Innovation by Chemistry

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[Summary] Consolidated Results for the Three Months Ended June 30, 2019

Tokyo, August 9, 2019 - Toray Industries, Inc. ("Toray") today announced its consolidated business results for the three months ended June 30, 2019 of the fiscal year ending March 31, 2020 (FY2019). 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)

	Three months ended June 30,				(Reference)
	2019	2018	Change	**2019**	FY2018
	Yen		%	*US$*	Yen
Net sales	**¥544,183**	¥550,778	(1.2)	***$5,048***	¥2,388,848
Operating income	**34,506**	33,871	1.9	***320***	141,469
Ordinary income	**33,892**	35,166	(3.6)	***314***	134,518
Net income attributable to owners of parent	**22,637**	22,834	(0.9)	***210***	79,373
Earnings per share - Basic (Yen)	**14.15**	14.27	-	-	49.61
Earnings per share - Diluted (Yen)	**13.97**	14.26	-	-	49.56

Consolidated Financial Condition

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

	As of June 30, 2019		As of March 31, 2019
	Yen	*US$*	Yen
Total assets	**¥2,755,639**	***$25,563***	¥2,788,351
Net assets	**1,191,609**	***11,054***	1,213,944
Equity ratio	**40.3%**	-	40.6%

Cash Dividends

(Yen)

	Cash dividends per share				
	1Q	2Q	3Q	4Q	Total
FY2018	-	**¥8.00**	-	**¥8.00**	**¥16.00**
FY2019	-				
FY2019 (forecast)		**8.00**	-	**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 ¥107.8 = US$1, the approximate rate of exchange prevailing on June 30, 2019.
3. Amounts are rounded to the nearest million.

Segment Information

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

Net Sales	Three months ended June 30,		
	2019	2018	**2019**
	Yen		*US$*
Fibers & Textiles	**¥208,806**	¥220,978	***$1,937***
Performance Chemicals	**199,970**	212,422	***1,855***
Carbon Fiber Composite Materials	**61,451**	45,722	***570***
Environment & Engineering	**57,387**	54,879	***532***
Life Science	**12,409**	12,636	***115***
Others	**4,160**	4,141	***39***
Consolidated Total	**544,183**	550,778	***5,048***

Segment Income	Three months ended June 30,		
	2019	2018	**2019**
	Yen		*US$*
Fibers & Textiles	**¥14,800**	¥18,483	***$137***
Performance Chemicals	**16,967**	17,201	***157***
Carbon Fiber Composite Materials	**5,891**	3,094	***55***
Environment & Engineering	**1,400**	1,855	***13***
Life Science	**587**	153	***5***
Others	**374**	202	***3***
Total	**40,019**	40,988	***371***
Adjustments	**(5,513)**	(7,117)	***(51)***
Consolidated Total (Operating income)	**34,506**	33,871	***320***

Notes:
1. “Others” represents service-related businesses such as analysis, physical evaluation and research.
2. “Adjustments” of segment income for the three months ended June 30, 2019 of ¥(5,513) million includes intersegment eliminations of ¥236 million and corporate expenses of ¥(5,749) million. “Adjustments” of segment income for the three months ended June 30, 2018 of ¥(7,117) million includes intersegment eliminations of ¥133 million and corporate expenses of ¥(7,250) 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 ¥107.8 = US$1, the approximate rate of exchange prevailing on June 30, 2019.
4. Amounts are rounded to the nearest million.

Forecast of Consolidated Results for the Six Months Ending September 30, 2019

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

	Six Months ending September 30, 2019	
	Yen	*US$*
Net sales	¥1,210,000	*$11,000*
Operating income	70,000	*636*
Ordinary income	67,000	*609*
Net income attributable to owners of parent	39,000	*355*

Reference: EPS forecast (six months ending September 30, 2019) ¥24.38

Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2020

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

	Year ending March 31, 2020	
	Yen	*US$*
Net sales	¥2,530,000	*$23,000*
Operating income	160,000	*1,455*
Ordinary income	155,000	*1,409*
Net income attributable to owners of parent	93,000	*845*

Reference: EPS forecast (year ending March 31, 2020) ¥58.13

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 July onwards.
2. Amounts are rounded to the nearest million.

Consolidated Business Results and Financial Condition

1. Overview of the Three Months Ended June 30, 2019

During the period under review, the global economy slowed down due to growing uncertainties caused by concerns regarding the intensifying trade frictions resulting from the tariff increases by the U.S. against China and the rising geographical risks in areas such as Middle East. The Japanese economy lacked strength, showing vulnerability in exports and production reflecting concerns of a slowdown in the global economy, despite general firmness in the corporate and household sectors.
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 three months ended June 30, 2019 declined 1.2% compared with the same period a year earlier to ¥544.2 billion (US$5,048 million). Operating income increased 1.9% to ¥34.5 billion (US$320 million), while ordinary income fell 3.6% to ¥33.9 billion (US$314 million). Net income attributable to owners of parent declined by 0.9% to ¥22.6 billion (US$210 million).

