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August 7, 2023

[Summary] Consolidated Financial Results for the Three Months Ended June 30, 2023 (Under IFRS)

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 Listing: Tokyo Stock Exchange
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 Scheduled date to file quarterly securities report: August 10, 2023
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for Securities Analysts/
 Institutional Investors)

(Yen amounts are rounded to the nearest million.)

1. Consolidated financial results for the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(1) Consolidated financial performance

(Percentages indicate year-on-year changes.)

	Revenue		Core operating income		Operating income		Profit before tax	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2023	578,057	(4.6)	21,906	(19.2)	20,794	(59.1)	25,107	(56.1)
June 30, 2022	605,869	17.9	27,108	(24.9)	50,883	41.8	57,224	39.8

	Profit		Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Three months ended						
June 30, 2023	16,054	(61.9)	13,946	(65.1)	8.71	8.69
June 30, 2022	42,093	29.1	39,921	34.3	24.94	24.89

Notes:

- Comprehensive income for the three months ended June 30, 2023 and 2022 were ¥128,095 million ((1.9%)) and ¥130,556 million (206.1%), respectively.
- Core operating income is calculated by excluding income and expenses due to non-recurring factors from operating income.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Equity ratio
As of	Millions of yen	Millions of yen	Millions of yen	%
June 30, 2023	3,347,370	1,747,560	1,643,300	49.1
March 31, 2023	3,194,041	1,635,810	1,535,028	48.1

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2023	-	9.00	-	9.00	18.00
Year ending March 31, 2024	-				
Year ending March 31, 2024 (Forecast)		9.00	-	9.00	18.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Segment information

Revenue	Three months ended June 30,		
	2023	2022	Change
	Millions of yen	Millions of yen	%
Fibers & Textiles	223,794	225,786	(0.9)
Performance Chemicals	214,830	245,008	(12.3)
Carbon Fiber Composite Materials	68,748	68,629	0.2
Environment & Engineering	55,963	50,719	10.3
Life Science	11,288	12,319	(8.4)
Other	3,434	3,408	0.8
Consolidated total	578,057	605,869	(4.6)

Core operating income	Three months ended June 30,		
	2023	2022	Change
	Millions of yen	Millions of yen	%
Fibers & Textiles	10,926	8,682	25.8
Performance Chemicals	7,402	16,871	(56.1)
Carbon Fiber Composite Materials	2,738	2,405	13.8
Environment & Engineering	6,151	3,487	76.4
Life Science	(467)	95	-
Other	387	372	4.0
Total	27,137	31,912	(15.0)
Reconciliations	(5,231)	(4,804)	-
Consolidated total	21,906	27,108	(19.2)

Notes:

1. "Other" represents service-related businesses such as analysis, physical evaluation and research.
2. "Reconciliations" of core operating income for the three months ended June 30, 2023 of ¥(5,231) million include intersegment eliminations of ¥129 million and corporate expenses of ¥(5,360) million. "Reconciliations" of core operating income for the three months ended June 30, 2022 of ¥(4,804) million include intersegment eliminations of ¥330 million and corporate expenses of ¥(5,134) million. The corporate expenses consist of the headquarters' research expenses that are not allocated to each reportable segment.

4. Consolidated financial forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	Revenue		Core operating income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2023	1,200,000	(4.9)	45,000	(17.3)	29,000	(50.9)	18.11
Year ending March 31, 2024	2,560,000	2.8	120,000	25.0	76,000	4.4	47.45

Note: Revisions to the forecast of consolidated financial forecast most recently announced: Yes

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates

- (i) Changes in accounting policies required by IFRS: None
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None

(3) Number of issued shares (ordinary shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2023	1,631,481,403 shares
As of March 31, 2023	1,631,481,403 shares

(ii) Number of treasury shares at the end of the period

As of June 30, 2023	29,837,923 shares
As of March 31, 2023	30,457,569 shares

(iii) Average number of shares outstanding during the period

Three months ended June 30, 2023	1,601,230,326 shares
Three months ended June 30, 2022	1,600,813,723 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

Earnings forecasts given herein have been prepared based on assumptions such as economic environment outlook available as of the publication of this report and these forecasts are not guarantees of future performance. Actual results may differ significantly from forecasts due to various factors. For the assumptions underlying the forecasts herein, please refer to "Consolidated Financial Performance and Financial Position 3. Forecast for the Fiscal Year Ending March 31, 2024" of the accompanying materials.

Consolidated Financial Performance and Financial Position

1. Overview of the Three Months Ended June 30, 2023

During the period under review (from April 1, 2023 to June 30, 2023), the recovery in the global economy lacked strength due to the impact of rising inflation and interest rates particularly in Europe and the U.S. and the slowdown in the recovery in China. The Japanese economy continued on the path of normalization after the COVID-19 pandemic, although the uncertainties in the European and U.S. economies and prolonged adjustment in the semiconductor market exerted downward pressure on the recovery.

Under such circumstances, Toray Group starting from fiscal 2023 has been promoting its medium-term management program “Project AP-G 2025”, aiming to achieve sound, sustainable growth through the implementation of five basic strategies of “Sustainable growth,” “Ultimate value creation,” “Product and operational excellence,” “Enhancement of people-centric management,” and “Risk management and governance.”

