

February 9, 2021

Toray Announces Consolidated Results for the Nine Months Ended December 31, 2020

Tokyo, February 9, 2021 - Toray Industries, Inc. ("Toray") today announced its consolidated business results for the nine months ended December 31, 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)

	Nine months ended December 31,		
	2020	2019	Change (%)
Revenue	¥1,364,206	¥1,586,583	(14.0)
Core operating income	66,968	104,132	(35.7)
Operating income	36,190	99,302	(63.6)
Profit before tax	42,885	107,562	(60.1)
Profit	29,072	81,961	(64.5)
Profit attributable to owners of parent	27,899	74,993	(62.8)
Basic earnings per share (yen)	17.43	46.87	-
Diluted earnings per share (yen)	17.41	46.44	-

Consolidated Financial Position

(Millions of yen)

	As of December 31, 2020	As of March 31, 2020
Total assets	¥2,773,113	¥2,733,520
Total equity	1,233,496	1,200,846
Equity attributable to owners of parent	1,150,680	1,116,075
Equity ratio	41.5%	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 nine months ended December 31, 2020 and 2019 were ¥59,238 million and ¥69,428 million, respectively.
2. Core operating income is calculated by excluding income and expenses due to non-recurring factors from operating income.
3. Revisions to the forecast of cash dividends since the latest announcement: none

4. Toray Group has adopted the International Financial Reporting Standards (“IFRS”) since the first quarter of the year ending March 31, 2021. Figures for the nine months ended December 31, 2019 and the year ended March 31, 2020 are also stated in accordance with IFRS.

Segment Information

(Millions of yen)

Revenue	Nine months ended December 31,		
	2020	2019	Change (%)
Fibers & Textiles	¥536,335	¥641,251	(16.4)
Performance Chemicals	519,896	581,988	(10.7)
Carbon Fiber Composite Materials	134,943	179,548	(24.8)
Environment & Engineering	124,579	130,361	(4.4)
Life Science	38,406	40,341	(4.8)
Other	10,047	13,094	(23.3)
Consolidated total	1,364,206	1,586,583	(14.0)

(Millions of yen)

Core Operating Income	Nine months ended December 31,		
	2020	2019	Change (%)
Fibers & Textiles	¥27,971	¥47,954	(41.7)
Performance Chemicals	47,645	47,010	1.4
Carbon Fiber Composite Materials	(3,713)	18,085	-
Environment & Engineering	7,991	5,513	44.9
Life Science	1,773	1,622	9.3
Other	1,743	2,049	(14.9)
Total	83,410	122,233	(31.8)
Reconciliations	(16,442)	(18,101)	-
Consolidated total	66,968	104,132	(35.7)

Notes:

1. “Other” represents service-related businesses such as analysis, physical evaluation and research.
2. “Reconciliations” of core operating income for the nine months ended December 31, 2020 of ¥(16,442) million includes intersegment eliminations of ¥590 million and corporate expenses of ¥(17,032) million. “Reconciliations” of core operating income for the nine months ended December 31, 2019 of ¥(18,101) million includes intersegment eliminations of ¥122 million and corporate expenses of ¥(18,223) million. The corporate expenses consist of the headquarters’ research expenses that are not allocated to each reportable segment.
3. Core operating income is calculated by excluding income and expenses due to non-recurring factors from operating income.

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

	Year ending March 31, 2021	
	Millions of yen	Change (%)
Revenue	¥1,870,000	(10.6)
Core operating income	90,000	(28.3)
Profit attributable to owners of parent	39,000	(53.7)
Basic earnings per share (yen)	24.37	-

Notes:

1. The changes (%) for the full-year forecast are compared with the previous fiscal year.
2. Revisions to the forecast of consolidated results since the latest announcement: yes

Consolidated Financial Performance and Financial Position

1. Overview of the Nine Months Ended December 31, 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 nine months ended December 31, 2020, declined 14.0% compared with the same period a year earlier to ¥1,364.2 billion, and core operating income fell 35.7% to ¥67.0 billion. Operating income declined 63.6% to ¥36.2 billion and profit attributable to owners of parent declined by 62.8% to ¥27.9 billion as a U.S. subsidiary recorded an impairment loss.

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 excessive channel inventory in various countries, while in industrial applications, general purpose materials remained weak and sales volume declined. Demand for nonwoven fabrics increased for the applications of medical gowns and masks and there were signs of recovery in the automotive applications in the third quarter, but these factors fell short of offsetting the decline in the overall sales volume in the segment.

As a result, revenue of overall Fibers & Textiles segment declined 16.4% to ¥536.3 billion compared with the same period a year earlier and core operating income fell 41.7% to ¥28.0 billion.

Performance Chemicals

The resins business was affected by the stagnation in production activities caused by the COVID-19, but demand was strong in the third quarter with automobile manufacturers operating and the recovery of the Chinese economy. The chemicals business saw a recovery trend in the basic chemicals market. In the films business, battery separator films for lithium-ion secondary batteries were affected by lower market

prices, while polyester films for optical applications and electronic components performed strongly. In the electronic & information materials business, electronic circuit materials were weak but OLED-related demand increased in the third quarter.

As a result, revenue of overall Performance Chemicals segment declined 10.7% to ¥519.9 billion compared with the same period a year earlier and core operating income rose 1.4% to ¥47.6 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 24.8% to ¥134.9 billion compared with the same period a year earlier. The segment posted core operating loss of ¥3.7 billion, a decline of ¥21.8 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. A construction subsidiary posted profits from progress in a large-scale construction project and completion of a real estate project.

As a result, revenue of overall Environment & Engineering segment declined 4.4% to ¥124.6 billion compared with the same period a year earlier, while core operating income rose 44.9% to ¥8.0 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 4.8% to ¥38.4 billion compared with the same period a year earlier and core operating income rose 9.3% to ¥1.8 billion.

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

2. Analysis of Financial Position

As of December 31, 2020, Toray Group's total assets stood at ¥2,773.1 billion, up ¥39.6 billion from the end of the previous fiscal year due primarily to increases in cash and cash equivalents.

Total liabilities increased ¥6.9 billion from the end of the previous fiscal year to ¥1,539.6 billion, owing mainly to increases in bonds and borrowings.

Total equity increased by ¥32.7 billion compared with the end of the previous fiscal year to ¥1,233.5 billion, reflecting a rise in other components of equity. Equity attributable to owners of parent stood at ¥1,150.7 billion. Equity ratio as of December 31, 2020 came to 41.5%, a 0.7 percentage-point increase compared with the level at the end of the previous fiscal year.

3. Forecast of Consolidated Results

The global economy including Japan is likely to continue its recovery with many countries resuming their economic activities and with the rollout of coronavirus vaccines. However, there remains strong uncertainties such as the restrictions on economic activities in response to resurgence in infections (declaration of state of emergency again in Japan and introduction of urban lockdowns in various countries) and confirmation of variants from various parts of the world, and therefore 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, the continuation 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 nine months ended December 31, 2020, and prevailing business environment. The company now expects consolidated revenue of ¥1,870.0 billion, core operating income of ¥90.0 billion, and profit attributable to owners of parent of ¥39.0 billion. The calculation of consolidated earnings forecasts from January 2021 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 nine months ended December 31, 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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