$ —
Short-term bank loans	1,186,217	1,186,217	—
Commercial paper	41,667	41,667	—
Bonds *1	1,166,917	1,388,475	221,558
Long-term bank loans *2	3,400,208	3,443,750	43,542
<b>Liabilities</b>	<b>\$ 7,629,783</b>	<b>\$ 7,894,883</b>	<b>\$ 265,100</b>
Derivative transactions *3			
Hedge accounting is not applied	\$ (1,608)	\$ (1,608)	\$ —
Hedge accounting is applied	(3,317)	(3,317)	—
<b>Derivative transactions</b>	<b>\$ (4,925)</b>	<b>\$ (4,925)</b>	<b>\$ —</b>

\*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
	2015	2014	2015
Unlisted securities	<b>¥ 79,533</b>	¥ 72,663	<b>\$ 662,775</b>

Unlisted 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, 2015 and 2014

	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	<b>¥ 116,193</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>
Trade receivables	<b>405,329</b>	<b>1</b>	<b>—</b>	<b>—</b>
Investment securities				
Held-to-maturity debt securities	<b>7</b>	<b>70</b>	<b>7</b>	<b>—</b>
Other securities	<b>4,282</b>	<b>—</b>	<b>10</b>	<b>700</b>
	<b>¥ 525,811</b>	<b>¥ 71</b>	<b>¥ 17</b>	<b>¥ 700</b>

	Millions of yen			
	2014			
	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	¥ 114,138	¥ —	¥ —	¥ —
Trade receivables	352,094	—	—	—
Investment securities				
Held-to-maturity debt securities	3	82	9	—
Other securities	725	—	10	800
	¥ 466,960	¥ 82	¥ 19	¥ 800

	Thousands of U.S. dollars			
	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	<b>\$ 968,275</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
Trade receivables	<b>3,377,742</b>	<b>8</b>	<b>—</b>	<b>—</b>
Investment securities				
Held-to-maturity debt securities	<b>58</b>	<b>583</b>	<b>58</b>	<b>—</b>
Other securities	<b>35,683</b>	<b>—</b>	<b>83</b>	<b>5,833</b>
	<b>\$ 4,381,758</b>	<b>\$ 592</b>	<b>\$ 142</b>	<b>\$ 5,833</b>

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, 2015 and 2014, information on securities classified as held-to-maturity debt securities was as follows:

	Millions of yen				Thousands of U.S. dollars			
	2015				2015			
	Carrying value	Fair value	Unrealized gains	Unrealized losses	Carrying value	Fair value	Unrealized gains	Unrealized losses
Held-to-maturity debt securities	¥ 84	¥ 84	¥ 0	¥ —	\$ 700	\$ 700	\$ 0	\$ —

	Millions of yen			
	2014			
	Carrying value	Fair value	Unrealized gains	Unrealized losses
Held-to-maturity debt securities	¥ 94	¥ 94	¥ —	¥ 0

At March 31, 2015 and 2014, information on securities classified as other securities was as follows:

	Millions of yen				Thousands of U.S. dollars			
	2015				2015			
	Carrying value	Acquisition cost	Unrealized gains	Unrealized losses	Carrying value	Acquisition cost	Unrealized gains	Unrealized losses
Other securities	¥ 181,235	¥ 67,556	¥ 114,383	¥ 704	\$ 1,510,292	\$ 562,967	\$ 953,192	\$ 5,867

	Millions of yen			
	2014			
	Carrying value	Acquisition cost	Unrealized gains	Unrealized losses
Other securities	¥ 139,491	¥ 65,303	¥ 75,558	¥ 1,370

## 7. DERIVATIVES

The Company and its consolidated subsidiaries had the following derivative contracts outstanding at March 31, 2015 and 2014:

Hedge accounting is not applied	Millions of yen			Thousands of U.S. dollars		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
<b>2015</b>						
Forward foreign exchange contracts:						
Buying U.S. dollar	¥4,843	¥ 59	¥ 59	\$ 40,358	\$ 492	\$ 492
Buying euro	42	0	0	350	0	0
Buying Thai baht	366	34	34	3,050	283	283
Buying Japanese yen	2,578	(27)	(27)	21,483	(225)	(225)
Selling U.S. dollar	8,628	(189)	(189)	71,900	(1,575)	(1,575)
Selling euro	477	2	2	3,975	17	17
Selling British pound	131	(1)	(1)	1,092	(8)	(8)
Selling Chinese yuan	8	0	0	67	0	0
Selling Japanese yen	1,099	(5)	(5)	9,158	(42)	(42)
Foreign currency swaps:						
Receiving U.S. dollar, paying Korean won	1,198	(74)	(74)	9,983	(617)	(617)
Receiving U.S. dollar, paying Thai baht	1,835	4	4	15,292	33	33
Interest rate swaps:						
Floating-rate receipt, fixed-rate payment	1,098	4	4	9,150	33	33
	¥ —	¥ (193)	¥ (193)	\$ —	\$ (1,608)	\$ (1,608)

	Millions of yen		
	Contract amount	Fair value	Unrealized gain (loss)
<b>2014</b>			
Forward foreign exchange contracts:			
Buying U.S. dollar	¥4,802	¥ 37	¥ 37
Buying euro	44	0	0
Buying British pound	5	0	0
Buying Thai baht	442	(2)	(2)
Buying Australian dollar	1	0	0
Buying New Zealand dollar	3	0	0
Buying Japanese yen	879	(23)	(23)
Selling U.S. dollar	6,891	(4)	(4)
Selling euro	196	1	1
Selling British pound	130	0	0
Selling Chinese yuan	8	0	0
Selling Japanese yen	1,304	34	34
Foreign currency swaps:			
Receiving U.S. dollar, paying Korean won	1,449	(144)	(144)
Interest rate swaps:			
Floating-rate receipt, fixed-rate payment	1,000	16	16
	¥ —	¥ (85)	¥ (85)