As a result, consolidated revenue for the three months ended June 30, 2023 declined 4.6% compared with the same period a year earlier to ¥578.1 billion, while core operating income (Note 1) fell 19.2% to ¥21.9 billion. Operating income declined 59.1% to ¥20.8 billion and profit attributable to owners of parent fell 65.1% to ¥13.9 billion.

Financial performance by segment is described below.

Financial Performance by Segment:

Fibers & Textiles

Both apparel applications and hygiene material applications were sluggish respectively due to worsening market conditions in Europe and the U.S. and the impact of the worsening supply-demand balance. Industrial applications witnessed a demand recovery trend in automobile applications and there was improvement in the spread from the price decline of natural gas, etc. in Europe.

As a result, revenue of overall Fibers & Textiles segment decreased 0.9% to ¥223.8 billion compared with the same period of the previous fiscal year while core operating income rose 25.8% to ¥10.9 billion.

Performance Chemicals

In the resins and chemicals businesses, the resins business was weak given the impact of demand declines in the Chinese markets and other factors. Demand declined due to inventory adjustment in supply chains for optical applications and electronic parts in the films business as well as circuit materials in the electronic & information materials business.

As a result, revenue of overall Performance Chemicals segment decreased 12.3% to ¥214.8 billion compared with the same period of the previous fiscal year and core operating income declined 56.1% to ¥7.4 billion.

Carbon Fiber Composite Materials

Demand for the aerospace applications showed a recovery trend and the sales of pressure vessels in the industrial applications expanded, even as wind turbine blade applications entered into an adjustment phase.

As a result, revenue of overall Carbon Fiber Composite Materials segment increased 0.2% to ¥68.7 billion compared with the same period of the previous fiscal year and core operating income rose 13.8% to ¥2.7 billion.

Environment & Engineering

In the water treatment business, shipment to the U.S. and China, the two major markets for reverse osmosis membranes, was strong. Further, sales of an engineering subsidiary and a construction subsidiary in Japan were also strong.

As a result, revenue of overall Environment & Engineering segment increased 10.3% to ¥56.0 billion compared with the same period of the previous fiscal year and core operating income rose 76.4% to ¥6.2 billion.

Life Science

In the pharmaceutical business, sales of oral anti-pruritic drug REMITCH® (Note 2) were affected by the introduction of its generic versions and the NHI drug price revision, and sales of orally active prostacyclin derivative DORNER® were affected by inventory adjustment overseas.

In the medical devices business, sales of dialyzers were affected by the soaring prices of raw materials and fuels.

As a result, revenue of overall Life Science segment decreased 8.4% to ¥11.3 billion compared with the same period of the previous fiscal year, and the segment had core operating loss of ¥0.5 billion, a decline of ¥0.6 billion compared with the same period of the previous fiscal year.

Notes:

1. Core operating income is calculated by excluding income and expenses due to non-recurring factors from operating income.
2. REMITCH® is a registered trademark of Torii Pharmaceutical Co., Ltd.

2. Analysis of Financial Position

As of June 30, 2023, Toray Group's assets and liabilities were affected by the increase in translated yen amounts of overseas subsidiaries because of the depreciation of the yen.

Total assets stood at ¥3,347.4 billion, up ¥153.3 billion from the end of the previous fiscal year, due primarily to increases in inventories, property, plant and equipment, and other financial assets.

Total liabilities rose ¥41.6 billion from the end of the previous fiscal year to ¥1,599.8 billion, owing mainly to increases in borrowings.

Total equity rose by ¥111.8 billion compared with the end of the previous fiscal year to ¥1,747.6 billion, mainly reflecting an increase in other components of equity. Equity attributable to owners of parent stood at ¥1,643.3 billion. Equity ratio as of June 30, 2023 came to 49.1%, a 1.0 percentage-point increase compared with the level at the end of the previous fiscal year.

3. Forecast for the Fiscal Year Ending March 31, 2024

The global economy is showing a gradual recovery, but the pace is expected to remain slow due to factors such as the inflation and high interest rates in the U.S. and Europe dampening consumer spending and capital investment. In China, the process for normalization of economic conditions is likely to be moderate given the slowdown in demand outside China and the sluggish real estate market. The Japanese economy is also expected to show a gradual recovery. However, continued monetary tightening in the U.S. and Europe to tackle the sustained inflation is considered to be a downward risk for the global economy.

Under such circumstances, Toray Group will promote the basic strategies under the medium-term management program "Project AP-G 2025" and carry out its business operation in anticipation of uncertainties.

For the fiscal year ending March 31, 2024, Toray revised its consolidated forecasts taking into consideration its business performance for the first three months of the fiscal year and the business environment. It now expects consolidated revenue of ¥1,200.0 billion for the first six months and that of ¥2,560.0 billion for the full year. The forecasts for core operating income and profit attributable to owners of parent remain unchanged from the figures announced on May 12, 2023. The calculation of consolidated earnings forecasts from July 2023 onwards is based on an assumed foreign currency exchange rate of ¥135.0 to the U.S. dollar.

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