

TOYOBO Co., Ltd. Q&A Summary for the Presentation Regarding Financial Results for the First Half of FY 3/24

Date and Time: Friday, November 10, 2023 at 10:00 - 10:50 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: Despite an increase in sales of “COSMOSHINE SRF,” operating profit of Films business decreased from the same period of the previous fiscal year, so are the terms of trade not improving? Was the impact of the decline in in volume of packaging film and mold releasing film for multilayer ceramic capacitors (MLCC) significant ?

A: Regarding the improvement of terms of trade, passing on raw material prices in price revisions is almost complete for packaging film, but passing on some fuel prices has not yet been completed. On the other hand, passing on some raw material prices has not been completed for industrial film. With regard to volume, demand for packaging film has fallen sharply, and the adjustment of distributor’s inventories is taking longer than expected. As for industrial film, in addition to mold releasing film for MLCC, the recovery of general industrial film for electronic material applications has been delayed. These are cyclical factors, and we believe profits will improve once market conditions recover.

Q: Regarding Life Science, what expansion plans do you have for the biotechnology business in response to the decline in demand for reagents for COVID-19 PCR testing? Also, how do you expect the contract manufacturing business of pharmaceuticals to develop after the Warning Letter has been lifted ?

A: The biotechnology business is proactively proceeding with CAPEX. A new facility for enzymes for biochemical diagnostic reagents will come online in FY 3/25, increasing capacity by 1.5 times. This investment will enable the Company to meet robust demand. In the contract manufacturing business of pharmaceuticals, the Company will first aim to return to profitability by improving asset efficiency.

Q: What is the progress of TOYOBO MC Corporation in relation to the initial plan? Also, when will the effects of the initiatives with Mitsubishi Corporation become apparent ?

A: The environment for nonwoven materials and resin and chemicals is worse than we initially expected, and we need to take immediate measures. On the other hand, by teaming up with Mitsubishi Corporation, we have many more points of contact with the market than with TOYOBO's sales activities alone. We will proceed while sorting out projects in the short, medium, and long term, including those that can be expected to have an early effect and those that require time for joint development.

Q: Regarding the revise of the 2025 Medium-Term Management Plan, will you also revise management policy and the reorganization of the business portfolio ?

A: There is no change in the framework of our management policy for sustainable growth to 2030. However, the business environment has become more challenging than when the plan was formulated, and we will revise our business portfolio and reorganize it to promote reforms. CAPEX was planned to total ¥240.0 billion over four years when the 2025 Medium-Term Management Plan was formulated, but we will revise the decisions that will be made in the future. We believe that the goals of the 2025 Medium-Term Management Plan also need to be revised in light of changes in the business environment.