Innovation by Chemistry

February 8, 2019

[Summary] Consolidated Results for the Nine Months Ended December 31, 2018

Tokyo, February 8, 2019 - Toray Industries, Inc. ("Toray") today announced its consolidated business results for the nine months ended December 31, 2018 of the fiscal year ending March 31, 2019 ("FY2018"). The following summary of the business results that Toray submitted to the Tokyo Stock Exchange is unaudited and for reference only. (Code Number: 3402)

Consolidated Business Results

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

	Nine months ended December 31,				(Reference) FY2017
	2018	2017	Change	**2018**	
	Yen		%	*U.S. dollars*	Yen
Net sales	**¥1,808,330**	¥1,648,844	9.7	***$16,291***	¥2,204,858
Operating income	**112,360**	123,356	(8.9)	***1,012***	156,464
Ordinary income	**111,425**	121,557	(8.3)	***1,004***	152,305
Net income attributable to owners of parent	**81,335**	77,628	4.8	***733***	95,915
Earnings per share - Basic (Yen)	**50.84**	48.54	-	-	59.97
Earnings per share - Diluted (Yen)	**50.78**	48.48	-	-	59.90

Consolidated Financial Condition

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

	As of December 31, 2018		As of March 31, 2018
	Yen	*U.S. dollars*	Yen
Total assets	**¥2,781,042**	***$25,054***	¥2,575,910
Net assets	**1,211,388**	***10,913***	1,169,188
Equity ratio	**40.6%**	-	42.3%

Cash Dividends

(Yen)

	Cash dividends per share				
	1Q	2Q	3Q	4Q	Total
FY2017	-	**¥7.00**	-	**¥8.00**	**¥15.00**
FY2018	-	**8.00**	-		
FY2018 (forecast)				**8.00**	**16.00**

Notes:
1. For calculation of “Equity ratio”, non-controlling interests and stock acquisition rights are deducted from net assets.
2. U.S. dollar amounts have been converted from yen at the exchange rate of ¥111.0 = US$1, the approximate rate of exchange prevailing on December 31, 2018.
3. Amounts are rounded to the nearest million.

Segment Information

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

Net Sales	Nine months ended December 31,		
	2018	2017	**2018**
	Yen		*U.S. dollars*
Fibers & Textiles	**¥761,087**	¥697,586	***$6,857***
Performance Chemicals	**654,885**	599,700	***5,900***
Carbon Fiber Composite Materials	**154,292**	128,201	***1,390***
Environment & Engineering	**184,575**	170,881	***1,663***
Life Science	**40,222**	39,797	***362***
Others	**13,269**	12,679	***120***
Consolidated Total	**1,808,330**	1,648,844	***16,291***

Segment Income	Nine months ended December 31,		
	2018	2017	**2018**
	Yen		*U.S. dollars*
Fibers & Textiles	**¥60,312**	¥58,563	***$543***
Performance Chemicals	**51,959**	55,731	***468***
Carbon Fiber Composite Materials	**8,374**	15,068	***75***
Environment & Engineering	**7,914**	9,362	***71***
Life Science	**1,243**	1,949	***11***
Others	**1,747**	1,685	***16***
Total	**131,549**	142,358	***1,185***
Adjustments	**(19,189)**	(19,002)	***(173)***
Consolidated Total (Operating income)	**112,360**	123,356	***1,012***

Notes:
1. “Others” represents service-related businesses such as analysis, physical evaluation and research.
2. “Adjustments” of segment income for the nine months ended December 31, 2018 of ¥(19,189) million includes intersegment eliminations of ¥(187) million and corporate expenses of ¥(19,002) million. “Adjustment” of segment income for the nine months ended December 31, 2017 of ¥(19,002) million includes intersegment eliminations of ¥(945) million and corporate expenses of ¥(18,057) million. The corporate expenses consist of the headquarters’ research expenses that are not allocated to each reportable segment.
3. U.S. dollar amounts have been converted from yen at the exchange rate of ¥111.0 = US$1, the approximate rate of exchange prevailing on December 31, 2018.
4. Amounts are rounded to the nearest million.

