

Toray Industries, Inc.

Announcement of Business Results
For the Fiscal Year Ended March 2022

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. I would like to know the company's capital investment policy.

- A. We will make an assessment of the changes in the business environment and what the “new normal” will be after COVID-19 and will continue to determine the necessity of each investment carefully before executing them. With regard to the investments made in 2020 and 2021, there were delays in start-up of production lines averaging 1 to 1.5 years in all the regions, including Republic of Korea, China, the Middle East, the U.S., and other areas, due to the impact of COVID-19. There were also delays in construction, and there were cases in which supervisors could not be sent to the new sites from Japan. Furthermore, we could not execute our plans as initially planned due to the decline of demand caused by COVID-19. From these reasons, the capital investment decreased during the medium-term management program “Project AP-G 2022” period. However, the demand is increasing in carbon fibers and other materials, and we are considering expanding production capacity in such areas.

<Fibers & Textiles>

Q. Please explain the business performance in FY 2021 and future direction of the segment.

- A. As remote work has become common under COVID-19 pandemic, in the apparel business, the formal wear market contracted drastically and demand shifted to the casual wear market. Also, limitation in travel, lockdown etc., caused by COVID-19, brought about an extreme contraction in the market and our revenue decreased significantly. In addition to the sales decline caused by the changes in the market structure, the spread also worsened with the steep rise in raw material prices and logistic costs.
- We will work thoroughly to produce value-added and differentiated products and consider that sustainable materials will be the key to achieving these targets. We will pursue material recycling as represented by &+™, as well as chemical recycling, and the expansion of bio-based materials. We will continue to release unprecedented brand-new products into the market by developing value-added products. We developed a technology, NANODESIGN™ a few years ago, and launched products such as KINARI™ which has a silky touch and dries quickly, Camifu™, which has a texture like that of traditional Japanese paper, and Qticle™, using this technology. We will take a proactive approach to major customers through these products to improve revenue and profit in the Fibers & Textiles business.

Q. We would like to know the forecast of the major products in FY 2022.

- A. Airbag-related products are expected to expand more than 30% from the previous fiscal year. On the other hand, it is also uncertain how much impact we will get from the rise in raw materials and fuel prices, the short supply of semiconductor components, and downward pressure in automotive demand caused by the growing tension in Ukraine, but we would like to work hard to achieve the target.
- We expect polypropylene spunbond to increase about 10% in FY 2022 compared to the previous fiscal year, by leveraging on new production lines, which we started operations in China and India.

<Performance Chemicals>

Q. Please explain the forecast for Performance Chemicals segment in FY 2022.

- A. In the resins business, the sales volume of ABS resins is expected to increase, but the spread is expected to decline. Profit is expected to increase for other products.
- In the films business, we anticipate stay-at-home demand will be subdued. However, we will

work to recover the shortfall with passing on the rise in raw material prices and logistics costs to the sales price. We expect to increase the sales volume for products such as MLCC release films, ultra-thin OPP films for xEVs, which had ramp-up in production lines. These production lines are expected to contribute to the increase in production volume for the full year. In the electronic & information materials business, we expect sales expansion mainly for OLED-related materials and semi-conductor materials.

Q. A significant impairment loss was recorded in the battery separator films business. Please let me know the future position of this business.

- A. We have expanded our production capacities in the Republic of Korea and Hungary to prepare for a rapid expansion of the automotive applications. Environmental issues gained attention under the COVID-19 pandemic, and the shift to EVs accelerated. We anticipated that the decline in sales price will start five to six years ahead, but it started sooner, as our Chinese competitors proceeded with massive expansion of their production capacities. Toray steers in the direction of producing not for general use, but for specialized high-end products. We will proceed with realignment of the business portfolio with more focus on consumer applications and some parts of the automotive applications, which require the high-performance battery separator films to support high capacity of batteries. We expect a tough situation will continue in FY 2022, but we expect to improve our revenue and profit if we move ahead with the shift in the business portfolio and the factory utilization rate is increased. From now on, we will aim for business expansion in the high-end market with differentiated products with features such as high safety, high volume and high performance, using Toray's technological strengths such as conjugate technologies, simultaneous and sequential drawing technologies, and coating technologies. We will carry out modification and replacement of old facilities and enhance competitiveness for high-end products.

<Carbon Fiber Composite Materials>

Q. In the announcement of the business results for the 3Q, the full-year forecast for the core operating income of this segment was 1 billion yen. However, the core operating income improved by 2.6 billion yen to 1.6 billion yen, making the segment profitable for the full-year. What was the main reason for this?

- A. The positive result was from our comprehensive approach to cost reduction. There is strong demand in the industrial applications such as pressure vessels, and the supply cannot catch up with it. Therefore, we re-started production in South Carolina plant February of this year.

Q. I would like to know the forecast in FY 2022.

- A. We expect the aerospace applications will continue to be affected by the decline of the production rate at major customers, while in the industrial applications, demand for large tow for wind turbine blade applications is strong, and we will proceed with expansion of the production capacity. A ramp-up in capacity of 6,000 tons is underway, and we plan to start operation in 2023. Demand for pressure vessels is also expected to grow. In the sports applications, we expect demand for outdoor leisure applications will grow strongly. In addition, we will proceed with passing on the rise in costs to the sales prices and execute thorough cost reduction.

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