

Environmental and Functional Materials

Contributing to solving the world's issues through highly functional materials



Chikao Morishige

Representative Director & Co-COO
Head of Environmental and Functional Materials Division
President & Representative Director
CEO
TOYOBO MC Corporation

The strengths of Toyobo

- A new corporate body created through a functional materials manufacturer and a general trading company
- Uniqueness of technology, development capabilities, responsiveness, and ability to comprehend needs
- Global expandability leveraging our network of overseas sites and wide-ranging points of customer contact

Opportunities and risks

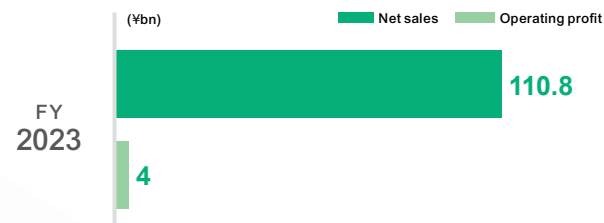
Opportunities

- The global trend toward a circular society and carbon neutrality (holding of many technologies)
- Overseas expansion through co-management with a general trading company

Risks

- Soaring costs of raw materials and fuels and increase in procurement risks
- Alliances between textile and chemical manufacturers
- Intensification of market competition due to significant changes in business conditions

Net sales and operating profit (¥billion)



Business overview in fiscal 2023

In fiscal 2023, the final year of financial results under the previous segment categories of Toyobo group, soaring prices of raw materials and fuels and other significant changes in business conditions yielded severe results.

In the environmental solution business, sales of VOC recovery equipment for lithium-ion battery (LiB) separator plants and replacement elements were strong under growing demand for LiBs amid global adoption of electric vehicles (EVs). Non-woven materials struggled as revisions of product prices were unable to keep up with increases in prices of raw materials and fuels. In particular, the business was unable to effect price pass-through in products for civil engineering and construction while quantities did not recover in automotive-related products, resulting in an operating loss. We plan to advance reforms including a review of production capacity. Sales remained strong for high-performance ZYLON® fiber, primarily for architectural reinforcement and bicycle tire applications. Sales of IZANAS® remained strong, primarily for fishing line applications.

As a result, net sales in this segment were ¥110.8 billion and operating profit was ¥4 billion (results for new segment).

Start of a new company

TOYOBO MC Corporation began operation in April 2023 as a joint venture between our company and Mitsubishi Corporation. Our aim is to grow the environmental and functional materials businesses shouldered by the new company as a third pillar of the Toyobo group, alongside the film business and life science business.

The businesses cover many functional, cutting-edge products based on Toyobo's proprietary technologies, including functional resins and environmental solution systems. Looking back, however, net sales of these have been sluggish in terms of growth, with overseas expansion in particular presenting challenges. In response, we made the decision to create a new "manufacturer + general trading company" framework, in order to grow the business through Toyobo's commitment to technology combined with the overseas expansion and marketing capabilities of Mitsubishi Corporation.

From the day the business launched, we began efforts to

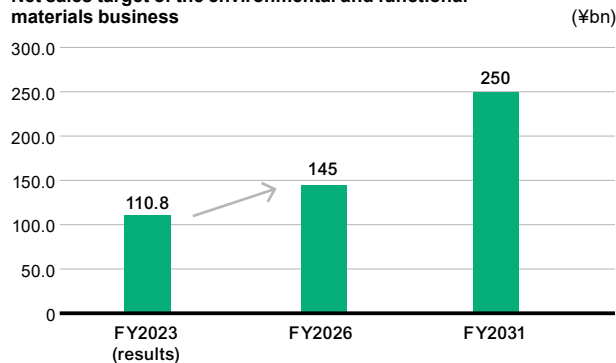
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enhance the solidarity of the employees. The initiatives have included briefings on the Medium-Term Management Plan (MTP); training camps for managers; Medium-Term Management Plan caravans (dialogues with top management) for three divisions, domestic and overseas workplaces, and affiliated companies; and dialogues with vice presidents.

Growth strategy

To achieve target sales of ¥600 billion for the Toyobo group in fiscal 2031 as set out in Sustainable Vision 2030, we believe that the achievements of the Environmental and Functional Materials Division will be instrumental. In this business, we are aiming for net sales of ¥250 billion in fiscal 2031, with ¥145 billion in fiscal 2026, the final year of the Medium-Term Management Plan. To achieve this high target, we will strategically roll out initiatives that take a bird's-eye view of the materials value chain and the industry overall. Specifically, we are tackling individual businesses divided into "growth," "revenue enhancement," and "business reform" categories, and, through fiscal 2026, are making efforts aimed at expanding applications in existing businesses while leveraging the information

Net sales target of the environmental and functional materials business



network of Mitsubishi Corporation. From fiscal 2026 onward, we will broaden our development of new technologies to meet new needs and speed the cycle overall, while advancing M&A and corporate alliances.

This growth strategy represents a major challenge for Toyobo group. We are committed to achieving significant business transformation in terms of three points: Global penetration and expansion of our customer base which has been centered on Japanese companies in Japan and overseas, acceleration of our development cycle, and enhancement of production efficiency. Positive evaluation from our customers will be indispensable in achieving this. We intend to grow TOYOBO MC Corporation into a company that customers can trust to create things in response to requests.



VOC recovery equipment

Future initiatives

Among the five social issues named in Sustainable Vision 2030, we recognize that "a decarbonized and circular society" and "clean water areas, air, and soil, and the preservation of biodiversity" in particular involve aspects to be shouldered by this business.

Within its Vision of "solving the world's issues through highly functional materials," TOYOBO MC Corporation has put forth three matters to address as its Mission: (1) Ceaselessly transforming itself, (2) Connecting material technologies to future needs, and (3) Engaging in co-creation to solve social issues. On this foundation, the company will make every effort to enhance its corporate value by solving social issues.

Materials that achieve lighter weight and greater functionality in the field of mobility, along with components and materials required for flexible printed circuits (FPCs) and for the LiBs vital to the shift to EVs, are the core products of TOYOBO MC Corporation. In the environmental field, the company will be able to ably leverage aqua membrane technologies and effluent treatment technologies in LiB manufacturing, contributing to the effective use of water and other resources and to the reduction of environmental impacts. Osmotic power generation using aqua membranes, now at the stage of practical application in Denmark, is considered highly promising for deploying high-performance fiber in offshore wind power generation. These are technologies that will contribute greatly to carbon neutrality. The business's products bring together elements that can make general contributions to the environment despite their differing scopes. We believe that we will be able to expand the business on the back of worldwide megatrends.