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May 12, 2023

[Summary] Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Under IFRS)

Company name: Toray Industries, Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 3402
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 Scheduled date of ordinary general meeting of stockholders: June 27, 2023
 Scheduled date to commence dividend payments: June 28, 2023
 Scheduled date to file annual securities report: June 27, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for Securities Analysts/ Institutional Investors)

(Yen amounts are rounded to the nearest million.)

1. Consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 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	%
Year ended								
March 31, 2023	2,489,330	11.7	96,029	(27.3)	109,001	8.4	111,870	(7.0)
March 31, 2022	2,228,523	18.3	132,063	46.3	100,565	80.0	120,315	83.5

	Profit		Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Year ended						
March 31, 2023	80,839	(13.6)	72,823	(13.5)	45.49	45.40
March 31, 2022	93,609	97.7	84,235	83.9	52.63	52.19

	Return on equity	Return on assets	Core operating margin
Year ended	%	%	%
March 31, 2023	5.0	3.1	3.9
March 31, 2022	6.4	4.5	5.9

Notes:

- Share of profit (loss) of investments accounted for using equity method for the year ended March 31, 2023 and 2022 were ¥7,398 million and ¥19,342 million, respectively.
- Comprehensive income for the year ended March 31, 2023 and 2022 were ¥168,756 million ((16.2%)) and ¥201,389 million (35.7%), 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	Book value per share
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
March 31, 2023	3,194,041	1,635,810	1,535,028	48.1	958.78
March 31, 2022	3,043,881	1,499,649	1,405,591	46.2	878.10

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2023	145,213	(102,724)	(57,378)	223,995
March 31, 2022	138,286	(57,168)	(101,518)	230,355

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to equity attributable to owners of parent (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Year ended March 31, 2022	Yen -	Yen 8.00	Yen -	Yen 8.00	Yen 16.00	Millions of yen 25,624	% 30.4	% 1.9
Year ended March 31, 2023	-	9.00	-	9.00	18.00	28,833	39.6	2.0
Year ending March 31, 2024 (Forecast)	-	9.00	-	9.00	18.00		37.9	

3. Segment information

Revenue	Year ended March 31,		
	2023	2022	Change
	Millions of yen	Millions of yen	%
Fibers & Textiles	999,199	836,182	19.5
Performance Chemicals	909,416	910,000	(0.1)
Carbon Fiber Composite Materials	281,717	215,215	30.9
Environment & Engineering	228,814	199,285	14.8
Life Science	53,763	51,954	3.5
Other	16,421	15,887	3.4
Consolidated total	2,489,330	2,228,523	11.7

Core operating income	Year ended March 31,		
	2023	2022	Change
	Millions of yen	Millions of yen	%
Fibers & Textiles	51,246	42,191	21.5
Performance Chemicals	30,368	90,961	(66.6)
Carbon Fiber Composite Materials	15,928	1,581	907.5
Environment & Engineering	19,720	16,549	19.2
Life Science	189	1,373	(86.2)
Other	2,505	3,018	(17.0)
Total	119,956	155,673	(22.9)
Reconciliations	(23,927)	(23,610)	-
Consolidated total	96,029	132,063	(27.3)

Notes:

1. "Other" represents service-related businesses such as analysis, physical evaluation and research.
2. "Reconciliations" of core operating income for the year ended March 31, 2023 of ¥(23,927) million include intersegment eliminations of ¥313 million and corporate expenses of ¥(24,240) million. "Reconciliations" of core operating income for the year ended March 31, 2022 of ¥(23,610) million include intersegment eliminations of ¥596 million and corporate expenses of ¥(24,206) million. The corporate expenses consist of the headquarters' research expenses that are not allocated to each reportable segment.

4. Information about Geographical Areas

(Millions of yen)

Revenue		Year ended March 31,	
		2023	2022
Japan		971,468	901,039
Asia	China	499,039	446,647
	Other	490,299	477,648
North America, Europe and other		528,524	403,189
Consolidated total		2,489,330	2,228,523

Notes: Revenue is attributed to each area based on the location of customers.

5. 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	1,240,000	(1.7)	45,000	(17.3)	29,000	(50.9)	18.11
Year ending March 31, 2024	2,620,000	5.2	120,000	25.0	76,000	4.4	47.47

*** 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 March 31, 2023	1,631,481,403 shares
As of March 31, 2022	1,631,481,403 shares

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

As of March 31, 2023	30,457,569 shares
As of March 31, 2022	30,761,629 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2023	1,600,961,248 shares
Fiscal year ended March 31, 2022	1,600,656,409 shares

* Financial results reports are exempt from audit 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 Fiscal Year Ended March 31, 2023

During the period under review, the global economy saw a slowdown in growth due to high material prices associated with the Ukraine situation, the lockdown in China in line with its zero-COVID policy, and the impact of rising inflation and interest rates particularly in Europe and the U.S. The Japanese economy continued to recover from the COVID-19 pandemic, although rising material costs combined with the sudden weakening of the yen exerted downward pressure on the recovery.

