

Toray Industries, Inc.

Announcement of Business Results for the
First Quarter Ended June 30, 2025 (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.

<General>

Q. What have been the results of 1Q compared with the plan? The forecasts for the first half and the full fiscal year remain unchanged from the previous forecast. Did the company decide to keep the forecast because of internal review, or because the Company couldn't make a decision at this point in time?

A. We think that the results of 1Q were generally in line with the plan. The 1Q results were lowered by some temporary factors, but without these factors, the figures should have been slightly higher. Overall, the results were as expected. As for the forecasts for the first half and full fiscal year, we recalculated figures internally and decided there was no need for change.

Q. I believe that the target of the profit improvement from strategic pricing is 10 billion yen this fiscal year. What was the figure for 1Q? The target of the profit improvement from Darwin Project (Projects to Improve Profits of Specified Businesses and Companies, abbreviated as D pro) is also 10 billion yen. I would like to know the 1Q figures.

A. Since quantitative aggregation of strategic pricing is conducted once every six months, we haven't aggregated the results in this quarter. However, we recognize it is steadily progressing. We target 10 billion yen improvement for D-Pro this fiscal year, and have achieved an improvement of several billion yen in 1Q.

Q. Were there shipments frontloaded to 1Q or backloaded to 2Q, in relation to the U.S. tariff measures?

A. The direct impacts of the tariff were very limited in 1Q. We saw demand decline for some products after the last-minute surge in demand prior to the imposition of tariff in 4Q of FY 2024, some businesses and products were in a wait-and-see mood, and some products saw further demand decline due to Trump administration policies including the tariff measures. Currently in 2Q, there are requests for price reduction and decrease in orders of some products for the U.S. Given these circumstances, in the first half, we consider the impact from the tariff measures to be lower than 5 billion yen. However, due to uncertainties over customer response to the tariff measures, the impact from indirect effects remains unclear, and the forecast for the tariff impact in the first half remain unchanged at 5 billion yen.

<Fibers & Textiles>

Q. In 1Q, the Fibers & Textiles segment remains strong, with 0.4 billion yen increase in core operating income compared with the previous fiscal year. Please explain the details of the apparel and industrial applications in 1Q.

- A. The apparel applications were robust overall, despite the stagnation of the European market and the effect of the intensified competition with overseas products. The industrial applications worked to capture demand from the recovery of automobile production, but sales volume of airbag textiles decreased slightly. In the microfiber fabric with a suede texture, although intensified competition continues in the EV market, sales expanded mainly in high-end products. Decreases of raw material and fuel prices also contributed to the increase in profit. For 2Q, we expect an increase in core operating income, driven by increase in shipment volume of fall/winter garments.

<Performance Chemicals>

Q. In the Performance Chemicals segment, user demand seemed to be relatively strong, but 1Q results of Toray were sluggish. Please let us know the forecasts of 2Q.

- A. Battery separator films were strong in 1Q of the previous fiscal year, but they were sluggish in this 1Q. The difference was significant. Other than that, the chemical business was affected by production issues and sluggish market conditions. In the electronic & information materials business, OLED-related materials were affected by the slow demand for display panels in China, in addition to impact from differences in the product mix and the downward pressure on prices stemming from emergence of competing products. Moreover, in 1Q of the previous fiscal year, we posted a reversal of allowance at our trading subsidiary, which was a temporary factor of the profit increase, but this was not present in this quarter.

For 2Q, in the resins and chemicals businesses, expansion of profit is expected, driven by promotion of high performance products and strategic pricing. In the films business, the mainstay MLCC release film applications are expected to remain strong. In the electronic & information material business, expansions are expected in the high-value-added products in the circuit materials of our subsidiary in the Republic of Korea, as well as new products for power inductors. As for the progress of D pro, in the films business at the U.S. and Europe, there was a delay in the recovery of the European film subsidiary, but its profit is steadily improving, and it expected to become profitable within this fiscal year.

< Carbon Fiber Composite Materials >

Q. Core operating income of the Carbon Fiber Composite Materials segment is forecasted to increase from 1Q to 2Q, and from the first half to second half. Is this plan possible to achieve, considering the production rate of Boeing 787 which is currently seven units per month is going to increase in the future?

A. Sales of the aerospace applications for a major customer are expected to be strong in 2Q. The gradual recovery trend of the wind turbine applications is also expected to continue. On the other hand, in the pressure vessel applications, the CNG tank applications are forecasted to enter the adjustment phase.

From the first half to second half, core operating income is expected to significantly increase, as the production rate increase at the customer is expected to continue. The industrial applications are expected to be steady overall, although some impact from inventory adjustment of the CNG tank applications are foreseen. In large tow, we will ensure to capture recovering demand of the wind turbine blade applications.

Q. Does the Company expect the impacts from inventory adjustment in the supply chain of Boeing 787 to be resolved from 2Q onward?

A. Currently, we think that the impact from the inventory adjustment in the supply chain remain, but shipments are expected to steadily recover, as inventory adjustment resolves.

<Environment & Engineering>

Q. In the Environment & Engineering segment, the Company expects an increase in the core operating income in 2Q. Does this increase come mainly from the water treatment business? Will the sluggish market condition of water treatment business in China end in 1Q?

A. In the water treatment business, reverse osmosis (RO) membranes for the U.S. and Europe and the seawater desalination projects in the Middle East and North Africa are expected to be strong. Sales in China were slow overall, due to the economic stagnation. However, the country is a growth market in the medium- to long- term, and we expect the expansion will continue. We will continue market share expansion through the launch of new products, maintenance of prices, and meticulous marketing activities.