

Films

We will contribute to sustainability
for people and the earth
through our technologies
for high-performance films



Muneo Hirooka
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Head of Films Division

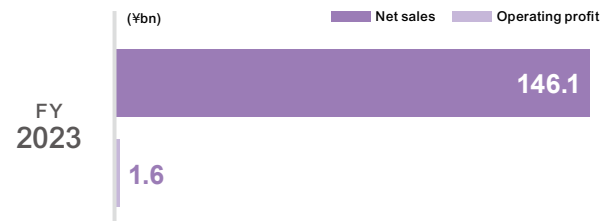
The strengths of Toyobo

- Films for packaging (a leading share in food packaging)
- Industrial films (mold releasing films for MLCC, polarizer protective films for LCDs, etc.)

Opportunities and risks

Opportunities	Risks
<ul style="list-style-type: none"> • Expansion of demand for green films aimed at a circular society and carbon neutrality • Expansion of need for reduction of plastics (increase in the value of technologies for thinner materials) • Expansion of demand for high-performance films as digital society advances 	<ul style="list-style-type: none"> • Rise of political instabilities around the world and subsequent impacts on markets • Soaring costs of raw materials and fuels and increase in procurement risks

Net sales and operating profit (¥billion)

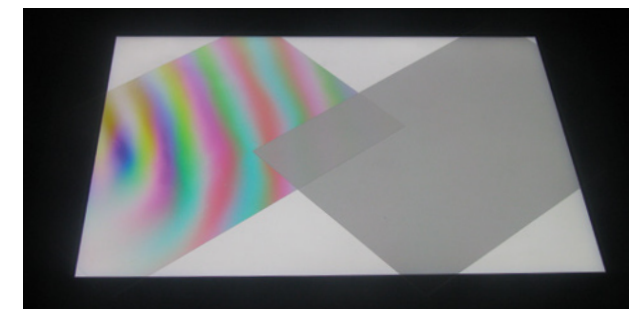


Business overview in fiscal 2023

In fiscal 2022, customers in many industries resumed production activities, resulting in special demand. Consequently, a backlash occurred in fiscal 2023, and the market overall remained sluggish under multiple factors including an inventory adjustment phase. Industrial films in particular were greatly affected by slumping automotive production and let-up in demand for mold releasing films for MLCC. In the area of earnings, prices of raw materials and fuels continued their sharp rise. Turmoil also occurred in procurement, due to factors including withdrawal from business by domestic and overseas manufacturers of crude raw materials and other materials. In packaging films, our revisions of product prices were unable to keep up with increases in raw material and fuel prices, leading to a significant decrease in overall profit from the previous year.

Amid sluggishness in the overall market, environmentally considerate films made with recycled resins, bioresins, and other materials are exhibiting growth beyond expectations, with demand expected to continue growing. High-retardation LCD polarizer protective film, an area in which Toyobo enjoys a technological advantage, remained solid.

As a result of the above, net sales in the segment were ¥146.1 billion and operating profit was ¥1.6 billion (results for new segment).



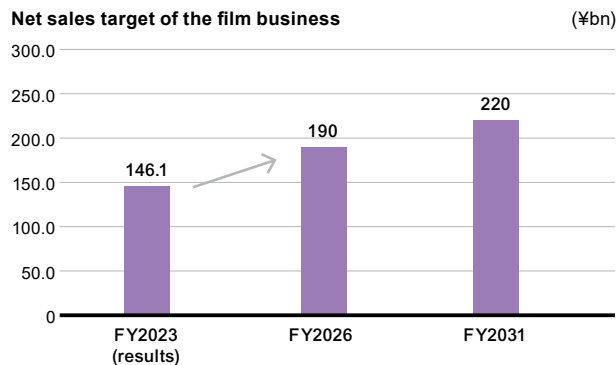
COSMOSHINE SRF[®] LCD polarizer protective film

