Toray Industries, Inc.

Announcement of Business Results for the
First Quarter Ended June 30, 2026（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. In terms of rising raw material and fuel prices, please let us know which businesses were able to implement price revisions, and which were not. Plus, I would like to know your outlook for future price revisions.

A. Since April, we have adopted a surcharge-based pricing mechanism and have been working to pass through increases in raw material and fuel costs as promptly as possible. By segment, we believe the resins & chemicals businesses were generally able to maintain spreads, as they steadily passed on cost increases with customers' understanding. The Films business has been somewhat slower than the resins & chemicals businesses in passing on cost increases. However, price pass-through has been progressing steadily, and we expect the films business to catch up gradually. On the other hand, in the Carbon Fiber Composite Materials segment, long-term and formula-based contracts are in place, and contractual constraints require a certain amount of time for price pass-through to take effect. We expect further progress in price pass-through going forward.

< Fibers & Textiles >

Q. What were the factors behind core operating income from apparel applications being flat year-on-year? Also, please provide a breakdown of difference in quantity, net change in price, and cost variance for apparel and industrial applications, respectively.

A. As for net change in price, in the apparel applications, pricing is often determined on a seasonal basis, and therefore it would be difficult to say that price pass-through has progressed evenly across all products and customers. Given the increase in raw material and fuel costs, we believe it was a solid achievement to have maintained profit at the same level as the previous year. Looking at the variance factors, the increase of net change in price was driven largely by the industrial applications, reflecting a favorable product mix. The airbag fabric applications also improved in 1Q. With respect to the increase in core operating income from the difference in quantity in the industrial applications, there was no particularly large single driver. However, Ultrasuede, the microfiber fabric with a suede texture, made a significant contribution to profit growth as sales ramped up for new programs. In addition, sales of products for the airbag fabric applications were also expanded. Aramid fiber and PP spunbond in the Republic of Korea have been also improving. The industrial material applications in Japan also contributed positively to core operating income. We believe that part of this was attributable to front-loaded demand.

Q. Please explain the factors behind increases in revenue and core operating income from 1Q to 2Q. Also, I would like to know the latest business conditions of Alcantara, one of your subsidiaries in Italy.

A. In 2Q, revenue and core operating income are expected to increase compared to 1Q, as demand for autumn/winter clothing in apparel applications begins to gain momentum. In the industrial applications, Ultrasuede is expected to remain strong. Alcantara expects sales to increase for major programs. Regarding PP spunbond, we aim to improve profit through structural reform. Plus, the airbag fabric applications are expected to remain on an upward trend.

< Performance Chemicals >

Q. The Performance Chemicals segment made a strong start in 1Q. Please provide a breakdown by sub-segment of the impact from front-loaded demand and inventory-related effects on the segment's 1Q results. In addition, please let us know the outlook for each segment from 2Q onward.

A. In 1Q, engineering plastic-related sales expanded, and we believe there was also some front-loaded demand driven by concerns over the situation in the Middle East and the outlook going forward. Also, we recognize there were certain inventory-related effects, which benefited the Performance Chemicals segment in particular. However, it is difficult to distinguish the impact of front-loaded demand and inventory-related effects on a sub-segment basis, and therefore we do not have a quantitative assessment of their impact. At the sub-segment level, front-loaded demand and inventory-related effects appear to have contributed to the increase of core operating income in the resins & chemicals. From 2Q onward, we expect inventory-related effects to fade and the front-loaded demand seen in 1Q to normalize. These assumptions are reflected in our first-half forecast. Meanwhile, the impact of these factors was limited in the films business and electronic & information material business. In the films business, the MLCC release film applications are expected to remain strong, while in the electronic & information materials business, sales of materials for power inductor coils launched in the Republic of Korea are expected to expand.

Q. In the Performance Chemicals segment, around 8 billion yen decrease in core operating income is expected from 1Q to 2Q. I would like you to outline the factors behind this decline.

A. In the Performance Chemicals segment, the fading of inventory-related effects is expected to be a major factor behind the decline from 1Q to 2Q. Plus, front-loaded demand, which was seen in 1Q, is expected to decrease. In the resins business, we have factored in market price declines for some products, while in the chemicals business, we expect worsening conditions in the lactam market. In addition, following the sale of shares in Soda Aromatic, its profit contribution is expected to cease from 2Q onward.

< Carbon Fiber Composite Materials >

Q. I would like to know the current conditions in the aerospace and industrial applications in the Carbon Fiber Composite Materials segment. Also, please let us know your view on demand for 787 and the current state of the supply chain.

A. In 1Q, shipments of our materials for 787 remained at a level equivalent to nine units per month, broadly in line with our initial forecast. According to a major customer, production rate of 787 has stabilized at around eight unit per month, but some adjustments of production line were made due to delays in engine deliveries. In addition, they have maintained their plan to increase production rate to 10 unit per month, although the timing will depend on engine supply conditions. We will continue to closely follow the actual pace of the production rate increase. Our initial forecast remains unchanged. In the industrial applications, inventory adjustments have progressed across the supply chain of regular tow for the pressure vessel applications, and we are beginning to see signs that demand has bottomed out. We expect some recovery from 2Q onward. Meanwhile, regarding large tow for the wind turbine blade applications, shipments have been recovering since 1Q, and we believe that it is on a recovery trend. The expansion trend in the aerospace applications continues, and sales are increasing steadily. However, 1Q profit growth appears relatively modest, as 4Q of FY 2025 benefited from certain temporary positive factors.

<Water Treatment & Healthcare>

Q. What was the reason for strong sales volume in the water treatment business in 1Q, despite logistics constraints in the Strait of Hormuz? If those issues had not occurred, would the 1Q results have been stronger? Or were the results achieved despite those challenges? In addition, I would like to know your outlook from 2Q onward.

A. There was some impact from logistics-related issues in 1Q. In addition to delays in procuring raw materials, we were also affected by the logistics environment surrounding the Strait of Hormuz. As congestion continues on alternative shipping routes, we remain concerned that there could still be some impact on deliveries. At the same time, even under these circumstances, we have been taking measures to minimize any disruption to customer supply, including shifting production sites depending on the destination of shipments. For example, we shipped some products from Japan that would normally have been supplied from our production site in Saudi Arabia. As a result, we believe we were able to secure sales, in spite of the logistics-related challenges. Although uncertainties in the logistics environment persist, we will continue to operate the business by leveraging our production and logistics networks to maintain a stable supply to customers.