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Notice Regarding the Disposal of Treasury Shares as Restricted Stock Incentives for the Employee Stock Ownership Association

Toray Industries, Inc. (the “Company”) hereby announces that, at a meeting of its Board of Directors held today, the Company has resolved to dispose of treasury shares as restricted stock (the “Treasury Stock Disposal” or “disposal”) under the Employee Stock Ownership Association Restricted Stock Incentive Plan (the “Plan”). The disposal will be executed with the Toray Industries Employee Stock Ownership Association (the “ESOA”) as the intended recipient, as detailed below.

1. Overview of disposal

(1) Date of disposal	February 26, 2027
(2) Class and number of shares for disposal	2,524,060 shares of the Company’s common stock (Note 1)
(3) Disposal price	1,188.5 yen per share (Note 2)
(4) Total disposal value	2,999,845,310 yen (estimated amount as of today calculated by multiplying the disposal price specified in item (3) above by the number of shares for disposal specified in item (2) above)
(5) Method of disposal (Intended recipients)	After the disposal, the shares will be allotted to the ESOA under the third-party allotment method, subject to the ESOA submitting a subscription application. The number of shares allotted to the ESOA shall be determined based on the number of shares applied for by the ESOA, within the range specified in item (2) above (which shall be equal to the number of shares to be disposed of). (Toray Industries Employee Stock Ownership Association: 2,524,060 shares) No partial application for the allotted shares from any individual Eligible Employee (as defined below) shall be accepted.
(6) Other	The Company has submitted an Extraordinary Report concerning the Treasury Stock Disposal pursuant to the Financial Instruments and Exchange Act.

(Note 1) The “number of shares for disposal” and “Total disposal value” are calculated based on the assumption that 242 shares of the Company’s common stock will be granted as restricted shares to each of the 10,430 employees of the Company, representing the maximum number of individuals eligible under the Plan. The actual number of shares to be disposed of and disposal value will be determined based on the number of employees of the Company who agree to the Plan (the “Eligible Employees”) (up to 10,430 employees), following the completion of promotional activities for employees who are not yet members of the ESOA and the confirmation of agreement to the Plan from the ESOA members. Specifically, as stated in item (5) above, the “number of shares for disposal” shall be the number of shares applied for, as determined by the ESOA.

The “Total disposal value” shall be calculated by multiplying this number by the disposal price per share. The Company will uniformly grant a monetary claim of 287,617 yen (calculated by multiplying the number of shares granted per employee by the disposal price) to each Eligible Employee. Through the ESOA, the Company will make a uniform allocation of 242 shares to each Eligible Employee.

(Note 2) The value is estimated with reference to the disposal price calculated based on the closing price of the Company’s common stock on the Prime Market of the Tokyo Stock Exchange on August 5, 2026. Today, the Company announced the Consolidated Financial Results for the Three Months Ended June 30, 2026 (Under IFRS). To take the impact of such announcement on its share price into account and give consideration to the interest of existing stockholders, the Company will decide on August 18, 2026 (the “Condition Determination Date”) the disposal price of restricted stock as whichever is higher of (i) 1,188.5 yen, which is the closing price of the Company’s common stock on the Prime Market of the Tokyo Stock Exchange on August 5, 2026 or (ii) the closing price of the Company’s common stock on the Prime Market of the Tokyo Stock Exchange on the business day immediately prior to the Condition Determination Date

2. Objective and reasons for disposal

The Board of Directors resolved at its meeting held today to introduce the Plan as part of human capital investment focusing on sharing corporate value with the Eligible Employees and as a measure to enhance the benefits and welfare of the Eligible Employees among employees who are members of the ESOA (excluding employees who qualify as non-residents). By providing Eligible Employees with an opportunity to acquire the Company’s common stock, which is issued or disposed of by the Company, as restricted shares through the ESOA, the Plan aims to support their asset formation, provide them with an incentive to strive for the sustainable improvement in the Company’s corporate value, and promoting further sharing of value between the Eligible Employees and the Company’s stockholders.

