Toray Industries, Inc.

Announcement of Business Results
For the 3Q and Nine Months Ended
December 31, 2019

Transcript

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Descriptions of predicted business results, projections, and business plans for the Fiscal Year Ending March 2020 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. How much effect of coronavirus has been incorporated into the new full-year forecast? Please also explain the current situation Toray operational bases in China are facing.

A. We have partially incorporated the effect of coronavirus in 4Q under the new forecast. The reason why I say partially is that Chinese New Year had been planned from 25 to 31 Jan but this has been extended to 3 Feb with further shutdown to 10 Feb. This further shutdown has been incorporated as downward adjustment in excess of 1 billion yen on operating income. However, some of those companies that were scheduled to resume operation on 10 Feb may have to take a bit more time. We are currently making appropriate response to the authorities' instructions in aim to resume operation in all of the operational bases in China. Although we have incorporated a week of shutdown in China, we have not incorporated other factors, i.e. how long it will take to return to normal and what kind of situation our customers will be in.

Q. I heard that IFRS is planned to be adopted from FY2020. What kind of difference is expected between the Japanese standard operating income and income under IFRS? Please explain the details including the difference in line items in income statement as amortization of goodwill will be reduced on one hand but items such as costs related to start-up of new facilities currently recorded under non-operating expenses will be included in operating income (loss).

A. Conceptually, all special factors are to be excluded from operating income and expenses under IFRS. We are planning to report core operating income by segment for both forecast and actual from the next fiscal year. This will be ordinary income before finance income and expenses but we are currently considering to use a profit flow that excludes special credits and charges and finance income and expenses. In that sense, goodwill will no longer be amortized, but we are planning to establish a good control over non-operating income and expenses excluding finance income and expenses. We plan to report core operating income based FY2020 forecast in May.

< Fibers & Textiles >

Q. Overall sales of apparel applications (fiber/textiles and garments) and industrial applications both seem to be weak according to Fibers & Textiles segment on page 22 "Comparison of Operating Income (Previous vs. New) Forecast by Segment" of the presentation. Can you explain the details for each application, such as garments, airbag textiles, and PP spunbond for diapers?

A. In regards to garment applications, we had incorporated a decrease in garment shipment in the forecast, since Jan to Mar is the off-season for garments. On the other hand, the launch of 2020 spring/summer products which we also had incorporated, needed to be adjusted downwards as customers' sales decreased due to the warm winter and climatic change. This has unfortunately negatively impacted the start of spring/summer garment shipment as well as the production of autumn/winter products. The impact has been incorporated into the new forecast.

In regards to industrial applications, we had anticipated automobile sales and relevant air-bag applications to recover to a certain level in 4Q but these have remained sluggish. As automobile production turned negative compared to last year in Japan for example, we have incorporated this into the new forecast.

For PP spunbond, we forecast that sales will continue to struggle in 4Q due to the slowdown in growth mainly in China, and this has been incorporated into the new forecast.

< Performance Chemicals >

Q. What is the background of lower than expected demand forecast of battery separator films for automotive applications which is said to have caused the downward adjustment in Performance Chemicals?

A. We have changed our assumption of the production level of automobiles (EV) in China and Europe downwards under the new forecast. However, we assume this to be a temporary slowdown in growth and anticipate full-fledged expansion from FY2020 in our core markets in Europe.

Q. Electronic and information materials seems to have remained robust up until 3Q. Is the downward adjustment attributed to the weak 4Q?

A. In regards to electronic and information materials, despite smartphone related materials such as electric and OLED related remained favorable up until 3Q, the production reduction of smartphone itself needed to be considered, and this has been incorporated into the new forecast.

Q. Given that sales and operating income forecast of Performance Chemicals segment will not change significantly from 3Q to 4Q and with no growth in BSF, is there anything that will show growth?

A. Malaysian subsidiary's ABS resin that was strong in the first half of FY2018 struggled from the second half of FY2018 to the first half of FY2019. However, the spread in the Asian market has started to expand since 3Q and this improvement has been incorporated into the new forecast. The level of recovery of films is also slower than expected compared to the initial forecast, but a rebound to certain extent as a result of inventory adjustment being completed by customer's products such as MLCC has been incorporated.

< Carbon Fiber Composite Materials >

Q. What is the reason behind the 2 billion yen downward adjustment of operating income for the current fiscal year forecast in Carbon Fiber Composite Materials segment?

A. We have incorporated into the new forecast the effect of delay in shipment of aerospace applications and the delay in the start-up of production of a new model by a customer. We also forecasted a bit slower than expected recovery in profit of subsidiaries which initially had been anticipated to realize in 4Q.

Q. Carbon Fiber Composite Materials' operating income for 4Q is forecasted as 3.4 billion yen which is a decrease in operating income when compared to 5.9 billion yen for 3Q. Why is this the case?

A. We expect the aerospace applications to remain relatively flat from 3Q to 4Q. Industrial applications such as wind turbine blade applications will expand its sales, but we have incorporated the impact of decrease in production due to Chinese New Year regardless of the coronavirus. Decrease in production of sports applications due to Chinese New Year has also been incorporated. In regards to cost, we have incorporated increase in development costs.