

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

**Date and Time:** Friday, November 11, 2022 at 10:30 - 11:30 a.m. (Japan Standard Time)

**Place:** WEB Conference

**Presenter:** Ikuo Takeuchi, President & 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: We can see “Others” in Analysis in Changes have increased. What does this include and what is the future outlook?**

A: The increase is for testing expenses, expenses for responses to the FDA for pharmaceuticals, and expenses related to development and strengthening of the business base. As for the future, since we are continuing the development and strengthening of the business base, personnel expenses will not decrease, but the current fiscal period includes temporary expenses, and “Others” in the next fiscal year will decrease compared to the current fiscal year.

**Q: The pace of the increase in crude oil prices is slowing down, so why is it that terms of trade are not improving?**

A: Crude oil prices are stabilizing, but the price of coal is shooting up. The Company relies on coal for a certain amount of energy, and this is an impact thereof. It is forecasted that this impact will further increase in the second half.

**Q: What is the situation about “COSMOSHINE SRF” for H1 FY 3/23? What is the forecast for the second half and what is the share of the product?**

A: For “COSMOSHINE SRF,” sales decreased approx. 5% in H1 FY 3/23 compared to the same period of the previous fiscal year. It is forecasted that sales will decrease approx. 5% in the second half as well. As panels continue to increase in size for larger screens, we consider that the share has not dropped, since the Company’s strength in PET films is acknowledged by clients.

**Q: What is the situation about mold releasing film for MLCC for H1 FY 3/23? What is the forecast for the full year?**

A: For mold releasing film for MLCC, sales decreased approx. 10% in H1 FY 3/23 compared to the same period of the previous fiscal year. The forecast for commodity and mid-range products depends on the recovery in the automobile production volume. For high-end products, while this does not mean that demand is weakening, there is an impact due to a decline in the smartphone production volume amid lockdowns in China. For the full year, taking into consideration the fact that market conditions have been deteriorating since the second half of FY3/22, it is forecasted that sales will increase approx. 5% compared to the previous fiscal year.

**Q: Regarding the forecast for films and functional materials in the second half: Considering that the result in Q2 was ¥0.7 billion, the forecast for the second half seems too aggressive. What is it based on?**

A: It is forecasted that profits will improve since it will be possible to pass costs to prices for the period between Q2 to Q3 for the packaging film, the industrial film, as well as the functional materials business. For “COSMOSHINE SRF,” we reflected the recovery in volume in Q4.

**Q: What is the situation about the new line for packaging film at the Inuyama Plant?**

A: The new line for polypropylene packaging film at the Inuyama Plant has been operating since July. Commercial production is scheduled to begin in January 2023.

**Q: Does the depreciation of the yen have a negative impact on packaging film?**

A: Since we do procure some materials made overseas for part of the packaging film business using dollars, there is a negative impact for that part.

**Q: What is the situation about the yarn plant for airbags in Thailand?**

A: The yarn plant for airbags in Thailand started operation in October. We plan to acquire certifications, and aim to begin commercial production in mid-2023.

**Q: What is the forecast for the second half airbag fabrics?**

A: We will continue to pass costs to prices in the second half, but due to rising raw material prices, as well as due to foreign exchange rates, we expect that it will be difficult to significantly improve the spread. It is forecasted that the size of deficit will shrink starting with the next fiscal year as we continue to pass costs to prices.

**Q: It seems that the results for engineering plastics in the current fiscal period are poor. Is this only caused by the rise of raw material prices?**

A: A delay in passing costs to prices is also one factor, and other factors include a rise in prices of auxiliary materials such as additive agents besides main materials, an increase in utility costs, and an increase in processing costs overseas, etc. Another factor is the increase in expenses due to the increase in the number of employees aimed at strengthening the quality assurance system.

**Q: What is the forecast for reagents for PCR tests? Does the forecast include an 8th wave of infections?**

A: We expect a decrease in sales of reagents for PCR tests to 1/3 for the second half compared to the first half. These numbers do not include assumptions for an 8th wave.

**Q: It seems that your non-operating expenses are higher compared to other companies. Why is that?**

A: The reason is because we record loss on reduction of business operations due to reduction of operation and foreign exchange losses, etc., as non-operating losses.

There were some cases in the previous fiscal year in which we temporarily recorded loss on reduction of business operations as non-operating expenses due to the spread of COVID-19 infections, but such losses are not existent in the current fiscal year. Additionally, although we have been recording losses corresponding to the fire at the Tsuruga Research and Production Centre that occurred in past fiscal years as non-operating losses, the amount of such losses has decreased on the current fiscal year. As for foreign exchange gains or losses, since there was a weaker yen in Q2 of FY3/23 we recorded a suitable amount as non-operating income.