

May 28, 2020

Toray Announces Consolidated Results for the Fiscal Year Ended March 31, 2020

Tokyo, May 28, 2020 - Toray Industries, Inc. ("Toray") today announced its consolidated business results for the fiscal year ended March 31, 2020 (FY2019). 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 Business Results

(Millions of yen, millions of U.S. dollars, except per share data)

	Year ended March 31,			
	2020	2019	Change	2020
	Yen		%	US\$
Net sales	¥2,214,633	¥2,388,848	(7.3)	\$20,355
Operating income	131,186	141,469	(7.3)	1,206
Ordinary income	103,355	134,518	(23.2)	950
Net income attributable to owners of parent	55,725	79,373	(29.8)	512
Earnings per share - Basic (Yen)	34.83	49.61	-	-
Earnings per share - Diluted (Yen)	34.58	49.56	-	-
Return on equity	5.0%	7.1%	-	-
Ordinary income to total assets	3.8%	5.0%	-	-
Operating income to net sales	5.9%	5.9%	-	-

Consolidated Financial Condition

(Millions of yen, millions of U.S. dollars, except per share data)

	As of March 31,		
	2020	2019	2020
	Yen		US\$
Total assets	¥2,650,687	¥2,788,351	\$24,363
Net assets	1,179,572	1,213,944	10,842
Equity ratio	41.3%	40.6%	-
Net assets per share (Yen)	683.61	706.95	-

Cash Dividends

(Yen)

	Cash dividends per share				
	1Q	2Q	3Q	4Q	Total
FY2018	-	¥8.00	-	¥8.00	¥16.00
FY2019	-	8.00	-	8.00	16.00
FY2020 (forecast)	-	4.50	-	4.50	9.00

Notes:

1. For calculation of “Net assets per share” and “Equity ratio”, non-controlling interests and stock acquisition rights are deducted from net assets.
2. U.S. dollar amounts are translated from yen at the exchange rate of ¥108.8 = US\$1, the approximate rate of exchange prevailing on March 31, 2020, and are presented solely for the convenience of readers.
3. Amounts are rounded to the nearest million.
4. Comprehensive income for the year ended March 31, 2020 and 2019 is ¥(7,380) million (\$ (68) million) and ¥72,576 million.

Segment Information

(Millions of yen, *millions of U.S. dollars*)

Net Sales	Year ended March 31,		
	2020	2019	2020
	Yen		US\$
Fibers & Textiles	¥883,137	¥974,265	\$8,117
Performance Chemicals	770,814	868,847	7,085
Carbon Fiber Composite Materials	236,922	215,913	2,178
Environment & Engineering	252,282	257,673	2,319
Life Science	53,250	53,653	489
Others	18,228	18,497	168
Consolidated Total	2,214,633	2,388,848	20,355

Segment Income	Year ended March 31,		
	2020	2019	2020
	Yen		US\$
Fibers & Textiles	¥60,686	¥72,880	\$558
Performance Chemicals	58,736	67,702	540
Carbon Fiber Composite Materials	20,959	11,542	193
Environment & Engineering	11,246	12,236	103
Life Science	1,625	1,301	15
Others	3,395	3,084	31
Total	156,647	168,745	1,440
Adjustments	(25,461)	(27,276)	(234)
Consolidated Total (Operating income)	131,186	141,469	1,206

Notes:

1. “Others” represents service-related businesses such as analysis, physical evaluation and research.
2. “Adjustments” of segment income for the year ended March 31, 2020 of ¥(25,461) million includes intersegment eliminations of ¥203 million and corporate expenses of ¥(25,664) million. “Adjustments” of segment income for the year ended March 31, 2019 of ¥(27,276) million includes intersegment eliminations of ¥(1,018) million and corporate expenses of ¥(26,258) million. The corporate expenses consist of the headquarters’ research expenses that are not allocated to each reportable segment.
3. U.S. dollar amounts are translated from yen at the exchange rate of ¥108.8 = US\$1, the approximate rate of exchange prevailing on March 31, 2020, and are presented solely for the convenience of readers.

4. Amounts are rounded to the nearest million.

Consolidated Geographic Segment Information

		(Millions of yen, <i>millions of U.S. dollars</i>)	
Net Sales		Year ended March 31, 2020	
		Yen	US\$
Japan		¥961,742	\$8,840
Asia	China	391,797	3,601
	Others	425,305	3,909
North America, Europe & Others		435,789	4,005
Consolidated Total		2,214,633	20,355

Notes:

1. U.S. dollar amounts are translated from yen at the exchange rate of ¥108.8 = US\$1, the approximate rate of exchange prevailing on March 31, 2020, and are presented solely for the convenience of readers.
2. Amounts are rounded to the nearest million.

