

Toray Announces Consolidated Results for the Fiscal Year Ended March 31, 2019

Tokyo, May 14, 2019 - Toray Industries, Inc. ("Toray") today announced its consolidated business results for the fiscal year ended 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)

| | Year ended March 31, | | | |
|---|----------------------|------------|--------|-----------------|
| | 2019 | 2018 | Change | 2019 |
| | Yen | | % | US\$ |
| Net sales | ¥2,388,848 | ¥2,204,858 | 8.3 | \$21,521 |
| Operating income | 141,469 | 156,464 | (9.6) | 1,274 |
| Ordinary income | 134,518 | 152,305 | (11.7) | 1,212 |
| Net income attributable to owners of parent | 79,373 | 95,915 | (17.2) | 715 |
| Earnings per share - Basic (Yen) | 49.61 | 59.97 | - | - |
| Earnings per share - Diluted (Yen) | 49.56 | 59.90 | - | - |
| Return on equity | 7.1% | 9.1% | - | - |
| Ordinary income to total assets | 5.0% | 6.1% | - | - |
| Operating income to net sales | 5.9% | 7.1% | - | - |

Consolidated Financial Condition

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

| | As of March 31, 2019 | | As of March 31, 2018 |
|----------------------------|----------------------|-----------------|----------------------|
| | Yen | US\$ | Yen |
| Total assets | ¥2,788,351 | \$25,120 | ¥2,575,910 |
| Net assets | 1,213,944 | 10,936 | 1,169,188 |
| Equity ratio | 40.6% | - | 42.3% |
| Net assets per share (Yen) | 706.95 | - | 681.92 |

Cash Dividends

(Yen)

| | Cash dividends per share | | | | |
|-------------------|--------------------------|--------------|----|--------------|---------------|
| | 1Q | 2Q | 3Q | 4Q | Total |
| FY2017 | - | ¥7.00 | - | ¥8.00 | ¥15.00 |
| FY2018 | - | 8.00 | - | 8.00 | 16.00 |
| FY2019 (forecast) | - | 8.00 | - | 8.00 | 16.00 |

Notes:

1. For calculation of “Net assets per share” and “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 March 31, 2019.
3. Amounts are rounded to the nearest million.
4. Comprehensive income for the year ended March 31, 2019 and 2018 is ¥72,576 million (\$654 million) and ¥105,328 million.

Segment Information

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

| Net Sales | Year ended March 31, | | |
|----------------------------------|----------------------|-----------|----------------|
| | 2019 | 2018 | 2019 |
| | Yen | | US\$ |
| Fibers & Textiles | ¥974,265 | ¥913,610 | \$8,777 |
| Performance Chemicals | 868,847 | 803,310 | 7,827 |
| Carbon Fiber Composite Materials | 215,913 | 177,949 | 1,945 |
| Environment & Engineering | 257,673 | 238,256 | 2,321 |
| Life Science | 53,653 | 53,803 | 483 |
| Others | 18,497 | 17,930 | 167 |
| Consolidated Total | 2,388,848 | 2,204,858 | 21,521 |

| Segment Income | Year ended March 31, | | |
|--|----------------------|----------|--------------|
| | 2019 | 2018 | 2019 |
| | Yen | | US\$ |
| Fibers & Textiles | ¥72,880 | ¥72,418 | \$657 |
| Performance Chemicals | 67,702 | 71,363 | 610 |
| Carbon Fiber Composite Materials | 11,542 | 20,764 | 104 |
| Environment & Engineering | 12,236 | 13,287 | 110 |
| Life Science | 1,301 | 1,942 | 12 |
| Others | 3,084 | 2,897 | 28 |
| Total | 168,745 | 182,671 | 1,520 |
| Adjustments | (27,276) | (26,207) | (246) |
| Consolidated Total (Operating income) | 141,469 | 156,464 | 1,274 |

Notes:

1. “Others” represents service-related businesses such as analysis, physical evaluation and research.
2. “Adjustments” of segment income for the year ended March 31, 2019 of ¥(27,276) million includes intersegment eliminations of ¥(1,018) million and corporate expenses of ¥(26,258) million. “Adjustments” of segment income for the year ended March 31, 2018 of ¥(26,207) million includes intersegment eliminations of ¥(1,600) million and corporate expenses of ¥(24,607) 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 March 31, 2019.
4. Amounts are rounded to the nearest million.

Consolidated Geographic Segment Information

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

| Net Sales | | Year ended March 31, 2019 | |
|--------------------------------|--------|---------------------------|----------------|
| | | Yen | US\$ |
| Japan | | ¥1,085,701 | \$9,781 |
| Asia | China | 426,788 | 3,845 |
| | Others | 454,401 | 4,094 |
| North America, Europe & Others | | 421,958 | 3,801 |
| Consolidated Total | | 2,388,848 | 21,521 |

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 March 31, 2019.
2. 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 | ¥2,530,000 | \$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 for FY2019 (April 2019 - March 2020).
2. Amounts are rounded to the nearest million.

Consolidated Business Results and Financial Condition

1. Overview of the FY2018 (April 2018 – March 2019)

During the period under review, the global economy as a whole continued to recover gradually, underpinned by the strong U.S. economy amid prolonged pressure from the uncertain future weighing on the economy, but the pace of growth slowed in the second half of the fiscal year due to intensified trade frictions and the notable deceleration in the Chinese economy. The Japanese economy continued on its gradual recovery track, as both the corporate and household sectors remained steady in general, although there were some weaknesses in exports and production towards the end of the fiscal year.

