

November 9, 2023

TOYOBO
Beyond Horizons

Presentation to Investors

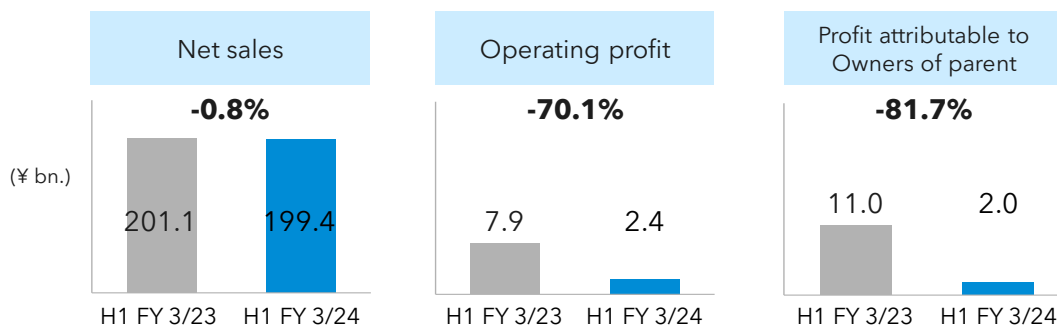
for the Second Quarter Ended September 30, 2023

TOYOBO CO., LTD.

Hello everyone, I am President Takeuchi. I am very grateful for your continued support. Thank you very much for participating in our financial results briefing today.

H1 FY 3/24 Results

Although sales for polarizer protective films for LCDs increased, sales and operating profit decreased due to decline in demand for reagents for PCR testing, in addition to volume decline and start-up cost for new production equipment for packaging film. Profit for the quarter was ¥2.0 billion.



FY 3/24 Forecasts

Modest recovery in demand for film and the impact of raw material and fuel prices remaining high led us to revise our operating profit forecast downward to ¥10.0 billion. Net profit is forecasted to be ¥1.0 billion. Dividend is expected to remain unchanged.

These are the key points of the financial results. In H1, net sales were down by 0.8% YoY, operating profit was down by 70.1% YoY, and net profit was down by 81.7% YoY, resulting in a slight decrease in sales and a significant decrease in profit.

As for the primary contributing factors of changes in operating profit, a strong sales growth of polarizer protective films for LCDs “COSMOSHINE SRF” was a positive factor, while sharp decline in demand for reagents for PCR testing and delay in the recovery of earnings from packaging films were negative factors. Especially for packaging films, the market took time to adjust inventories and the recovery of volume delayed, as well as start-up costs for new production equipment was counted.

The company as a whole reported a significant decrease in profit due to the lingering effects of soaring raw material and fuel prices, particularly the impact of higher fuel costs in H1 of this fiscal year.

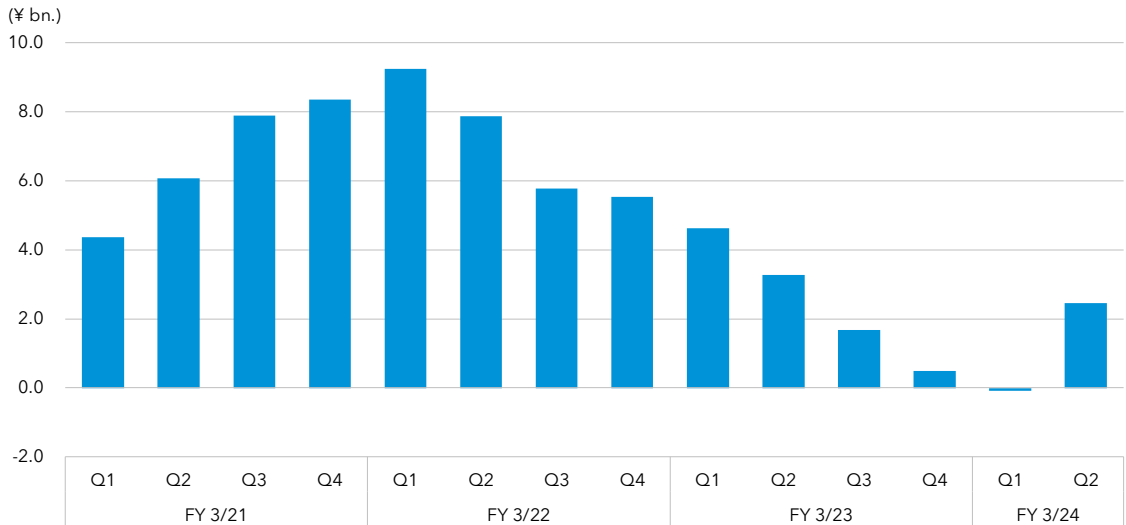
For the full year, we have revised downward our forecast for net sales from JPY430.0 billion to JPY410.0 billion, operating profit from JPY15.0 billion to JPY10.0 billion, and net profit from JPY4.0 billion to JPY1.0 billion.

The reasons for the downward revise in operating profit are the recovery of film may be a little slower than initially planned, although it is finally recovering, and raw material and fuel prices are expected to remain high, although they are expected to fall a little in H2.

Dividend per share is expected to remain unchanged.

(Reference) Operating Profit by Quarter

TOYOTO



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I mentioned the comparison from the previous year earlier, but this slide shows the trends in operating profit on a quarterly basis. As you can see, we were in the red in this first quarter, but in Q2, after this first half, we are aiming to reverse the trend of recovery.

