# Toray Industries, Inc.

Announcement of Business Results
for the Fiscal Year Ended March 2025

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 strategic pricing so far, and how is the progress of measures under strategic pricing such as new product development?

A. We targeted 50 billion yen effects by the end of the period of the next medium-term management program for strategic pricing, and during the current medium-term management program AP-G 2025, we aimed for 40% of the target. In FY 2024, the effect was 22.3 billion yen, a 10 billion yen increase compared with the initial plan. Together with 10 billion yen target for FY 2025, we expect 30 billion yen, which is 60% of 50 billion yen, by FY 2025, within the period of AP-G 2025.

Under strategic pricing, we promoted visualization of data by product and customer in each business for correction of prices. At the same time, we also promoted optimization of prices. As a result, about 10 billion yen of effect was seen in the first half of FY 2024, and this trend continued in the second half. Up to FY 2024, the ratio of the effects of price correction was large, but going forward, we are aiming to increase the ratio of effects from new product development. Our R&D division collaborates with each business division to set challenges to increase the spread of strategical products, following up on each progress once every three months. Effects of these measures will be seen in the future.

Q. In the forecast for FY 2025, the Company expects 15 billion yen decrease in core operating income due to the U.S. tariff measures. What are the company's expectations for the impact on each segment?

A. We are engaged in local production for local consumption, balancing production among regions. In terms of invested capital by region, the U.S. is the second largest after Japan. In other words, we have a secure production base in the U.S. One of the major products exported to the U.S. from other countries is fibers & textiles, but as we have various supply chains around the world, we believe the operation can be rearranged. Furthermore, we will operate business in line with the basic policy that we pass on the rise in cost from the tariff measures to the sales price instead of easy price reduction. Therefore, we believe we can minimize the direct impact from the tariff measures.

The impact from the U.S. tariff measures factored into the forecast for FY 2025 came from a macroeconomic perspective. There is a growing concern about the impact of the tariffs on the world economy, including the U.S., and we assumed that there would be some impact on our business performance. We are currently taking countermeasures to the U.S. tariff measures, setting up an internal project. However, we cannot make a concrete comment at this point, as the situation regarding the tariff measures is changing day by day. We will disclose the impact at a suitable timing 1Q in FY 2025 or later.

<Fibers & Textiles>

Q. I would like to congratulate the Company on achieving 1 trillion yen in revenue in the Fibers & Textiles segment in FY 2024. In this segment, in FY 2025, I imagine that there will be some impact from the supply chain due to the relatively high sales ratio of automobile-related products, but the Company forecasts a significant increase in core operating income. What is the background of this increase in profit?

A. It is very satisfying to have achieved 1 trillion yen in revenue. Profit margin still has room to grow, and we recognize it is one of the big challenges in the next medium-term management program. In the automobile applications, main products are airbag textiles, microfiber fabric with a suede texture, and other products including polyester fiber for seat belts. In FY 2024 results, airbag textiles have steadily expanded, and spread has improved through strategic pricing, growing into a highly profitable business with the world's top market share. Meanwhile, in microfiber fabric with a suede texture, EV models that use our products are increasing, but the sales volume of our products has not increased as expected, because relatively cheap EV models are sold more than high-end models that use our products. For other automobile-related products that are low in profitability, we are taking drastic measures including strategic pricing to improve profitability.

<Performance Chemicals>

Q. In the Performance Chemicals segment, improvement of the films business was significant. What was the main driver? Also, please tell us about the reasons behind the difference in core operating income between the first and second half in the forecast for FY 2025.

A. Since the inventory adjustment in supply chains mainly in MLCC (multilayer ceramic capacitors) ended prior to the first half of FY 2024, sales exceeded the actual demand. The MLCC manufacturers are in Japan, Republic of Korea and China, and although demand fluctuated in each region, Toray’s sales were well-balanced overall from having three production sites in these regions. For the increase in core operating income from the first to second half in FY 2025, we expect an effect from Darwin Project (D pro) at the films business in the U.S. and Europe.

<Carbon Fiber Composite Materials>

Q. There was a drop in core operating income of the Carbon Fiber Composite Materials segment in 3Q of FY 2024 and a recovery in 4Q. Please explain the details. In addition, in the forecast for FY 2025, the increase in core operating income before including the impact from the U.S. tariff measures, was merely 1.5 billion yen compared with the previous fiscal year. Please explain why the increase is so small.

A. The increase in core operating income from 3Q to 4Q in FY 2024 came mainly from the difference in production. In 3Q, there was an adjustment on a shipment basis, due to the inventory balance in the supply chain in the aerospace applications. Thus, we decreased operations, but it steadily recovered from 3Q to 4Q. These trends resulted in the increase of core operating income. As for the difference in the forecast of core operating income between FY 2024 and FY 2025, we expect some factors that could push down core operating income by 5 billion yen: effects of foreign exchange rate, the periodic maintenance of facilities, and increase in fixed costs due to the operation of new facilities. As for the assumption of our monthly production rate of carbon fiber for 787 to our major customer in FY 2025, it may be a little conservative.

Q. What is the current situation of capital investment in the U.S., Republic of Korea, and France? There are rumors that other Japanese manufacturers may decrease their production capacities due to the intense competition in the industrial applications, but is it possible for Toray to maintain or increase the sales in this field?

A. One of the reasons for the small year-on-year increase in the core operating income forecast for FY 2025 is the rise in fixed costs in new facilities, aside from the effects of foreign exchange assumptions and scheduled maintenance for facilities. Production volume from the new facilities will gradually increase. In terms of competitiveness in the industrial applications of the Carbon Fiber Composite Materials segment, we have the automobile applications, gas tank applications, and large tow. We are not so anxious about large tow, as we are promoting structural reform under D pro to enhance cost competitiveness, and working to maintain and improve profit through regional strategies for business fields that do not compete with Chinese companies and through long-term contracts with major customers. Sales of the CHG (compressed hydrogen gas) tank applications are sluggish, as demand expansion is slower than the initial plan, but the sales of CNG (compressed natural gas) tank applications are increasing.

Moreover, we will prevent decrease in price through product strategies, and at the same time, expand spread leveraging our cost competitiveness. We will expand profit as a number one manufacturer of carbon fiber.