

# Toray Industries, Inc.

Announcement of Business Results for the  
Second Quarter Ended September 30, 2023  
(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.

<Fibers & Textiles>

Q. The first half results for the Fibers & Textiles segment seems good amidst the difficult business environment. Also, what is the reason for the good performance of the segment despite the weak macroeconomic conditions in China?

A. The core operating income of 27.2 billion yen in the first half was 3.3 billion yen increase compared with the same period of the previous fiscal year, and 3.7 billion yen increase compared with the forecast announced on August 7th. In the integrated garment business, we received orders from some customers ahead of schedule as store sales were strong, and in a subsidiary in Japan, the downstream business was also robust. In China, macroeconomic condition is weak, but the textile business for the Chinese domestic market of which we have been working continuously to expand the sales, was strong. In addition, automobile applications such as airbag fabrics recovered. However, The PP spunbond business continues to be in a difficult situation due to the supply-demand imbalance.

Q. Please let us know about the business status of fibers and textiles for apparel. In Japan, warm days continued from October to early November. Have you included this situation in the second half forecast?

A. In the first half, sales of the spring / summer clothing at stores were strong. Compared to the previous fiscal year, demand increased for apparel, as movement restrictions were lifted in relation to COVID-19, and opportunities for travel and outings increased. In sports and outdoor applications, demand increased from rise in inbound travelers to Japan. Due to the strong sales of spring / summer clothing, we received additional orders for this season and for the next year's spring / summer season. As for fall / winter clothing, store sales at the beginning of the season is rather slow. As for the demand going forward, it will be affected by the weather and depends on how cold it will be.

<Performance Chemicals>

Q. The core operating income is expected to increase by 12 billion yen from the first half to the second half. What is the backdrop of this increase?

A. In resins business, profitability improvement is expected due to demand recovery in ABS resins and sales increase in high-added-value products. In engineering plastics, sales recovery in automobile applications and some demand recovery in China is expected. Meanwhile, in the chemical business, core operating income is forecasted to decrease due to the sluggish demand in agricultural chemicals.

As for the film business, in PET films, inventory adjustment at major customers, which continued through the first half, will be almost finished, and our sales and operations are expected to gradually recover. For business outside Japan, which was in difficult situation in the second quarter, we plan thorough reduction of fixed costs, suitable with the level of factory operating rate. For battery separator films, the core operating income is expected to increase, stemming from the recovery of sales mainly in the automotive applications in the U.S. and Europe.

For the electronic & information materials, an increase in sales of OLED-related materials is expected due to recovery of the market condition, as well as an increase in sales volume of circuit materials due to the market share expansion in large screen TV applications and new application to tablet devices.

#### <Carbon Fiber Composite Materials>

Q. Please explain the results of the segment from 1Q to the 2Q and first half to the second half.

A. From 1Q to 2Q, aircraft applications was strong. As for industrial applications, demand for pressure vessels applications was strong.

From the first half to the second half, in the aircraft applications, production rate at our major customer is expected to recover. Large tow is forecasted to be affected by the slow demand for wind turbine blades, but we will gradually decrease the fixed costs that matches the level of production volume. In industrial applications, regular tow for pressure vessels is forecasted to be strong, and demand for some composite products, is expected to recover.

Q. Please let us know the current demand environment of the Carbon Fiber Composite Materials segment.

A. For the demand environment, aerospace applications remains robust. As for outdoor leisure and sports applications, which were strong in the last year, have entered an adjustment phase. In the industrial applications, pressure vessel applications remain strong. Demand for large tow is sluggish due to scale-down or slowdown of offshore wind farm construction projects.

<Environment & Engineering>

Q. In the Environment & Engineering segment, the core operating income is expected to increase by 4.6 billion yen from the first half to the second half. Please explain the backdrop of the increase.

A. In the Environment & Engineering segment, sales tend to rise in the second half, especially in the 4Q. From the first half to the second half, sales of the water treatment business might be affected by the economic stagnation in China. However, strong sales are expected especially in reverse osmosis (RO) membrane, our main products. An engineering subsidiary expects sales expansion of semiconductor-related equipment in the second half. A water treatment engineering subsidiary forecasts increase of core operating income compared to the first half, as construction works proceed towards the end of the fiscal year.

Q. Is a project using RO membrane for treatment of water contaminated with polyfluoroalkyl substances (PFAS) expected to launch in the medium-term?

A. RO membranes can remove many types of PFAS with high removal rate, and we think it is cost-effective. As regulations on drinking water and industrial wastewater are tightened mainly in the U.S. and Europe, we assume that RO membranes alone may be difficult to meet 100% of the standard. Thus, there is a possibility that a combination of activated carbon, ultrafiltration (UF) membrane and ion-exchange resin may be used. Going forward, we would like to capture the demand in relation to PFAS removal.

<Overall>

Q. Please explain the reason for revising the profit attributable to owners of parent downward by 5 billion yen in the full year consolidated forecast of FY 2023.

A. There are three main reasons. First, we posted a 1.8 billion yen loss in special items, which was not included in the forecast announced on August 7th, as provision for product warranties in the Carbon Fiber Composite Materials business. Second, share of profit of investments accounted for using equity method is expected to worsen due mainly to the chemical-related subsidiary in Japan. Third, tax rate is expected to increase stemming from the difference in profit composition of foreign subsidiaries with different tax rates.