Business Environment in the H1 FY 3/24 (Difference from initial forecast)

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Segment	Business	Initial Forecast (H1 FY 3/24)	Current Condition (H1 FY 3/24)	
			Situation*	Difference from Initial Forecast
Films	Packaging	Adjustments to distributors' inventories will gradually resolve.	↘	Adjustments became prolonged and demand recovery delayed.
	Industrial	Strong demand for polarizer protective films for LCDs.	↗	Shipment to China was strong.
		Inventory adjustments throughout the supply chain for MLCC.	→	–
Life Science	Biotechnology	Large decrease in demand for reagents for PCR testing.	↘	Sharp decline in demand due to the reclassification of COVID-19 as Class 5 Infectious Disease.
	Medical	Strong demand for artificial kidney hollow fiber.	↗	Demand was strong.
Environmental and Functional Materials	Resin and chemicals	Recovery in automobile production volume (semiconductor shortage eliminated).	→	–
		Recovery in demand for electronics materials applications in China and other Asian region.	↘	Delay in demand recovery.
	Environment and fiber	Strong demand for equipment for VOC recovery.	→	Orders were strong.
		Intensified competitive environment for nonwoven materials.	↘	Competitive environment for hygiene products and civil engineering materials intensifying.
Functional Textiles and Trading	Airbag fabric	Recovery in automobile production volume (semiconductor shortage eliminated).	→	–
Other		The impact of high raw materials and fuel prices will remain.	→	–

* To initial forecast, ↗ : improve, expand, → : as expected, ↘ : worsening, decrease

This is the difference from the initial assumption of the business environment in H1 of FY 3/24. In the packaging film, we had expected inventory adjustment to be completed in Q2 and recovery to be achieved, but this recovery has been delayed.

On the other hand, as for industrial film, although the display-related industry is facing stiff competition, shipments of polarizer protective films for LCDs "COSMOSHINE SRF", mainly to China, have been strong.

As for reagents for PCR testing, we had expected a significant decrease, a drop by 70%, but has now dropped by 90%.

In the electronic materials related business, shipments to China and other Asian countries fell, which was an impact of the slow recovery of the Chinese economy.

As for nonwoven materials, from the beginning, we had been looking at intensifying competition, but our customers' industries were also struggling, and we were also facing severe competition in our situation.

Summary of Results: P&L

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(¥ bn.)

	FY 3/23		FY 3/24	YOY	
	H1	H2	H1	Amount	%
Net sales	201.1	198.8	199.4	- 1.7	- 0.8%
Gross profit	45.2	39.8	41.8	- 3.4	- 7.6%
Operating profit	7.9	2.2	2.4	- 5.5	- 70.1%
(Ratio to sales)	3.9%	1.1%	1.2%	-	-
Ordinary profit	6.8	- 0.2	1.0	- 5.7	- 84.7%
Extraordinary income and losses	8.1	- 14.1	2.0	- 6.0	- 74.6%
Profit attributable to owners of parent	11.0	- 11.6	2.0	- 9.0	- 81.7%
EBITDA* <small>* Operating profit + Depreciation (includes goodwill)</small>	17.5	11.6	11.8	- 5.7	- 32.8%
EPS(¥)	123.4	- 130.8	22.8	-	-
ROE* <small>*Annualized for H1 of FY 3/24. (Profit*2 / Beginning and ending balance average shareholder's equity)</small>	-	-	2.1%	-	-
Operating CF	12.2	- 4.4	10.1	- 2.1	-
Depreciation	9.6	9.4	9.4	- 0.2	- 2.3%
CAPEX	17.5	25.3	30.0	+12.5	+71.5%
R&D expenses	7.2	6.9	7.7	+0.5	+6.9%

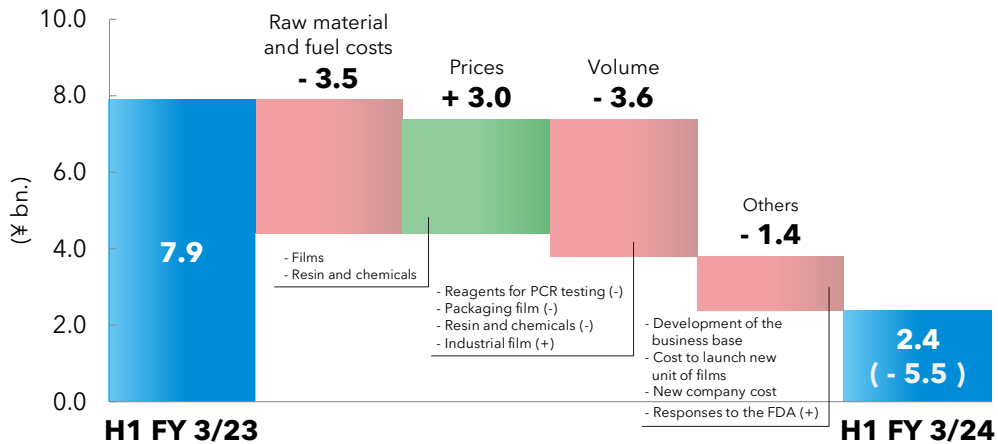
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This is a financial summary; P&L. I mentioned earlier net sales and operating profit. Gross profit margin were 21%.

SG&A expenses have increased compared to H1 of last year of JPY2.1 billion. Mainly, we are in the process of increasing expenses for business expansion including some sales testing expenses and expenses for the establishment of a new company, TOYOBO MC. Expenses for the development of infrastructure is also included.

Capital expenditure exceeded cash flow during H1 since we have decided on active investment projects to be made during the current medium-term management plan of "remake and prepare".

Analysis in Changes in Operating Profit



	FY 3/22		FY 3/23				FY 3/24	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Exchange rate (¥/US\$)	114	116	130	138	141	132	137	145
Naphtha price in Japan (thousand¥/kl)	61	66	86	81	72	67	67	64

This shows the analysis in changes in operating profit. The figure for raw material and fuel was minus JPY3.5 billion. Of this amount, minus JPY3.9 billion was fuel and plus JPY0.4 billion was raw material.