**Hedge accounting is applied**

Millions of yen

		2015		
Hedge accounting method	Type of derivative and principal hedged items	Contract amount	Fair value	Estimation method for fair value
<b>Deferral hedge method</b>	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 correspondent financial institutions
	Selling Japanese yen (put)	126	5	
Foreign currency swaps:				
Accounted for as part of long-term bank loans				
Receiving U.S. dollar, paying Korean won	3,460	(35)	The price provided by correspondent financial institutions	
Interest rate swaps:				
Accounted for as part of long-term bank loans				
Floating-rate receipt, fixed-rate payment	641	(15)	The price provided by correspondent financial institutions	
<b>Special accounting method for interest rate swaps</b>	Interest rate swaps:			
	Accounted for as part of bonds and long-term bank loans			
	Floating-rate receipt, fixed-rate payment	26,200 <sup>*1</sup>		
	Floating-rate receipt, floating-rate payment	37,600		—
Fixed-rate receipt, floating rate payment	53,000			
<b>Allocation method for forward foreign exchange contracts</b>	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)			
	Receiving U.S. dollar, paying Japanese yen	20,000	(330)	The price provided by correspondent financial institutions
	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables			
	Buying U.S. dollar	21,497 <sup>*2</sup>		
	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 <sup>*2</sup>			
Receiving Australian dollar, paying Japanese yen	3,129		—	
		¥ —	¥ (398)	



		Millions of yen		
		2014		
Hedge accounting method	Type of derivative and principal hedged items	Contract amount	Fair value	Estimation method for fair value
<b>Deferral hedge method</b>	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables			
	Buying U.S. dollar	¥ 221	¥ (4)	Forward foreign exchange quotes
	Buying Japanese yen	2,991	(202)	
	Selling U.S. dollar	738	8	
	Selling euro	131	4	
	Foreign currency options:			
	Accounted for as part of trade payables			
	Buying Japanese yen (call)	1,270	(67)	The price provided by correspondent financial institutions
	Selling Japanese yen (put)	875	44	
Foreign currency swaps:				
Accounted for as part of bonds and long-term bank loans			The price provided by correspondent financial institutions	
Receiving U.S. dollar, paying Korean won	4,076	(74)		
Interest rate swaps:				
Accounted for as part of long-term bank loans			The price provided by correspondent financial institutions	
Floating-rate receipt, fixed-rate payment	5,011	(92)		
<b>Special accounting method for interest rate swaps</b>	Interest rate swaps:			
	Accounted for as part of bonds and long-term bank loans			
	Floating-rate receipt, fixed-rate payment	58,200 *1		
	Floating-rate receipt, floating-rate payment	57,600		—
Fixed-rate receipt, floating-rate payment	68,000			
<b>Allocation method for forward foreign exchange contracts</b>	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables (Forecasted transactions)			
	Buying U.S. dollar	26,027	36	Forward foreign exchange quotes
	Buying euro	1,186	17	
	Buying Chinese yuan	1,259	(23)	
	Buying Korean won	4,185	(57)	
	Selling U.S. dollar	15,848	(74)	
	Selling euro	2,199	(55)	
	Selling British pound	1	0	
	Selling Chinese yuan	43	0	
	Selling Japanese yen	40	0	
	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables			
	Buying U.S. dollar	18,528 *2		
	Buying euro	64		
	Buying Chinese yuan	15		
	Buying Japanese yen	4		
	Selling U.S. dollar	35,901		—
	Selling euro	4,703		
	Selling British pound	30		
	Selling Chinese yuan	189		
	Selling Thai baht	108		
Foreign currency swaps:				
Accounted for as part of long-term bank loans			—	
Receiving U.S. dollar, paying Japanese yen	152,156 *2			
Receiving Australian dollar, paying Japanese yen	3,129			
		¥ —	¥ (539)	

Thousands of U.S. dollars

		2015		
Hedge accounting method	Type of derivative and principal hedged items	Contract amount	Fair value	Estimation method for fair value
<b>Deferral hedge method</b>	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables			
	Buying U.S. dollar	\$ 858	\$ 42	Forward foreign exchange quotes
	Buying Japanese yen	11,242	(192)	
	Selling U.S. dollar	5,050	(100)	
	Selling euro	2,125	(17)	
	Foreign currency options:			
	Accounted for as part of trade payables			
	Buying Japanese yen (call)	1,750	(67)	The price provided by
	Selling Japanese yen (put)	1,050	42	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	28,833	(292)	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	5,342	(125)	correspondent financial institutions	
<b>Special accounting method for interest rate swaps</b>	Interest rate swaps:			
	Accounted for as part of bonds and long-term bank loans			
	Floating-rate receipt, fixed-rate payment	218,333 *1		
	Floating-rate receipt, floating-rate payment	313,333		—
Fixed-rate receipt, floating rate payment	441,667			
<b>Allocation method for forward foreign exchange contracts</b>	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables (Forecasted transactions)			
	Buying U.S. dollar	216,692	2,633	Forward foreign exchange quotes
	Buying euro	21,617	(750)	
	Buying Canadian dollar	3,958	(8)	
	Buying Chinese yuan	16,608	500	
	Buying Korean won	1,267	67	
	Buying Indian rupee	9,033	25	
	Selling U.S. dollar	198,517	(2,792)	
	Selling euro	12,917	517	
	Selling British pound	50	0	
	Selling Chinese yuan	2,375	(33)	
	Selling Thai baht	475	(8)	
	Selling Japanese yen	892	(8)	
	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	166,667	(2,750)	correspondent financial institutions
	Forward foreign exchange contracts:			
	Accounted for as part of trade receivables and trade payables			
	Buying U.S. dollar	179,142 *2		
	Buying euro	2,150		
	Buying British pound	92		
	Buying Chinese yuan	683		
	Buying Korean won	1,292		
	Buying Japanese yen	33		
	Selling U.S. dollar	303,633		
	Selling euro	24,200		
Selling British pound	283			
Selling Chinese yuan	11,658			
Selling Thai baht	650			
Foreign currency swaps:				
Accounted for as part of long-term bank loans				
Receiving U.S. dollar, paying Japanese yen	1,286,000 *2			
Receiving Australian dollar, paying Japanese yen	26,075			
	\$ —	\$ (3,317)		