An overview of the Plan is as follows.

<u>Overview of Plan</u>

Under the Plan, the Company will provide a monetary claim (the “Special Incentive Payment”) to each Eligible Employee as a special incentive for the allocation of restricted stock. The Eligible Employee will then contribute the Special Incentive Payment to the ESOA. Subsequently, the ESOA will make an in-kind contribution of the Special Incentive Payment to the Company, in exchange for which the Company will issue or dispose of its common stock as restricted stock.

In the event that the Company newly issues or disposes of its common stock under the Plan, the amount to be paid in per share of the common stock shall be determined by the Board of Directors within a range that is not particularly advantageous to the ESOA (and, by extension, the Eligible Employees), based on the closing price of the Company’s common stock on the Tokyo Stock Exchange on its business day preceding the date of each Board of Directors’ resolution related to the issuance or disposal (or, if there is no closing of trading of the stock on that day, the closing price on the day when such trading is closed immediately before).

The Company and the ESOA shall conclude a restricted stock allotment agreement (the “Allotment Agreement”) in connection with the issuance or disposal of the Company’s common stock under the Plan. The Allotment Agreement shall include (1) that the transfer of allotted shares to third party, pawning, or otherwise disposing of them for a certain period shall be prohibited (“Transfer Restrictions”), and (2) that the Company may acquire such shares without compensation if certain circumstances arise. The granting of the Special Incentive Payment to the Eligible Employees shall be subject to the conclusion of the Allotment Agreement between the Company and the ESOA.

Until the Transfer Restrictions are lifted, the Eligible Employees shall be subject to withdrawal restriction on their member equity interests in the restricted stock (“Restricted Stock Equity Interests” or “RS Equity Interests”), in accordance with ESOA regulations and operational rules (the “ESOA Rules”) (Note). The RS Equity Interest corresponds to the restricted stock that the Eligible Employees hold based on the monetary claims contributed to the ESOA.

(Note) Prior to the Treasury Stock Disposal, the ESOA plans to resolve at its board meeting, which shall be convened promptly following the Board of Directors' resolution on the Treasury Stock Disposal, to amend the ESOA Rules in response to the Plan. The amendment is scheduled to take effect two (2) weeks after the notification has been sent to ESOA members in accordance with the ESOA Rules, provided that objections are raised by less than one-third of the members.

In the Treasury Stock Disposal, the Company shall dispose of its common stock (the "Allotted Shares") to the ESOA, which is the intended recipient, in accordance with the Plan. The ESOA shall make payment for the shares by contributing the entire amount of the Special Incentive Payment, which has been contributed by the Eligible Employees, as assets subscribed in kind. The outline of the Allotment Agreement to be concluded between the Company and the ESOA in connection with the Treasury Stock Disposal is as set forth below in "3. Overview of Allotment Agreement." The number of shares to be disposed of in the Treasury Stock Disposal will be determined at a later date, as stated in Note (1) above. However, if all 10,430 employees of the Company, who represent the maximum number of employees eligible under the Plan, join the ESOA and agree to the Plan, the planned number of shares to be disposed of will be 2,524,060 shares. Assuming this number of shares, the dilution ratio resulting from the Treasury Stock Disposal will be 0.17% of the total number of issued shares (excluding treasury shares), 1,456,958,582 shares, as of March 31, 2026 (rounded to the second decimal place; the same rounding method applies to all percentage calculations below.), and 0.17% of the total number of voting rights, 14,562,907 units, as of March 31, 2026.