The selling price has been revised, resulting in an increase of JPY3.0 billion. We have achieved this with films, resin and chemicals, and nonwoven materials.

We managed to improve the spread, but in terms of volume, the significant decline of reagents for PCR testing and packaging film had a negative impact, and although there were positive factors, the total figure was minus JPY3.6 billion.

Summary of Results: BS

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	(B)		(A)	(¥ bn.)
	Mar. 31, 2022	Mar. 31, 2023	Sep. 30, 2023	(A)-(B)
Total assets	517.8	588.9	577.2	- 11.7
Cash and deposits	27.2	60.7	29.9	- 30.8
Inventories	96.0	121.9	127.5	+5.6
Property, plant and equipment	227.6	240.2	261.8	+21.6
Net assets	197.1	221.4	221.8	+0.4
Shareholder's equity	194.9	189.6	190.3	+0.7
(Retained earnings)	74.7	70.5	69.0	- 1.5
Non-controlling interests	2.3	31.8	31.5	- 0.4
Interest-bearing debt	191.2	229.4	219.6	- 9.8
D/E ratio	0.98	1.21	1.15	-
Net Debt / EBITDA ratio*	3.4	5.8	8.1	-

* (Interest-bearing debt - Cash and deposits) <Ending> / EBITDA <Annualized>

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This is the balance sheet. First, at the end of March 2023, cash and deposits amounted to JPY60.7 billion, which means that capital was transferred in conjunction with the establishment of TOYOBO MC. It has normalized at the end of September 2023 to JPY29.9 billion.

With regard to inventories, the Company made adjustments to reduce production of some packaging films, but due to the impact of rising raw material and fuel costs, it was not able to reduce inventories.

Property, plant and equipment is in the process of increasing due to the aggressive execution of capital investment.

The financial indexes are as described.

Summary of Results: Segment

TOYOBO

	(B)						(A)	(¥ bn.)
	Net sales			Operating profit				
	FY 3/23		FY 3/24	FY 3/23		FY 3/24	YOY	
	H1	H2*	H1	H1	H2*	H1	(A)-(B)	
Films	74.3	71.7	78.1	2.4	- 0.8	1.4	- 1.0	
Life Science	19.3	18.8	16.6	5.4	3.8	2.4	- 3.0	
Environmental and Functional Materials	55.7	55.1	52.5	2.1	1.9	0.4	- 1.8	
Functional Textiles and Trading	45.3	47.0	45.7	- 1.1	- 1.4	- 0.9	+0.3	
Real Estate and Others	6.4	6.2	6.6	1.0	1.2	1.4	+0.4	
Elimination & Corporate	-	-	-	- 1.9	- 2.5	- 2.4	- 0.4	
Total	201.1	198.8	199.4	7.9	2.2	2.4	- 5.5	

* H2 FY 3/23 results for the new segment are provisional unaudited figures and are subject to change in the future.

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I will explain the financial results by segment.

Regarding net sales, films are increasing compared to last year, partly due to price revisions, but also due to an increase in industrial film. In life science, sales related to reagents for PCR testing fell. In environmental and functional materials, H1 of last year saw the shipment of a large project related to environmental solutions, but this has now disappeared.

A major part of operating profit was that, life science experienced a significant decline in reagents for PCR testing although we bounced back with exports of raw enzymes for biochemical diagnostic reagents.

As for films, polarizer protective films for LCDs "COSMOSHINE SRF" performed well but profit was down compared to last year. As for environmental and functional materials, nonwoven materials, and resin and chemicals have decreased.

On the other hand, compared with H2 of the last fiscal year, we are pleased to note that films turned black in H1 of this fiscal year, indicating that it is on the road to recovery.

(Reference) Operating Profit by Quarter (by Segment)

TOYOBO

(¥ bn.)

	FY 3/23				FY 3/24	
	Q1	Q2	Q3*	Q4*	Q1	Q2
Films	2.5	- 0.0	- 0.4	- 0.4	1.2	0.2
Life Science	2.1	3.3	2.6	1.2	1.4	1.0
Environmental and Functional Materials	0.9	1.2	0.8	1.1	- 0.7	1.0
Functional Textiles and Trading	- 0.4	- 0.7	- 0.7	- 0.7	- 0.7	- 0.1
Real Estate and Others	0.3	0.6	0.7	0.5	0.4	1.0
Elimination & Corporate	- 0.9	- 1.1	- 1.3	- 1.3	- 1.7	- 0.7
Total	4.6	3.3	1.7	0.5	- 0.1	2.4

* Q3 and Q4 FY 3/23 results for the new segment are provisional unaudited figures and are subject to change in the future.

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Quarterly trend. I said earlier that films is on a recovery trend, but profit declined in Q2 compared to Q1. One of the major factors was that sales testing expenses have increased significantly, including depreciation and amortization, due to the launch of new production equipment.

As for life science, the decline in reagents for PCR testing was even more pronounced.

There was some downward pressure on the environmental and functional materials due to expenses for the launch of a new company in Q1, but in Q2, there was a recovery in engineering plastics and other resin and chemicals.

Films

TOYOBO

(¥ bn.)

	FY 3/23			FY 3/24			YOY	
	Q1	Q2	H1	Q1	Q2	H2	Amount	%
Net sales	39.2	35.2	74.3	39.0	39.1	78.1	+3.7	+5.0%
Operating profit (OPM)	2.5	- 0.0	2.4	1.2	0.2	1.4	- 1.0	- 41.0%
	6.3%	-	3.3%	3.2%	0.5%	1.8%	-	-

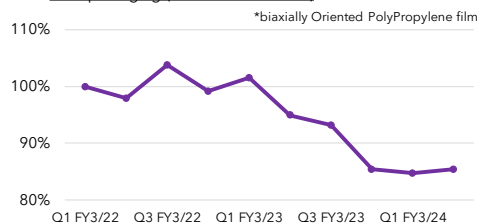
Packaging film

- Despite product price revisions, start-up cost for new production equipment of films continued in addition to volume decline due to adjustments of distributors' inventory.

