

TOYOBO Co., Ltd. Q&A Summary for the Presentation Regarding Financial Results for Q1 of FY 3/23

Date and Time: Monday, August 8, 2022 at 16:00 - 17:00 p.m. (Japan Standard Time)

Place: WEB Conference

Presenter: Hiroshi Otsuki

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Controlling Supervisor of Management and Administration Division**

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 is the situation with regard to passing rising raw material and fuel prices on to the prices of film products?

A: The passing of these costs on to product prices is progressing, but we are unable to keep up as raw material prices are still continuing to increase. For packaging films, we were able to come to an agreement with customers regarding product price revisions based on raw material prices as of March 31, 2022. Industrial films are an industry in which it is difficult to pass costs on to prices, but we laid out a passing on to prices, which is an exceptional case. These are both expected to be reflected in Q2.

Q: I do not believe that demand for “COSMOSHINE SRF” has decreased, but why is the forecast from Q2 onward in a difficult situation?

A: LCD panel manufacturers are making inventory adjustments, and we expect this to have an impact. Q2 seems as though it will be particularly difficult.

Q: What is the situation about mold releasing film for MLCC?

A: It is about on par with the same period of the previous fiscal year. The reason that sales did not increase is that MLCC manufacturers are making production adjustments due to the impact of the production curtailment of smartphones because of the supply shortage for semiconductors and lockdowns in Shanghai. We expect it to recover from Q3. However, high-end products performed strongly as the products for which volume is decreasing are commodities.

Q: What is the situation regarding reagents for PCR testing and what is the forecast going forward?

A: Sales in Q1 FY 3/23 have decreased in comparison to Q4 FY 3/22. However, recent demand for reagents for PCR testing is extremely strong due to the seventh wave of COVID-19. As of May, the sales forecast for FY 3/23 was explained as being 50% to 60% in comparison to the previous fiscal year, but we are expecting it to possibly hold at around 70%.

Q: Are PCR tests being taken over by simple antigen testing?

A: PCR tests and simple antigen tests are segregated from each other. The number of simple antigen tests has indeed skyrocketed, but the number of PCR tests is also increasing.

Q: Are price increases for airbag fabrics progressing? When will this business become profitable?

A: We have been focusing on passing costs on to prices but are unable to raise prices to a level that would resolve the unprofitability of sales. When the yarn plant in Thailand begins commercial production and the operation rate can be increased to full production, it will become a business structure that can produce profits.

Q: The “Lifestyle and Environmental” segment saw operating profit decrease from the same period of the previous fiscal year. What is the situation for nonwoven materials? There have been no changes to the full-year forecast for this segment, but will you be able to rally from Q2 onward?

A: Operating profit decreased for nonwoven materials due to the production curtailment of automobiles and rising raw material and fuel prices, but price revisions will proceed from Q2 onward. Furthermore, we expect to be able to achieve the full-year forecast as a result of streamlining Textile business with TOYOBO Textiles, and increasing sales of equipment for VOC emissions treatment for Lithium-Ion Battery (LIB) separator plants and high performance fibers, etc.