

August 7, 2020

[Summary] Consolidated Results for the Three Months Ended June 30, 2020

Tokyo, August 7, 2020 - Toray Industries, Inc. ("Toray") today announced its consolidated business results for the three months ended June 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) Three months ended June 30,		
	2020	2019	Change (%)
Revenue	¥397,631	¥513,218	(22.5)
Core operating income	12,492	34,453	(63.7)
Operating income	9,454	33,527	(71.8)
Profit before tax	12,989	36,434	(64.3)
Profit	8,476	27,480	(69.2)
Profit attributable to owners of parent	9,457	25,581	(63.0)
Basic earnings per share (yen)	¥5.91	¥15.99	-
Diluted earnings per share (yen)	¥5.90	¥15.78	-

Consolidated Financial Position

	(Millions of yen)	
	As of June 30, 2020	As of March 31, 2020
Total assets	¥2,724,256	¥2,733,520
Total equity	1,203,708	1,200,846
Equity attributable to owners of parent	1,120,646	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	-				
FY2020 (forecast)		4.50	-	4.50	9.00

Notes:

1. Comprehensive income for the three months ended June 30, 2020 and 2019 were ¥16,771 million and ¥(8,333) 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 three months ended June 30, 2019 are also stated in accordance with IFRS.

Segment Information

(Millions of yen)

Revenue	Three months ended June 30,	
	2020	2019
Fibers & Textiles	¥144,996	¥195,755
Performance Chemicals	155,631	197,486
Carbon Fiber Composite Materials	45,417	61,508
Environment & Engineering	37,154	41,818
Life Science	11,551	12,492
Other	2,882	4,159
Consolidated Total	397,631	513,218

(Millions of yen)

Segment Profit	Three months ended June 30,	
	2020	2019
Fibers & Textiles	¥7,198	¥14,496
Performance Chemicals	8,106	16,859
Carbon Fiber Composite Materials	1,709	6,414
Environment & Engineering	818	1,363
Life Science	61	488
Other	140	447
Total	18,032	40,067
Reconciliations	(5,540)	(5,614)
Consolidated Total (Core operating income)	12,492	34,453

Notes:

1. “Other” represents service-related businesses such as analysis, physical evaluation and research.
2. “Reconciliations” of segment profit for the three months ended June 30, 2020 of ¥(5,540) million includes intersegment eliminations of ¥144 million and corporate expenses of ¥(5,684) million. “Reconciliations” of segment profit for the three months ended June 30, 2019 of ¥(5,614) million includes intersegment eliminations of ¥135 million and corporate expenses of ¥(5,749) 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 three months ended June 30, 2019 are also stated in accordance with IFRS.

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

	Six Months ending September 30, 2020		Year ending March 31, 2021	
	Millions of yen	Change (%)	Millions of yen	Change (%)
Revenue	¥830,000	(21.6)	¥1,840,000	(12.0)
Core operating income	25,000	(65.0)	70,000	(44.2)
Profit attributable to owners of parent	18,000	(64.6)	40,000	(52.5)
Basic earnings per share (yen)	¥11.25	-	¥24.99	-

Notes:

1. The changes (%) for the six-month forecast are compared with the same period a year earlier and those 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 Three Months Ended June 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, pushing them into a recessionary phase.

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 three months ended June 30, 2020, declined 22.5% compared with the same period a year earlier to ¥397.6 billion. Core operating income fell 63.7% to ¥12.5 billion, and operating income declined 71.8% to ¥9.5 billion. Profit attributable to owners of parent declined by 63.0% to ¥9.5 billion.

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 the apparel applications, demand declined due to lockdown and closure of retail stores in various countries, while in the industrial applications, sales volume for the mainstay automotive applications decreased, as automobile manufacturers suspended operations and decreased production volume. Demand for non-woven 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 25.9% to ¥145.0 billion compared with the same period a year earlier and core operating income fell 50.3% to ¥7.2 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, while sales of packaging materials were strong reflecting the growing demand for home meal, demand for battery separator films for lithium-ion secondary batteries and polyester films remained low. The electronic & information materials business was affected by decline in the production of OLED related materials.

As a result, revenue of overall Performance Chemicals segment declined 21.2% to ¥155.6 billion compared with the same period a year earlier and core operating income fell 51.9% to ¥8.1 billion.

Carbon Fiber Composite Materials

While the wind turbine blade and casing applications remained strong in industrial applications, aircraft application was affected by the decline in the production rate of large-sized passenger aircraft.

As a result, revenue of overall Carbon Fiber Composite Materials segment declined 26.2% to ¥45.4 billion compared with the same period a year earlier and core operating income fell 73.4% to ¥1.7 billion.

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, a construction subsidiary was negatively affected by the suspension of works to prevent the spread of the COVID-19, and an engineering subsidiary experienced decreases in the shipment of some electronics related equipment.

As a result, revenue of overall Environment & Engineering segment declined 11.2% to ¥37.2 billion compared with the same period a year earlier and core operating income declined 40.0% to ¥0.8 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, though there was an 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 7.5% to ¥11.6 billion compared with the same period a year earlier and core operating income fell 87.5% to ¥0.1 billion.

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

2. Analysis of Financial Position

As of June 30, 2020, Toray Group's total assets stood at ¥2,724.3 billion, down ¥9.3 billion from the end of the previous fiscal year due primarily to declines in trade and other receivables.

Total liabilities declined ¥12.1 billion from the end of the previous fiscal year to ¥1,520.5 billion, owing mainly to declines in trade and other payables.

Total equity increased by ¥2.9 billion compared with the end of the previous fiscal year to ¥1,203.7 billion, reflecting a rise in other components of equity. Equity attributable to owners of parent stood at ¥1,120.6 billion. Equity ratio as of June 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

Many countries are resuming their economic activities even as the COVID-19 continue to spread around the world. The global economy, however, is expected to go through the process of normalization at a slow pace, as the recovery in production activities and consumer behavior would be limited in anticipation of a second wave of the pandemic. In this 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 revenue forecast for the first six months to ¥830.0 billion and for the full year to ¥1,840.0 billion taking into consideration its business performance for the first three months of the fiscal year and full year. The company has kept its forecasts of core operating income and profit attributable to owners of parent announced on May 28, 2020, unchanged. The calculation of consolidated earnings forecasts from July 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 three months ended June 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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