Industrial film

- Volume of polarizer protective films for LCDs increased mainly in China.
- Demand recovery of mold releasing film for MLCC delayed.

Shipping results in the domestic market for OPP* film for food packaging (Q1 FY3/22 = 100%)



Source: Created by the Company based on member shipping statistics from the Japan Polypropylene Film Industry Association

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Let's take a look at the content of each segment.

Regarding packaging film, a graph here shows shipping results in the domestic market for OPP film for food packaging. This Q1 activity is down about more than a dozen compared to Q1 of last year.

Our volume has not fallen that far, but it was affected by delay of the adjustment of distributors' inventories as I mentioned earlier. We have confirmed that this inventory adjustment is finally over, and movement of goods is recovering.

Additionally, for packaging film, start-up cost for new production equipment has been incurred. We are trying to increase productivity of highly rigid polypropylene film with an awareness of mono-materials that reduce environmental impact.

On the other hand, regarding industrial film, polarizer protective films for LCDs "COSMOSHINE SRF" has been performing well. Our market share has exceeded 50% in the last fiscal year, and I have heard that the display industry is in a very difficult situation, but I believe that our market share

has actually increased under the circumstances.

Among them, we had expected that the recovery of mold releasing film for MLCC would be quite difficult in H1, and it was as severe as we had expected. With inventory adjustment in the industry finally making progress, we are expecting a recovery as soon as possible, but at this point we are factoring in a recovery in Q4.

(¥ bn.)

	FY 3/23			FY 3/24			YOY	
	Q1	Q2	H1	Q1	Q2	H1	Amount	%
Net sales	8.7	10.6	19.3	8.1	8.4	16.6	- 2.7	- 14.2%
Operating profit	2.1	3.3	5.4	1.4	1.0	2.4	- 3.0	- 55.7%
(OPM)	24.6%	30.9%	28.0%	16.6%	12.4%	14.5%	-	-

Biotechnology

- Sales of reagents for PCR testing for COVID-19 declined significantly.
- Shipping of raw enzymes for biochemical diagnostic reagents remained steady in Japan and overseas.

Medical materials

- Sales of artificial kidney hollow fiber trended strong.

Pharmaceuticals

- Profitability improved with the lifting of the Warning Letter by the FDA (July 2023).

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As for life science, most of this drop in profit is related to reagents for PCR testing although the sales of raw material enzymes for biochemical diagnostic reagents and artificial kidney hollow fiber trended strong.

As for pharmaceuticals, with the lifting of the Warning Letter by the FDA in July, we plan to make improvements in H2 of this fiscal year by reducing costs associated with the response to the letter and by receiving more new contracts as a result of the lifting.

Environmental and Functional Materials

TOYOBO

(¥ bn.)

	FY 3/23			FY 3/24			YOY	
	Q1	Q2	H1	Q1	Q2	H2	Amount	%
Net sales	27.9	27.8	55.7	25.0	27.6	52.5	- 3.2	- 5.8%
Operating profit	0.9	1.2	2.1	- 0.7	1.0	0.4	- 1.8	- 82.6%
(OPM)	3.3%	4.3%	3.8%	-	3.7%	0.7%	-	-

Resin and chemicals

- Increased shipping of engineering plastics with the recovery in automobile production volume in Japan.
- Industrial adhesives "Vylon" was affected by sales decline of electronic components for China.

Environment and fiber

- In the environmental solutions, sales declined due to a lag in shipments despite strong orders of VOC recovery equipment used in the manufacturing process for LIBS*.
- In the high performance fibers, recovery was delayed for sales of "Tsunoooga" used in cut resistant gloves.
- Nonwoven materials were affected by soaring raw material and fuel prices. Sales declined for hygiene products and civil engineering materials.

*lithium-ion battery separators

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Next is environmental and functional materials. For the most part, the results of the new company, TOYOBO MC, are reflected in this segment. Within several businesses, engineering plastics performed well. We have finally confirmed our recovery.

As for environmental solutions, sales declined compared to last year due to a lag in shipments despite strong orders for VOC recovery equipment used in the manufacturing process for lithium-ion battery separators. On the other hand, industrial adhesives "VYLON" struggled in this segment. Until now, performance has been solid in the area of electronic components for China, but sales declined and is expected to take time to recover.

As for high-performance fibers, there has been a delay in the recovery of sales, especially for cut resistant gloves for Europe.

The biggest negative was the nonwoven materials. Increased competition in the industry has made it difficult to get prices passed, and when prices have been passed, volumes have dropped. We are considering taking measures for this business in the future.

Functional Textiles and Trading

TOYOBO

(¥ bn.)

	FY 3/23			FY 3/24			YOY	
	Q1	Q2	H1	Q1	Q2	H2	Amount	%
Net sales	22.2	23.2	45.3	22.2	23.5	45.7	+0.3	+0.7%
Operating profit (OPM)	- 0.4	- 0.7	- 1.1	- 0.7	- 0.1	- 0.9	+0.3	-
	-	-	-	-	-	-	-	-

Textiles

- Earnings improved as a result of the withdrawal of unprofitable products and progress in price pass-through.
- Progress in consolidation of Toyama Production Center

Airbag fabric

- Losses narrowed as a result of recovery in volume, product price revisions, and revision of sales terms and conditions

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In functional textiles and trading, we have established a new company called TOYOBO Textile Co., LTD. The withdrawal of unprofitable products and progress of price pass-through have finally eliminated the deficit and brought us to the point of profitability in H1 of this fiscal year.

