

Toray Industries, Inc.

Announcement of Business Results for the
the 3Q and Nine Months Ended December 31, 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. How did the results for the 3Q perform relative to the plan? If there were any differences between actual results and plans by segment, please let me know.

A. Although there were some variations by segment, the business results for the 3Q were as expected, at the same level as our planned targets overall. By segment, the Fibers & Textiles and Environment & Engineering segments were strong, but in the Performance Chemicals segment, the battery separator film business was sluggish. In the industrial applications in the Carbon Fiber Composite Materials segment, regular and large tow were slower than expected.

Q. Please let me know about the progress of management measures. I believe that 7 billion yen of profit increase from the Darwin Project and 10 billion yen of profit increase from strategic pricing are expected in this fiscal year. How about progress in the 3Q? Meanwhile, there was an announcement on the impairment loss in the battery separator film business at a subsidiary in the Republic of Korea. Are there plans for further divestment or additional reduction of production capacity under the positioning of the structural reform businesses?

A. We cannot say about the quantitative amount of effect from strategic pricing as of the 3Q, because the figures are collected every six months. However, we are making good progress toward achieving an annual effect of 10 billion yen. Regarding Darwin Project, as a result of reviewing based on the current business circumstances, around 3 billion yen of annual increase is expected. By segment, in the Fibers & Textiles and Performance Chemicals segments, 2-3 billion yen of improvement is expected, respectively, while the Carbon Fiber Composite Materials segment was reviewed as the demand recovery was slower than expected. For the battery separator film business, business strategy is unchanged and structural reform is proceeding. Given the reduced profitability due to prolonged downturn in the EV market beyond expectations as well as intensified competition and price declines in the automobile applications, we have posted an impairment loss at this time. We have been continuing to thorough reduction of fixed costs and variable costs, and proceeding sales expansion for data center in the consumer applications, etc.

Q. Please let me know the reason why the forecast for profit attributable to owners of the parent in this fiscal year remains unchanged, although the Company posted 25 billion yen of impairment loss in the battery separator business in the 3Q?

A. We have anticipated certain amount of allowance as structural reform costs arising not only from this matter. In the 4Q, in addition to anticipation of other positive

factors, there was an improvement in profit (loss) of investments accounted for using equity method due to profit from the sales of equity interest of Japan Vilene, etc. Therefore, we have decided to keep the forecast for profit attributable to owners of the parent unchanged.

<Fibers & Textiles>

Q. What was a factor for downward revision in the full year forecast for core operating income of the Fibers & Textiles segment? It seems that this segment was relatively robust in the 3Q, especially for a major SPA in the apparel applications was very strong. Was sluggish demand in the automobile applications the main reason for the downward revision?

A. The apparel applications were strong, and it is expected to remain robust in the 4Q, though it is an off-season. As you understand, the factor for the downward revision is based on the impact from the slow demand in the automobile applications.

Q. In the Fibers & Textiles segment, sales increase in China has pushed up the level of core operating income in the 3Q. Was there a special factor for it?

A. There was nothing in particular. As for business in China, we provide products not only for Chinese domestic market but also for other regions, and sales were strong at each business site.

<Performance Chemicals>

Q. In the Performance Chemicals segment, the core operating income has decreased from the 2Q to 3Q. How was the business performance by subsegment? What was the backdrop of increase in core operating income in the 4Q compared with the 3Q?

A. In the resins and chemicals business, the resins business saw profit improvement owing to promotion of high-added-value products and effects of strategic pricing. However, the chemicals business was impacted by production issues and cost increase. In the electronic & information materials business, OLED-related materials and circuit materials were affected by the slow demand for display panels and intensified competitions in China. In the films business, the sales of the MLCC (multilayer ceramic capacitors) release film applications remained strong, while the sales of battery separator film were sluggish. Regarding the background of the forecast for increase in the core operating

income in the 4Q, in the resins business, we will promote high-added-value products and proceed strategic pricing. In the films business, we expect steady sales of MLCC release film and positive effects from profitability improvement projects at the U.S. and European film subsidiaries. In the electronic & information materials business, we expect sales expansion of high-added-value products for small to middle size display panels at a subsidiary in the Republic of Korea.

<Carbon Fiber Composite Materials>

Q. What does the Company expect the forecast for the next fiscal year's Carbon Fiber Composite Materials segment to be? Core operating income is forecasted to be 8.5 billion yen in this fiscal year. However, it seems that a significant increase in core operating income is expected in the next fiscal year, if the price increases the Company recently announced are penetrated and shipments of materials for 787 increase to 8 or 9 units from a monthly average of 6 units. Meanwhile, are the CNG (compressed natural gas) tank applications that are in the adjustment phase expected to improve in the next fiscal year?

A. It is difficult to comment on the next fiscal year, but for the aerospace applications, the production rate is expected to gradually increase to the level as a major customer explained, starting from the 4Q in this fiscal year. Other aerospace applications are also strong, and we would like to increase the sales steadily. In the industrial applications, demand is currently in an adjustment phase, but the demand for CNG tank applications is expected to bottom out from the 4Q of FY 2025 to the 1Q of FY 2026 and recover from the second half of FY 2026. Full-fledged demand expansion of the CHG (compressed hydrogen gas) tank applications is expected to be delayed slightly. Also, demand for the wind turbine blade applications is currently on the recovery trend.

Q. Shipments of carbon fiber composite materials for 787 are expected to be about 7 units per month in the 4Q, if 6 units per month in the 3Q? When does the Company expect the inventory adjustment in the supply chain of 787 to be resolved? The industrial applications seem to be facing tough conditions in pricing, however, is it possible to reduce costs further?

A. Shipments of materials for 787 are expected to be at that level (7 units per month) in the 4Q, and inventory adjustment in the supply chain has been almost resolved. As for progress of cost improvement in the industrial applications, the

large tow subsidiary Zoltek implemented enhancement of global operation and reduction of fixed cost as the countermeasures under Darwin Project for the profit decline due to the entry of a Chinese manufacturer. From a sales perspective, we promoted sales expansion of flame-resistant fiber and other products. However, demand for our mainstay wind turbine blade applications did not fully recover, and therefore we implemented the operation adjustment. This is the factor for the profit decrease in the 3Q. Amid these business circumstances, fundamental initiatives have begun, including ensuring demand recovery, expanding sales of flame-resistant fiber, and reviewing cost structure at the production bases.

< Environment & Engineering >

Q. In the water treatment business, shipments are reported to be steady, including for the Middle East. Is this temporal, or is the strong growth trend continuing for longer than the initial forecast? If the growth trend is strong, can it be assumed that it will continue into the next fiscal year and beyond?

A. The growth trend is becoming stronger, and market is expected to expand steadily in the next fiscal year and beyond. In this fiscal year, revenue is forecasted to concentrate in the 4Q.