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Adopting a sustainable growth mindset

Management approach

Conditions for corporate continuity

Toyobo celebrated the 140th anniversary of its founding on May 3, 2022. We would like to express our gratitude for the unfailing support and cooperation of our customers, employees, business partners, local communities, shareholders, and all stakeholders.

I believe the group's success over nearly a century and a half arises from three key factors. First, we earn the trust of society. Second, we modify our business content and create new products matched to the changes in the business conditions. And third, we have an organization and people with the capabilities for business execution and reform.

Since its founding, the group has been focusing its business on addressing social issues following the corporate philosophy of *Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity), which was a motto of our

founder Eiichi Shibusawa. The fire accidents and quality-related misconduct incidents in recent years, however, have shaken the trust in the group. Currently, we are radically revising and overhauling our safety, disaster prevention, quality assurance, and other systems to reestablish solid trust in all of our companies.

Throughout our history, we have addressed the social issues of the age by always endeavoring into new business fields, developing new products, and changing our business content to create the “new” that is needed by society and the times. The roots of our bio / medical go back 50 years to when we first began developing technologies for air and water in what we now call our environmental solutions business. Those activities seem prescient given the growing importance of those businesses today. We are now establishing a firm foundation of safety, disaster prevention, quality, human capital, and intellectual property. On that base, we are

integrating marketing concepts and digital technology to our core technologies, such as polymer, bio / medical, environmental, and comfort design to generate innovation that will address the social issues.

Society is at major turning point. We anticipate a business environment characterized by dramatic, mass scale, and discontinuous change. Evolving personal values, changing business activities driven by digital transformation, and growing demand for carbon neutrality and a circular economy are just a few of the manifold changes that are having a major influence on corporate management. Change brings risk, but it also opens new opportunities to contribute to society and grow our business. We will deal with discontinuous changes in our business environment by following our *Jun-Ri-Soku-Yu* corporate philosophy to “do what must be done.” By doing that, there is no doubt that we will be contributing to a prosperous society where people can live with peace of mind and increasing the group's corporate value.

Formulating the long-term Vision 2030

Sustainability-oriented management

In May 2022, we announced the long-term Sustainable Vision 2030 (long-term vision) and the 2025 Medium-Term Management Plan [FY2023 -2026] (2025 MTP) showing what we want the group to be in 2030. Sustainable Vision 2030 incorporates the long-term perspective that has lacking in our management approach. The long-term vision, which is subtitled “Realizing sustainable growth,” expresses our firm commitment to conduct management that is centered on sustainability. We are shedding the short-term survival mindset that characterized our culture during the many years of structure reform and making a dramatic shift to focusing on sustainable growth.

The TOYOB0 PVs corporate philosophy framework we created in fiscal 2019 presents our vision to “continue to create the solutions needed by people and the planet with materials and science.” The newly created the long-term vision further clarifies our vision by taking a global perspective on sustainability and presenting a focused image for how and in which fields we will contribute to sustainability. The vision was

formulated by projecting how the business environment will evolve in the next 10 years under the various environmental changes and issues. That projection became the basis for the “five social issues” that the group will focus on solving, which include healthy and comfortable spaces, human rights for people throughout the supply chain and realization of a decarbonized society. Toyobo Vision 2030 is to usher in both a prosperous society where people can live with peace of mind, and the enhancement of corporate value, through addressing those issues.

I would like to add that, as a corporate executive, I know that it is always the worksites that are leading our business. Worksites encompasses not just the manufacturing sites, but also the R&D centers, the sales departments, and the corporate departments. Being a company where each and every employee works with a sense of pride and purpose is fundamentally essential to achieving sustainable growth. The employees at our worksites are naturally the central players in the long-term vision. The long-term vision shows clearly the company what we want to be and the areas we want to contribute. Linking the work in front of us to company's future gives meaning to the work each of us is doing so we can all make the vision our own.

2025 Medium-Term Management Plan

Four years to rebuild and prepare

We launched the 2025 MTP in April 2022 as the first step toward our long-term vision. The plan covers the first four of the nine years to 2030, which we are calling “Four years to rebuild and prepare” (the next five years will be the “Five years to achieve growth”). The current plan has four core initiatives: establish thorough safety, disaster prevention, and quality assurance, reorganize the business portfolio, prepare for the future, and rebuild the foundation.

Management has been reorganizing the business portfolio over the past several years. To enhance management effectiveness, all businesses have been put into the category of either profitability or growth potential and then stratified into four levels of businesses focusing on expansion, new businesses to be developed, businesses with stable earnings, or businesses requiring improvement. The films, life science, and environment

and functional materials businesses are categorized as businesses focusing on expansion, and we plan to allocate roughly 70% of growth investment to those areas and to strengthening our competitive advantages in their markets. In the films business, for example, we are aiming to become the world's leading manufacturer of eco-friendly "green" films. To attain that goal, we are investing in new production lines for films used in multi-layer ceramic capacitors (MLCCs), which we anticipate will be a growing market. We are also expanding our domestic and overseas production of gas barrier films, which help reduce food loss.

We have also categorized some operations as businesses requiring improvement, and are moving swiftly to implement master plans to bring the businesses up to standard. Also in this category is the environmental and functional materials business, which had been previously categorized as a business generating stable earnings. We changed the categorization a business focusing on expansion and took a major step to improve the operation by creating a new joint venture with Mitsubishi Corporation that we expect to provide a substantial boost to the business around 2030.