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

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

	Year ending March 31, 2019	
	Yen	*U.S. dollars*
Net sales	¥2,400,000	*$21,818*
Operating income	140,000	*1,273*
Ordinary income	135,000	*1,227*
Net income attributable to owners of parent	90,000	*818*

Reference: EPS forecast (year ending March 31, 2019) ¥56.26

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

Consolidated Business Results and Financial Condition

1. Overview of the Nine Months Ended December 31, 2018

During the period under review, the global economy performed well in general, underpinned by the strong U.S. economy despite having risk factors such as the negotiations of the U.K.'s exit from EU and spreading concerns over emerging countries, while trade friction intensified and China's slowdown became evident in late 2018. The Japanese economy continued on its gradual recovery track, as both the corporate and household sectors remained steady.
At the same time, however, the rise in raw material and fuel prices had a negative impact on Toray Group's profit.
Under such circumstances, Toray Group, since April, 2017, has been working on the medium-term management program "Project AP-G 2019" that spans over three years through fiscal year 2019 and has been implementing the growth strategy with focus on taking advantage of growth business fields, pursuing business expansion in growth countries and regions as well as further bolstering its cost competitiveness.

As a result, consolidated net sales for the nine months ended December 31, 2018 increased 9.7% compared with the same period a year earlier to ¥1,808.3 billion (US$16,291 million). Operating income declined 8.9% to ¥112.4 billion (US$1,012 million), and ordinary income fell 8.3% to ¥111.4 billion (US$1,004 million). Net income attributable to owners of parent increased 4.8% to ¥81.3 billion (US$733 million).

Business performance by segment is described below.

Business Performance by Segment:

Fibers & Textiles
In Japan, demand for industrial applications such as automobiles was strong as a whole, while shipment of apparel applications remained weak partly due to unseasonable weather. Against this background, Toray Group not only strived to expand sales in each application but also worked to expand the business format that integrates fibers to textiles to final products while focusing on strengthening cost competitiveness.
Overseas, business performance of some subsidiaries in Southeast Asia remained slow, and there were signs of demand slowdown for materials for automotive applications in China and other countries, while the Group expanded the integrated business for apparel applications.
The segment's business both in Japan and abroad was generally affected by the increase in raw material prices.

As a result, overall sales of Fibers & Textiles segment increased 9.1% to ¥761.1 billion (US$6,857 million) compared with the same period a year earlier and operating income rose 3.0% to ¥60.3 billion (US$543 million).

Performance Chemicals
In the resins business, Toray Group expanded sales of automotive applications while passing on the rise in raw material prices to the sales price, but the business was affected by China's economic slowdown. The chemicals business saw an improvement in the basic chemicals market and sales of fine chemical products also increased. In the films business, shipment of battery separator films for lithium-ion secondary batteries increased reflecting demand growth, while polyester films and other products were broadly affected by the increase in raw material prices. The electronic & information materials business was affected by the slowing demand for OLED related materials.

As a result, overall sales of Performance Chemicals segment increased 9.2% to ¥654.9 billion (US$5,900 million) compared with the same period a year earlier. Operating income declined 6.8% to ¥52.0 billion (US$468 million).

Carbon Fiber Composite Materials
In the Carbon Fiber Composite Materials segment, demand for the aircraft application was mostly strong given the completion of the inventory adjustment in the supply chain. Demand for industrial applications as a whole showed a recovery trend primarily in the environment and energy-related fields led by compressed natural gas tank applications and wind turbine blade applications.
However, the segment was affected by rising raw material prices and intensifying competition. The cost of starting a new project at a composite subsidiary overseas increased and the segment also incurred related fees for the acquisition of the entire stake in TenCate Advanced Composites Holding B.V.

As a result, overall sales of Carbon Fiber Composite Materials segment increased 20.4% to ¥154.3 billion (US$1,390 million) compared with the same period a year earlier while operating income fell 44.4% to ¥8.4 billion (US$75 million).