In addition, the consolidation of three plants in Toyama into one by the end of this fiscal year is progressing smoothly.

On the other hand, the segment had a large deficit in airbag fabrics. Although we remain in the red, the deficit is narrowing due to the recovery in volume and progress in price negotiations and review of sales conditions.

Forecasts for FY 3/24

TOYOBO

Modest recovery in demand for film and the impact of raw material and fuel prices remaining high led us to revise our operating profit forecast downward to ¥10.0 billion. Net profit is forecasted to be ¥1.0 billion.

Dividend is expected to remain unchanged.

(¥ bn.)

	FY 3/23	FY 3/24			YOY		Previous forecasts (Aug. 2023)
	Results	H1	H2	Forecasts	Amount	%	
Net sales	399.9	199.4	210.6	410.0	+10.1	+2.5%	430.0
Operating profit	10.1	2.4	7.6	10.0	- 0.1	- 0.6%	15.0
(Ratio to sales)	2.5%	1.2%	3.6%	2.4%	-	-	3.5%
Ordinary profit	6.6	1.0	5.0	6.0	- 0.6	- 9.0%	11.0
Extraordinary income and losses	- 6.0	2.0	- 3.4	- 1.4	+4.6	-	- 2.0
Profit attributable to owners of parent	- 0.7	2.0	- 1.0	1.0	+1.7	-	4.0
EBITDA	29.1	11.8	18.2	30.0	+0.9	+3.0%	36.0
EPS(¥)	- 7.4	22.8	- 11.5	11.4	-	-	45.0
Depreciation	19.0	9.4	10.6	20.0	+1.0	+5.0%	21.0
CAPEX	42.7	30.0	26.0	56.0	+13.3	+31.0%	50.0
R&D expenses	14.1	7.7	8.3	16.0	+1.9	+13.4%	16.0

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Based on this, here is our forecast for FY 3/24. As I mentioned at the beginning, films is recovering, but the pace of recovery is slow, and the effects of raw material and fuel prices is expected to remain high in H2.

As for capital expenditure, it will remain at a high level through H1 of FY 3/25.

Forecasts by Segment

TOYOBO

(¥ bn.)

	Net sales		Operating profit			Previous forecasts (Aug. 2023)
	FY 3/23 Results*	FY 3/24 Forecasts	FY 3/23 Results*	FY 3/24 Forecasts	YOY	
Films	146.1	155.0	1.6	5.5	+3.9	8.8
Life Science	38.1	34.0	9.2	4.7	- 4.5	5.2
Environmental and Functional Materials	110.8	115.0	4.0	3.0	- 1.0	5.8
Functional Textiles and Trading	92.4	93.0	- 2.5	- 1.2	+1.3	- 1.5
Real Estate and Others	12.6	13.0	2.2	2.5	+0.3	2.2
Elimination & Corporate	-	-	- 4.5	- 4.5	- 0.0	- 5.5
Total	399.9	410.0	10.1	10.0	- 0.1	15.0

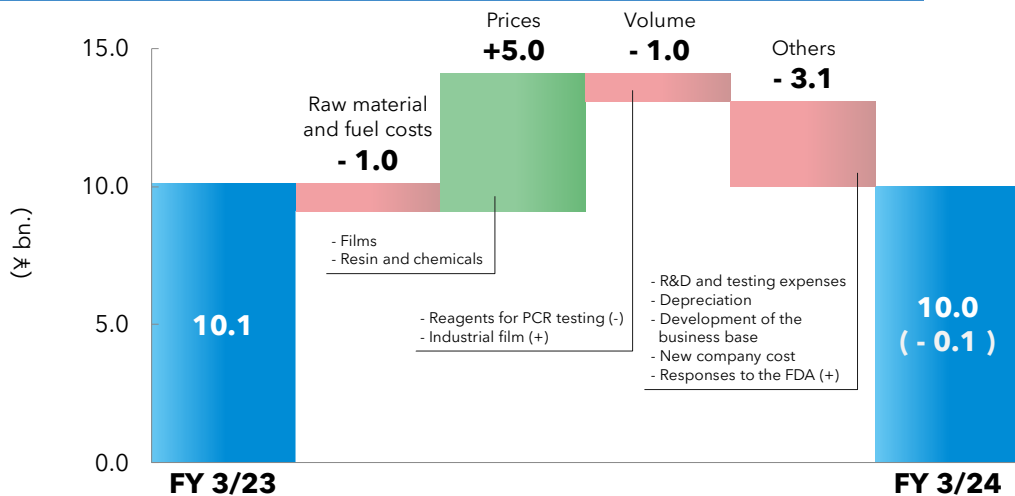
* FY 3/23 results for the new segment are provisional unaudited figures and are subject to change in the future.

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This is our business forecasts by segment. Please refer to the supplementary page 25 for the assumed business environment in FY 3/24 H2.

I think I mentioned the nuances of H2 earlier when explaining each segment. As you can see, we are seeing a moderate recovery in packaging film, and then a recovery in mold releasing film for MLCC after Q4.

Analysis in Changes in Operating Profit



	FY 3/23	FY 3/24	Previous forecasts (Aug. 2023)
Exchange rate (¥/US\$)	135	145	138
Naphtha price in Japan (thousand¥/kl)	77	70	61

These are the analysis in changes in operating profit. Raw material and fuel costs is minus JPY1.0 billion. The raw material is plus JPY4.0 billion since it is down compared to last year, but the fuel is minus JPY5.0 billion.

I understand that you may have concerns and questions as coal prices are stable now.

Please refer to the supplementary page 26. Coal price went up in H1 of FY 3/23, but the contract itself is on a six-month basis, which means that it will have a slight impact until this H2 on an inventory payout basis.