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

		(Millions of yen, <i>millions of U.S. dollars</i>)	
		Year ending March 31, 2021	
		Yen	US\$
Revenue		¥1,920,000	\$18,286
Core operating income		70,000	667
Profit attributable to owners of parent		40,000	381

Reference: EPS forecast (year ending March 31, 2021) ¥25.00

Notes:

1. As Toray Group decided to adopt International Financial Reporting Standards ("IFRS") from the 1st quarter of the fiscal year ending March 31, 2021, the forecasts are calculated based on IFRS.
2. Core operating income is calculated by excluding income and expenses caused by non-recurring factors from operating income.
3. U.S. dollar amounts are translated from yen at the exchange rate of ¥105.0 = US\$1, the estimated rate of exchange for FY2020 (April 2020 - March 2021), and are presented solely for the convenience of readers.
4. Amounts are rounded to the nearest million.

Consolidated Business Results and Financial Condition

1. Overview of the FY2019 (April 2019 – March 2020)

During the period under review, the global economy slowed down due to strong uncertainties caused by concerns regarding the intensifying trade frictions between the U.S. and China, the rising geopolitical risks in areas such as the Middle East, and the political confusion over Brexit in Europe. The Japanese economy was relatively steady but lacked strength, affected by typhoons and other natural disasters as well as the increase in the consumption tax rate. Meanwhile, the novel coronavirus disease spread globally in 2020 greatly disrupting the economies of Japan and elsewhere, and production and consumption activities, which were stagnating, started to rapidly decelerate. Under such circumstances, Toray Group, since April, 2017, worked on the medium-term management program “Project AP-G 2019” that spans over three years through fiscal year 2019 and implemented a growth strategy with focus on taking advantage of growth business fields, pursuing business expansion in growth countries and regions as well as further bolstering its cost competitiveness.

As a result, consolidated net sales for the fiscal year ended March 31, 2020 declined 7.3% compared with the previous fiscal year to ¥2,214.6 billion (US\$20,355 million). Operating income declined 7.3% to ¥131.2 billion (US\$1,206 million), and ordinary income fell 23.2% to ¥103.4 billion (US\$950 million). Net income attributable to owners of parent declined 29.8% to ¥55.7 billion (US\$512 million).

Business performance by segment is described below.

Business Performance by Segment:

Fibers & Textiles

All applications of the segment were affected by the weak market conditions reflecting the prolonged trade friction between the U.S. and China, the slowdown in the Chinese economy, and two consecutive years of warm winter.

In Japan, while shipment of apparel and industrial applications remained weak in general, Toray Group pursued sales expansion of materials for uniform in Japan and for sports applications in the U.S. and Europe and focused on strengthening cost competitiveness.

Overseas, demand for apparel applications including garments and textiles as well as automotive applications, the mainstay of the industrial applications, remained sluggish, and Toray Group focused on business structure reform and strengthening of cost competitiveness.

The segment was also affected by the stagnation in production and consumption activities both in Japan and abroad due to the novel coronavirus pandemic.

As a result, overall sales of Fibers & Textiles segment declined 9.4% to ¥883.1 billion (US\$8,117 million) compared with the previous fiscal year and operating income fell 16.7% to ¥60.7 billion (US\$558 million).

Performance Chemicals

In the resins business, sales of both automotive and home appliance applications were slow primarily due to the impact of the slowdown in the Chinese economy and stagnation of production activities due to the novel coronavirus pandemic. The chemicals business was affected by the decline in the basic chemicals market. In the films business, sales of battery separator films for lithium-ion secondary batteries increased reflecting demand growth, while polyester films were affected by the inventory adjustment for optical as well as electronic parts related applications. The electronic & information materials business saw strong performance of OLED related materials and electronic circuit materials.

As a result, overall sales of Performance Chemicals segment declined 11.3% to ¥770.8 billion (US\$7,085 million) compared with the previous fiscal year. Operating income fell 13.2% to ¥58.7 billion (US\$540 million).

Carbon Fiber Composite Materials

The Carbon Fiber Composite Materials segment remained strong as a whole. Demand for aircraft application as well as performance of industrial applications in the environment and energy-related fields such as compressed natural gas tanks and wind turbine blade remained strong, and recovery in the demand for sports applications.

As a result, overall sales of Carbon Fiber Composite Materials segment increased 9.7% to ¥236.9 billion (US\$2,178 million) compared with the previous fiscal year and operating income rose 81.6% to ¥21.0 billion (US\$193 million).

Environment & Engineering

In the water treatment business, demand for reverse osmosis membranes and other products grew strongly on the whole in Japan and overseas.

Among domestic subsidiaries in the segment, a construction subsidiary was negatively affected by the decline of high profit project orders, and an engineering subsidiary experienced decreases in the shipment of some electronics related equipment.

As a result, overall sales of Environment & Engineering segment declined 2.1% to ¥252.3 billion (US\$2,319 million) compared with the previous fiscal year and operating income declined 8.1% to ¥11.2 billion (US\$103 million).

Life Science

In the pharmaceutical business, sales of orally active prostacyclin derivative DORNER® were affected by the introduction of its generic versions. While sales of pruritus treatment REMITCH®* were also influenced by the introduction of its generic versions, its shipment was strong partly due to the growth in the entire market.