Environment & Engineering
In the water treatment business, demand for reverse osmosis membranes and other products grew strongly on the whole in Japan and abroad.
Among domestic subsidiaries in the segment, an engineering subsidiary experienced decrease in the shipment of some electronics-related equipment, though the trading volume of a trading subsidiary increased.

As a result, overall sales of Environment & Engineering segment increased 8.0% to ¥184.6 billion (US$1,663 million) compared with the same period a year earlier while operating income declined 15.5% to ¥7.9 billion (US$71 million).

Life Science
In the pharmaceutical business, while sales volume of orally active prostacyclin derivative DORNER® increased for overseas markets, the sales were affected by its generic versions and the revision of National Health Insurance drug price standards in Japan. Sales of pruritus treatment REMITCH®* were influenced by the market entry of its generic versions.
The medical devices business was affected by the reduction of the insurance reimbursement prices in Japan and the increase in raw material prices, while

shipment of dialyzers grew strongly in Japan and overseas and sales volume of dialysis machines also expanded.

As a result, overall sales of Life Science segment increased 1.1% to ¥40.2 billion (US$362 million) compared with the same period a year earlier, while operating income declined 36.2% to ¥1.2 billion (US$11 million).
*REMITCH® is a registered trademark of Torii Pharmaceutical Co., Ltd.

2. Analysis of Financial Condition

As of December 31, 2018, Toray Group's total assets stood at ¥2,781.0 billion (US$25,054 million), up ¥205.1 billion from the end of the previous fiscal year, primarily due to increases in notes and accounts receivable as well as property, plant and equipment and intangible assets.

Liabilities increased by ¥162.9 billion to ¥1,569.7 billion (US$14,141 million) compared to the end of the previous fiscal year, owing mainly to a higher level of interest-bearing debts.

Net assets rose ¥42.2 billion compared with the end of the previous fiscal year to ¥1,211.4 billion (US$10,913 million), reflecting an increase in retained earnings due to recording of net income. Net assets less non-controlling interests and stock acquisition rights came to ¥1,129.9 billion (US$10,179 million).

3. Forecast of Consolidated Results

The global economy as a whole is expected to continue its gradual expansion, though the pace of economic expansion is thought to gradually slow given China's decelerating trend and slight slowdown in the U.S. due to peeling off of tax cut effects. Attention should be also paid to risk factors such as increasing trade friction between countries such as the U.S. and China, intensifying economic war, the Chinese economy's rapid deceleration and influence of its impact and the negotiations for the U.K.'s withdrawal from the EU. The Japanese economy is expected to continue on a gradual recovery track on the back of steady increase in consumer spending and capital investment, though there are concerns that the economy may be affected by uncertainties in overseas economies and fluctuations in crude oil prices and in the financial markets.
Under such circumstances, Toray Group will continue to implement the growth strategies under the medium-term management program "Project AP-G 2019."

As for the forecasts for the fiscal year ending March 31, 2019, Toray revised its full year consolidated forecasts reflecting the business performance of the nine months ended December 31, 2018, and the latest economic climate. It now expects consolidated net sales of ¥2,400.0 billion (US$21,818 million), operating income of ¥140.0 billion (US$1,273 million), ordinary income of ¥135.0 billion (US$1,227 million) and net income attributable to owners of parent of ¥90.0 billion (US$818 million). The calculation of consolidated earnings forecasts from January 2019 onwards is based on an assumed foreign currency exchange rate of ¥110.0 to the U.S. dollar.

Notes:
1. U.S. dollar amounts have been converted from yen at the exchange rate of ¥111.0 = US$1, the approximate rate of exchange prevailing on December 31, 2018.
2. U.S. dollar amounts of forecast have been converted from yen at the exchange rate of ¥110.0 = US$1, the estimated rate of exchange from January onwards.

Disclaimer
Descriptions of predicted business results, forecasts and business plans contained in this material are based on predictive forecasts of the future business environment made at the present time. The material in this statement is not a guarantee of Toray's future business performance.

For further information, please contact:

Mr. Naohiro Asami
General Manager
Investor Relations Department
Tel: +81-3-3245-5113
Fax: +81-3-3245-5459

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

Toray Industries, Inc.
www.toray.com