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Special Feature

Mitsubishi Corporation and Toyobo Top Management Discuss the New Joint Venture

Mitsubishi Corporation and Toyobo are joining forces with a new company aimed at capturing the global market growth. Kotaro Tsukamoto, Mitsubishi Corporation Group CEO and head of the Industrial Materials Group, and Toyobo CEO Ikuro Takeuchi talked about the process leading to the partnership and their vision of the new company's future.

New joint venture that enhances both company's value

Tsukamoto We approached Toyobo three years ago about the prospect of creating a business together. What was your initial reaction when we brought up the idea?

Takeuchi I remember that we originally talked about possibly doing one business together. Later as we continued talking and you saw our wide variety of products, the discussion expanded to a collaboration

across a broader range of businesses.

There was one business in particular that we had been involved in for over 20 years but we were just not able to achieve significant growth. As we talked about ways we could collaborate, we realized that working together could create huge potential for the business.

Tsukamoto At that time, our company had just transitioned to a new group structure. The Industrial Materials Group had been established about six months earlier, and we were looking for ways to grow our business. We had always been a trading business and invested in related businesses, but we wanted to

partner with strong businesses to try and compete in global markets.

In addition, we wanted to not only generate profit, but to also fulfill our duty to create a sustainable business that would contribute to society and protect the environment. I told you our idea and said perhaps what our company was thinking was quite close to what Toyobo was thinking.

Takeuchi At the time, I was Controlling Supervisor of Corporate Planning Division, not yet CEO, and we had just started putting together the Sustainable Vision 2030 (long-term vision) and 2025 Medium-Term Management Plan [FY2023-2026] (2025 MTP), both of which we announced in May 2022. We were deep in discussions about how to base them on our corporate philosophy of *Jun-Ri-Soku-Yu*, which means adhering to reason leads to social prosperity. Right at that time, your company told us that our products can play a greater role in society, which reminded us of our company's existence value.

Fresh insight from an external perspective triggers change

Tsukamoto The Industrial Materials Group needed to implement significant changes, and we engaged in numerous discussions before making the decision to establish the joint venture (JV). We also asked ourselves, what functions can we offer Toyobo? and can we play a meaningful role in raising the company's corporate value and bring about the change that will elevate it to the next stage that you envision?

At the same time, we looked at what we had to offer. Our extensive knowledge as a general trading company could help give the JV a strong management foundation, and our worldwide network could maximize the multiplying effect with Toyobo's technology for business growth overseas. Those two points were

behind our decision to go ahead with the plan.

Takeuchi Our objective in creating the new company, as we state in our 2025 MTP is to develop environment and functional materials business into a third pillar of earnings and our next growth driver. One expectation I have for the JV is that it will provide an outside perspective on Toyobo's business approach and practices, so we can reexamine them and create more added value. The benefits of the JV are not only from the new company, but also from the positive effects that can reverberate throughout the Toyobo group.

This partnership with Mitsubishi Corporation could also open doors for more options to develop our overall business in many areas, such as procurement, environmental measures, and business expansion overseas. I see the connection with Mitsubishi Corporation as a major intangible asset that will undoubtedly enhance our ability to respond to the changes in society over the next 10 and 20 years.

Tsukamoto The business environment for the materials field is changing dramatically with the transition to electric vehicles requiring lighter materials and movement in society to become carbon neutral. We are responding by constructing a resilient management foundation, setting up an unconventional business model for co-creation, and pursuing global alliances—all of which will contribute to increasing the overall global competitiveness of the Japanese materials industry.

Takeuchi Our materials technology offers highly competitive environmental performance. Together with Mitsubishi Corporation's vast network, I would like to build the JV into a global player.

Tsukamoto To do that, we want to start with the small details, such as refining the business processes, and let the business develop to generate good synergy effects.

Takeuchi The JV will be a major change for Toyobo, since we will be transferring roughly 25% of all of our business into the company. Some employees may feel some apprehension about that, but if we can start

accumulating successes -even just small successes-I think everyone will see that the plan is working and get behind it. That's why the first three to six months will be critical.

Tsukamoto I agree. Building a track record of successes will be essential. I also think it will be important to create a sense of anticipation.

Mitsubishi Corporation currently has roughly 100 so-called consolidated companies just in the Industrial Materials Group. Of course, not all of them are growing, but the ones that are doing well seem to have frontline employees that are excited about their work.

