

May 13, 2021

Toray Announces Consolidated Results for the Fiscal Year Ended March 31, 2021

Tokyo, May 13, 2021 - Toray Industries, Inc. ("Toray") today announced its consolidated business results for the fiscal year ended 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)

	Year ended March 31,		
	2021	2020	Change (%)
Revenue	¥1,883,600	¥2,091,166	(9.9)
Core operating income	90,265	125,532	(28.1)
Operating income	55,879	114,700	(51.3)
Profit before tax	65,566	123,304	(46.8)
Profit	47,339	93,843	(49.6)
Profit attributable to owners of parent	45,794	84,230	(45.6)
Basic earnings per share (yen)	28.61	52.65	-
Diluted earnings per share (yen)	28.57	52.26	-
Return on equity	3.9%	7.5%	-
Return on assets	3.2%	4.5%	-
Core operating margin	4.8%	6.0%	-

Consolidated Financial Position

(Millions of yen, except per share data)

	As of March 31,	
	2021	2020
Total assets	¥2,848,839	¥2,733,520
Total equity	1,322,275	1,200,846
Equity attributable to owners of parent	1,237,851	1,116,075
Equity ratio	43.5%	40.8%
Book value per share (yen)	773.44	697.57

Cash Dividends

(Yen)

	Cash dividends per share				
	1Q	2Q	3Q	4Q	Total
FY2019	-	¥8.00	-	¥8.00	¥16.00
FY2020	-	4.50	-	4.50	9.00
FY2021 (forecast)	-	8.00	-	8.00	16.00

Notes:

1. Comprehensive income for the year ended March 31, 2021 and 2020 were ¥148,420 million and ¥23,610 million, respectively.
2. Core operating income is calculated by excluding income and expenses due to non-recurring factors from operating income.
3. Toray Group has adopted the International Financial Reporting Standards (“IFRS”) since the first quarter of the year ended March 31, 2021. Figures for the year ended March 31, 2020 are also stated in accordance with IFRS.

Segment Information

(Millions of yen)

Revenue	Year ended March 31,		
	2021	2020	Change (%)
Fibers & Textiles	¥719,239	¥830,963	(13.4)
Performance Chemicals	720,418	761,208	(5.4)
Carbon Fiber Composite Materials	182,884	236,885	(22.8)
Environment & Engineering	193,524	190,846	1.4
Life Science	52,965	53,023	(0.1)
Other	14,570	18,241	(20.1)
Consolidated total	1,883,600	2,091,166	(9.9)

(Millions of yen)

Core Operating Income	Year ended March 31,		
	2021	2020	Change (%)
Fibers & Textiles	¥36,565	¥59,589	(38.6)
Performance Chemicals	66,963	54,523	22.8
Carbon Fiber Composite Materials	(7,476)	22,598	-
Environment & Engineering	14,532	10,567	37.5
Life Science	1,295	478	170.9
Other	2,939	3,593	(18.2)
Total	114,818	151,348	(24.1)
Reconciliations	(24,553)	(25,816)	-
Consolidated total	90,265	125,532	(28.1)

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, 2021 of ¥(24,553) million includes intersegment eliminations of ¥310 million and corporate expenses of ¥(24,863) million. “Reconciliations” of core operating income for the year ended March 31, 2020 of ¥(25,816) million includes intersegment eliminations of ¥(152) million and corporate expenses of ¥(25,664) 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.

Information about Geographical Areas

(Millions of yen)

Revenue		Year ended March 31,	
		2021	2020
Japan		¥829,191	¥922,860
Asia	China	367,856	368,008
	Other	373,514	424,443
North America, Europe & Other		313,039	375,855
Consolidated total		1,883,600	2,091,166

Notes:

1. Revenue is categorized based on the location of customer.

Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2022

	Year ending March 31, 2022	
	Millions of yen	Change (%)
Revenue	¥2,120,000	12.6
Core operating income	120,000	32.9
Profit attributable to owners of parent	80,000	74.7
Basic earnings per share (yen)	49.99	-

Notes:

1. The changes (%) for the full-year forecast are compared with the previous fiscal year.

Consolidated Financial Performance and Financial Position

1. Overview of the FY2020 (April 2020 – March 2021)

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. There were times when growth rate slowed, depending on the country, due to restrictions on economic activities caused by the resurgence of COVID-19 infections, but the global economy has been maintaining a recovery trend in general.