In the medical devices business, shipment of dialyzers grew strongly in Japan and overseas.

As a result, overall sales of Life Science segment declined 0.8% to ¥53.3 billion (US\$489 million) compared with the previous fiscal year, while operating income rose 24.9% to ¥1.6 billion (US\$15 million).

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

Financial Position and Cash Flows

As of March 31, 2020, Toray Group's total assets stood at ¥2,650.7 billion (US\$24,363 million), down ¥137.7 billion from the end of the previous fiscal year. Current assets fell ¥62.9 billion as trade notes and accounts receivable declined, and noncurrent assets fell ¥74.8 billion due primarily to a decline in investment securities.

Total liabilities declined ¥103.3 billion from the end of the previous fiscal year to ¥1,471.1 billion (US\$13,521 million), owing mainly to declines in notes and accounts payable and interest-bearing debts.

Net assets decreased by ¥34.4 billion compared with the end of the previous fiscal year to ¥1,179.6 billion (US\$10,842 million), reflecting a change in foreign currency translation adjustment. Net assets less non-controlling interests and stock acquisition rights stood at ¥1,093.7 billion (US\$10,053 million). The equity ratio at the end of the fiscal year came to 41.3%, a 0.7 percentage-point increase compared with the level at the end of the previous fiscal year.

Free cash flows for the period, derived by subtracting the cash flows from investing activities from the cash flows from operating activities, were ¥83.4 billion (US\$767 million). Cash flows, as well as changes in the balances of cash and cash equivalents, for the fiscal year ended March 31, 2020 are as follows:

	(Billions of yen, <i>millions of U.S. dollars</i>)		
	Year ended March 31,		
	2020	2019	2020
	Yen		US\$
Cash flows from operating activities	¥225.8	¥176.2	\$2,075
Cash flows from investing activities	(142.4)	(260.2)	(1,308)
Free cash flows	83.4	(84.0)	767
Cash flows from financing activities	(67.6)	118.9	(621)
Effect of exchange rate changes on cash and cash equivalents	(5.2)	(0.3)	(48)
Change in cash and cash equivalents for the year	10.6	34.6	97
Cash and cash equivalents at beginning of the year	173.1	134.3	1,591
Beginning balance of cash and cash equivalents at subsidiaries not previously included in consolidation	-	4.2	-
Cash and cash equivalents at end of the year	183.7	173.1	1,688

Forecast for the FY2020 (April 2020 – March 2021):

As the world fights to prevent the spread of the novel coronavirus disease, it appears that the global economy would not be able to avoid a recession, faced with stagnating production and consumption activities and disruption of supply chains. When and how the economy normalizes largely depends on when the novel coronavirus pandemic subsides, and till then there also is the possibility of the global economic growth rate to further decline caused by credit crunch and steeper declines in demand due to bankruptcies and prolonged unemployment. The governments and central banks around the world are employing expansionary fiscal policies and monetary easing, but

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 launched the long-term management vision “TORAY VISION 2030” and the medium-term management program “Project AP-G 2022,” both announced on May 13. Toray Group will carry out business structural reform and strengthening of financial structure to realize a growth strategy against uncertainties, while maintaining the basic strategy of business expansion through active investment.

For the fiscal year ending March 31, 2021, Toray Group expects revenue of ¥1,920.0 billion (US\$18,286 million), core operating income of ¥70.0 billion (US\$667 million), and profit attributable to owners of parent of ¥40.0 billion (US\$381 million).

Toray Group calculated the forecasts based on an assumption that the world would pass the peak of the novel coronavirus pandemic in the 2nd quarter and economy in Japan and abroad would be on a recovery track from the 3rd quarter through the end of the fiscal year, but the actual performance could differ depending on the actual timing when the pandemic subsides. These forecasts are calculated based on an estimated exchange rate of ¥105.0 to the U.S. dollar after April.

As Toray Group decided to adopt International Financial Reporting Standards (“IFRS”) in place of the currently applied Generally Accepted Accounting Principles in Japan from the 1st quarter of the FY2020, the forecasts are calculated based on the IFRS.

Notes:

1. U.S. dollar amounts are translated from yen at the exchange rate of ¥108.8 = US\$1, the approximate rate of exchange prevailing on March 31, 2020, and are presented solely for the convenience of readers.
2. U.S. dollar amounts of forecast for FY2020 are translated from yen at the exchange rate of ¥105.0 = US\$1, the estimated rate of exchange for FY2020 (April 2020 - March 2021), and are presented solely for the convenience of readers.

2. Basic Concept regarding Selection of Accounting Standards

During the course of Toray’s pursuit to further expand and advance its global business, the decision to voluntarily adopt International Financial Reporting Standards (“IFRS”) in place of the currently applied Generally Accepted Accounting Principles in Japan has been made in order to improve the international comparability of financial information, which will contribute to bringing further convenience to its stakeholders, and to enhance its business management by unifying accounting standard across Toray group. Toray plans to start disclosures under IFRS from the 1st quarter of the FY2020.

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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