\*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, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Retirement benefit obligation at beginning of the year	¥ 192,516	¥ 181,735	\$ 1,604,300
Cumulative effect of changes in accounting policies	24,477	—	203,975
Restated balance	216,993	181,735	1,808,275
Service cost	7,358	5,927	61,317
Interest cost	1,769	3,590	14,742
Actuarial gains and losses	(610)	12,106	(5,083)
Retirement benefit paid	(16,100)	(15,650)	(134,167)
Past service cost	(97)	(33)	(808)
Effect of significant business combinations	—	3,115	—
Other	1,438	1,726	11,983
Retirement benefit obligation at end of the year	¥ 210,751	¥ 192,516	\$ 1,756,258

The changes in the plan assets at fair value during the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Plan assets at beginning of the year	¥ 123,844	¥ 117,661	\$ 1,032,033
Expected return on plan assets	2,657	2,408	22,142
Actuarial gains and losses	18,024	8,516	150,200
Contributions	6,809	4,724	56,742
Retirement benefit paid	(11,612)	(12,000)	(96,767)
Effect of significant business combinations	—	1,710	—
Other	819	825	6,825
Plan assets at end of the year	¥ 140,541	¥ 123,844	\$ 1,171,175

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2015 and 2014 for the Company's and its consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded retirement benefit obligation	¥ 114,841	¥ 112,024	\$ 957,008
Plan assets at fair value	(140,541)	(123,844)	(1,171,175)
	(25,700)	(11,820)	(214,167)
Unfunded retirement benefit obligation	95,910	80,492	799,250
Net liability for retirement benefits in the balance sheets	70,210	68,672	585,083
Net defined benefit liability	106,293	93,172	885,775
Net defined benefit asset (included in other non-current assets)	(36,083)	(24,500)	(300,692)
Net liability for retirement benefits in the balance sheets	¥ 70,210	¥ 68,672	\$ 585,083

The components of retirement benefit expense for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥ 7,358	¥ 5,927	\$ 61,317
Interest cost	1,769	3,590	14,742
Expected return on plan assets	(2,657)	(2,408)	(22,142)
Amortization of actuarial gains and losses	9,234	6,522	76,950
Amortization of past service cost	(3,566)	(2,866)	(29,717)
Retirement benefit expense	¥ 12,138	¥ 10,765	\$ 101,150

In addition to the above, special severance payments of ¥519 million (\$4,325 thousand) and ¥733 million were recognized for the years ended March 31, 2015 and 2014, respectively. Contributions to the defined contribution pension plan of ¥5,544 million (\$46,200 thousand) and ¥5,224 million were recognized for the years ended March 31, 2015 and 2014, respectively.

The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Past service cost	¥ (3,469)	¥ —	\$ (28,908)
Actuarial gains and losses	27,580	(105)	229,833
Total	¥ 24,111	¥ (105)	\$ 200,925

The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized past service cost	¥(12,909)	¥(16,378)	\$ (107,575)
Unrecognized actuarial gains and losses	13,816	41,396	115,133
Total	¥ 907	¥ 25,018	\$ 7,558

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2015 and 2014 was as follows:

	2015	2014
Bonds	11%	13%
Stocks	59%	53%
Life insurance	22%	28%
Cash and time deposits	4%	6%
Other	4%	0%
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:

	2015	2014
Discount rate	primarily 0.6%	primarily 2.0%
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 ¥347 million (\$2,892 thousand) and ¥322 million for the years ended March 31, 2015 and 2014, respectively.

2. Information on stock options issued

The following table summarizes the stock options outstanding as of March 31, 2015.

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
Position and number of grantees	Members of the Board of the Company	28	26	26	25
	Directors of the Company	32	32	26	27
Type and number of shares to be issued upon exercise	Common stock	747,000 shares	844,000 shares	583,000 shares	569,000 shares
Grant date		August 20, 2011	August 4, 2012	August 10, 2013	August 9, 2014
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	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	June 25, 2014- June 24, 2015
Exercise period		August 21, 2011- August 20, 2041	August 5, 2012- August 4, 2042	August 11, 2013- August 10, 2043	August 10, 2014- August 9, 2044

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	<b>2</b>	<b>4</b>	<b>5</b>
Type and number of shares to be issued upon exercise	Common stock	<b>20,000 shares</b>	<b>38,468 shares</b>	<b>41,120 shares</b>
Grant date		<b>March 19, 2010</b>	<b>March 18, 2011</b>	<b>March 23, 2012</b>
Vesting conditions		<b> Holders must be in continuous employment from the grant date to the vesting date of March 18, 2013</b>	<b> Holders must be in continuous employment from the grant date to the vesting date of March 17, 2014</b>	<b> Holders must be in continuous employment from the grant date to the vesting date of March 22, 2015</b>
Vesting period		<b>March 19, 2010- March 18, 2013</b>	<b>March 18, 2011- March 17, 2014</b>	<b>March 23, 2012- March 22, 2015</b>
Exercise period		<b>March 19, 2013- March 18, 2020</b>	<b>March 18, 2014- March 17, 2021</b>	<b>March 23, 2015- March 22, 2022</b>

