

## **TOYOBO Co., Ltd. Q&A Summary for the Presentation Regarding Financial Results for the First Half of FY 3/25**

**Date and Time:** Friday, November 8, 2024 at 9:00 - 9:50 a.m. (Japan Standard Time)

**Place:** WEB Conference

**Presenter:** Ikuo Takeuchi, President and Representative Director

**Future earnings forecasts and other forward-looking statements in this release are based on data currently available to manage and cannot be guaranteed by the Company. Actual business performance, etc. may differ from the forecasts due to various factors.**

**Q: In the analysis in changes in results for H1, it seems that prices had a significant effect, and yet the profitability for Packaging film has not improved. Was price pass-through for Packaging film not sufficient? Will the terms of trade improve in H2? And also, can you add value to cover the costs of eco-friendly films?**

A: We were not able to fully realize the effect of prices in H1 for Packaging film, partly because some price negotiations were still in progress. In H2, the effect of prices will make a full contribution, and we expect profitability to improve. Moreover, eco-friendly films have a different price setting to general products, and we have yet to obtain full understanding from users. We recognize that we should improve on this going forward.

**Q: What was the status for “COSMOSHINE SRF” (SRF) and mold releasing film for multilayer ceramic capacitors (MLCC) in H1?**

A: SRF sales were on par with the same period of the previous fiscal year, while sales of MLCC increased by around 10% year on year (net sales basis).

**Q: Could you give a specific breakdown of the variation in MLCC results by purpose?**

A: Sales volumes did not grow for high-end products used in smartphones and so forth. On the other hand, shipments for non-high-end products, such as for AI servers, performed favorably.

**Q: Films net sales in H2 are forecast to increase by ¥4.4 billion compared to H1, but operating profit by only ¥0.5 billion. What is the reason for this?**

A: Although profitability will improve for Packaging film, we are planning expenditures in Industrial film for the start-up of a new MLCC facility scheduled to start commercial production from spring of 2025.

**Q: In the Environmental and Functional Materials, H2 operating profit is forecast to improve by ¥1.3 billion compared to H1. What are the grounds for this?**

A: “VYRON” and “HARDLEN” sales for electronics materials applications in China are recovering. In addition, we are making progress on structural reforms in nonwoven materials and have factored in the impact of profitability improvement. In VOC recovery equipment, profits are expected to decrease, partly due to the impact of a slowdown in adoption of EVs, but for the segment overall, we expect profits to improve.

**Q: What is the status of your collaboration with Mitsubishi Corporation at Toyobo MC Corporation?**

A: New contact points and projects are steadily increasing. For example, in the environment related sector, we have acquired a project for BC membrane equipment for lithium concentration recovery, which would not have been possible for Toyobo alone. In the automotive sector, our new Mobility Business Strategy Unit is making direct proposals to automotive OEM firms. Specifically, from a viewpoint of car seat recycling, we are promoting discussion on the use of “BREATHAIR” as a replacement for urethane. In addition, through Mitsubishi Corporation’s network, we are gaining contacts not only with Japanese OEM firms, but also European and U.S. OEM firms.

**Q: What is the status of earnings from Airbag fabric and of the yarn plant in Thailand? When do you expect to return to profitability?**

A: Profitability improved substantially in H1; however, these operations still made losses. Our plant in Thailand has started acquiring certification for some yarn items. We will improve profitability by increasing the operation rate. We expect to return to profitability in FY 3/27.

**Q: Assets had not decreased substantially at the end of September 2024. Looking at the current D/E ratio, will it not be difficult to accelerate growth investments? Also, how do you intend to reduce your assets going forward?**

A: With regard to growth investments, we have almost completed decision-making over the past three years. We are not planning any major investments at present, and we expect capital investment to peak out going forward. Regarding reducing assets, we will proceed to reduce inventories and integrate and eliminate property, plant and equipment.