

November 6, 2020

Toray Announces Consolidated Results for the Six Months Ended September 30, 2020

Tokyo, November 6, 2020 - Toray Industries, Inc. ("Toray") today announced its consolidated business results for the six months ended September 30, 2020 of the fiscal year ending March 31, 2021 (FY2020). 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 Financial Performance

(Millions of yen, except per share data)

	Six months ended September 30,		
	2020	2019	Change (%)
Revenue	¥856,069	¥1,059,063	(19.2)
Core operating income	34,096	71,424	(52.3)
Operating income	5,503	68,393	(92.0)
Profit before tax	8,439	73,446	(88.5)
Profit	3,835	55,308	(93.1)
Profit attributable to owners of parent	4,466	50,904	(91.2)
Basic earnings per share (yen)	2.79	31.82	-
Diluted earnings per share (yen)	2.79	31.40	-

Consolidated Financial Position

(Millions of yen)

	As of September 30, 2020	As of March 31, 2020
Total assets	¥2,717,146	¥2,733,520
Total equity	1,197,204	1,200,846
Equity attributable to owners of parent	1,116,524	1,116,075
Equity ratio	41.1%	40.8%

Cash Dividends

(Yen)

	Cash dividends per share				
	1Q	2Q	3Q	4Q	Total
FY2019	-	¥8.00	-	¥8.00	¥16.00
FY2020	-	4.50			
FY2020 (forecast)			-	4.50	9.00

Notes:

1. Comprehensive income for the six months ended September 30, 2020 and 2019 were ¥14,771 million and ¥5,500 million, respectively.
2. Core operating income is calculated by excluding income and expenses due to non-recurring factors from operating income.
3. Equity ratio is the ratio of equity attributable to owners of parent to total assets.

4. Amounts are rounded to the nearest million.
5. Toray Group has adopted the International Financial Reporting Standards (“IFRS”) since the first quarter of the year ending March 31, 2021. Figures for the six months ended September 30, 2019 and the year ended March 31, 2020 are also stated in accordance with IFRS.

Segment Information

(Millions of yen)

Revenue	Six months ended September 30,		
	2020	2019	Change (%)
Fibers & Textiles	¥330,239	¥422,269	(21.8)
Performance Chemicals	327,323	394,101	(16.9)
Carbon Fiber Composite Materials	89,319	119,908	(25.5)
Environment & Engineering	78,201	87,203	(10.3)
Life Science	24,666	26,564	(7.1)
Other	6,321	9,018	(29.9)
Consolidated total	856,069	1,059,063	(19.2)

(Millions of yen)

Core Operating Income	Six months ended September 30,		
	2020	2019	Change (%)
Fibers & Textiles	¥15,811	¥31,652	(50.0)
Performance Chemicals	24,057	33,220	(27.6)
Carbon Fiber Composite Materials	(282)	11,775	-
Environment & Engineering	3,977	3,811	4.4
Life Science	826	1,072	(22.9)
Other	573	1,391	(58.8)
Total	44,962	82,921	(45.8)
Reconciliations	(10,866)	(11,497)	(5.5)
Consolidated total	34,096	71,424	(52.3)

Notes:

1. “Other” represents service-related businesses such as analysis, physical evaluation and research.
2. “Reconciliations” of core operating income for the six months ended September 30, 2020 of ¥(10,866) million includes intersegment eliminations of ¥426 million and corporate expenses of ¥(11,292) million. “Reconciliations” of core operating income for the six months ended September 30, 2019 of ¥(11,497) million includes intersegment eliminations of ¥451 million and corporate expenses of ¥(11,948) million. The corporate expenses consist of the headquarters’ research expenses that are not allocated to each reportable segment.
3. Amounts are rounded to the nearest million.
4. Toray Group has adopted IFRS since the first quarter of the year ending March 31, 2021. Figures for the six months ended September 30, 2019 are also stated in accordance with IFRS.

Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2021

	Year ending March 31, 2021	
	Millions of yen	Change (%)
Revenue	¥1,860,000	(11.1)
Core operating income	80,000	(36.3)
Profit attributable to owners of parent	34,000	(59.6)
Basic earnings per share (yen)	21.25	-

Notes:

1. The changes (%) for the full year are compared with the previous fiscal year.
2. Amounts are rounded to the nearest million.

Consolidated Financial Performance and Financial Position

1. Overview of the Six Months Ended September 30, 2020

During the period under review, the global economy was hit hard by the novel coronavirus (COVID-19) pandemic. The stagnation in production and consumption activities as well as the disruption to supply chains caused by the restrictions on international movement of people and goods resulted in chaos in both Japanese and overseas economies, causing a record-setting drop in the economy. Subsequently, the global economy rebounded around July, as economic activities resumed, initially in China and followed by the U.S. and Europe.

Under such circumstances, Toray Group in May 2020 launched the new medium-term management program “Project AP-G 2022” aimed at achieving sound, sustainable growth through the implementation of basic strategies such as global expansion in growth business fields, strengthening competitiveness, and strengthening the management foundation.

