

# Toray Industries, Inc.

Announcement of Business Results  
For the 2Q and Six Months Ended  
September 30, 2020 (Teleconference)

Transcript

November 6, 2020

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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.

<Fibers & Textiles>

Q. What are the second half forecasts for each of your major products?

A. In the apparel applications, we expect sales of our mainstay autumn/winter products to expand. In the industrial applications, the production of automobiles is recovering and sales are expected to increase for automotive applications including airbag fabrics. As for ultra-microfiber nonwoven fabric with suede texture in Europe, sales volume is expected to recover as the automotive market is recovering, despite the current uncertainty from the re-spreading of COVID-19. PP spunbond business was very strong in the first half of the fiscal year and is expected to remain strong in the second half due to strong demand for masks accompanied by improvement in the supply and demand for hygiene products.

Q. We are aware that demand for automotive applications is recovering. Looking at trends among global apparel manufacturers, major customers are seeing a relative increase in sales volume for apparel applications, and we hear that some downstream inventory is in short supply. Is there any change in your view that Toray's sales will be difficult due to the impact of COVID-19 and that inventory adjustments will continue throughout the current fiscal year?

A. There were signs of a partial recovery in apparel applications, but overall, orders for casual and sportswear are sluggish for both 2020 autumn/winter and 2021 spring/summer.

<Performance Chemicals>

Q. I would like to know the trends in the performance chemicals segment from 1Q to 2Q and from the first half of the fiscal year to the second half.

A. From 1Q to 2Q, in the resins business, sales increased in line with the recovery of demand in China at a resins-related subsidiary in Malaysia, and the spread also expanded. Engineering plastics also saw a recovery trend in demand for automobiles. In the films business, transparent optical films for display applications performed strongly due to increased demand for OLED as well as wireless recharging and 5G-related materials. BSF also recovered from the impact of the COVID-19 in automotive applications. MLCC release films saw a recovery in demand from smartphones for the Chinese market. In the electronic and information materials business, demand for OLED panels among OLED related materials increased in applications for smartphones and TVs. Demand for high-functional electronic circuit materials also increased. The 2.5 billion yen allowance for doubtful accounts that was posted at a trading subsidiary in the 1Q will no longer have an impact on earnings in the 2Q.

From the first half of the fiscal year to the second half, the company expects demand for resins to recover mainly for automotive applications. In the chemicals business, we expect a recovery in the basic chemicals market. In the films business, demand for MLCC release films is expected to recover for smartphones and base station-related applications, as well as battery separator films for automotive applications. In the electronic and information materials business, we will work to expand sales of OLED related materials, semiconductors and electronic components, etc. Overall, we expect earnings to increase, and there will be no impact from the 2.5 billion yen allowance for doubtful accounts that was posted at a subsidiary in the 1Q in the second half.

Q. I would like to know the situation of the battery separator films in the 2Q and the forecast for the second half of the fiscal year.

A. The automotive applications have been on a recovery trend from 2Q and sales volume have

increased from 1Q to 2Q. We expect the EV market to recover further in the second half from the first half of the fiscal year, and sales volume to increase compared with the first half of the fiscal year. Although the amount is small, sales from consumer applications were steady from the 1Q, due in part to special demand from COVID-19 because people kept staying at home, and remained strong in the 2Q. The second half of the fiscal year is expected to be roughly the same as the first half.

<Carbon Fiber Composite Materials>

Q. What is the reason for the core operating income forecasted at minus 6.7 billion yen for the second half of the fiscal year, a significant deterioration compared with the first half?

A. In order to optimize inventory levels, we need to strengthen operational adjustments compared to the first half of the fiscal year which will lead to increased costs in the second half of the fiscal year. In addition, we are seeing AN prices rising in the second half of the fiscal year compared to the first half, so we expect industrial applications to be slightly affected by higher raw material prices. Furthermore, we expect impact from the worsening product mix due to the decline in aircraft applications.

Q. What is the current situation of the restructuring of the production system in the carbon fiber composite materials business?

A. In terms of progress in the restructuring of our production system, demand for regular tow products for use in aircraft is shrinking due to the impact from the COVID-19, and our facility operating rate is also declining. In the short term, we will strengthen our corporate structure by curbing capital investment and reducing fixed costs. At the same time we will increase demand for industrial applications which is expected to grow, with the aim to operate our global production facilities at full capacity, which is one of our strengths. Large tow products for wind turbine blade applications are expected to continue to expand so our plans are to make timely investments to meet the demand.

Currently we expect the plant in South Carolina will be back in operation only after 2022 and beyond. The plants in Washington and Alabama are continuing operation at a reduced rate, and we expect expansion of product line shutdowns towards the end of the year.

Q. Is there any possibility of eliminating production facilities in the USA?

A. Demand for aerospace applications in the carbon fiber composite materials business is expected to increase in the medium to long term. Therefore, we are not planning to eliminate any production facilities at this time. We will manufacture and expand sales of products that can be produced at our current facilities for industrial and other applications, and when the demand for aircraft applications returns, we will shift production to aircraft applications again.