

TOYOBO Co., Ltd. Q&A Summary for the Presentation Regarding Financial Results for Q3 of FY 3/24

Date and Time: Friday, February 9, 2024 at 9:00 - 10:00 a.m. (Japan Standard Time)

Place: WEB Conference

Presenter: Ikuo Takeuchi, President and Representative Director

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Representative Director, Senior Managing Executive Officer,

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 were the cumulative Q3 results for “COSMOSHINE SRF,” and what is the current competition landscape and future outlook?

A: Sales increased by around 40% year on year. The industry for polarizer manufacturers is being reorganized, but the number of users who have adopted our polyester film is increasing, and we have had strong announcement from them for next year as well. Looking ahead, we plan to increase supply volume through measures such as reducing the thickness of the film and switching our existing production lines.

Q: What were the cumulative Q3 results for mold releasing film for MLCC, and what is the future outlook?

A: Q3 sales recovered compared to Q1 and Q2, but the recovery was mainly in the mid- and low-end. High-end sales are expected to take longer to recover.

Q: Is the decline in demand for packaging film affected in any way by the move away from plastic? Also is demand expected to recover previous levels in the future? If not, what actions do you plan to take?

A: The current delay in demand recovery is affected by logistic inventory adjustments and for some materials, by imported products. There are also changes in consumer behavior driven by a move away from plastic and by inflation, and a decrease in packaging design renewals and in the number of specifications is also driving the decrease in demand for film. Demand will gradually recover, but it is not expected to recover to pre-COVID-19 levels. We will reduce fixed expenses overall, including suspending the operation of old equipment, while increasing sales of eco-friendly films that are thinner, made from biomass, or mono-materials and so forth.

Q: What are the Q3 cumulative results for reagents for PCR testing? Is the current increase in infection cases likely to increase demand?

A: Results were down by around 90% year on year. The reclassification of COVID-19 to a Class V disease under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases and the shift in test method from PCR tests to antigen tests mean that the increase in cases is not expected to lead to growth in demand for reagents for PCR testing.

Q: Q4 operating profit for Environmental and Functional Materials is forecasted to be ¥1.0 billion compared to Q3 operating profit of ¥2.6 billion. Other than a fallback from earlier than expected demand, is there any other major change?

A: Q3 results increased significantly due to VOC recovery equipment. The results fluctuate significantly depending on shipment timing, and while Q4 sales are expected to fall, orders are steady. Including other business, we do not see any major change from Q3 to Q4.

Q: In your analysis of increases and decreases in operating profit, what trends do you see for raw material and fuel costs, prices, and others in the next fiscal year?

A: The impact of raw material and fuel is expected to turn positive in the first half of FY 3/25. In prices, we will pass through costs other than raw material and fuel prices, such as the increase in logistics expenses. For others, one-time expenses will decrease, such as expenses for establishing a new company and start-up cost for new production equipment for packaging film.

Q: What is the reason for the increase in inventories?

A: The main reason is stockpiling production for certain products. We are reducing production as necessary for film and others, and this is not a case of abnormal inventory increases.