Returning to the operating profit analysis, the selling price is plus JPY5.0 billion. There are some areas where we have not yet been able to fully pass on the cost of fuel, but the effect of the revision of selling prices reached in H1 in films, resin and chemicals is factored in it.

As for volume, we expect industrial film to return to offset the drop in reagents for PCR testing.

Recover earning power to create the future**1. Thorough safety, disaster prevention and quality assurance, and compliance****2. Recover earning power**

- (1) Price revisions: Prices that match value. Carrying out our responsibility for supply. Creating the future.
- (2) Cost reduction: Narrow down manufacturing, procurement and logistics costs, and SGA expenses
- (3) Improve cash flow: Compress inventory, narrow down CAPEX, and realize effects of investment
- (4) Measures and initiatives for businesses requiring improvement

3. Implementation of four measures of Medium-Term Management Plan

- (1) Thorough safety, disaster prevention, and quality assurance
- (2) Reorganization of the business portfolio (measures for businesses requiring improvement and starting up of TOYOBO MC Corporation)
- (3) Preparations for the future
- (4) Reestablishment of foundation

This is the progress of the management policy that I explained in May of this year. First and foremost, we place the highest priority on safety, disaster prevention and quality assurance, and compliance. With that, we will recover earning power. For my part, we are working with a sense of crisis that we cannot invest in growth unless we first return operating profit to at least JPY20.0 billion.

These are four of the key points that we have listed here. Price revisions, cost reduction, cash flow improvement, and measures and initiatives for businesses requiring improvement. We are making progress in each of these areas, but the numbers are not yet materialized, and we need to get results. In addition, as part of the implementation of the four measures of the medium-term management plan, capital investment has been aggressively implemented in order to prepare for the future and reestablish the foundation. Although we are in a difficult situation due to extremely low cash flow, we are moving forward by carrying out the decisions we have made. We have attached the major capital expenditures to the supplementary page 27, which we hope you will find useful.

Main actions by businesses (Progress)

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Segment	Action plan (Planned in May 2023)	Progress*
Films	Pillar of income. Recovery of income	
	- Packaging film: Improve OP margin by further price revisions. Full-fledged launch of new production line and new product.	D
	- Mold releasing film for MLCC: Respond to customers' production increase following a recovery in market conditions. Build a new production line.	P
Life Science	- Polarizer protective films for LCDs: Respond to customers' production increase. Revise price.	P
	Recovery of reduced portion of income post-COVID-19 and implementation of measures for growth	
	- Biotechnology: Expand sales of raw enzymes overseas while sales of PCR-related products decrease. Invest in renovation and production increase.	P
	- Medical materials: Respond to increase in demand and build an integrated production plant of artificial kidney hollow fiber. Enter the market of the acute blood purification. Launch the new products for antibody drug manufacturing process.	P
Environmental and Functional Materials	- Pharmaceuticals: Respond to FDA's Warning Letter and build GMP system. Recover sales and improve profitability.	D
	TOYOBO MC Corporation: Starting up (Organization along functional lines, etc.). Execution of reformation plan.	
	- Environmental solutions: Accelerate global expansion of VOC recovery equipment for LIBS. Launch FO and BC membrane's new applications.	P
	- Industrial adhesives: Revise price further and recover sales volume. Develop new product for electronic applications. - Engineering plastics: Construct the quality assurance structure. Revise price further and recover sales volume.	D
Functional Textiles and Trading	Implementation of measures for businesses requiring improvement	
	- Airbag fabrics: Improve profitability by further price revisions. Start commercial production in a new yarn plant (Thailand).	P
	- Textiles: Improve profitability by consolidation of 3 plants with integrated business operations of overseas sites.	P

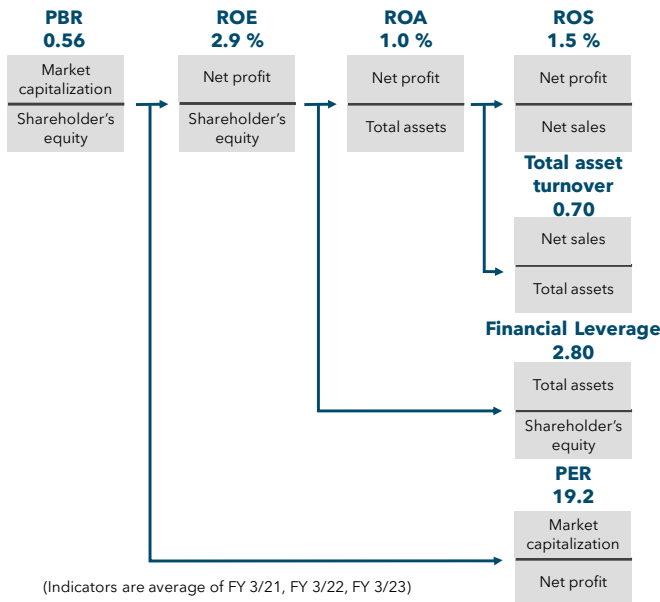
* P: as Planned, D: Delayed 18

Continuing, here is the progress of the main actions. Please understand that there will be a slight delay in the parts marked with "D".

With regard to packaging film, there was progress in improving margins, but there was a lack of volume growth and cost to launch the new production equipment, and it was marked as Delayed compared to the original plan. In the medical business, shipments of hollow fiber membranes for artificial kidneys have been strong as planned, and plant construction is progressing, but the launch of new products has been delayed.

In environmental and functional materials, we launched TOYOBO MC in April this year. Plans for change are underway in various forms. By organizing by function, we are gradually making progress in reintroducing horizontal connections to the vertically divided way of doing business. Within this segment, industrial adhesives have been hit by the decline in sales to China, and we recognize that the development of new products for electronics has been somewhat delayed. In engineering plastics, we are taking time to reacquire a quality assurance system and ISO certification. We are moving forward to accomplish this.

