

Toray Industries, Inc.

Announcement of Business Results
for the Fiscal Year Ended March 2023

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.

<Fibers & Textiles>

Q. The Company mentioned that it will enhance initiatives for recycled nylon fibers through "&+". Please tell us about the actual results in FY 2022 and plans for FY 2023 for recycled fibers & textiles.

A. As mentioned in the basic policy in the Medium-Term Management Program, the Fibers & Textiles segment aims to expand utilizing environmentally friendly materials, and "&+" is the main product. Currently, progress is being made according to the plan. At first, we planned to recover PET bottles within Japan, however, as we mentioned in the recent news release about rebranding of "&+", we will expand this globally and broaden the range of materials. As explained in the press release, we will expand this as an upcycling business not only for polyester but also for nylon, and expand it as a recycling business of Fibers & Textiles segment. There was a lot of positive feedback in response to the press release. The Toray Group in Malaysia has already started to create framework which involves local PET bottle collectors and the government. We will promote such initiatives at many business sites around the world. We will proactively work on branding of "&+", which is the common brand to this segment, and it seems that the initiatives are steadily expanding.

In FY 2022, revenue of the overall recycled fibers was 67 billion yen, and "&+" accounted for about 70%. In FY 2023, it will increase to 77 billion yen, and "&+" also accounts for about 70%.

<Performance Chemicals>

Q. The core operating income in the 4Q of FY 2022 decreased further compared to the 3Q, and the display applications, ABS resins, and MLCC release films seem to be in difficult situations. However, significant improvement is expected in the first half of FY 2023. What is the main factor for the improvement from the second half of FY 2022 to the first half of the FY 2023?

A. In the resins business, demand for ABS resins is still on the way to recovery and the market conditions is forecasted to remain weak. Engineering plastics are expected to expand as automobile production volumes recover.

In the films business, though time is required for full recovery of demand for PET films, a sign of demand increase was seen in some parts of the Chinese and South Korean markets, and we include this in the forecast. As for the profit side, we significantly decreased production and reduced inventory in the second half of FY 2022, however, production volume in the first half of FY 2023 will be almost balanced to sales, and we plan to improve earnings through passing on cost increases to sales prices and through cost reduction.

In the electronic & information business, sales expansion of OLED-related materials is expected as demand for smartphones and TVs is slowly recovering, but in FY 2023, we expect the expansion to be limited. In FY 2022, since there was increase in the distribution inventory, sales were stagnant. In FY 2023, signs of demand recovery are seen in some products, but recovery is expected to be slow in the first half. For the second half, we assume recovery in demand.

<Carbon Fiber Composite Materials>

Q. Please let us know the reason for the decrease in the core operating income from the second half of FY 2022 to the first half of FY 2023. Also, please let us know the assumption on the production rate of the 787.

A. In the aircraft applications, the production rate at the major customer is expected to increase. In the sports applications, inventory adjustment at customers will continue in

general purpose products for outdoor leisure applications. In the industrial applications, in regular tow, demand for pressure vessels is expected to remain strong. On the other hand, demand for composite materials such as PC casing is expected to remain weak. In large tow, we will work on the passing on the soaring utility cost in Europe to the sales price, but expect to be affected by temporary stagnation in demand for wind turbine blades. We will go forward with further passing on the rise in raw material and fuel prices as well as utility costs to the sales price. In regard to the factors for decrease in core operating income of Toray industries, effect of soaring utility cost in Japan, increase in R&D expenses, and foreign exchange impacts are expected.

As our major customer announced in April, production rate of 787 currently improved to three units per month, and it will be increased five units per month by the end of 2023. Our assumption is also three to five units per month.

<Environment & Engineering>

Q The actual result in FY 2022 did not reach the core operating income forecast announced in the 3Q financial results announcement. Please let us know the reason for this. In addition, please describe the details of the FY 2023 forecast.

A. The core operating income in FY 2022 did not reach the previous forecast, as a subsidiary posted loss allowance for past due receivables.

In regard to the forecast for FY 2023, water treatment business as well as Toray Engineering's LIB coater and semiconductor chip inspection system are expected to expand business, as demand for these products is strong. Expansion in the water treatment business will be led mainly by reverse osmosis membranes. However, we expect that it will be affected by soaring raw material and fuel prices. Toray Engineering plans significant increase in core operating income due to increase in the shipment of electronics related equipment.