Under such circumstances, Toray Group implemented its new medium-term management program “Project AP-G 2022” since May 2020, aiming to achieve 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 fiscal year ended March 31, 2023, increased 11.7% compared with the previous fiscal year to ¥2,489.3 billion, while core operating income (Note 1) declined 27.3% to ¥96.0 billion. Operating income rose 8.4% to ¥109.0 billion and profit attributable to owners of parent fell 13.5% to ¥72.8 billion.

Financial performance by segment is described below.

Financial Performance by Segment:

Fibers & Textiles

While hygiene material applications were sluggish from the impact of the worsening supply-demand balance, apparel applications saw a recovery from the pandemic. Industrial applications witnessed a demand recovery trend for automobile applications in some regions. Almost all applications and regions were affected by the soaring costs of raw materials and fuels as well as persistently high transportation costs.

As a result, revenue of overall Fibers & Textiles segment increased 19.5% to ¥999.2 billion compared with the previous fiscal year and core operating income rose 21.5% to ¥51.2 billion.

Performance Chemicals

The Performance Chemicals segment overall was affected by the soaring raw material and fuel prices.

In the resins and chemicals businesses, while the fine chemicals business performed strongly, the resins business was weak given the impact of demand declines in the Japanese and 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 OLED-related materials and circuit materials in the electronic & information materials business.

As a result, revenue of overall Performance Chemicals segment decreased 0.1% to ¥909.4 billion compared with the previous fiscal year while core operating income declined 66.6% to ¥30.4 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. In addition, the segment went forward with passing on the rise in raw material and fuel prices to the sales price.

As a result, revenue of overall Carbon Fiber Composite Materials segment increased 30.9% to ¥281.7 billion compared with the previous fiscal year and core operating income rose ¥14.3 billion to ¥15.9 billion.

Environment & Engineering

In the water treatment business, demand for reverse osmosis membranes and other products grew strongly, while facilities that newly started operations contributed to the performance.

Among domestic subsidiaries in the segment, an engineering subsidiary saw increases in the shipment of lithium-ion secondary battery-related equipment.

As a result, revenue of overall Environment & Engineering segment increased 14.8% to ¥228.8 billion compared with the previous fiscal year and core operating income rose 19.2% to ¥19.7 billion.

Life Science

In the pharmaceutical business, while sales volume of orally active prostacyclin derivative DORNER[®] expanded for the overseas markets, sales of pruritus treatment REMITCH[®] (Note 2) were affected by the introduction of its generic versions as well as by a NHI drug price revision.

In the medical devices business, shipment of dialyzers for hemodiafiltration grew strongly in Japan, but the business was affected by the soaring prices of raw materials and fuels.

As a result, revenue of overall Life Science segment increased 3.5% to ¥53.8 billion compared with the previous fiscal year, while core operating income decreased 86.2% to ¥0.2 billion.

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 and Cash Flows

As of March 31, 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 ¥3,194.0 billion, up ¥150.2 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 ¥14.0 billion from the end of the previous fiscal year to ¥1,558.2 billion, owing mainly to increases in bonds and borrowings.

Total equity rose by ¥136.2 billion compared with the end of the previous fiscal year to ¥1,635.8 billion, mainly reflecting increases in retained earnings and other components of equity. Equity attributable to owners of parent stood at ¥1,535.0 billion. Equity ratio as of March 31, 2023 came to 48.1%, a 1.9 percentage-point increase compared with the level at the end of the previous fiscal year. D/E ratio declined 0.05 compared with the level at the end of the previous fiscal year to 0.62.

Free cash flow for the period, derived by subtracting the cash flows from investing activities from the cash flows from operating activities, was ¥42.5 billion. Cash flows, as well as changes in the balances of cash and cash equivalents, for the fiscal year ended March 31, 2023 are as follows:

	(Billions of yen)	
	Year ended March 31,	
	2023	2022
Cash flows from operating activities	145.2	138.3
Cash flows from investing activities	(102.7)	(57.2)
Free cash flow	42.5	81.1
Cash flows from financing activities	(57.4)	(101.5)
Effect of exchange rate changes on cash and cash equivalents	8.5	14.4
Net increase (decrease) in cash and cash equivalents	(6.4)	(6.0)
Cash and cash equivalents at beginning of period	230.4	236.4
Cash and cash equivalents at end of period	224.0	230.4

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

The strong sense of stagnation is expected to continue in the global economy, even as it shows a gradual recovery, due to the increased inflationary pressure caused by persistently high raw material and fuel prices and labor shortages, as well as interest rate hikes mainly in the U.S. and Europe. While recovery is seen in China after lifting its zero-COVID policy, 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 gradual recovery. However, credit crunch caused by

monetary tightening and financial turmoil in the U.S. and Europe 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 expects revenue of ¥2,620.0 billion, core operating income of ¥120.0 billion, and profit attributable to owners of parent of ¥76.0 billion taking into consideration anticipated business expansion in growth fields and progress in profit improvement despite the prolonged harsh business environment. The calculation of consolidated earnings forecasts from April 2023 onwards is based on an assumed foreign currency exchange rate of ¥130.0 to the U.S. dollar.

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