

TOYOBO Co., Ltd. Q&A Summary for the Presentation Regarding Financial Results for Q3 FY 3/25

Date and Time: Thursday, February 13, 2025 at 9:00 - 9:50 a.m. (Japan Standard Time)

Place: WEB Conference

Presenter: Taizo Ono, CFO

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: What were the factors weighing down operating profit in Films for Q3? Will there be any improvement going forward?

A: Recording of costs for launching new equipment for mold releasing film for multilayer ceramic capacitors (MLCC) was concentrated in Q3. Preparation for launch is proceeding steadily, aiming to start commercial production in spring of 2025, and costs are expected to decrease going forward.

Q: What is the demand forecast for “COSMOSHINE SRF?”

A: Demand is currently firm and is expected to remain so in Q4 and into the next fiscal year.

Q: What are the cumulative Q3 results and full-year forecast for MLCC?

A: Cumulative Q3 results saw sales increase by around 5% year on year. The full-year forecast is for a year-on-year increase of around 5% (net sales basis). The market is in an expansion phase, but it is not expanding as fast as we initially expected.

Q: What is the status of price increases for Packaging film?

A: With regard to product price revision, we are negotiating to pass through not only the portion related to high raw material and fuel costs, but also the increases in logistics and personnel expenses, and so on. We have carried out most of the increases that were envisaged at the start of this fiscal year, and we consider the increases in raw material and fuel costs up to FY 3/24 to be passed through. However, this has not completed the revision, and we will continue discussing product pricing revision while monitoring cost trends going forward.

Q: When will new Packaging film products (“PYLEN EXTOP” OPP films) begin to contribute to earnings?

A: We have struggled to launch new products in the current fiscal year; however, we have been able to supply a small amount to customers. “PYLEN EXTOP” is an eco-conscious product that contributes to the realization of mono-materials and volume reduction. Inquiries from customers have been highly strong. We believe it will contribute to earnings from next fiscal year onward.

Q: Why has there been no improvement in Q3 operating profit for Life Science from Q2? And will it improve going forward?

A: Some of our products in Biotechnology experienced temporary factors weighing on profit, such as increases in procurement prices due to shortages of raw materials and the impacts of production issues. Looking ahead, we will look to improve profit by taking countermeasures for production issues.

Q: In Life Science, other than improvement of temporary factors weighing on profit, how will you improve earnings from the next fiscal year onward?

A: We expect demand to remain firm for both Biotechnology and Medical materials. To meet this increase in demand, we are carrying out a series of increases in production capacity: for example, a manufacturing facility (Tsuruga) for enzymes for diagnostic reagents in Biotechnology and an integrated production plant (Odate) for artificial kidney hollow fiber in Medical materials. In addition, in our contract manufacturing business for pharmaceuticals also, we are following a roadmap to profitability and promoting profitability improvement. Through these measures we aim to improve earnings from the next fiscal year onward.

Q: What is the current situation for VOC recovery equipment?

A: Although H1 sales were solid, we are currently seeing an impact from the slowdown in the EV market, and sales is decreasing in H2.

Q: Is it possible to achieve Q4 operating profit of ¥0.7 billion in Functional Textiles and Trading?

A: Textiles has traditionally seen earnings growth in Q4 due to seasonal factors. In addition, demand for traditional Arabic fabric is strong, and the yen’s depreciation will also have a positive effect. Furthermore, we are also seeing the effects of business structure reforms, including consolidation of production bases in Japan and withdrawal from unprofitable products. For Airbag fabric, we are reviewing the terms of business transactions and proceeding with price revisions. Due to these factors, profitability has improved from the previous fiscal year, and we consider the Q4 operating profit to be achievable.

Q: Is the price increase on Airbag fabric going to enable this business to achieve profitability earlier than initially planned?

A: Profitability has improved due to product price revisions; however, these operations are still making losses, and it will not achieve profitability earlier than planned. We are promoting business structure improvements in line with our profitability road map, and we will achieve profitability going forward by increasing the operation rate at our yarn plant in Thailand. We expect to return to profitability in FY 3/27.

Q: How do you intend to improve the financial structure going forward?

A: Although we have kept the D/E ratio inside the management range with hybrid finance, up-front investments have caused our current financial structure to deteriorate. First, we will aim to get our current growth investments up and running quickly and achieve profitability. In addition, as a result of reviewing our capital investment, cash outlays have peaked out. Due to these factors, we expect the financial structure to improve going forward.