Innovation by Chemistry

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[Summary] Consolidated Results for the Nine Months Ended December 31, 2019

Tokyo, February 10, 2020 - Toray Industries, Inc. ("Toray") today announced its consolidated business results for the nine months ended December 31, 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)

	Nine months ended December 31,				(Reference) FY2018
	2019	2018	Change	**2019**	
	Yen		%	*US$*	Yen
Net sales	**¥1,681,422**	¥1,808,330	(7.0)	***$15,341***	¥2,388,848
Operating income	**104,451**	112,360	(7.0)	***953***	141,469
Ordinary income	**101,005**	111,425	(9.4)	***922***	134,518
Net income attributable to owners of parent	**66,174**	81,335	(18.6)	***604***	79,373
Earnings per share - Basic (Yen)	**41.36**	50.84	-	-	49.61
Earnings per share - Diluted (Yen)	**40.98**	50.78	-	-	49.56

Consolidated Financial Condition

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

	As of December 31, 2019		As of March 31, 2019
	Yen	*US$*	Yen
Total assets	**¥2,786,408**	***$25,423***	¥2,788,351
Net assets	**1,244,427**	***11,354***	1,213,944
Equity ratio	**41.6%**	-	40.6%

Cash Dividends

(Yen)

	Cash dividends per share				
	1Q	2Q	3Q	4Q	Total
FY2018	-	**¥8.00**	-	**¥8.00**	**¥16.00**
FY2019	-	**8.00**	-		
FY2019 (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 ¥109.6 = US$1, the approximate rate of exchange prevailing on December 31, 2019.
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,		
	2019	2018	**2019**
	Yen		*US$*
Fibers & Textiles	**¥682,192**	¥761,087	***$6,224***
Performance Chemicals	**589,123**	654,885	***5,375***
Carbon Fiber Composite Materials	**180,207**	154,292	***1,644***
Environment & Engineering	**176,791**	184,575	***1,613***
Life Science	**40,018**	40,222	***365***
Others	**13,091**	13,269	***119***
Consolidated Total	**1,681,422**	1,808,330	***15,341***

Segment Income	Nine months ended December 31,		
	2019	2018	**2019**
	Yen		*US$*
Fibers & Textiles	**¥47,928**	¥60,312	***$437***
Performance Chemicals	**47,972**	51,959	***438***
Carbon Fiber Composite Materials	**16,626**	8,374	***152***
Environment & Engineering	**5,685**	7,914	***52***
Life Science	**1,880**	1,243	***17***
Others	**2,156**	1,747	***20***
Total	**122,247**	131,549	***1,115***
Adjustments	**(17,796)**	(19,189)	***(162)***
Consolidated Total (Operating income)	**104,451**	112,360	***953***

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, 2019 of ¥(17,796) million includes intersegment eliminations of ¥427 million and corporate expenses of ¥(18,223) million. “Adjustment” 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. 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 ¥109.6 = US$1, the approximate rate of exchange prevailing on December 31, 2019.
4. Amounts are rounded to the nearest million.

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	¥2,250,000	*$21,429*
Operating income	130,000	*1,238*
Ordinary income	121,000	*1,152*
Net income attributable to owners of parent	72,000	*686*

Reference: EPS forecast (year ending March 31, 2020) ¥45.00

Notes:
1. U.S. dollar amounts have been converted from yen at the exchange rate of ¥105.0 = 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, 2019

During the period under review, the global economy slowed down due to growing uncertainties caused by concerns regarding the intensifying trade frictions between the U.S. and China, the rising geopolitical risks in areas such as the Middle East, and the political confusion over Brexit in Europe. The Japanese economy lacked strength, showing vulnerability in exports and production reflecting the concerns over typhoons and other natural disasters as well as 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 a 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, 2019 declined 7.0% compared with the same period a year earlier to ¥1,681.4 billion (US$15,341 million). Operating income declined 7.0% to ¥104.5 billion (US$953 million), and ordinary income fell 9.4% to ¥101.0 billion (US$922 million). Net income attributable to owners of parent declined 18.6% to ¥66.2 billion (US$604 million).