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Growth strategy

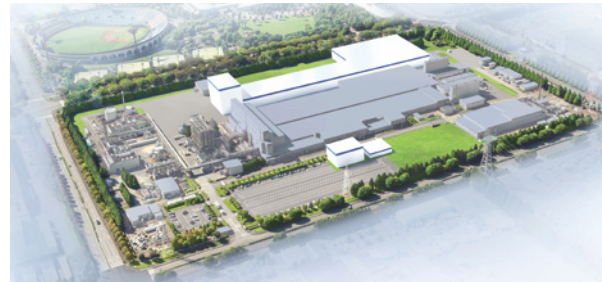
We are advancing our growth strategy atop the two pillars of “progress of digital society” and “a decarbonized and circular society.” Our main strength lies in the polyester-based releasing film used in the ceramic capacitor manufacturing process. Our film is highly regarded for its functionality, and our capabilities for integrated production and processing of film give us an advantageous position in the market. We intend to undertake new product development for this film as well as establish technology for its recycling. We will also advance the development of new products and applications for LCD polarizer protective film and high-durability and heat-resistant polyethylene naphthalate (PEN) film for use as fuel cell sealing material.

In the area of reducing plastic waste, films stand at the forefront of environmental issues. We will reduce the thickness of films and advance adoption of biomass-based raw materials to help achieve a decarbonized society. Our new machinery for biaxially-oriented polypropylene (OPP) films let us maintain strength even in significantly thinner OPP films, contributing to a circular society through a shift to mono-materials. Films are indispensable materials in distribution and in people’s lives. We are making efforts in individual products to increase our environmentally considerate product lineup.



Capital investment and R&D investment

We plan to invest ¥80 billion under our 2025 Medium-Term Management Plan (2025 MTP, FY2023 to FY2026), of which about 80% is earmarked toward growth investments. We will first continue increasing production and expanding sales in line with market recovery in high-performance films. Production capacity for mold releasing film for ceramic capacitors will increase about 2.5-fold through the combination of our new first and second coating machinery units, and production volume of COSMOSHINE SRF[®] LCD polarizer protective film will increase about 1.2-fold. We will also make active investments in the development of the high-rigidity films noted earlier, in 100% bioresin films, and in films made with recycled raw materials, as well as in the creation of mechanisms for recycling processed films inside and outside of our company.



New manufacturing facilities at the Utsunomiya Plant (mold releasing film for ceramic capacitors)

Future initiatives

In fiscal 2024, we will first work to reset our pillars of earnings and recover profitability. We will further undertake price revisions for packaging films, a major issue remaining from fiscal 2023, and will quickly undertake full-scale launches of new products and an OPP film production line. Keeping a constant eye on the state of recovery in markets, we will meet customers’ expanded production structures with our mold releasing film for MLCC and will proceed with construction of a new production line. In LCD polarizer

protective film, too, we will meet customers’ expanded production structures while also carrying out price revisions.

Under the 2025 MTP, the film business is focusing its sight on three of the five social issues of Sustainable Vision 2030. The first of these is “employee well-being and human rights in the supply chain.” With seven manufacturing sites in Japan and overseas, the business considers the safety of employees, the fostering of motivation, and the achievement of disaster prevention and zero disasters at worksites to be the most important issues for its business bases. The next issue of focus is “a decarbonized and circular society.” Here the business seeks to achieve Scope 1 and 2 carbon neutrality and to widely supply society with films that contribute to the environment and resource recycling-oriented films. Finally, with regard to the issue of “clean water areas, air and soil, and the preservation of biodiversity,” the business will contribute to the reduction of food loss and waste through high-performance packaging films that maintain food freshness. In this business, we will set individual targets for these issues, make them known throughout the company, and tackle them together.

On the theme of resource recycling, initiatives at the level of the company or this business face limits in increasing the efficiency and efficacy of recycling. Accordingly, we are actively taking part in resource circulation initiatives that span industries, including the creation of mechanisms for the recycling of films for ceramic capacitors with the involvement of electrical and electronic products manufacturer customers, as well as a recycling project for label paper (KAMISHINE[®] mold releasing film) in cooperation with medical manufacturer and printing industry customers. We hope to expand our recycling technologies not only within Japan but also into initiatives that cross national borders.