

TOYOBO Co., Ltd. Q&A Summary for the Presentation Regarding Financial Results for FY 3/22

Date and Time: Friday, May 13, 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: How is the growth of net sales in FY3/23 for “COSMOSHINE SRF” and mold releasing film for MLCC?

A: Net sales for “COSMOSHINE SRF” are planned to increase by 10% year on year and for mold releasing film for MLCC are planned to increase by 30% year on year.

Q: Operations at large panel manufacturers have been recovering. Are you taking any measures to further increase the sales volume of “COSMOSHINE SRF?”

A: We are thinking of a few patterns with regard to response measures for the next phase while ascertaining what will happen to demand for LCD panels going forward.

Q: The price shift rate in FY3/23 was forecasted to be a little less than 70%, but the rate of the shift combined with the rate for FY3/22 is low. Please explain the situation.

A: We want a price shift rate of 70% or more in FY3/23, but depending on the product there are (1) businesses where sales price will not change even with changes to raw material prices, (2) businesses where sales price changes because of the link to naphtha price and (3) businesses where it is difficult to raise sales prices to the same level even if raw material prices increase. We will raise prices in FY3/23, including products for which price increases thus far have not really shown results. Furthermore, we will increase prices, including logistics costs and fuel costs, for naphtha-linked products.

Q: What is the forecast for price shifts for engineering plastics and airbag fabrics in Mobility?

A: The engineering plastics business is an industry where comparative price formulas pass through as there are many specialized products. Under the premise of carrying out our responsibility for supply, we have advanced some price shifts and forecast that we will, for the most part, be able to shift the portion of cost increases in the end. We are negotiating on review of strict sales conditions for airbag fabrics.

Q: Airbag fabrics have become an unprofitable business. How are you bolstering this in the short to medium term? When will you launch the joint venture firm in Thailand and when will it contribute to business performance?

A: In the short term, we are reviewing contracts with customers. We are revising the business operation structure. In the medium term, we will launch the spinning joint venture firm with Indorama Ventures, and increase competitiveness. We will promote the shift to polyester.

We plan to begin operations of the joint venture firm with Indorama Ventures in Thailand in spring 2022, and plan to begin commercial production in 2023 after obtaining certification. Contributions to business performance will be from 2023 onward.

Q: Is the shift to polyester for airbag fabrics a positive for you? Where in automobiles will polyester airbag fabrics be used?

A: We believe that TOYOBO, which has a high level of polyester technologies, including patents, has a relative advantage as the number of manufacturers who can shift to polyester is still limited. Polyester fabrics can be used in parts that are usable even if they have a low level of heat resistance.

Q: Will airbag business make as much money as it used to think by the scheme to work with Indorama Ventures?

A: Including PHP under Indorama Ventures, the overall market share has been secured.

Q: Is the interpretation of the forecast for FY3/23 generally flat year on year as the factor for increased operating profit in FY 3/22 of PCR-related products will disappear? Will the forecast be firm if there are not really any changes to demand, and raw material and fuel prices and logistics costs remain high?

A: Although there are positive factors, such as increased production of films, operating profit is expected to decrease as sales of PCR-related products will decrease and the price shift rate will be suspended at 70%. We believe that sales of PCR-related products will decrease by 50% year on year, but it depends on the situation. It is not the case that there is anything to spare with regard to the forecast of 70% for the price shift rate. It is not the case that the forecast is firm.

Q: What are the sales plan and expected medium- to long-term figures for nerve regeneration conduit “Nerbridge” and bone regeneration inducing materials “Bonarc?”

A: For “Nerbridge,” we are strengthening the collaboration system with leading agencies in the United States for full-scale expansion into the United States, which is a large market for nerve regeneration conduits. We will further accelerate global expansion.

We believe that “Bonarc” will reach net sales of up to some hundred million yen by 2030. We will look into global expansion depending on the accumulation of clinical data in addition to results.

Q: Have shipments of virus removing filters increased?

A: We had net sales of under ¥1.0 bn. in FY3/22. We are planning investments for increased production as we forecast increased demand going forward.

Q: What is the recent situation with reagents for PCR tests? Have sales already decreased by half?

A: Sales have not yet decreased 50%.

Q: What is the goal of the joint scheme with Mitsubishi Corporation? Is this a business on which you might employ a harvest strategy in the future? Or do you purely wish to borrow the sales capability of Mitsubishi Corporation? Why did you choose Mitsubishi Corporation as your partner?

A: The goal of the joint venture firm with Mitsubishi Corporation is to figure out how to expand our businesses. We will not employ a harvest strategy, but explore growth opportunities for our businesses.

The role that we anticipate from Mitsubishi Corporation is not sales ability, but the implementation of business operations and sales strategies through cooperation that aims for growth.