Action to Implement Management that is Conscious of Cost of Capital and Stock Price



Reorganization of Business Portfolio

1. Improve earning power
2. Improve capital efficiency

Achievement of **capital profitability that exceeds cost of capital**

ROE ≥ 9.0% ROIC ≥ 7.0%
(FY 3/31 Image)

Improvement of PBR

Action to implement management that is conscious of cost of capital and stock price. Our PBR ratio is below 1x and here shows how to approach this.

We must accomplish the business portfolio reorganization set forth in our medium-term management plan. We will develop the strong ones and reduce the capital used in the ones with problems.

As a result, we will improve our earning power and increase our asset efficiency by making our active investments manifest. By doing so, we hope to increase PBR.

Given the changes in the business environment and the downward revisions to the performance forecasts for the current fiscal year, we are revising the 2025 Medium-Term Management Plan.
(We plan to announce the results of this revising in May 2024.)

Lastly, I would like to talk about our 2025 medium-term management plan. The current performance has fallen far short of the original plan.

Based on this, the business environment has changed significantly, and we are revising our medium-term management plan, including its targets and the amount of capital expenditures. I would like to explain the contents of this medium-term management plan to you again by next May.

This concludes my explanation. Thank you.

Appendix

Business performance

TOYOBO

(¥bn.)

Net sales	FY 3/23					FY 3/24	
	Q1	Q2	Q3*	Q4*	Full year*	Q1	Q2
Films	39.2	35.2	35.6	36.1	146.1	39.0	39.1
Life Science	8.7	10.6	10.0	8.8	38.1	8.1	8.4
Environmental and Functional Materials	27.9	27.8	26.7	28.3	110.8	25.0	27.6
Functional Textiles and Trading	22.2	23.2	22.3	24.8	92.4	22.2	23.5
Real Estate and Others	3.1	3.3	3.0	3.2	12.6	2.8	3.8
Elimination & Corporate	-	-	-	-	-	-	-
Total	101.0	100.1	97.6	101.2	399.9	97.1	102.4

Operating profit	FY 3/23					FY 3/24	
	Q1	Q2	Q3*	Q4*	Full year*	Q1	Q2
Films	2.5	-0.0	-0.4	-0.4	1.6	1.2	0.2
Life Science	2.1	3.3	2.6	1.2	9.2	1.4	1.0
Environmental and Functional Materials	0.9	1.2	0.8	1.1	4.0	-0.7	1.0
Functional Textiles and Trading	-0.4	-0.7	-0.7	-0.7	-2.5	-0.7	-0.1
Real Estate and Others	0.3	0.6	0.7	0.5	2.2	0.4	1.0
Elimination & Corporate	-0.9	-1.1	-1.3	-1.3	-4.5	-1.7	-0.7
Total	4.6	3.3	1.7	0.5	10.1	-0.1	2.4

* Q3, Q4 and full year FY 3/23 results for the new segment are provisional unaudited figures and are subject to change in the future.

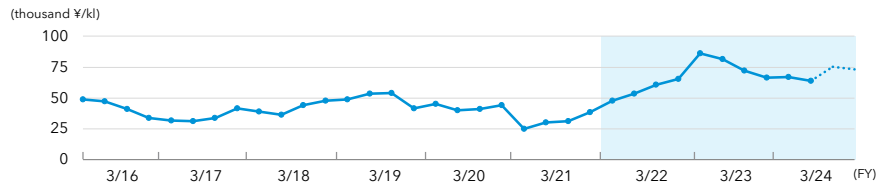
FY 3/24 Business Environment (H2 Forecasts)

TOYOBO

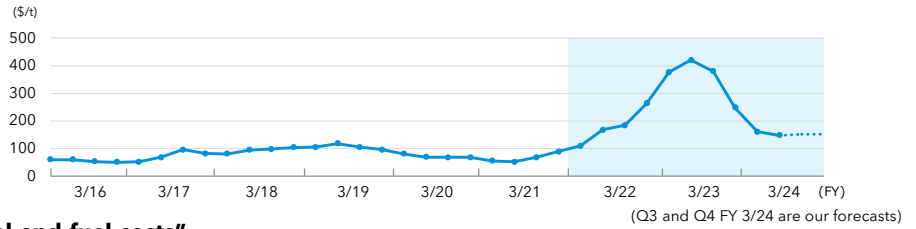
Segment	Business	Current condition (H1 FY 3/24)	Forecasts (H2 FY 3/24)
Films	Packaging	Inventory adjustment became prolonged and demand recovery delayed	Recover moderately after end of inventory adjustment
	Industrial	Shipment of polarizer protective films for LCDs to China was strong	Demand will strong but shipments will slow temporarily
		Inventory adjustment throughout the supply chain for MLCC	Full recovery will be in Q4
Life Science	Biotechnology	Sharp decline in demand due to the reclassification of COVID-19 as Class 5 Infectious Disease.	Demand decline of reagents for PCR testing
	Medical	Strong demand for artificial kidney hollow fiber	Strong demand
Environmental and Functional Materials	Resin and chemical	Recovery in automobile production volume	Strong demand
		Delayed in demand recovery for electronics materials applications in China and other Asian region	Recover moderately
	Environment and fiber	Orders were strong for equipment for VOC recovery	Strong demand
		Competitive environment for hygiene products and civil engineering materials intensifying	Continue of challenging competitive environment
Functional Textiles and Trading	Airbag fabric	Recovery in automobile production volume	Strong demand
Other		Impact of high raw materials and fuel prices	Impact of prices remaining high

Product price revisions for Rising raw material and fuel prices **TOYOBO**

Naphtha price in Japan



Coal prices (Australian thermal coal market prices)



Impact of "raw material and fuel costs" and "prices" on Toyobo (YOY increase/decrease)

	FY 3/16	FY 3/17	FY 3/18	FY 3/19	FY 3/20	FY 3/21	FY 3/22	FY 3/23	FY 3/24
Raw material and fuel costs (A)	+7.1	+4.1	- 3.7	- 4.5	+2.9	+5.6	- 11.2	- 17.0	- 1.0
Prices (B)	- 6.1	- 2.5	+1.6	+1.2	- 0.5	- 3.8	+4.7	+11.9	+5.0
Spread (A + B)	+1.0	+1.6	- 2.1	- 3.3	+2.4	+1.8	- 6.5	- 5.1	+4.0

(¥ bn.)