Takeuchi That sense of nervous excitement and anticipation that comes with change is really important. The chance for younger employees to work side by side with everyone at Mitsubishi Corporation to tackle the new challenge will be a particularly good experience that will become an asset for our group in the future.

A shared vision to grow by contributing to solving social issues

Tsukamoto We also announced a three-year medium-term management plan in May 2022, which centers on what we call "MC Shared Value" (creating shared value). The plan highlights our message that we are going to put all of the MC Group's energy into addressing social and industrial issues and continuously create shared value. This is precisely what we are trying to do with the creation of the new joint venture.

Takeuchi Yes, that is absolutely true. I've been looking at your company's advertisements and other materials and thinking about various ways we can put Toyobo technology to use.

In our long-term vision, we state that we are aiming to "Realizing sustainable growth." We hear that term a lot these days, but we actually mean two separate sustainabilities. The first is to be a sustainable group,

and the second is to improve the sustainability of society. We believe contributing to the sustainability of society will underpin the sustainability of our company.

We believe the JV embodies that concept. The company will be engaging in the environment and functional materials business and will focus on creating a lineup of products that contribute to resolving the environmental issues that society is now facing. So helping address the problems the world is facing will generate growth for the new company and, when it grows into a third pillar of earnings, will lead to the growth of Toyobo.

Tsukamoto That aligns perfectly with our company's way of thinking and core essence. We want to build a third pillar of earnings by creating businesses that provide solution for various social issues.

Injecting a market perspective, spirit of taking on new challenges, and a strong commitment to growth into the Toyobo group

Tsukamoto One more objective I have for the joint venture is to take the businesses that have established steady earnings in the Japan market, and to steadily expand them overseas. My biggest dream is to grow the JV into the first company that our customers contact to meet their needs.

Takeuchi The Toyobo group generally approaches business by thinking about the technology, but we need to change that and get into the habit of thinking from a market perspective. I think that may be a crucial point for the management of the new company.

When we celebrated the group's 140th anniversary in May 2022, the message I conveyed to employees was that it was not by chance that the company has been around for 140 years, rather it was inevitable. We

have survived this long because we have always lived up to the reliability society puts in us and because we have evolved our business as the world has changed. For our business to evolve, we had to be continuously creating something new. With the new JV, we intend to create a new second business that is new in every aspect from business and technology to human resources.

Tsukamoto Taking on new challenges is absolutely essential. I strongly convey to our employees that we will certainly sometimes fail, but we should learn from our failures and move on to the next challenge. I definitely want to pass on that spirit to the new JV.

Takeuchi That is correct. In my discussions with your company, I feel the strong desire and commitment to grow. Your company has taken on numerous challenges. Our company has finally stabilized after coming through a rough period when we were fighting for our survival, and we could easily get stuck with an attitude of "we're fine as we are." I hope that your company will provide a positive stimulation so we can change that mindset.

Safety and compliance are absolutely fundamental

Tsukamoto Our group is a trading company, but we also have some manufacturing businesses, so safety and compliance are the top priorities. In my view, they are non-negotiable.

Takeuchi That will surely provide peace of mind to the employees at the worksites. During the four years of the previous medium-term management plan, our group had two fire accidents and we lost two colleagues. We also had quality-related misconduct incidents. The entire company is now working to restore reliability and reestablish unwavering trust in our company. I believe that what Toyobo is aiming for and Mitsubishi

Corporation's approach to its manufacturing businesses share the same principles and underlying premises.

Becoming the "first call" for domestic and overseas customers

Tsukamoto Starting with the concept what kind of company we want the JV to be in the future, we are asking what our goals should be and how will we achieve them. From there we will set the management plan and draw up rules for the daily operations. That's all ahead of us, but right now everyone in our group is very excited about the potential. I am looking forward to getting the business up and running as quickly as possible.

I want to create a company that everyone knows that wherever they go in the world, if you contact that company they will provide the functional materials you need.

Takeuchi It truly will be "the company you call first."

Most of the employees at the JV are from our group, so we are the ones who must take the initiative. We cannot passively wait for Mitsubishi Corporation to bring in business ideas. It's essential that we actively work together with your company to go across boundaries and be actively pursue ideas as a single company.

The ultimate key to making the company a success will be each employee's individual engagement. I would like our employees to work with the attitude of "welcome change, enjoy change, and create change," which is one of our group values. I look forward to our group employees and everyone at Mitsubishi Corporation working together to make this venture a success and achieve growth. Thank you for talking with me today.

Tsukamoto Thank you very much.