The introduction of the Plan aims to enhance the benefits and welfare of the Eligible Employees by providing them with an opportunity, through the ESOA, to acquire the Company's common stock, which is issued or disposed of by the Company, as restricted stock. This initiative is intended not only to support the asset formation of the Eligible Employees but also to serve as an incentive for them to strive for the sustainable improvement in the Company's corporate value while promoting further sharing of value with the Company's stockholders. The Company believes that this initiative will contribute to the increase of the corporate value of the Company Group. In addition, in the Treasury Stock Disposal, the number of shares to be disposed of and the scale of dilution are considered reasonable, and we have determined that the impact on the market will be minimal, even taking into account the scale of dilution.

This Treasury Stock Disposal will be executed on the condition that the revised ESOA Rules take effect by the day immediately before the disposal date and that the Allotment Agreement is concluded between the Company and the ESOA during the application period.

3. Overview of Allotment Agreement

(1) Transfer restriction period

From February 26, 2027 to May 15, 2030

(2) Conditions for lifting of transfer restrictions

The transfer restrictions will be lifted for all Allotted Shares corresponding to the restricted stock equity interests held by an Eligible Employee upon the expiration of the transfer restriction period, on the condition that the Eligible Employee continuously holds a membership of the ESOA during that transfer restriction period.

(3) Treatment in the event of withdrawal from the ESOA

If an Eligible Employee resigns his/her position of Company's employee or loses ESOA membership status or apply for withdrawal from the association (including resignation or withdrawal from the association due to death) during the transfer restriction period due to employment transfer to a group company, promotion to member of the Board of the Company or its group companies, and other reasons (including resignation using the career transition support program, etc.), the Company shall lift the transfer restrictions on all Allotted Shares corresponding to the RS Equity Interests held by the Eligible Employee as of the date on which the Eligible Employee resigns his/her position of Company's employee (or, in the case of a loss of membership status, the date on which the status was lost, hereinafter referred to as the "Resignation Date").

If an Eligible Employee resigns his/her position of Company's employee and withdraws from the ESOA (i.e., loss of membership status or application for withdrawal from the ESOA) during the transfer restriction period due to mandatory retirement, resignation following the expiration of leave of absence, employment termination owing to reaching the maximum age specified in the re-employment contract, and other legitimate reasons (including cases where the Company recognizes that it is impossible for the Eligible Employee to continue working due to unavoidable circumstances but excluding cases for not unavoidable but personal reasons), the Company shall lift the transfer restrictions on all Allotted Shares corresponding to the RS Equity Interests held by the Eligible Employee multiplied by the number which is calculated by dividing the number of months between the month including the date of disposal and the month including the Resignation Date by the number of months involving the transfer restriction period (40) (a fraction less than one must be rounded off) as of the Resignation Date.

(4) Treatment in the event of becoming a non-resident

If the Company issues an order stating that an Eligible Employee qualifies as a non-resident during the transfer restriction period due to an overseas transfer or other similar circumstances, the transfer restrictions on all Allotted Shares corresponding to the RS Equity Interests held by the Eligible Employee as of the date such order is issued (the "Overseas Transfer Order Date") will be lifted as of the Overseas Transfer Order Date.

(5) Acquisition by the Company without compensation

If an Eligible Employee engages in acts that violate laws and regulations or falls under certain conditions stipulated in the Allotment Agreement during the transfer restriction period, the Company shall automatically acquire, without compensation, all Allotted Shares corresponding to the RS Equity Interests held by the Eligible Employee at that time. In addition, the Company shall automatically acquire, without compensation, any Allotted Shares for which the transfer restrictions are not lifted at the expiration of the transfer restriction period or at the time of transfer restriction lifting as stipulated in items (3) or (4) above.

(6) Management of shares

The Allotted Shares shall be managed in a special account opened by the ESOA with Nomura Securities Co., Ltd., to ensure that the transfer, the pawning, or any other forms of disposal cannot be made during the transfer restriction period. The ESOA shall register and manage the RS Equity Interests separately from other membership interests held by the Eligible Employees (the "Ordinary Equity Interests"), in accordance with the provisions of the ESOA rules.