As we prepare for the future, we will be placing particular emphasis on open innovation. We believe it will be essential to cooperate and collaborate with various partners to accelerate the spread of our technologies and strengths and also to address the increasingly diverse and complex social issues. We are therefore looking for a wide range of partners among other companies, among universities and research institutes in academia, and also among startup companies both in Japan and overseas. With these partners we will seek to engage in open collaboration in pursuit of innovation while also seeking to create and provide new value. Recent initiatives in this direction include comprehensive agreements signed with Kobe University in April and with Osaka Metropolitan University in June of this year. We will be advancing joint research in the Life Science field and in membrane technology that will help realize carbon neutrality while also exploring the potential for collaboration in various other fields.

Another major way we will be preparing for the future will be initiatives related to climate change and to realizing a carbon-free society. In fiscal 2022, we

launched a greenhouse gas emission reduction plan aimed at achieving carbon neutrality in fiscal 2051. In May 2022, we increased our emissions reduction target for fiscal 2031 to a reduction of at least 46% in Scope 1 and 2 emissions versus fiscal 2014. We have implemented several energy-saving measures and improved the energy efficiency of our manufacturing operations. In April 2022, we introduced an internal carbon pricing program. We have also converted our fuel sources to fuels with lower carbon contents and have been procuring and using renewable energy. We are also planning additional measures to strengthen our climate change countermeasures to meet our goals for fiscal 2051, including converting to carbon-free fuels, electrifying our production processes, increasing our procurement of renewable energy, and introducing a carbon offset and carbon-negative program.

We will also be "remaking" the group by overhauling the group infrastructure and methodically addressing aging equipment and facilities. We are planning roughly double the amount of capital investment under the current plan compared to the previous plan. The investment is aimed at rebuilding the foundations of our business and will include investing ¥115 billion in growth, ¥92 billion in core system and infrastructure maintenance and upgrades at our manufacturing sites, and ¥33 billion in environmental improvements, such as safety and disaster prevention, energy conversion, and energy conservation.

The company "foundation" that I consider the most important is our worksites or, more specifically, our people. I also consider one of my primary imperatives to be to create a work environment where every Toyobo group employee feels a sense of pride and purpose in their work and can fulfill their potential. One step we have taken is to introduce a new human resource system in fiscal 2023, which was first major overhaul of the system in some 20 years. The new system is designed to encourage and support employees to take their own initiative for personal transformation. The system will facilitate strengthening the onsite capabilities of our manufacturing operations by promoting group-wide activities aimed at establishing worksite-led production innovation and by offering more education programs for engineering and on-site leaders.

Meanwhile, the change of the corporate culture will continue. For the past year, I've been encouraging open communication where people can talk casually but frankly about company matters. We are creating an atmosphere where people at the worksites feel they can speak out and know that they will be heard. I personally enjoy these discussions and joined about 20 of them this past year. I believe these opportunities to express themselves can help employees become more aware of their roles in the company, create stronger connections among people, and help create pleasant environments where people work with pride and satisfaction.

New joint venture with Mitsubishi Corporation

Fostering a third-pillar business and a growth mindset

As part of the growth strategy of the 2025 MTP, we are preparing to split of our environment and functional materials business and establish a new joint venture with Mitsubishi Corporation. Scheduled to commence operations in 2023, the new company will engage in the planning, development, manufacture, and sale of environmental solutions equipment, aqua membranes, super fibers, functional filters, engineering plastics, VYLON®, HARDLEN® and other items, which currently generate combined annual sales of roughly ¥100 billion.

We have made great strides in our film and life science businesses in the past several years. However, their overall performance has stagnated. The businesses under the heading of "environment and functional materials" have used their highly original technologies and products to carve out their own markets and generate stable profits. Nevertheless, the market is such that we are not likely to be able to generate significant growth without a partner. We have a multitude of decarbonization and other products that contribute to a sustainable society, and collaborating with Mitsubishi Corporation provides the potential to grow the business into a third pillar alongside the film and life science businesses.

Establishing the new joint venture has another important objective. We want the fusion and innovation that come from melding with a completely different corporate culture to act as a catalyst for change in the



Toyobo group. Collaborating with a trading company from a completely different industry will give us opportunities to come in contact with viewpoints and business management methods that we may have been outside the scope of a manufacturing company like ours. I am particularly looking forward to opportunities to expand into overseas markets and develop new business models.

The Toyobo group has cultivated a wealth of technological advantages over its 140-year history. As we look to the future, I believe we must formulate a "new growth mindset" with new marketing concepts and entrepreneurship so we can take full advantage of the opportunities in our changing world and transform them into dramatic growth for the group. This collaboration presents a golden opportunity to do develop this mindset, and I am certain it will lead to a new model for business growth.

The Toyobo group is aiming in 2030 to usher in both a prosperous society where people can live with peace of mind, and the enhancement of corporate value, through addressing those issues. In short, we aim to be a sustainable company contributing to the sustainability of society. We will "welcome change, enjoy change, and create change" and commit ourselves to "doing what must be done."

We would like to ask our stakeholders for their continued understanding and support for the group.

President & Representative Director, CEO & Co-COO

Shiro Takeuchi