

August 6, 2018

[Summary] Consolidated Results for the Three Months Ended June 30, 2018

Tokyo, August 6, 2018 - Toray Industries, Inc. ("Toray") today announced its consolidated business results for the three months ended June 30, 2018 of the fiscal year ending March 31, 2019. 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) FY 2017
	2018	2017	Change	2018	
	Yen		%	U.S. dollars	Yen
Net sales	¥550,778	¥508,088	8.4	\$4,984	¥2,204,858
Operating income	33,871	38,855	(12.8)	307	156,464
Ordinary income	35,166	39,735	(11.5)	318	152,305
Net income attributable to owners of parent	22,834	26,097	(12.5)	207	95,915
Earnings per share - Basic (Yen)	14.27	16.32	-	-	59.97
Earnings per share - Diluted (Yen)	14.26	16.30	-	-	59.90

Consolidated Financial Condition

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

	As of June 30, 2018		As of March 31, 2018
	Yen	U.S. dollars	Yen
Total assets	¥2,601,005	\$23,539	¥2,575,910
Net assets	1,184,263	10,717	1,169,188
Equity ratio	42.5%	-	42.3%

Cash Dividends

(Yen)

	Cash dividends per share				
	1Q	2Q	3Q	4Q	Total
FY2017	-	¥7.00	-	¥8.00	¥15.00
FY2018	-				
FY2018 (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 ¥110.5 = U.S.\$1, the approximate rate of exchange prevailing on June 30, 2018.
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,		
	2018	2017	2018
	Yen		U.S. dollars
Fibers & Textiles	¥220,978	¥201,129	\$2,000
Performance Chemicals	212,422	191,197	1,922
Carbon Fiber Composite Materials	45,722	42,730	414
Environment & Engineering	54,879	56,863	497
Life Science	12,636	12,194	114
Others	4,141	3,975	37
Consolidated Total	550,778	508,088	4,984

Segment Income	Three months ended June 30,		
	2018	2017	2018
	Yen		U.S. dollars
Fibers & Textiles	¥18,483	¥17,622	167
Performance Chemicals	17,201	16,638	156
Carbon Fiber Composite Materials	3,094	5,695	28
Environment & Engineering	1,855	4,280	17
Life Science	153	841	1
Others	202	215	2
Total	40,988	45,291	371
Adjustments	(7,117)	(6,436)	(64)
Consolidated Total (Operating income)	33,871	38,855	307

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, 2018 of (7,117) million yen includes intersegment eliminations of 133 million yen and corporate expenses of (7,250) million yen. "Adjustments" of segment income for the three months ended June 30, 2017 of (6,436) million yen includes intersegment eliminations of (368) million yen and corporate expenses of (6,068) million yen. 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 ¥110.5 = U.S.\$1, the approximate rate of exchange prevailing on June 30, 2018.
4. Amounts are rounded to the nearest million.

Forecast of Consolidated Results for the Six Months Ending September 30, 2018

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

	Six Months ending September 30, 2018	
	Yen	<i>U.S. dollars</i>
Net sales	¥1,190,000	\$10,818
Operating income	79,000	718
Ordinary income	77,000	700
Net income attributable to owners of parent	48,000	436

Reference: EPS forecast (six months ending September 30, 2018) ¥30.01

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	<i>U.S. dollars</i>
Net sales	¥2,450,000	22,273
Operating income	165,000	1,500
Ordinary income	160,000	1,455
Net income attributable to owners of parent	98,000	891

Reference: EPS forecast (year ending March 31, 2019) ¥61.26

Notes:

1. U.S. dollar amounts have been converted from yen at the exchange rate of ¥110.0 = U.S.\$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, 2018

During the period under review, the U.S. and Europe witnessed a gradual economic recovery. In many emerging countries, there were signs of the economy picking up. The Japanese economy, in general, continued on its modest recovery track with both corporate and household sectors performing strongly.

