

# Toray Industries, Inc.

Announcement of Business Results  
for the Fiscal Year Ended March 2026

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. Please let us know the factors behind the FY 2025 business results falling short of the forecast. I assume that inventory adjustments and efforts to reduce inventories are underway, and was the shortfall in results attributable to those factors, or were there also impacts from business conditions?

A. As for the difference from the forecast announced at the time of the 3Q results in February, the first factor was an approximately 2 billion yen of negative impact from the outbreak of the Iran conflict in March. This was mainly due to disruptions in shipments of traditional garments to the Middle East from Southeast Asia, along with a surge in raw material and fuel prices. The second factor was ZOLTEK, which has fallen under the Darwin Projects. Its sales and production volume in FY 2025 came below our expectations. We implemented the production adjustment due to a shift in the timing of sales for wind turbine blade and a sharp decline in sales of flame-resistant fiber to China. Furthermore, to accelerate structural reform, we have intensified efforts to reform ZOLTEK since the second half and recorded part of the related costs at the end of March. The third factor was that the automotive applications were slower than expected, mainly in Europe.

Q. How have you factored the impact of the Middle East situation into your FY 2026 outlook?

A. We have reflected 13 billion yen as an effect from the situation of the Middle East on the forecast for the fiscal year. Given the uncertain outlook, we assume that raw material and fuel prices, which have surged recently, will remain at elevated levels into the second half. Basically, increases in raw material and fuel prices are passed on to selling prices, but we assume that part of the impact will be reflected with some delay. In terms of sales volume, we expect it to remain relatively firm in the early part of the first half, supported in part by speculative demand driven by expectations of further price increases. However, as selling prices rise, a certain level of volume decline is expected to emerge from the latter part of the first half onward. We expect the negative impact on core operating income to be roughly the same in both the first and second halves. By segment, about 50% of the decrease comes from Fibers & Textiles, 40% from Performance Chemicals, and 10% from the other segments. Although not factored into the current outlook, as one of the potential upside factors, we expect that higher raw material and fuel prices will underscore the advantages of renewable energy, leading to increased related demand, including an acceleration in future orders for applications such as wind turbine blades. Another key focus is the extent to which we can offset the negative impact on profit through self-help measures, particularly fixed-cost reductions. We have already initiated these efforts and will continue to pursue them going forward.

Q. An announcement has been made regarding the introduction of a surcharge to address rising raw material prices. What is the difference between this and conventional price increase negotiations, and to what extent has it been accepted by customers ?

A. In performance chemicals in particular, many products are subject to pricing formulas. Under these formulas, prices are determined by reflecting raw material price movements, and there is a certain time lag in their application. In general, prices for the current quarter are set based on raw material prices in the previous quarter, while in some cases the reflection may take up to approximately six months. Overall, in most cases, prices are adjusted with a time lag of approximately three to six months. While our introduction of a surcharge has

attracted attention as relatively uncommon among Japanese companies, we believe that surcharges are a standard practice among Western chemical companies. In response to the recent sharp rise in raw material prices, we have requested our customers' understanding so that price adjustments can be reflected in less than one month.

<Fibers & Textiles>

Q. The Fibers & Textiles segment plans a 7 billion increase in core operating income for this fiscal year. Please let us know how much each factor contributes to this increase, including sales expansion of the apparel applications, particularly major SPAs, growth in the airbag fabric applications, and the effects of structural reforms.

A. When we announced the Medium-Term Management Program at the end of March, we indicated that profit growth would be driven roughly equally by business expansion and structural reforms. We take a similar view for the fibers & textiles business. In the Fibers & Textiles segment, PP spunbond and polyester staple fiber business are fallen under Darwin Project. Although we have made progress, profitability has yet to exceed our WACC, and we will continue to pursue structural reforms. In addition, for Polyester / Cotton woven fabrics produced primarily in Southeast Asia and certain other products, we have to accelerate the pace of structural reform. This has been incorporated into our budget for the current fiscal year. On the other hand, we would like you to understand that growth fields such as airbags fabrics and integrated business from fibers, textiles to garments are expanding steadily and contributing to revenue.

<Carbon Fiber Composite Materials>

Q. Regarding carbon fiber composite materials, the current production rate for the 787 is 8 units per month. Please let us know your assumptions and outlook for this fiscal year, including the production plans for the 777X and forecast for recovery in demand for the compressed natural gas (CNG) tank application? On the cost side, expenses increased by 7 billion yen in the 4Q of FY 2025. In the current fiscal year, both upward and downward factors are expected, including increased depreciation associated with new production lines. Please explain your overall outlook on costs in light of these factors?

A. The increase in costs in the 4Q was attributable to structural reform costs at ZOLTEK, as well as the upfront hiring of personnel at our U.S. subsidiary to prepare for increased production for a major customer in the aerospace applications. Although this had been anticipated to some extent, the increase exceeded our expectations. In addition, costs also rose in Europe in preparation for higher production this fiscal year. Looking at the outlook for the current fiscal year, we expect steady expansion in the commercial aerospace applications in line with our assumptions. The industrial applications are expected profit growth due to higher utilization rates of carbon fiber facilities, supported by increased sales of the aerospace applications as well as progress in structural reforms at ZOLTEK. While we expect demand to increase as an external factor, we take a cautious view on sales for the wind turbine blade applications. In the previous fiscal year, slower sales for CNG tank applications weighed on overall utilization rates. However, we expect utilization rates to improve in this fiscal year, as inventory adjustments come to an end and demand for the CNG tank applications gradually recovers, driven by increasing demand related to renewable energy.

<Water Treatment & Healthcare>

Q. Profit growth in the Water Treatment & Healthcare segment is expected to be modest this fiscal year. Is this due to concerns over a potential closure of the Strait of Hormuz?

A. One reason is that FY 2026 is currently between large scale projects for the water treatment business. In addition, due to the situation in the Middle East, we were unable to secure certain indirect materials in March, which led to production adjustments, and we expect some impact to continue into the 1Q. On the other hand, demand has not weakened. While there are no major new projects, we are seeing strong inquiries in the replacement market. This may reflect customers seeking to build inventory from an economic security perspective, and we also expect an increase in sales opportunities once the situation stabilizes. Although this may seem conservative, we have taken a cautious approach in our assumptions.