The following table summarizes movements of stock options during the year and price information on stock options as of March 31, 2015. 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
Stock acquisition rights not yet vested					
As of March 31, 2014		—	—	<b>171,000</b>	—
Granted		—	—	—	<b>569,000</b>
Forfeited		—	—	—	—
Vested		—	—	<b>171,000</b>	<b>399,000</b>
As of March 31, 2015		—	—	—	<b>170,000</b>
Stock acquisition rights already vested					
As of March 31, 2014		<b>518,000</b>	<b>737,000</b>	<b>412,000</b>	—
Vested		—	—	<b>171,000</b>	<b>399,000</b>
Exercised		<b>71,000</b>	<b>110,000</b>	<b>78,000</b>	—
Forfeited		—	—	—	—
As of March 31, 2015		<b>447,000</b>	<b>627,000</b>	<b>505,000</b>	<b>399,000</b>

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, 2013		—	—	—
Granted		—	—	—
Forfeited		—	—	—
Vested		—	—	—
As of December 31, 2014		—	—	—
Stock acquisition rights already vested				
As of December 31, 2013		<b>202,260</b>	<b>18,815</b>	<b>75,240</b>
Vested		—	—	—
Exercised		<b>65,852</b>	—	—
Forfeited		—	—	—
As of December 31, 2014		<b>136,408</b>	<b>18,815</b>	<b>75,240</b>

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, 2013	—	<b>28,468</b>	<b>41,120</b>
Granted	—	—	—
Forfeited	—	—	—
Vested	—	<b>28,468</b>	—
As of December 31, 2014	—	—	<b>41,120</b>
Stock acquisition rights already vested			
As of December 31, 2013	<b>20,000</b>	—	—
Vested	—	<b>28,468</b>	—
Exercised	—	—	—
Forfeited	—	—	—
As of December 31, 2014	<b>20,000</b>	<b>28,468</b>	—

## (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
Exercise price	<b>¥ 1</b>	<b>¥ 1</b>	<b>¥ 1</b>	<b>¥ 1</b>
Weighted average price at exercise	<b>665</b>	<b>665</b>	<b>665</b>	—
Fair value per share at the grant date	<b>513</b>	<b>394</b>	<b>546</b>	<b>605</b>

Won

Company name	Toray Chemical Korea Inc.		
	No.1 Stock Option Plan	No.2 Stock Option Plan	No.3 Stock Option Plan
Exercise price	<b>₩ 6,030</b>	<b>₩ 8,480</b>	<b>₩ 6,900</b>
Weighted average price at exercise	<b>13,025</b>	—	—
Fair value per share at the grant date	<b>5,006</b>	<b>7,067</b>	<b>5,597</b>

Won

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

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
Exercise price	<b>\$ 0.01</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>
Weighted average price at exercise	<b>5.54</b>	<b>5.54</b>	<b>5.54</b>	—
Fair value per share at the grant date	<b>4.28</b>	<b>3.28</b>	<b>4.55</b>	<b>5.04</b>

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	<b>\$ 5.45</b>	<b>\$ 7.67</b>	<b>\$ 6.24</b>
Weighted average price at exercise	<b>11.78</b>	—	—
Fair value per share at the grant date	<b>4.53</b>	<b>6.39</b>	<b>5.06</b>

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	<b>\$ 9.76</b>	<b>\$ 10.76</b>	<b>\$ 9.02</b>
Weighted average price at exercise	—	—	—
Fair value per share at the grant date	<b>7.34</b>	<b>8.42</b>	<b>4.85</b>

### 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.4 Stock Option Plan
Expected volatility <sup>*1</sup>	<b>32.308%</b>
Expected holding period <sup>*2</sup>	<b>8 years</b>
Expected dividend <sup>*3</sup>	<b>¥10 per share (\$0.08)</b>
Risk-free rate <sup>*4</sup>	<b>0.361%</b>

\*1 The expected volatility is based on actual share prices during 8 years from August 10, 2006 to August 8, 2014.

\*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, 2014.

\*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 used for calculating deferred tax assets and liabilities for the years ended March 31, 2015 and 2014 were 35.6% and 38.0%, respectively.

At March 31, 2015 and 2014, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Accrued bonuses	¥ <b>6,091</b>	¥ 6,154	<b>\$ 50,758</b>
Net defined benefit liability	<b>36,633</b>	35,001	<b>305,275</b>
Tax loss carryforwards	<b>36,630</b>	39,172	<b>305,250</b>
Unrealized intercompany profits	<b>13,107</b>	13,736	<b>109,225</b>
Investments in subsidiaries and affiliated companies	<b>17,259</b>	23,047	<b>143,825</b>
Other	<b>36,853</b>	36,559	<b>307,108</b>
	<b>146,573</b>	153,669	<b>1,221,442</b>
Valuation allowance	<b>(41,113)</b>	(48,394)	<b>(342,608)</b>
Total deferred tax assets	<b>105,460</b>	105,275	<b>878,833</b>
Deferred tax liabilities:			
Reserve for advanced depreciation	<b>5,422</b>	6,653	<b>45,183</b>
Depreciation	<b>25,402</b>	20,948	<b>211,683</b>
Undistributed earnings of subsidiaries and affiliated companies	<b>15,325</b>	11,287	<b>127,708</b>
Unrealized gains on securities	<b>35,923</b>	25,706	<b>299,358</b>
Other	<b>22,761</b>	14,419	<b>189,675</b>
Total deferred tax liabilities	<b>104,833</b>	79,013	<b>873,608</b>
Net deferred tax assets	¥ <b>627</b>	¥ 26,262	<b>\$ 5,225</b>

At March 31, 2015 and 2014, deferred tax assets and liabilities were classified as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets - current	<b>¥ 31,034</b>	¥ 25,600	<b>\$ 258,617</b>
Deferred tax assets - non-current	<b>13,294</b>	21,441	<b>110,783</b>
Deferred tax liabilities - current (included in other current liabilities)	<b>32</b>	21	<b>267</b>
Deferred tax liabilities - non-current	<b>43,669</b>	20,758	<b>363,908</b>

The reconciliation of the statutory tax rate and the effective income tax rate for the years ended March 31, 2015 and 2014 was as follows:

