

November 7, 2019

[Summary] Consolidated Results for the Six Months Ended September 30, 2019

Tokyo, November 7, 2019 - Toray Industries, Inc. ("Toray") today announced its consolidated business results for the six months ended September 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)

| | Six months ended September 30, | | | | (Reference) |
|---|--------------------------------|------------|--------|-----------------|-------------|
| | 2019 | 2018 | Change | 2019 | FY2018 |
| | Yen | | % | US\$ | Yen |
| Net sales | ¥1,122,359 | ¥1,191,212 | (5.8) | \$10,400 | ¥2,388,848 |
| Operating income | 71,648 | 77,687 | (7.8) | 664 | 141,469 |
| Ordinary income | 69,357 | 77,395 | (10.4) | 643 | 134,518 |
| Net income attributable to owners of parent | 45,658 | 48,504 | (5.9) | 423 | 79,373 |
| Earnings per share - Basic (Yen) | 28.54 | 30.32 | - | - | 49.61 |
| Earnings per share - Diluted (Yen) | 28.17 | 30.29 | - | - | 49.56 |

Consolidated Financial Condition

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

| | As of September 30, 2019 | | As of March 31, 2019 |
|--------------|--------------------------|-----------------|----------------------|
| | Yen | US\$ | Yen |
| Total assets | ¥2,698,325 | \$25,003 | ¥2,788,351 |
| Net assets | 1,199,505 | 11,115 | 1,213,944 |
| Equity ratio | 41.4% | - | 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 ¥107.9 = US\$1, the approximate rate of exchange prevailing on September 30, 2019.
3. Amounts are rounded to the nearest million.

Segment Information

| Net Sales | (Millions of yen, <i>millions of U.S. dollars</i>) | | |
|----------------------------------|---|-----------|----------------|
| | Six months ended September 30, | | |
| | 2019 | 2018 | 2019 |
| | Yen | | US\$ |
| Fibers & Textiles | ¥451,234 | ¥503,072 | \$4,181 |
| Performance Chemicals | 397,655 | 434,971 | 3,685 |
| Carbon Fiber Composite Materials | 120,451 | 96,454 | 1,116 |
| Environment & Engineering | 117,438 | 121,414 | 1,088 |
| Life Science | 26,562 | 26,277 | 246 |
| Others | 9,019 | 9,024 | 84 |
| Consolidated Total | 1,122,359 | 1,191,212 | 10,400 |

| Segment Income | Six months ended September 30, | | |
|--|--------------------------------|----------|--------------|
| | 2019 | 2018 | 2019 |
| | Yen | | US\$ |
| | | | |
| Fibers & Textiles | ¥32,057 | ¥41,786 | \$297 |
| Performance Chemicals | 33,668 | 35,799 | 312 |
| Carbon Fiber Composite Materials | 10,722 | 5,961 | 99 |
| Environment & Engineering | 3,879 | 5,711 | 36 |
| Life Science | 1,311 | 677 | 12 |
| Others | 1,280 | 823 | 12 |
| Total | 82,917 | 90,757 | 768 |
| Adjustments | (11,269) | (13,070) | (104) |
| Consolidated Total (Operating income) | 71,648 | 77,687 | 664 |

Notes:

1. "Others" represents service-related businesses such as analysis, physical evaluation and research.
2. "Adjustments" of segment income for the six months ended September 30, 2019 of ¥(11,269) million includes intersegment eliminations of ¥679 million and corporate expenses of ¥(11,948) million. "Adjustments" of segment income for the six months ended September 30, 2018 of ¥(13,070) million includes intersegment eliminations of ¥9 million and corporate expenses of ¥(13,079) 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 ¥107.9= US\$1, the approximate rate of exchange prevailing on September 30, 2019.
4. Amounts are rounded to the nearest million.

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

| | (Millions of yen, <i>millions of U.S. dollars</i>) | |
|---|---|----------|
| | Year ending March 31, 2020 | |
| | Yen | US\$ |
| Net sales | ¥2,330,000 | \$22,190 |
| Operating income | 145,000 | 1,381 |
| Ordinary income | 138,000 | 1,314 |
| Net income attributable to owners of parent | 83,000 | 790 |

Reference: EPS forecast (year ending March 31, 2020) ¥51.88

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

Consolidated Business Results and Financial Condition

1. Overview of the Six Months Ended September 30, 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 and the rising geographical risks in areas such as the 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 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 six months ended September 30, 2019 declined 5.8% compared with the same period a year earlier to ¥1,122.4 billion (US\$10,400 million). Operating income fell 7.8% to ¥71.6 billion (US\$664 million), and ordinary income declined 10.4% to ¥69.4 billion (US\$643 million). Net income attributable to owners of parent declined by 5.9% to ¥45.7 billion (US\$423 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, the 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, various applications were affected by the weak market conditions reflecting the prolonged trade friction 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 10.3% to ¥451.2 billion (US\$4,181 million) compared with the same period a year earlier and operating income fell 23.3% to ¥32.1 billion (US\$297 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 8.6% to ¥397.7 billion (US\$3,685 million) compared with the same period a year earlier. Operating income fell 6.0% to ¥33.7 billion (US\$312 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 24.9% to ¥120.5 billion (US\$1,116 million) compared with the same period a year earlier and operating income rose 79.9% to ¥10.7 billion (US\$99 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 decreased 3.3% to ¥117.4 billion (US\$1,088 million) compared with the same period a year earlier and operating income declined 32.1% to ¥3.9 billion (US\$36 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 increased 1.1% to ¥26.6 billion (US\$246 million) compared with the same period a year earlier, and operating income rose 93.6% to ¥1.3 billion (US\$12 million).

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

2. Analysis of Financial Condition

As of September 30, 2019, Toray Group's total assets stood at ¥2,698.3 billion (US\$25,003 million), down ¥90.0 billion from the end of the previous fiscal year, primarily as cash and deposits as well as notes and accounts receivable decreased.

Liabilities declined by ¥75.6 billion to ¥1,498.8 billion (US\$13,888 million) compared to the end of the previous fiscal year, owing mainly to declines in notes and accounts payable as well as interest-bearing debts.

Net assets fell ¥14.4 billion compared with the end of the previous fiscal year to ¥1,199.5 billion (US\$11,115 million), reflecting fluctuations in foreign currency translation adjustment. Net assets less non-controlling interests and stock acquisition rights came to ¥1,116.7 billion (US\$10,348 million).

3. Forecast of Consolidated Results

While the current slowdown will continue for a certain period, the global economy is expected to bottom out at the end of 2019 or the beginning of 2020. At the same time, the stagnation may continue given the growing risk factors such as the increasing trade frictions between countries such as the U.S. and China, a 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."

Taking into account the business performance for the first six months of the fiscal year and the recent economic climate, Toray revised its full-year consolidated forecasts. It now expects consolidated net sales of ¥2,330.0 billion (US\$22,190 million), operating income of ¥145.0 billion (US\$1,381 million), ordinary income of ¥138.0 billion (US\$1,314 million) and net income attributable to owners of parent of ¥83.0 billion (US\$790 million).

Notes:

1. U.S. dollar amounts have been converted from yen at the exchange rate of ¥107.9 = US\$1, the approximate rate of exchange prevailing on September 30, 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 October 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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