(7) Treatment in the event of organizational restructuring

If, during the transfer restriction period, a merger agreement in which the Company becomes the absorbed entity, a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary, or any other matters related to organizational restructuring are approved at the Company's General Meeting of Stockholders (or, if such approval by the General Meeting of Stockholders is not required for organizational restructuring, at the Company's Board of Directors meeting), then by resolution of the Board of Directors, the transfer restrictions shall be lifted, effective immediately prior to the business day preceding the effective date of the organizational restructuring, on all Allotted Shares held by the ESOA that correspond to the RS Equity Interests held by the Eligible Employees, as of the approval date.

4. Basis and details of disposal price calculation

The Treasury Stock Disposal for the intended recipients of the allotment shall be conducted in the manner that an Eligible Employee provides Special Incentive Payment delivered to the employee for restricted stock grant as assets contributed. The disposal price has been set at whichever is higher of (i) 1,188.5 yen, which is the closing price of the Company's common stock on the Prime Market of the Tokyo Stock Exchange on August 5, 2026 (the business day prior to the resolution of the Board of Directors) or (ii) the closing price of the Company's common stock on the Prime Market of the Tokyo Stock Exchange on the business day immediately prior to the Condition Determination Date, out of consideration to existing stockholders and in order to eliminate the arbitrariness of price. This is a reasonable price reflecting the corporate value of the Company, and the Company believes that it is not particularly advantageous for the ESOA.

The deviation rate of 1,188.5 yen, which is the closing price of the Company's common stock on the Prime Market of the Tokyo Stock Exchange on August 5, 2026 from the average closing price of the Company's common stock on the Prime Market of the Tokyo Stock Exchange (rounded to the second decimal place) is as follows:

Period	Average closing price (rounded down to the nearest yen)	Deviation rate
1 month (July 6 to August 5, 2026)	1,159 yen	2.55%
3 months (May 7 to August 5, 2026)	1,144 yen	3.89%
6 months (February 6 to August 5, 2026)	1,160yen	2.46%

All the 5 corporate auditors who attended the meeting of the Board of Directors held today (including 3 outside corporate auditors) have expressed their opinion that the process by which the Company determined that the above disposal price does not constitute a particularly advantageous price for the intended recipient is reasonable, and such determination is lawful. This opinion is based on the fact that the Treasury Stock Disposal is intended for the introduction of the Plan and that disposal price is set at whichever is higher of (i) 1,188.5 yen, which is the closing price of the Company's common stock on the Prime Market of the Tokyo Stock Exchange on the business day prior to the resolution of the Board of Directors or (ii) the closing price of the Company's common stock on the Prime Market of the Tokyo Stock Exchange on the business day immediately prior to the Condition Determination Date.

5. Matters related to procedures under the corporate code of conduct

The Treasury Stock Disposal does not require obtaining an opinion from an independent third party or confirming stockholders' intent, as stipulated in Rule 432 of the Securities Listing Regulations set by the Tokyo Stock Exchange. This is because (i) the dilution ratio is less than 25 % and (ii) the disposal does not involve a change in the controlling stockholder.

(Reference)

[Structure of the Plan]

(1) The Company provides the Eligible Employees with monetary claims as Special Incentive Payment for the grant of Restricted Stock.

(2) The Eligible Employees contribute the monetary claims received in (1) above to the ESOA.

(3) The ESOA consolidated the monetary claims contributed in (2) above and pays the total amount to the Company.

(4) The Company allocates the Allotted Shares as Restricted Stock (referred to as “RS” in the figure below) to the ESOA.

(5) The Allotted Shares are deposited into a special account established by the ESOA through Nomura Securities Co., Ltd., with withdrawal restrictions imposed during the transfer restriction period.

(6) After the transfer restriction period is lifted, the Allotted Shares will be transferred either to the Ordinary Equity Interests or a securities account under the names of the Eligible Employees.