

Toray Industries, Inc.

Announcement of Business Results
For the Fiscal Year Ended March 2021

Transcript

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Descriptions of predicted business results, projections, 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 presentation is not a guarantee of the Company's future business performance.

<General>

Q. Please explain the progress and additional initiatives made toward achieving the profit targets for FY 2022, the final year of your medium-term management program.

A. The medium-term management program announced last year was based on the assumptions that the impact of the COVID-19 would be temporary and that the situation would return to what it was before the impact of the COVID-19 by the end of 2021 through the development of vaccines and vaccinations, etc., and return to the growth track in 2022 which was originally envisioned. The current situation is progressing almost as expected, with vaccines being supplied to Europe and the U.S. by the end of the first half of the year, and worldwide by the end of this year. Therefore, we consider that there is no need to change the targets for the medium-term management program.

In the fibers & textiles business, our plans are to aggressively expand sales of apparel applications in areas where demand is strong, even in the COVID-19 pandemic, including businesses that integrates fibers to textiles to final products, sportswear, casual wear, and environmentally friendly materials. In the industrial applications, we will expand sales mainly for airbag fabrics and non-woven material created using ultra-fine materials following the recovery in the automotive applications. As for PP spunbond, we expect a slowdown in demand for masks, so we will be responding more to the demand for disposable diapers, as we did initially.

In the resins business, a new production line for transparent ABS resin, which we have been seeing strong sales, has just started operation in Malaysia, and we will operate at full capacity to capture the growing demand.

In the films business, we expect demand for MLCC release films, high-functional OPP films, and battery separator films to increase due to the expansion of the semiconductor and xEV markets, and we will also promote sales expansion of high-functional packaging films. We will bring into full operation the new plant, which is under construction in Hungary, for the production of battery separator films. In the area of polypropylene films where demand is strong, Toray Plastics (America), Inc. is currently launching an advanced facility for packaging applications, and at Tsuchiura Plant, we plan to launch the production facility of ultra-thin films for capacitors by the end of the year aiming to achieve full operation.

In the electronic & information materials business, we will fully capture the growing demand for OLED-related materials and materials for semiconductors and electronic components.

In the carbon fiber composite materials business, we have been implementing thorough cost reductions since last year. In addition, we will expand sales of industrial applications including pressure vessels and start operation of the expanded facility for large tow in Mexico. We will also expand sales of sports applications and aim to achieve solid results through structural reforms and revenue expansion measures.

In the water treatment and environment business, we believe that we can operate at full capacity the RO membrane facilities in the Republic of Korea, which started operation last year, the facility in Foshan, China, which is scheduled to start operation this year, and in Saudi Arabia. For air filters, we will start operating the new additional machine in China to meet the strong demand.

Although it may be challenging, we believe that we can achieve the profit targets for FY 2022, by increasing production and supply to such demand growing markets in a timely manner.

However, one concern is that there are markets that has changed significantly due to the COVID-19. In fibers & textiles, demand for dress shirts applications is declining, while in the carbon fiber business, vaccination levels will affect the return of demand for international flights. Each division of the company is currently working hard taking measures to recover

from this situation.

<Fibers & Textiles>

Q. I would like to know the details of the forecast for the fibers & textiles segment in FY 2021.

A. In the second half of FY 2020, the extreme cold weather in the U.S. caused the producers of raw materials to announce a force majeure, which lowered our operations and affected the procurement of raw materials. With the absence of such special factors in FY 2021, we are certain that we can achieve steady increases in profit.

Since the limitations of raw materials for airbag fabrics is disappearing, and the automobile-related market is recovering, we expect a considerable recovery in demand for airbag fabrics and non-woven material created using ultra-fine fibers, and other products. Although there was a special demand for masks using PP spunbond in FY 2020, we expect total sales of PP spunbond to remain at the same level because they will be supplied for use in disposable diapers. In the apparel applications, we will work to expand the business that integrates fibers to textiles to final products. We are also planning to add and expand environmentally friendly materials and other products.

<Performance Chemicals>

Q. What are the details of the forecasts for the performance chemicals segment in FY 2021?

A. In the 4Q of FY 2020, Chori recorded an allowance for doubtful accounts. As for ABS resins, demand was strong and saw a decline in raw materials prices in FY 2020, but the selling price did not fall that much. We expect the spread to worsen slightly in this fiscal year.

Q. I would like to know the details of the forecasts for battery separator films in FY 2021.

A. We expect EVs to grow significantly and have been increasing the production of battery separator films for EVs by working closely with a top supplier of automotive batteries. For automotive applications, specifications are provided for each car model, but in FY 2020, the start-up of car models, for which specifications were provided together with customers, did not go as expected. In FY 2021, we expect the volume to increase compared to FY 2020 due to the launch of new car models that will be equipped with our battery separator films.

We aim to secure profits by steadily increasing the sales of high-performance applications including thin-layer and three-layer products, which are our expertise in consumer applications, as well as special coatings. However, the depreciation expenses of the Hungarian plant will affect the profit as a negative factor.

<Carbon Fiber Composite Materials>

Q. What are the forecasts for the carbon fiber composite materials segment in FY 2021?

A. In the first half of FY 2021, while the situation in the second half of FY 2020 is likely to remain, wind turbine blade applications are expected to expand.

In the second half of FY 2021, we expect that major customers will maintain production rates for aircraft applications at the same level as in the first half of FY 2021, while demand will recover slightly and sales will improve slightly in the second half of the fiscal year. Although the COVID-19 caused a drop in demand, the U.S. vaccine has almost been fully distributed, and as of March 2021, domestic air passenger demand has recovered to about half of the 2019 level, and domestic flights are expected to increase significantly in this summer. The trend is similar in the U.K. where international flights are expected to restart in the second

half of FY 2021 as vaccination increases. This situation will positively affect demand for aircraft from 2022 and onward, and sales are expected to expand in the second half of FY 2021 reflecting the recovery in demand.

In addition, there was a recovery in demand for industrial applications, and we will expand sales especially for pressure vessels and hydrogen tanks. In terms of large tow products, the new production line at Zoltek in Mexico will start operation in the first half of the fiscal year, which is expected to contribute to volume growth. In sports, we expect applications for outdoor leisure to remain strong in both the first and second half of the fiscal year.

Overall, demand is expected to expand, especially in the second half of the fiscal year. The factory utilization rates are expected to increase accordingly, and manufacturing costs are expected to improve. We are also raising sales prices in response to rising raw materials prices. Factoring in all of the items that I have mentioned, the company plans to achieve core operating income of 2 billion yen in the second half of FY 2021.