Business performance by segment is described below.

Business Performance by Segment:

Fibers & Textiles
In Japan, while shipment of apparel and industrial applications remained weak in general, Toray Group pursued sales expansion of materials for uniform in Japan and for sports applications in the U.S. and Europe and focused on strengthening cost competitiveness.
Overseas, all applications were affected by the weak market conditions reflecting the prolonged trade frictions between the U.S. and China and the 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 10.4% to ¥682.2 billion (US$6,224 million) compared with the same period a year earlier and operating income fell 20.5% to ¥47.9 billion (US$437 million).

Performance Chemicals
In the resins business, sales in Japan were 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 chemicals 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 related applications. The electronic & information materials business saw strong performance of OLED related materials and electric circuit materials.

As a result, overall sales of Performance Chemicals segment declined 10.0% to ¥589.1 billion (US$5,375 million) compared with the same period a year earlier. Operating income fell 7.7% to ¥48.0 billion (US$438 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 16.8% to ¥180.2 billion (US$1,644 million) compared with the same period a year earlier and operating income rose 98.5% to ¥16.6 billion (US$152 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, a construction subsidiary was negatively affected by the decline of high profit project orders, and an engineering subsidiary experienced decreases in the shipment of some electronics related equipment.

As a result, overall sales of Environment & Engineering segment declined 4.2% to ¥176.8 billion (US$1,613 million) compared with the same period a year earlier and operating income declined 28.2% to ¥5.7 billion (US$52 million).

Life Science
In the pharmaceutical business, sales of orally active prostacyclin derivative DORNER® were affected by the introduction of its generic versions. While sales of pruritus treatment REMITCH®* were also influenced by the introduction of its generic versions, its shipment was strong partly due to the growth in the entire market.
In the medical devices business, shipment of dialyzers grew strongly in Japan and overseas.

As a result, overall sales of Life Science segment declined 0.5% to ¥40.0 billion (US$365 million) compared with the same period a year earlier, while operating income rose 51.2% to ¥1.9 billion (US$17 million).
*REMITCH® is a registered trademark of Torii Pharmaceutical Co., Ltd.

2. Analysis of Financial Condition

As of December 31, 2019, Toray Group's total assets stood at ¥2,786.4 billion (US$25,423 million), down ¥1.9 billion from the end of the previous fiscal year, primarily as notes and accounts receivable decreased.

Liabilities declined by ¥32.4 billion to ¥1,542.0 billion (US$14,069 million) compared to the end of the previous fiscal year, owing mainly to declines in notes and accounts payable.

Net assets rose ¥30.5 billion compared with the end of the previous fiscal year to ¥1,244.4 billion (US$11,354 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 ¥1,158.7 billion (US$10,572 million).

3. Forecast of Consolidated Results

While the current weakness is likely to continue for the time being, the global economy is expected to gradually bottom out in the first half of 2020. At the same time, the uncertainty remains high given the concern over exacerbation of the trade frictions between countries such as the U.S. and China and the new coronavirus epidemic driving down the Chinese economy. The Japanese economy is expected to continue on a slow recovery track, as exports gradually recover while employment and income stagnate. It is also necessary to note the economic impact of the uncertainties in overseas economies and the fluctuations in crude oil prices and 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 revised its full year consolidated forecasts reflecting the business performance of the nine months ended December 31, 2019 and the latest economic climate. It now expects consolidated net sales of ¥2,250.0 billion (US$21,429 million), operating income of ¥130.0 billion (US$1,238 million), ordinary income of ¥121.0 billion (US$1,152 million) and net income attributable to owners of parent of ¥72.0 billion (US$686 million).

Notes:
1. U.S. dollar amounts have been converted from yen at the exchange rate of ¥109.6 = US$1, the approximate rate of exchange prevailing on December 31, 2019.
2. U.S. dollar amounts of forecast have been converted from yen at the exchange rate of ¥105.0 = 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.

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