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 fiscal year ended March 31, 2019 increased 8.3% compared with the previous fiscal year to ¥2,388.8 billion (US\$21,521 million). Operating income declined 9.6% to ¥141.5 billion (US\$1,274 million), and ordinary income fell 11.7% to ¥134.5 billion (US\$1,212 million). Net income attributable to owners of parent declined 17.2% to ¥79.4 billion (US\$715 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 in general, while shipment of apparel applications remained weak partly due to the 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 was affected by a slowdown in demand for materials for automotive and other applications from the second half of the fiscal year, reflecting the deceleration of the Chinese economy. 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 6.6% to ¥974.3 billion (US\$8,777 million) from the previous year and operating income rose 0.6% to ¥72.9 billion (US\$657 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 the economic slowdown in China. 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 in the smartphone market.

As a result, overall sales of Performance Chemicals segment increased 8.2% to ¥868.8 billion (US\$7,827 million) from the previous year. Operating income declined 5.1% to ¥67.7 billion (US\$610 million).

Carbon Fiber Composite Materials

In the Carbon Fiber Composite Materials segment, demand for aircraft applications was mostly strong given the completion of the inventory adjustment in the supply chain. Demand for industrial applications showed a recovery trend for the most part, 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 fees related to 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 21.3% to ¥215.9 billion (US\$1,945 million) from the previous year while operating income fell 44.4% to ¥11.5 billion (US\$104 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, the trading volume of a trading subsidiary increased, while an engineering subsidiary outside Japan was affected by the conclusion of a large-scale plant construction project.

As a result, overall sales of Environment & Engineering segment increased 8.1% to ¥257.7 billion (US\$2,321 million) from the previous year while operating income declined 7.9% to ¥12.2 billion (US\$110 million).

Life Science

In the pharmaceutical business, while sales volume of orally active prostacyclin derivative DORNER[®] increased in the 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 amount 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 declined 0.3% to ¥53.7 billion (US\$483 million) from the previous year and operating income fell 33.0% to ¥1.3 billion (US\$12 million).

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

Financial Position and Cash Flows

As of March 31, 2019, Toray Group's total assets stood at ¥2,788.4 billion (US\$25,120 million), up ¥212.4 billion from the end of the previous fiscal year. Current assets rose ¥64.3 billion as trade notes and accounts receivable increased, while noncurrent assets expanded ¥148.1 billion due to increases in property, plant and equipment and intangible assets.

Total liabilities rose ¥167.7 billion from the end of the previous fiscal year to ¥1,574.4 billion (US\$14,184 million), due primarily to an increase in interest-bearing debts.

Net assets expanded by ¥44.8 billion compared with the end of the previous fiscal year to ¥1,213.9 billion (US\$10,936 million), reflecting an increase in retained earnings due to recognition of net income for the year. Net assets less non-controlling interests and stock acquisition rights stood at ¥1,131.0 billion (US\$10,189 million). The equity ratio at the end of the fiscal year came to 40.6%, a 1.8 percentage-point decrease compared with the level at the end of the previous fiscal year.

Free cash flows for the period, derived by subtracting the cash flows from investing activities from the cash flows from operating activities, were ¥84.0 billion (US\$757 million) in negative. Cash flows, as well as changes in the balances of cash and cash equivalents, for the fiscal year ended March 31, 2019 are as follows:

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

| | Year ended March 31, | | |
|---|----------------------|---------|----------------|
| | 2019 | 2018 | 2019 |
| | Yen | | US\$ |
| Cash flows from operating activities | ¥176.2 | ¥129.2 | \$1,588 |
| Cash flows from investing activities | (260.2) | (186.7) | (2,345) |
| Free cash flows | (84.0) | (57.5) | (757) |
| Cash flows from financing activities | 118.9 | 61.8 | 1,071 |
| Effect of exchange rate changes on cash and cash equivalents | (0.3) | (1.9) | (3) |
| Change in cash and cash equivalents for the year | 34.6 | 2.3 | 311 |
| Cash and cash equivalents at beginning of the year | 134.3 | 131.4 | 1,210 |
| Beginning balance of cash and cash equivalents at subsidiaries not previously included in consolidation | 4.2 | 0.6 | 38 |
| Cash and cash equivalents at end of the year | 173.1 | 134.3 | 1,559 |

Forecast for the FY2019 (April 2019 – March 2020):

The global economy as a whole is expected to recover slightly from late 2019, though it is expected to see a slowdown in the pace of growth primarily in China and the U.S. However, attention should be also paid to risk factors such as increasing trade friction between countries such as the U.S. and China, the downward swing in the Chinese economy and the outcome of 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 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."

After taking into account the business expansion primarily in growth fields such as Green Innovation and Life Innovation in the difficult business environment, Toray Group expects consolidated net sales of ¥2,530.0 billion (US\$23,000 million) for the fiscal year through March 31, 2020, operating income of ¥160.0 billion (US\$1,455 million), ordinary income of ¥155.0 billion (US\$1,409 million), and net income attributable to owners of parent of ¥93.0 billion (US\$845 million).

These forecasts are calculated based on an estimated exchange rate of ¥110.0 to the U.S. dollar after April.

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 March 31, 2019.
2. U.S. dollar amounts of forecast for FY2019 have been converted from yen at the exchange rate of ¥110.0 = US\$1, the estimated rate of exchange for FY2019 (April 2019 - March 2020).

2. Basic Concept regarding Selection of Accounting Standards

During the course of Toray's pursuit to further expand and advance its global business, the decision to voluntarily adopt International Financial Reporting Standards ("IFRS") in place of the currently applied Generally Accepted Accounting Principles in Japan ("Japanese GAAP") has been made in order to improve the international comparability of financial information, which will contribute to bringing further convenience to its stakeholders, and to enhance its business management by unifying accounting standard across Toray group.

Toray plans to start disclosures under IFRS from the 1st quarter of the FY2020.

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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