	2015	2014
Statutory tax rate	—%	38.0%
Increase (decrease) in taxes resulting from:		
Permanent differences	—	(1.3)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	—	(3.0)
Differences of tax rates for overseas consolidated subsidiaries	—	(5.8)
Undistributed earnings of subsidiaries and affiliated companies	—	3.4
Change in statutory tax rate	—	1.6
Amortization of goodwill	—	1.4
Other	—	(1.4)
Effective income tax rate	—%	32.9%

\* 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 for Partial Amendment of the Income Tax Act, etc." and the "Act for Partial Amendment of the Local Tax Act, etc." were promulgated on March 31, 2015. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 35.6% to 33.1% and 32.3% for the temporary differences expected to be realized or settled in the year beginning April 1, 2015 and for the temporary differences expected to be realized or settled from April 1, 2016, respectively. The effect of the announced reduction

of the effective statutory tax rate was to decrease deferred tax assets, after offsetting deferred tax liabilities, by ¥206 million (\$1,717 thousand) and net deferred losses on hedges by ¥11 million (\$92 thousand), and increase deferred income taxes by ¥3,861 million (\$32,175 thousand), net unrealized gains on securities by ¥3,620 million (\$30,167 thousand) and remeasurements of defined benefit plans by ¥46 million (\$383 thousand) as of and for the year ended March 31, 2015.

## 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 2015 annual stockholders' meeting, stockholders approved the payment of cash dividends of ¥6.00 per share, aggregating to ¥9,595 million (\$79,958 thousand) which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2015.

## 12. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2015, 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	<b>¥ 4,400</b>	<b>\$ 36,667</b>
Loans receivable outstanding	<b>2,761</b>	<b>23,008</b>
Balance	<b>¥ 1,639</b>	<b>\$ 13,658</b>

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

At March 31, 2015 and 2014, contingent liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
As guarantors of loans to:			
Unconsolidated subsidiaries and affiliated companies	<b>¥ 4,552</b>	¥ 3,324	<b>\$ 37,933</b>
Other	<b>6,346</b>	8,052	<b>52,883</b>
	<b>¥ 10,898</b>	¥ 11,376	<b>\$ 90,817</b>
Notes discounted	<b>¥ —</b>	¥ 1,060	<b>\$ —</b>
Export bills discounted	<b>1,341</b>	627	<b>11,175</b>
Notes endorsed	<b>743</b>	892	<b>6,192</b>
Contingent liabilities associated with securitization of receivables	<b>¥ 10,032</b>	¥ 11,531	<b>\$ 83,600</b>

## 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 ¥133 million

(\$1,108 thousand) and ¥209 million for the years ended March 31, 2015 and 2014, 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, 2015 and 2014 was as follows:

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

	Millions of yen		
	Acquisition costs	Accumulated depreciation/ amortization	Net book value
March 31, 2014:			
Machinery and equipment	¥ 1,727	¥ 1,581	¥ 146
	¥ 1,727	¥ 1,581	¥ 146

	Thousands of U.S. dollars		
	Acquisition costs	Accumulated depreciation/ amortization	Net book value
<b>March 31, 2015:</b>			
Machinery and equipment	<b>\$ 842</b>	<b>\$ 742</b>	<b>\$ 100</b>
	<b>\$ 842</b>	<b>\$ 742</b>	<b>\$ 100</b>

Future minimum lease payments under finance leases subsequent to March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥ 10	¥ 134	\$ 83
Due after one year	2	12	17
<b>Total</b>	<b>¥ 12</b>	<b>¥ 146</b>	<b>\$ 100</b>

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, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥ 411	¥ 420	\$ 3,425
Due after one year	1,687	1,755	14,058
<b>Total</b>	<b>¥ 2,098</b>	<b>¥ 2,175</b>	<b>\$ 17,483</b>

## 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, 2015 and 2014 were ¥59,504 million (\$495,867 thousand) and ¥55,500 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, 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 (\$65,958 thousand).

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

Location	Use	Classification	Millions of yen	Thousands of U.S. dollars
			Loss on impairment	
Kaohsiung City, Taiwan	Films production facilities	Machinery and equipment	¥ 3,359	\$ 27,992
Gumi-si, Gyeongsangbuk-do, Korea	Aramid fiber production facilities	Machinery and equipment	¥ 1,808	\$ 15,067
		Other	26	217

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%.

For the year ended March 31, 2014, the carrying value of certain business-use assets for which profitability declined and assets to be disposed were written down to the recoverable amount. As a result, the Company and its consolidated subsidiaries recognized a loss on impairment of fixed assets in the amount of ¥14,390 million.

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

Location	Use	Classification	Millions of yen
			Loss on impairment
Urayasu, Chiba, Japan	Second Head Office Bldg.	Buildings	¥ 1,131
		Land	7,060
		Other	3
St-Maurice de Beynost, France	Films production facilities	Machinery and equipment	¥ 3,385
		Other	506

The recoverable amount of the above assets was measured at their value in use or the net selling value. The value in use was calculated by discounting future cash flows at a discount rate of 8%, and the net selling value was calculated based on the real estate appraisal value.



