

Toray Industries, Inc.

Announcement of Business Results for the
First Quarter Ended June 30, 2022 (Teleconference)

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 impact of the lockdown in China to the first quarter performance.

A. In the fibers & textiles business, we were able to continue our production by making some adjustments to the employees' work schedule. On the other hand, the apparel retail sales in China faced a difficult situation during this period, so going forward, there are concerns about decrease in sales from increased inventory on the customer side. Also, there were delays in delivery from stagnant logistics and customs clearance. In the resins business, there were no problems in the production in our subsidiary Toray Plastics (China) Co., Ltd., but the business was affected by sluggish domestic demand in China. It was also affected by interruption in logistics between Suzhou and Shanghai. A large portion of Toray Plastics (Malaysia) Sdn. Berhad (TPM)'s sales go to China and the lockdown had an impact on their sales. Also, it was also affected by slowdown in sales to customers in the ASEAN region, since these customers were not able to import parts and materials from China and thus affected indirectly by the Chinese lockdown. ABS resins business was affected by the shrinkage in spread from easing of supply and demand. In the films business, the automobile and smartphone production volume decreased from the lockdown, and there was decrease in the shipment of related materials. On the other hand, there were no major impact of the lockdown to the electronics & information-related business and the carbon fiber composite materials business.

Q. I have the impression that the inventory has increased on a company-wide basis at the end of June 2022. Do you feel the need to cut back on the inventory level?

A. Compared to the end of March 2022, the inventory level at the end of June 2022 has increased by 67.6 billion yen. This increase was from the surge in raw material and fuel prices and the difference in foreign exchange translation of inventory from the weaker yen. Looking at the inventory by business, in the Fibers & Textiles segment, there was increase in inventory in preparation for sales for autumn and winter season. In the Performance Chemicals segment, inventory increased compared to the initial forecast due to the impact of the lockdown in China and the decrease in production volume of automobiles. For the inventory increase compared to our plan, we plan to make reductions in the second quarter, and this reduction plan is included in the forecast.

<Fibers & Textiles>

Q. What is the reasoning behind the increase in profit in the Fibers & Textiles segment from the first to second quarter?

A. From the first to second quarter, in the apparel applications, we expect seasonal increase in shipment for autumn and winter garments. In the industrial applications, we expect some recovery in the automobile production volume and the increase in the sales of fabrics for airbags.

<Performance Chemicals>

Q. What do you expect for the Performance Chemicals segment going from the first quarter to second quarter?

A. In the resins business, we expect increase in sales volume due to the recovery in automobile production and recovery in the business from the lockdown in China. On the other hand, decrease in sales volume is expected in the films business due to the inventory adjustment in the supply chain for polyester films in the second quarter, mainly in the display and MLCC

release films applications. In the electronics & information materials business, the circuit materials are expected to be impacted by the reduction in production of LCD panels. As a segment, the core operating income for Performance Chemicals segment is expected to be flat going from the first quarter to the second quarter.

Q. I would like to know the sales trend of battery separator films going forward by applications (automotive and consumer).

A. Sales volume for both automotive and consumer applications are expected to increase from the second quarter onwards. In the automotive applications, we expect to start sales of a new item which gained customer approval.

<Carbon Fiber Composite Materials>

Q. Please tell us about the overall trend in supply and demand for the Carbon Fiber Composite Materials segment.

A. In the aircraft applications, the production rate continued to be low in the first quarter. As for the shipment of carbon fiber composite materials for the Boeing 787, we make shipments according to Boeing's production plan and the suppliers' production plan based on the level of inventory/work-in progress. Recently, there were news about the restart of delivery of 787 to airlines. Boeing has been announcing that if these deliveries were to restart, they would gradually ramp up their production to five units per month, so if the delivery were to begin as reported, we expect increase in supply of our materials accordingly. The revenue for industrial and sports applications are expanding steadily, and there is a tight supply and demand situation for applications other than aircraft.

Q. Please explain why the Carbon Fiber Composite Materials segment increased in revenue but decreased in core operating income when comparing the first quarter of fiscal year 2021 and 2022.

A. As for sales volume, there was increase in the industrial and sports applications. We proceeded with passing on the rise in raw materials and fuel prices to the sales price, but there was some impact from the surge in utility cost in Europe. Also, there was production problem in a subsidiary in the first quarter of fiscal year 2022.

<Environment & Engineering>

Q. I would like to know the business environment for the water treatment business going forward.

A. There is an increase in the shipment of reverse osmosis membranes for large-scale projects and we have started production in the water treatment membrane production plant in China. These are both contributing to the increase in core operating income. There is steady growth in regions such as the U.S., Asia (including China), and the Middle East, and we expect this trend to continue throughout the second half of this fiscal year.

End