

# Toray Industries, Inc.

Announcement of Business Results for the  
First Quarter Ended June 30, 2020 (Teleconference)

Transcript

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Descriptions of predicted business results, projections, and business plans for the Fiscal Year Ending March 2021 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. Please explain the details of the inventory at the end of June, since there is an increase compared to the end of March. Please also explain the necessity for inventory reduction from 2Q and onwards.

A. Inventories increased by 18.6 billion yen from the end of March to the end of June, but the change in accounting standards had no effect because the balance of inventories at the end of the previous fiscal year was corrected to IFRS basis. Because the inventory levels are high at the end of June and there is a need to reduce inventories, we plan to tighten the operational adjustments for July-September compared to April-June.

<Fibers & Textiles>

Q. I would like to know in detail the first-quarter performance of PP spunbond and airbag products and the forecast for the current fiscal year.

A. The supply-demand balance of PP spunbond for hygiene products improved and tightened, as Chinese spunbond manufacturers who had been producing spunbond products for disposable diapers, shifted their production to masks due to the increase in demand for masks as an effect of COVID-19. As for the increase in demand for masks, we believe that it will gradually decrease, but compared to FY 2019, we expect an increase in revenue. The outlook for airbag fabrics seems to be quite difficult due to sluggish demand for automobiles, but we expect sales volume to bottom out in 1Q and recover with each passing quarter from 2Q and onwards.

Q. What is the reason for the downward revision of the full-year forecast for core operating income?

A. Considering the situation in 1Q, the company has made a downward revision based on its current outlook. We believe that distribution stocks have been significantly high due to the deteriorating conditions at stores for apparel applications and automobile sales. Therefore, the company expects profit growth from 2Q onwards to be smaller compared to normal seasons.

As for the outlook for raw materials prices, the supply-demand balance is expected to improve with the economic recovery and expansion, and prices are expected to rise gradually from 2Q and onwards. Therefore, net change in price is expected to decrease from 2Q and onwards. The reduction in fixed costs is the result of efforts to reduce production fixed costs and overall operating expenses.

<Performance Chemicals>

Q. I would like to know the trend of each sub-segment from 4Q of FY 2019 to 1Q of FY 2020.

A. In the resins business, demand for automotive and industrial applications were generally weak. In the films business, battery separator films and MLCC release films were affected by the COVID-19, which led to reduction in operations at customers' plants. Meanwhile, spread improved due to declines in raw materials prices. In the electronic and information materials business, sales volume of electronic circuit materials decreased, but sales of semiconductor related materials and graphic materials increased. Among domestic subsidiaries, a trading subsidiary recorded an allowance for doubtful accounts which was reflected in the company's results.

Q. I would like to know the first quarter results for battery separator films and the forecast for the current fiscal year.

A. In 1Q, sales were sluggish for both automotive and consumer applications. The company expects volume growth by 20% for the full year on a year-to-year comparison.

<Carbon Fiber Composite Materials>

Q. The segment was profitable in 1Q, but is this due to customers' accumulation of inventories?

A. There were no unexpected accumulation of inventories in 1Q. Business results were stronger than expected due to cost reduction efforts and lower raw materials prices.

Q. Please explain the details of the 4.1 billion yen increase in cost variance etc., compared with the same period of the previous fiscal year. What kinds of cost reductions were made in 1Q?

A. There were savings in labor costs, mainly at overseas subsidiaries through reductions in personnel, as well as reductions in production costs such as maintenance expenses and consumables. We also made thorough cost reductions by reducing operating expenses on the whole, both in Japan and overseas.

Q. Why does the forecast for the second half of the fiscal year show an increase in revenue and a decrease in core operating income compared to the first half forecast ?

A. We have prepared this forecast on the assumptions that further production cutbacks by major customers will have an impact in the second half of FY 2020, so we expect lower sales from aircraft applications. The expansion of applications for wind power generation is a major factor, though not all of the increase in revenue.

Q. You mentioned that you have been working to strengthen the business structure of the entire segment. I would like to know more about the details.

A. Based on the assumptions that demand for aircraft applications will not recover in a short period of time, CMA in the US, for example, is taking measures such as suspending plants and reducing personnel. In addition, the company is restructuring its global production system, strengthening its corporate structure by focusing on cost reductions, and improving earnings by expanding sales of areas other than aircraft applications, such as industrial applications.