As a result, consolidated revenue for the six months ended September 30, 2020, declined 19.2% compared with the same period a year earlier to ¥856.1 billion and core operating income fell 52.3% to ¥34.1 billion. Operating income declined 92.0% to ¥5.5 billion and profit attributable to owners of parent declined by 91.2% to ¥4.5 billion, as a U.S. subsidiary recorded an impairment loss due to profitability decline caused by weak demand for aircraft.

Financial performance by segment is described below.

Financial Performance by Segment:

Fibers & Textiles

The segment was affected by the stagnation in production activities and consumption behavior caused by the COVID-19 in Japan and overseas. In the apparel applications, demand declined due to lockdown and closure of retail stores in various countries, while in industrial applications, sales volume for the mainstay automotive applications decreased, as automobile manufacturers suspended operations and decreased production volume. Demand for nonwoven fabrics increased for the applications of medical gowns and masks, but fell short of offsetting the decline in the overall sales volume in the segment.

As a result, revenue of overall Fibers & Textiles segment declined 21.8% to ¥330.2 billion compared with the same period a year earlier and core operating income fell 50.0% to ¥15.8 billion.

Performance Chemicals

The Performance Chemicals segment was affected by the stagnation in production activities caused by the COVID-19.

In the resins business, demand from the automotive and industrial applications declined in Japan and overseas. The chemicals business was affected by the decline in the basic chemicals market. In the films business, demand for battery separator films for

lithium-ion secondary batteries remained low. The electronic & information materials business was affected by lower production at OLED related customers.

As a result, revenue of overall Performance Chemicals segment declined 16.9% to ¥327.3 billion compared with the same period a year earlier and core operating income fell 27.6% to ¥24.1 billion.

Carbon Fiber Composite Materials

While the sales of wind turbine blade applications remained strong in industrial applications, aerospace application was affected by the decline in the production rate of commercial aircraft.

As a result, revenue of overall Carbon Fiber Composite Materials segment declined 25.5% to ¥89.3 billion compared with the same period a year earlier. The segment posted core operating loss of ¥0.3 billion, a decline of ¥12.1 billion from the same period a year earlier.

Environment & Engineering

In the water treatment business, demand for reverse osmosis membranes and other products grew strongly on the whole, while shipment to some regions were affected by the COVID-19.

Among domestic subsidiaries in the segment, an engineering subsidiary experienced decreases in the shipment of some electronics related equipment.

As a result, revenue of overall Environment & Engineering segment declined 10.3% to ¥78.2 billion compared with the same period a year earlier while core operating income rose 4.4% to ¥4.0 billion.

Life Science

In the pharmaceutical business, sales of pruritus treatment REMITCH®* were influenced by the introduction of its generic versions as well as by a major NHI drug price revision in April 2020.

In the medical devices business, shipment of dialyzers grew strongly in Japan and overseas, despite the impact of medical institutions postponing non-urgent operations due to the spread of the COVID-19.

As a result, revenue of overall Life Science segment declined 7.1% to ¥24.7 billion compared with the same period a year earlier and core operating income fell 22.9% to ¥0.8 billion.

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

2. Analysis of Financial Position

As of September 30, 2020, Toray Group's total assets stood at ¥2,717.1 billion, down ¥16.4 billion from the end of the previous fiscal year due primarily to declines in trade and other receivables.

Total liabilities declined ¥12.7 billion from the end of the previous fiscal year to ¥1,519.9 billion, owing mainly to declines in trade and other payables.

Total equity decreased by ¥3.6 billion compared with the end of the previous fiscal year to ¥1,197.2 billion, reflecting a decline in retained earnings. Equity attributable to owners of parent stood at ¥1,116.5 billion. Equity ratio as of September 30, 2020 came to 41.1%, a 0.3 percentage-point increase compared with the level at the end of the previous fiscal year.

3. Forecast of Consolidated Results

The global economy is likely to continue its recovery with many countries resuming their economic activities; however, there remains strong uncertainty regarding the progress of COVID-19 infection, and thus the economy is expected to go through the normalization process at a slow pace. In that process, there also is the possibility of a further decline in the global economic growth rate due to credit crunch and steeper declines in demand due to bankruptcies and prolonged unemployment. Moreover, any further worsening of the conflict between the U.S. and China may weigh heavily on the recovery of the global economy even after the spread of the COVID-19 subsides. The governments and central banks of countries around the world are employing expansionary fiscal policies and monetary easing. At the same time, it is also necessary to pay attention to the impact of fluctuations in the financial and capital markets as well as crude oil price.

Under such circumstances, Toray Group will promote the basic strategies under the medium-term management program "Project AP-G 2022" and implement business operation in anticipation of uncertainties.

For the fiscal year ending March 31, 2021, Toray revised its consolidated forecasts to reflect its business performance for the first half and prevailing business environment. The company now expects consolidated revenue of ¥1,860.0 billion, core operating income of ¥80.0 billion, and profit attributable to owners of parent of ¥34.0 billion. The calculation of consolidated earnings forecasts from October 2020 onwards is based on an assumed foreign currency exchange rate of ¥105.0 to the U.S. dollar.

Notes:

1. Toray Group has adopted IFRS since the first quarter of the year ending March 31, 2021. The above analyses are based on the figures prepared in accordance with IFRS for the six months ended September 30, 2019 and the year ended March 31, 2020.

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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