## 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, 2015 and 2014.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net unrealized gains on securities:			
Amount arising during the year	¥ 41,773	¥ 21,039	\$ 348,108
Reclassification adjustments for gains and losses included in net income	(50)	(8)	(417)
Before tax effect	41,723	21,031	347,692
Tax effect	(10,415)	(7,080)	(86,792)
Net unrealized gains on securities	31,308	13,951	260,900
Net deferred gains on hedges:			
Amount arising during the year	(110)	(432)	(917)
Reclassification adjustments for gains and losses included in net income	225	72	1,875
Assets acquisition cost adjustment	42	896	350
Before tax effect	157	536	1,308
Tax effect	(60)	(204)	(500)
Net deferred gains on hedges	97	332	808
Foreign currency translation adjustments:			
Amount arising during the year	64,219	94,366	535,158
Reclassification adjustments for gains and losses included in net income	(2)	(12)	(17)
Before tax effect	64,217	94,354	535,142
Tax effect	(32)	—	(267)
Foreign currency translation adjustments	64,185	94,354	534,875
Remeasurements of defined benefit plans:			
Amount arising during the year	18,443	(199)	153,692
Reclassification adjustments for gains and losses included in net income	5,668	94	47,233
Before tax effect	24,111	(105)	200,925
Tax effect	(8,492)	23	(70,767)
Remeasurements of defined benefit plans	15,619	(82)	130,158
Share of other comprehensive income of unconsolidated subsidiaries and affiliated companies accounted for by the equity method:			
Amount arising during the year	5,315	5,225	44,292
Reclassification adjustments for gains and losses included in net income	(129)	(13)	(1,075)
Share of other comprehensive income of unconsolidated subsidiaries and affiliated companies accounted for by the equity method	5,186	5,212	43,217
Total other comprehensive income	¥ 116,395	¥ 113,767	\$ 969,958

## 17. BUSINESS COMBINATIONS

### Significant adjustments to initial allocation of acquisition costs

With respect to the acquisition of Zoltek Companies, Inc., the allocation of acquisition costs was not completed in the year ended March 31, 2014.

It was completed in the year ended March 31, 2015 and the resulting goodwill revision was as follows:

Revised accounts	Amount of goodwill revision	
	Millions of yen	Thousands of U.S. dollars
Goodwill (before revision)	<b>¥ 28,973</b>	<b>\$ 241,442</b>
Intangible assets	<b>(7,156)</b>	<b>(59,633)</b>
Deferred tax assets	<b>(2,898)</b>	<b>(24,150)</b>
Current liabilities	<b>1,415</b>	<b>11,792</b>
Deferred tax liabilities	<b>2,898</b>	<b>24,150</b>
Other	<b>21</b>	<b>175</b>
Total revision	<b>¥ (5,720)</b>	<b>\$ (47,667)</b>
Goodwill (after revision)	<b>¥ 23,253</b>	<b>\$ 193,775</b>

## 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.

### (Changes in Accounting Policy Resulting from Revisions to Accounting Standards)

As described in Note 1. SIGNIFICANT ACCOUNTING POLICIES of the Notes to Consolidated Financial Statements, the Company and its domestic consolidated subsidiaries have revised the calculation method for retirement benefit obligations and service costs. Accordingly, the Company and its domestic consolidated subsidiaries have also revised the calculation method for retirement benefit obligations and service costs in each reportable segment.

As a result, segment income increased by ¥505 million (\$4,208 thousand) in the Fibers & Textiles segment, ¥405 million (\$3,375 thousand) in the Plastics & Chemicals segment, ¥374 million (\$3,117 thousand) in the IT-related Products segment, ¥241 million (\$2,008 thousand) in the Carbon Fiber Composite Materials segment, ¥307 million (\$2,558 thousand) in the Environment & Engineering segment and ¥191 million (\$1,592 thousand) in the Life Sciences segment.

### (Changes in Accounting Policy Difficult to Distinguish from Changes in Accounting Estimate)

As described in Note 1. SIGNIFICANT ACCOUNTING POLICIES of the Notes to Consolidated Financial Statements, the primary depreciation method of property, plant and equipment (except lease assets), which was previously the declining-balance method for the Company and its domestic consolidated subsidiaries, has been changed to the straight-line method from the year ended March 31, 2015.

As a result, segment income increased by ¥1,193 million (\$9,942 thousand) in the Fibers & Textiles segment, ¥2,140 million (\$17,833 thousand) in the Plastics & Chemicals segment, ¥1,685 million (\$14,042 thousand) in the IT-related Products segment, ¥1,611 million (\$13,425 thousand) in the Carbon Fiber Composite Materials segment, ¥191 million (\$1,592 thousand) in the Environment & Engineering segment, ¥495 million (\$4,125 thousand) in the Life Science segment and ¥14 million (\$117 thousand) in Others, and corporate expenses included in Adjustments decreased by ¥489 million (\$4,075 thousand).

### (Changes in Accounting Estimate)

As described in Note 1. SIGNIFICANT ACCOUNTING POLICIES of the Notes to Consolidated Financial Statements, when accounting for retirement benefits, actuarial gains and losses and past service costs were previously amortized primarily over 15 years but are now amortized primarily over 14 years, effective from the year ended March 31, 2015, due to a decrease in the employees' average remaining years of service.

As a result, segment income decreased by ¥531 million (\$4,425 thousand) in the Fibers & Textiles segment, ¥391 million (\$3,258 thousand) in the Plastics & Chemicals segment, ¥351 million (\$2,925 thousand) in the IT-related Products segment, ¥237 million (\$1,975 thousand) in the Carbon Fiber Composite Materials segment, ¥239 million (\$1,992 thousand) in the Environment & Engineering segment and ¥197 million (\$1,642 thousand) in the Life Sciences segment.