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 in April 2017 embarked on the new medium-term management program "Project AP-G 2019" that spans over three years from fiscal year 2017 to 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, 2018 increased 8.4% compared with the same period of the previous fiscal year to ¥550.8 billion (US\$4,984 million). Operating income declined 12.8% to ¥33.9 billion (US\$307 million), and ordinary income fell 11.5% to ¥35.2 billion (US\$318 million). Net income attributable to owners of parent declined by 12.5% to ¥22.8 billion (US\$207 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 both apparel and industrial applications 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. On the other hand, materials for automotive applications and hygiene products remained strong in general and the Group expanded the integrated business for apparel applications.

The segment's business both in Japan and abroad was affected by the increase in raw material prices.

As a result, overall sales of Fibers & Textiles segment increased 9.9% to ¥221.0 billion (US\$2,000 million) compared with the same period a year earlier and operating income rose 4.9% to ¥18.5 billion (US\$167 million).

Performance Chemicals

In the resin business, Toray Group also expanded sales of ABS and PPS resins while passing on rise in raw material prices to the sales price. The film business in general performed well, as shipment of battery separator films for lithium-ion secondary

batteries increased reflecting demand growth. 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 11.1% to ¥212.4 billion (US\$1,922 million) compared with the same period a year earlier and operating income rose 3.4% to ¥17.2 billion (US\$156 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 the 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 and 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 7.0% to ¥45.7 billion (US\$414 million) compared with the same period a year earlier while operating income fell 45.7% to ¥3.1 billion (US\$28 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 decreases in plant constructions and the shipment of electronics-related equipment.

As a result, overall sales of Environment & Engineering segment fell 3.5% to ¥54.9 billion (US\$497 million) compared with the same period a year earlier and operating income declined 56.7% to ¥1.9 billion (US\$17 million).

Life Science

In the pharmaceutical business, while sales volume of orally active prostacyclin derivative DORNER[®] increased for overseas markets, the sales was affected by its generic versions and the revision of National Health Insurance drug price standards. Sales of pruritus treatment REMITCH^{®*} were influenced by the adjustment in inventories with distributors ahead of 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.

As a result, overall sales of Life Science segment increased 3.6% to ¥12.6 billion (US\$114 million) compared with the same period a year earlier, while operating income declined 81.8% to ¥0.2 billion (US\$2 million).

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

2. Analysis of Financial Condition

As of June 30, 2018, Toray Group's total assets stood at ¥2,601.0 billion (US\$23,539 million), up ¥25.1 billion from the end of the previous fiscal year, primarily due to increases in inventories as well as property, plant and equipment.

Liabilities increased by ¥10.0 billion to ¥1,416.7 billion (US\$12,821 million) compared to the end of the previous fiscal year, owing mainly to a higher level of interest-bearing debts.

Net assets rose ¥15.1 billion compared with the end of the previous fiscal year to ¥1,184.3 billion (US\$10,717 million), reflecting an increase in retained earnings due to recognition of net income. Net assets less non-controlling interests and stock acquisition rights came to ¥1,105.5 billion (US\$10,005 million).

3. Forecast of Consolidated Results

The global economy as a whole is expected to continue its gradual expansion, as the economies of the U.S., Europe and other developed countries maintain their expansion and emerging economies, led by the ASEAN countries and India, perform strongly except for a slight slowdown in China.

However, attention should be paid to risk factors such as increasing trade friction between countries such as the U.S. and China, the protectionist trade policies spreading from the U.S. to other developed countries, and the financial market turmoil caused by moves towards monetary policy normalization in the U.S. and Europe. The Japanese economy is also 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 first quarter, and changes in business environment. It now expects consolidated net sales of ¥2,450.0 billion (US\$22,273 million). Toray has kept its forecasts of full-year consolidated operating income, ordinary income and net income attributable to owners of parent announced on May 10, 2018 unchanged. The calculation of consolidated earnings forecasts from July 2018 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 ¥110.5 = U.S. \$1, the approximate rate of exchange prevailing on June 30, 2018.
2. U.S. dollar amounts of forecast have been converted from yen at the exchange rate of ¥110.0 = U.S.\$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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