Business performance by segment is described below.

Business Performance by Segment:

Fibers & Textiles
In Japan, while demand for some automotive applications was strong, shipment of apparel and industrial applications remained weak. Against this background, Toray Group not only pursued sales expansion of uniform applications in Japan and sports applications in the U.S. and Europe but also focused on strengthening cost competitiveness.
Overseas, various applications were affected by the weak market conditions reflecting prolonged trade frictions between the U.S. and China and slowdown in the Chinese economy. Demand for apparel applications including garments and textiles as well as automotive applications in Europe and China and hygiene products in China remained sluggish.

As a result, overall sales of Fibers & Textiles segment declined 5.5% to ¥208.8 billion (US$1,937 million) compared with the same period a year earlier and operating income fell 19.9% to ¥14.8 billion (US$137 million).

Performance Chemicals
In the resins business, sales in Japan was strong in general, while sales of both automotive and home appliance applications were slow overseas primarily due to the impact of the slowdown in the Chinese economy. The chemicals business was affected by the decline in the basic raw materials market. In the films business, shipment of battery separator films for lithium-ion secondary batteries increased

reflecting demand growth, while polyester films were affected by the inventory adjustment for optical as well as electronic parts applications. The electronic & information materials business saw strong performance of OLED related materials.

As a result, overall sales of Performance Chemicals segment declined 5.9% to ¥200.0 billion (US$1,855 million) compared with the same period a year earlier. Operating income fell 1.4% to ¥17.0 billion (US$157 million).

Carbon Fiber Composite Materials

The Carbon Fiber Composite Materials segment remained strong as a whole. There was an expansion of demand for the aircraft application, strong performance in industrial applications in the environment and energy-related fields such as compressed natural gas tanks and wind turbine blades, and recovery in the demand for sports applications.

As a result, overall sales of Carbon Fiber Composite Materials segment increased 34.4% to ¥61.5 billion (US$570 million) compared with the same period a year earlier and operating income rose 90.4% to ¥5.9 billion (US$55 million).

Environment & Engineering

In the water treatment business, demand for reverse osmosis membranes and other products grew strongly on the whole in Japan and overseas.
Among domestic subsidiaries in the segment, the trading volume of a trading subsidiary increased, while a construction subsidiary was negatively affected by decline of high profit project orders.

As a result, overall sales of Environment & Engineering segment increased 4.6% to ¥57.4 billion (US$532 million) compared with the same period a year earlier while operating income declined 24.5% to ¥1.4 billion (US$13 million).

Life Science

In the pharmaceutical business, while sales volume of orally active prostacyclin derivative DORNER® increased in the overseas markets, its sales were affected by generic versions in Japan. Sales volume of pruritus treatment REMITCH®* grew significantly compared with the same period a year earlier, when the product was affected by the adjustment of distribution stock due to the introduction of generic versions.
In the medical devices business, shipment of dialyzers grew strongly in Japan and overseas.

As a result, overall sales of Life Science segment declined 1.8% to ¥12.4 billion (US$115 million) compared with the same period a year earlier, while operating income increased 283.7% to ¥0.6 billion (US$5 million).

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

2. Analysis of Financial Condition

As of June 30, 2019, Toray Group's total assets stood at ¥2,755.6 billion (US$25,563 million), down ¥32.7 billion from the end of the previous fiscal year, primarily as notes and accounts receivable decreased.

Liabilities fell by ¥10.4 billion to ¥1,564.0 billion (US$14,509 million) compared to the end of the previous fiscal year, owing mainly to declines in notes and accounts payable.

Net assets declined ¥22.3 billion compared with the end of the previous fiscal year to ¥1,191.6 billion (US$11,054 million), reflecting fluctuations in foreign currency translation adjustment. Net assets less non-controlling interests and stock acquisition rights came to ¥1,109.5 billion (US$10,292 million).

3. Forecast of Consolidated Results

The global economy as a whole is expected to recover from 2020, though a slowdown in the pace of growth is expected primarily in China and the U.S. However, attention should also be paid to risk factors such as increasing trade frictions between countries such as the U.S. and China, the downward swing in the Chinese economy and the outcome of the negotiations for U.K.'s withdrawal from the EU. The Japanese economy is expected to continue on a gradual recovery track on the back of improvement in the employment and income environment while growths in exports and production are likely to slow. Nevertheless, it is necessary to note the economic impact of the uncertainties in overseas economies and the 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, 2020, Toray has kept its forecasts of full-year consolidated forecasts announced on May 14, 2019 unchanged. The calculation of consolidated earnings forecasts from July 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 ¥107.8 =US$1, the approximate rate of exchange prevailing on June 30, 2019.
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 July 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.

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