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

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)	—
<b>Total sales</b>	<b>¥ 857,746</b>	<b>¥ 526,760</b>	<b>¥ 254,995</b>	<b>¥ 158,713</b>	<b>¥ 242,855</b>	<b>¥ 57,040</b>	<b>¥ 30,381</b>	<b>¥ 2,128,490</b>	<b>¥ (117,756)</b>	<b>¥ 2,010,734</b>
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

Millions of yen										
Year ended March 31, 2014:	Fibers & Textiles	Plastics & Chemicals	IT- related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Total	Adjustments	Consolidated Total
Sales to outside customers	¥ 755,474	¥ 470,542	¥ 245,741	¥ 113,342	¥ 180,197	¥ 58,205	¥ 14,277	¥ 1,837,778	¥ —	¥ 1,837,778
Intersegment sales	1,213	32,751	7,139	308	60,907	1	16,199	118,518	(118,518)	—
<b>Total sales</b>	<b>¥ 756,687</b>	<b>¥ 503,293</b>	<b>¥ 252,880</b>	<b>¥ 113,650</b>	<b>¥ 241,104</b>	<b>¥ 58,206</b>	<b>¥ 30,476</b>	<b>¥ 1,956,296</b>	<b>¥ (118,518)</b>	<b>¥ 1,837,778</b>
Segment income	¥ 52,919	¥ 18,010	¥ 24,586	¥ 16,927	¥ 6,397	¥ 5,605	¥ 1,987	¥ 126,431	¥ (21,178)	¥ 105,253
Segment assets	¥ 618,469	¥ 507,133	¥ 361,102	¥ 341,762	¥ 202,146	¥ 76,440	¥ 57,717	¥ 2,164,769	¥ (45,086)	¥ 2,119,683
Depreciation and amortization	19,368	19,688	18,331	14,339	2,843	2,134	1,235	77,938	805	78,743
Investment in unconsolidated subsidiaries and affiliated companies accounted for by the equity method	24,148	41,252	4,006	3,432	9,996	2,853	5,422	91,109	(587)	90,522
Capital expenditures	26,842	19,386	20,059	40,290	3,333	8,632	1,069	119,611	(1,404)	118,207

Thousands of U.S. dollars

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	\$ 7,138,967	\$ 4,136,417	\$ 2,066,458	\$ 1,319,708	\$ 1,499,900	\$ 475,325	\$ 119,342	\$ 16,756,117	\$ —	\$ 16,756,117
Intersegment sales	8,917	253,250	58,500	2,900	523,892	8	133,833	981,300	(981,300)	—
Total sales	\$ 7,147,883	\$ 4,389,667	\$ 2,124,958	\$ 1,322,608	\$ 2,023,792	\$ 475,333	\$ 253,175	\$ 17,737,417	\$ (981,300)	\$ 16,756,117
Segment income	\$ 463,333	\$ 198,958	\$ 204,117	\$ 218,567	\$ 66,833	\$ 33,933	\$ 15,842	\$ 1,201,583	\$ (172,575)	\$ 1,029,008
Segment assets	\$ 5,878,875	\$ 4,684,533	\$ 3,003,342	\$ 3,639,675	\$ 1,701,383	\$ 691,108	\$ 476,967	\$ 20,075,883	\$ (426,508)	\$ 19,649,375
Depreciation and amortization	193,617	157,975	130,850	132,608	34,075	19,058	9,600	677,783	1,217	679,000
Investment in unconsolidated subsidiaries and affiliated companies accounted for by the equity method	284,975	383,017	16,483	65,183	92,350	28,008	50,125	920,142	(5,775)	914,367
Capital expenditures	308,225	178,817	136,033	379,125	27,100	20,517	10,067	1,059,883	(18,808)	1,041,075

**Notes:**

- "Others" represents service-related businesses such as analysis, survey and research.
- a) "Adjustments" of segment income for the year ended March 31, 2015 of ¥(20,709) million (\$ (172,575) thousand) includes intersegment eliminations of ¥(1,303) million (\$ (10,858) thousand) and corporate expenses of ¥(19,406) million (\$ (161,717) thousand). "Adjustments" of segment income for the year ended March 31, 2014 of ¥(21,178) million includes intersegment eliminations of ¥(934) million and corporate expenses of ¥(20,244) 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, 2015 of ¥(51,181) million (\$ (426,508) thousand) includes intersegment eliminations of ¥(69,543) million (\$ (579,525) thousand) and corporate assets of ¥18,362 million (\$ (153,017) thousand). "Adjustments" of segment assets for the year ended March 31, 2014 of ¥(45,086) million includes intersegment eliminations of ¥(63,419) million and corporate assets of ¥18,333 million. The corporate assets consist of the headquarters' research assets, etc. that are not allocated to each reportable segment.
- "Segment income" is reconciled to operating income.

**(Related information)**

Geographic information

*Sales to outside customers*

Millions of yen

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

Millions of yen

Year ended March 31, 2014:	Japan	Asia		North America, Europe and other areas	Total
		China	Others		
Sales to outside customers	¥ 925,867	¥ 305,742	¥ 323,151	¥ 283,018	¥ 1,837,778

Thousands of U.S. dollars

Year ended March 31, 2015:	Japan	Asia		North America, Europe and other areas	Total
		China	Others		
Sales to outside customers	\$ 7,748,308	\$ 2,871,208	\$ 3,233,017	\$ 2,903,583	\$ 16,756,117

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

*Property, plant and equipment, net*

Millions of yen

March 31, 2015:	Japan	Asia		North America, Europe and other areas	Total
		Republic of Korea	Others		
Property, plant and equipment, net	¥ 321,535	¥ 164,467	¥ 173,970	¥ 195,621	¥ 855,593

Millions of yen

March 31, 2014:	Japan	Asia		North America, Europe and other areas	Total
		Republic of Korea	Others		
Property, plant and equipment, net	¥305,161	¥152,570	¥154,781	¥168,723	¥781,235

Thousands of U.S. dollars

March 31, 2015:	Japan	Asia		North America, Europe and other areas	Total
		Republic of Korea	Others		
Property, plant and equipment, net	\$ 2,679,458	\$ 1,370,558	\$ 1,449,750	\$ 1,630,175	\$ 7,129,942

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

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

Millions of yen

Year ended March 31, 2014:	Fibers & Textiles	Plastics & Chemicals	IT- related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Elimination & Corporate	Total
Loss on impairment	¥ 1,687	¥ 6,826	¥ 2,425	¥ 2,512	¥ 259	¥ 681	¥ —	¥ —	¥ 14,390

Thousands of U.S. dollars

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	\$ 16,042	\$ 12,875	\$ 30,100	\$ —	\$ 6,942	\$ —	\$ —	\$ —	\$ 65,958