Major CAPEX

TOYOBO

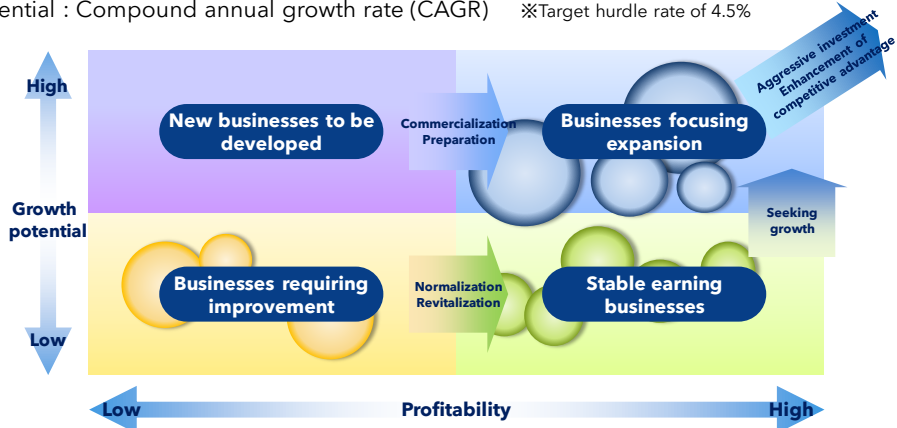
Segment	Details	Investment amount (¥bn., round number)	Start of operation
Films	- Processing equipment Unit 2 of mold releasing film for MLCC (Tsuruga)	6.0*1	H2 FY 3/23*2
	- OPP film equipment (Inuyama)	7.0	H1 FY 3/24*2
	- Equipment of mold releasing film for MLCC (Utsunomiya)	20.0	H2 FY 3/25
Life Science	- Equipment for raw enzymes for biochemical diagnosis (Tsuruga)	7.0	H1 FY 3/25
	- Equipment for reagents for PCR testing and genetic diagnostic reagents (Tsuruga)	6.5	H2 FY 3/25
	- Integrated production plant for artificial kidney hollow fiber (Akita)	5.0	H1 FY 3/25
	- Medial research center (Otsu)	2.0	H2 FY 3/24
Environmental and Functional Materials	- Equipment for high performance resin (Takasago)	8.0*3	H2 FY 3/24
	- Equipment for high performance resin (Iwakuni)		H2 FY 3/25
Functional Textiles and Trading	- Production plant for Nylon yarn for airbag (Thailand)	10.0	H2 FY 3/24*2
Others	- Replacement of in-house thermal power generation equipment of Iwakuni Production Center	9.0	H2 FY 3/24
	- Pilot Plant of Research Center	2.0	H1 FY 3/24
	- Establishment of DX/IT foundation (Network security, Departure from host, etc.)	8.0*4	Sequential

*1: Total with Unit 1 *2: Start of mass production *3: Total investment amount of JV *4: Total investment amount during Medium-Term Management Plan

2025 Medium-Term Management Plan: Reorganization of the Business Portfolio (Announced in May 2022)

Assess and stratify each business into 4 quadrants with 2 axes: "Profitability" and "Growth potential"

- Profitability : Return on capital employed (ROCE) = Operating profit / Capital employed ※Target hurdle rate of 6.5%
- Growth potential : Compound annual growth rate (CAGR) ※Target hurdle rate of 4.5%



- Determine whether the business is a "stable earning business" or a "business requiring improvement," taking into account not only the hurdle rate but also qualitative information.
- The entire Group's capital efficiency indicator is ROIC, and the management indicator for each business is ROCE.

Toyobo Group's Integrated Report "TOYOBO REPORT 2023" released

Main contents

- Our long-term vision "Sustainable Vision 2030" and the "2025 Medium-Term Management Plan (FY 3/23 - FY 3/26)"
- CEO message
- Innovation creation vision
- Overview by business, examples of CSV, special feature "Start of TOYOBO MC"
- Disclosure based on TCFD



Download links

Japanese version: <https://ir.toyobo.co.jp/ja/ir/library/integrated.html>

English version: <https://ir.toyobo.co.jp/en/ir/library/integrated.html> (release scheduled in November)

“Positive Impact Finance” financing agreement concluded

- This loan is designed to comprehensively analyze and evaluate the environmental, social, and economic impact of a company's activities, and to provide continuous support for those activities.
- The targets set forth in our “Sustainable Vision 2030” created in May 2022 and the initiatives to achieve those targets have been evaluated by an external assessment organization as contributing to the resolution of social issues.
- This assessment is analyzed and evaluated qualitatively and quantitatively by an external assessment organization regarding the areas impacting the achievement of SDGs, and we acquired a third-party opinion on the compliance of the assessment procedures with the principles of positive impact finance and the validity of the metrics used for evaluation.

The business performance forecasts and targets included in the business plans contained in this presentation are based on information known to the Company's management as of the day of presentation. Please be aware that the content of the future forecasts may differ significantly from actual results, due to a number of unforeseeable factors.

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