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 fiscal year ended March 31, 2021, declined 9.9% compared with the previous fiscal year to ¥1,883.6 billion, and core operating income (Note 1) fell 28.1% to ¥90.3 billion. Operating income declined 51.3% to ¥55.9 billion and profit attributable to owners of parent declined by 45.6% to ¥45.8 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 have been signs of recovery in the automotive applications from 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 13.4% to ¥719.2 billion compared with the previous fiscal year and core operating income fell 38.6% to ¥36.6 billion.

Performance Chemicals

The resins business was affected by the stagnation in production activities caused by the COVID-19, but demand has been strong since 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, OLED-related demand increased.

As a result, revenue of overall Performance Chemicals segment declined 5.4% to ¥720.4 billion compared with the previous fiscal year while core operating income rose 22.8% to ¥67.0 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 22.8% to ¥182.9 billion compared with the previous fiscal year. The segment posted core operating loss of ¥7.5 billion, a decline of ¥30.1 billion from the previous fiscal year.

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. In the environment and amenity business, demand for air filters was strong.

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 completion of a real estate project.

As a result, revenue of overall Environment & Engineering segment increased 1.4% to ¥193.5 billion compared with the previous fiscal year and core operating income rose 37.5% to ¥14.5 billion.

Life Science

In the pharmaceutical business, sales of pruritus treatment REMITCH® (Note 2) were affected 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 remained at the same level compared with the previous fiscal year, at ¥53.0 billion, and core operating income rose by ¥0.8 billion to ¥1.3 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, 2021, Toray Group's total assets stood at ¥2,848.8 billion, up ¥115.3 billion from the end of the previous fiscal year. Current assets increased ¥29.1 billion as cash and cash equivalents rose, and non-current assets also rose ¥86.2 billion due primarily to increases in property, plant and equipment as well as other financial assets.

Total liabilities declined ¥6.1 billion from the end of the previous fiscal year to ¥1,526.6 billion, owing mainly to declines in bonds and borrowings.

Total equity rose by ¥121.4 billion compared with the end of the previous fiscal year to ¥1,322.3 billion, reflecting an increase in other components of equity. Equity attributable to owners of parent stood at ¥1,237.9 billion. Equity ratio at the end of the fiscal year came to 43.5%, a 2.6 percentage-point increase compared with the level at the end of the previous fiscal year. D/E ratio declined 0.10 compared with the level at the end of the previous fiscal year to 0.79.

Free cash flow for the period, derived by subtracting the cash flows from investing activities from the cash flows from operating activities, was ¥113.7 billion. Cash flows, as well as changes in the balances of cash and cash equivalents, for the fiscal year ended March 31, 2021 are as follows:

	(Billions of yen)	
	Year ended March 31,	
	2021	2020
Cash flows from operating activities	¥211.6	¥238.3
Cash flows from investing activities	(97.9)	(142.9)
Free cash flow	113.7	95.4
Cash flows from financing activities	(69.4)	(73.8)
Effect of exchange rate changes on cash and cash equivalents	8.3	(5.3)
Net increase (decrease) in cash and cash equivalents	52.7	16.3
Cash and cash equivalents at beginning of period	183.7	167.4
Cash and cash equivalents at end of period	236.4	183.7

3. Forecast for the FY2021 (April 2021 – March 2022)

The global economy, including Japan, is likely to continue its recovery with large-scale additional economic measures implemented by the U.S. 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 for the third time in Japan and introduction of restriction of economic activities 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 is also 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 carry out its business operation in anticipation of uncertainties.

For the fiscal year ending March 31, 2022, Toray expects revenue of ¥2,120.0 billion, core operating income of ¥120.0 billion, and profit attributable to owners of parent of ¥80.0 billion. The calculation of consolidated earnings forecasts from April 2021 onwards is based on an assumed foreign currency exchange rate of ¥105.0 to the U.S. dollar.

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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