

# Toray Industries, Inc.

Announcement of Business Results for the  
the 3Q and Nine Months Ended December 31, 2024  
(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. I would like to know how Darwin Project (Projects to Improve Profits of Specified Businesses and Companies, abbreviated as D pro) is progressing. In the first half, the improvement in profit from D pro was just below 10 billion yen. Is it correct to understand that in the 3Q, the project progressed at the same pace as in the first half? Is the same pace of improvement expected in the 4Q?

A. D pro had a mid-10-billion-yen level effect in profit for the nine months. There was improvement in all the segments, and half of the improvement was from the Performance Chemicals segment, and the other half was from Carbon Fiber Composite Materials and Fibers & Textiles segments. For the full fiscal year, we expect 20 billion level of profit improvement from D pro.

Q. Please let us know about the progress and effect of strategic pricing.

A. As for strategic pricing, we aim for 20 billion yen level of effect within the period of the current Medium-Term Management Program, Project AP-G 2025 (AP-G 2025), which ends in FY 2025, and the progress is being made steadily. We expect an effect exceeding 10 billion yen in core operating income for FY 2024.

Q. The current Medium-Term Management Program, AP-G 2025, will end in FY 2025. What are the challenges to achieve the target of 180 billion yen of core operating income? Strategic pricing and D pro is proceeding ahead of schedule so far, and is it possible to make further improvements towards FY 2025? Please give us comments on how the Company expects to expand its business performance for the next fiscal year.

A. Towards FY 2025, we will continue D pro and strategic pricing. As for strategic pricing, we are seeing considerable effects of price correction in FY 2024. Going forward, we would like to accelerate improvement in product mix, conversion to high-end products, and creation of new products, as we recognize that these three are the challenges to see more effects. We will promote sales expansion of applications with strong demand, such as the electronic parts-related applications and OPP film for condenser in the films business, as well as the integrated business from fiber to textiles and further to garments in the Fibers & Textiles business. Furthermore, in the Carbon Fiber Composite Materials business, we expect demand recovery in the aerospace applications, etc., and we will proceed with sales expansion. In the industrial applications, although demand for compressed hydrogen gas (CHG) tank is delayed, demand for compressed natural gas (CNG) tank is expanding. In addition, the wind turbine blade applications are on a recovery trend. Thus, we will steadily promote sales

expansion. By firmly advancing and completing the tasks we are currently working on, we would like to achieve the 180 billion yen target in core operating income.

Q. We would like to know the expected impact to Toray's business under the Trump administration. Toray has some goods that are exported from China to the U.S., but has established systems of local production for local consumption in many regions. What is the impact on China and U.S. businesses?

A. It is quite difficult to say something with certainty, as the situation is in a state of flux, so I would like to explain the general situation. If President Trump implements all of what he said, there is a downward risk to the global economy, and we could be affected directly or indirectly. Going forward, we will monitor the trade policies that will be implemented and responses of related countries, and take action by determining impacts and changes on the entire supply chains. We have solid production bases in the U.S. for our carbon fiber composite materials, films, resins, and water treatment businesses, therefore we will conduct business operations in a way that leverages these strengths. As for our businesses and products without production bases in the U.S., we have production bases around the world and conduct operations globally, and we will minimize the impact by changing and diversifying our supply chains, including altering the source of supply for exports to the U.S.

<Fibers & Textiles>

Q. Please give us an overview of the 3Q and forecast for the 4Q.

A. In the 3Q, despite the impact from the frontloaded shipments of garments for fall / winter clothing in the first half, the sales of apparel applications were steady overall. As the 4Q is the off-season for shipment, we expect decrease in sales volume compared with the 3Q, but, as there are currently steady sales of spring / summer clothing, decrease from the 3Q to 4Q is expected to be smaller than previous years. In the industrial applications, the automobile applications except airbag textiles have not recovered as expected. However, we expect steady sales expansion of our materials, if the production volume of automobile manufacturers recover mainly in Japanese OEMs. As for businesses that fall under D pro, core operating income increased compared with the same period of the previous fiscal year, by firmly pursuing initiatives to improve profit. We will continue to proceed with these initiatives going forward.

<Performance Chemicals>

Q. Please let us know the reason why you forecast 8.5 billion yen increase in revenue and 1.4 billion yen increase in core operating income from the 3Q to 4Q.

A. In the resins business, net change in price of ABS resin is expected to worsen compared with the 3Q, but we expect to recover this by self-help efforts such as reduction of fixed costs. The chemical business was impacted by the periodic maintenance of facilities in the 3Q, but the impact is expected be alleviated in the 4Q.

In the films business, the display and electronic parts-related applications were very strong in the first half, but the pace was slightly slowed down in the 3Q. In the 4Q, it is expected to steadily expand. In the medium-term, demand for electronic parts-related applications is expected to expand for AI servers at data centers, etc. The film subsidiaries in the U.S. and Europe expects profit improvement from improvement in net change in price and stabilization of production. Sales volume of battery separator films decreased in the 3Q, but expects sales recovery by capturing new orders in North America in the 4Q.

The electronic & information material business is expected to remain steady on the background of expansion of OLED adoption ratio for smartphones. Circuit materials of a subsidiary in Korea expects sales increase from the full-fledged launch of 2025 model at panel manufacturers.

<Carbon Fiber Composite Materials>

Q. Please let us know the background of 4.7 billion yen decrease in revenue and 4.2 billion yen decrease in core operating income from the 2Q to 3Q.

A. The aerospace application was affected by inventory adjustment at supply chains for a major customer, but in the medium-term, production rate is expected to steadily recover, and there is abundant order backlog. Assumption of annual production remains unchanged from the beginning of the fiscal year. However, due to the length of the supply chains and difference in standard of the intermediate stock at each parts manufacturer, trend of shipments depends on supply chain, i.e. trend in shipments from Toray are different from those of the U.S. subsidiary. As demand for large tow for wind turbine blade applications is on a recovery trend, we will continue to expand sales. In regular tow for industrial applications, rise in demand for CHG tank is slower than expected, but instead, we will expand sales of CNG tank and other industrial applications.

Q. Please let us know the reason you forecast 10.3 billion yen increase in revenue and 5.5 billion yen increase in core operating income from 3Q to 4Q.

A. In the aerospace applications, impact of inventory adjustment in the supply chain for a major customer is expected to be mitigated. As for other aerospace applications, sales are expected to be steady in the 4Q. In the sports applications, inventory adjustment of general-purpose products is expected to continue, but sales of high-end models for outdoor leisure applications are expected to be steady. The industrial applications are expected to recover compared with the 3Q. In the wind turbine blade applications, demand is gradually recovering compared with FY 2023, and we steadily expand sales. We believe that the superiority of offshore wind power generation as renewable energy is expected to be unchanged in the medium-term, and that demand will continue to expand in FY 2025 and beyond.

<Environment & Engineering>

Q. Please let us know the reason you forecast 41.6 billion yen increase in revenue and 4.4 billion yen increase in core operating income from 3Q to 4Q?

A. In the Environment & Engineering segment, revenue of the engineering subsidiary in Japan tends to increase in the 4Q. In addition, the order situation for the water treatment engineering subsidiary is strong, and we expect the construction for these orders will proceed towards the end of the fiscal year.