

Functional Textiles and Trading

Executing business portfolio reform to arrive at what our business should be

The strengths of Toyobo

- Know-how for deployment of biodegradable fibers, developed as a synthetic fiber manufacturer, to airbags
- A product lineup friendly to people and the earth
- Polymerization and modification technology developed as Japan's first acrylic fiber manufacturer

Opportunities and risks

Opportunities

- Expansion of business opportunities through replacement with environmental materials (biodegradation and recycling)
- Restructuring of the environmental materials industry, strengthening of corporate constitution through alliances, and expansion of opportunities

Risks

- Soaring prices due to monopolization and discontinuation of production of biodegradable, recyclable, and other small-lot raw materials
- Risk of acceleration of business closures by domestic subcontractors in the apparel industry, and risk in securing labor in plants

Business overview in fiscal 2023

In this business, we are making efforts to carry out a business reform master plan for arriving at what our business portfolio should be, based on the 2025 Medium-Term Management Plan.

In fiscal 2023, businesses were significantly affected by soaring prices of raw materials and fuels, with exchange rate factors caused by sharp depreciation of the yen also having a negative impact. Amid this, sales and profit were led by thobe, traditional Middle Eastern apparel. We were able to pass along nearly all of the increase in raw material prices but struggled significantly in passing along fuel prices, with the result that performance declined other than in TOYOBO STC CO., LTD.

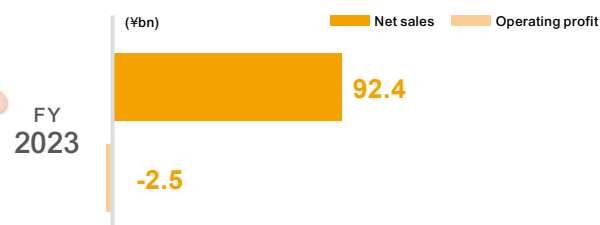
As a result, net sales in this segment were ¥92.4 billion and operating profit was - ¥2.5 billion (results for new segment).

With the exception of cost increase factors, progress was made according to schedule in addressing issues in each business. We expect that exchange rate impacts will be mitigated through new contracts.

Shigeo Nishiyama

Senior Managing Executive Officer
Head of Functional Textiles and Trading Division

Net sales and operating profit (¥billion)



Thobe, traditional Middle Eastern apparel

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Business strategy

Under its vision of creating small comfortable changes in living through textile technologies, the business is working to develop and commercialize distinctive technologies that find use in varied lifestyle scenarios. The division's business is diverse, covering many products related to everyday living. To solve users' concerns and issues, we intend to leverage our technical and development capabilities and use trading company functions to bring together wide-ranging knowledge and skills, then commercialize and globally deploy these. We will abandon the idea of continuing through our own efforts, and will enhance our strategies through alliances with other companies and other industries, including industry restructuring. With regard to the social issues noted in Sustainable Vision 2030, we are strengthening our initiatives related to "employee well-being and human rights in the supply chain" and "a decarbonized and circular society" in particular.

Based on our master plan, we are working to achieve early profitability, prioritizing "withdrawal from unprofitable businesses and products," "optimization of production scale and personnel," "pass-through pricing to address cost increases," and other items in order to earn an appropriate marginal profit rate in each business.

We entered the airbag business through non-coated fabrics. We also manufacture silicone coated fabrics at present, but in the recycling society of the future, non-coated fabrics that do not require removal of silicone will grow in importance. Our know-how in the utilization and manufacturing of biodegradable fibers is also a strength. We are steadily carrying out our roadmap for achieving profitability and are moving forward with negotiations on base price revision, integration of product numbering, proper allocation, and review of shared expenses. Toyobo Indorama Advanced Fibers Co., Ltd. (TIAF), a joint venture with Indorama Polyester Industries PCL (IPI) to manufacture airbag yarn, began operation in October 2022. We are working to achieve stable operation as quickly as possible.

The functional textile business is carrying out improvements to its human capital structure, with the start of a new structure scheduled for March 2024. Together with this, we are also undertaking transfer of production technology to Toyobo Textile

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In the textile business, our founding industry in which we have accumulated over 140 years of technologies, we have carried out integration and reorganization of group companies with the goal of enhanced profitability and asset efficiency, and launched TOYOBO TEXTILE CO., LTD. in April 2022. Through the consolidation of three plants and a return to profit through integrated business operations at overseas sites, we aim to establish a foundation for profitability. The greatest advantage of woolen menswear company Miyukikeori Co., Ltd. is its status as a luxury brand capable of integrated production that spans yarn, weaving, processing, and sewing. The company is also developing the world's finest, lightest class of fabrics using ultra-strong yarn (Manerd[®] wool technical hybrid yarn). While achieving stable management through enhanced efficiency in the textile business, we are engaging in selection and concentration of business partners (moving away from department stores and toward high value-added apparel).

Responding to a sharp rise in construction steel materials and construction-related costs, acrylic fiber company Japan Exlan Co., Ltd. conducted a review of its original revitalization plan, and has undertaken a new start. The company will shift to OEM for acrylic raw cotton, improve the efficiency of its production processes, and carry out sales strategies and sales expansion measures that include external collaboration.

The trading company TOYOBO STC CO., LTD. will focus on the expansion of new commercial flows with Toyobo group companies and on expansion of proprietary technical products.



Completion of a nylon yarn production plant for TIAF's airbags on the grounds of IPI