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

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

Millions of yen

Year ended March 31, 2014:	Fibers & Textiles	Plastics & Chemicals	IT- related Products	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Others	Elimination & Corporate	Total
Amortization of goodwill	¥ (25)	¥ 191	¥ 3,070	¥ 300	¥ —	¥ —	¥ —	¥ —	¥ 3,536
Balance of goodwill	12,724	1,384	24,801	29,976	3,414	—	1	—	72,300

Thousands of U.S. dollars

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	\$ 10,325	\$ 1,950	\$ 25,908	\$ 22,158	\$ 2,867	\$ —	\$ 8	\$ —	\$ 63,217
Balance of goodwill	105,200	9,833	180,767	204,158	28,117	—	—	—	528,075

"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 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 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
	2015	2014	2015
Net income:			
Basic	¥ 44.33	¥ 36.59	\$ 0.37
Diluted	44.28	35.70	0.37
Cash dividends applicable to the year	11.00	10.00	0.09
Net assets	616.70	527.32	5.14

## 20. SUBSEQUENT EVENTS

### Year ended March 31, 2015

Toray Advanced Materials Korea Inc., a consolidated subsidiary of the Company, made a tender offer for the shares in Toray Chemical Korea Inc., another consolidated subsidiary of the Company. The outline and result of the tender offer are as follows:

#### 1. Outline of the tender offer

- (1) Name of the target company: Toray Chemical Korea Inc.
- (2) Type of stock certificates to be acquired: Common stock
- (3) Tender offer period: From March 31, 2015 to April 20, 2015 (21 days)

#### 2. Result of the tender offer

- (1) Number of shares acquired: 14,160,640 shares
- (2) Ownership percentage after the tender offer: 86.85% (calculated after excluding treasury stock)
- (3) Tender offer price: 20,000 won per share of common stock

In addition, Toray Advanced Materials Korea Inc. has decided to acquire the remaining shares in Toray Chemical Korea Inc. through a second round of the tender offer.

#### 1. Outline of the tender offer

- (1) Name of the target company: Toray Chemical Korea Inc.
- (2) Type of stock certificates to be acquired: Common stock
- (3) Tender offer period: From May 22, 2015 to July 20, 2015 (60 days)
- (4) Expected number of shares to be acquired: 6,091,047 shares
- (5) Expected ownership percentage after the tender offer: 100.00%
- (6) Tender offer price: 20,000 won per share of common stock



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## 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, 2015, 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, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Emphasis of Matter*

As described in Note 1, from the year ended March 31, 2015, the Company and its domestic consolidated subsidiaries changed the primary depreciation method of property, plant and equipment (except lease assets) from the declining-balance method to the straight-line method. Our opinion is not qualified in respect of this matter.

### *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 24, 2015  
Tokyo, Japan

# Investor Information

(As of March 31, 2015)

## Common Stock:

Issued: 1,599,106,347 shares  
(excluding treasury stock)

Number of Stockholders: 162,527

## 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

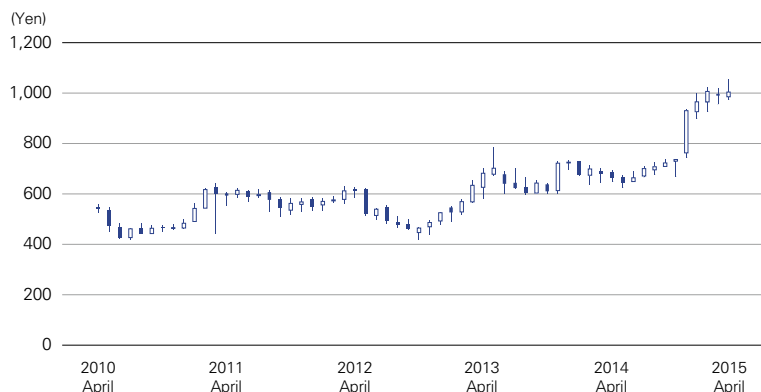
	2015	2014
Total for the year	¥11.00	¥10.00
Interim	5.00	5.00

## Principal Stockholders

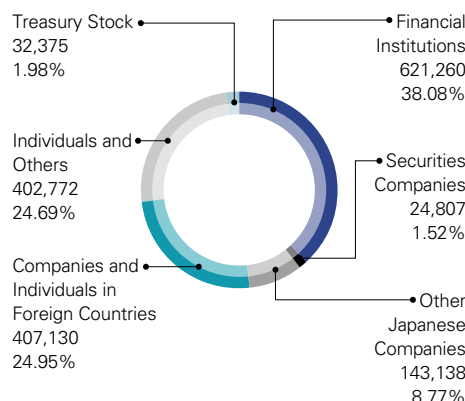
	Thousands of shares	Percentage of shares held
The Master Trust Bank of Japan, Ltd. (Trust Account)	114,625	7.17
Japan Trustee Services Bank, Ltd. (Trust Account)	84,800	5.30
Nippon Life Insurance Co.	71,212	4.45
Mitsui Life Insurance Co., Ltd.	35,961	2.25
Sumitomo Mitsui Banking Corporation	30,022	1.88
Japan Trustee Services Bank, Ltd. (Trust 4 Account)	22,340	1.40
State Street Bank West Client – Treaty 505234	20,375	1.27
The Bank of New York Mellon SA/NV 10	20,241	1.27
Mitsui Fudosan Co., Ltd.	19,460	1.22
Mitsui Sumitomo Insurance Co., Ltd.	17,638	1.10

\* Percentage of shares held is calculated excluding 32,375,056 shares of treasury stock.

## Stock Price Range



## Composition of Stockholders (Thousands of shares)



# Corporate Data

(As of March 31, 2015)

## 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:

45,789

Parent company: 7,232  
Japanese subsidiaries: 10,299  
Overseas subsidiaries: 28,258

**Toray Industries, Inc.**

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>

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