

Outside Director message

**We will overcome our immediate issues and difficulties to achieve transformation.
Look forward to the future of TOYOBO!**

Hiroshi Fukushi
Outside Director



Helping to overcome high hurdles to transform the business portfolio

Toyobo is currently undertaking the reorganization of our business portfolio, which is our biggest management challenge. It is a process that any long-established company must go through in order to grow sustainably when changes in the times diminish the competitiveness of the businesses it has built, resulting in pressure to transform the portfolio. Amid weakening growth potential at some of the businesses at Toyobo, excessive importance was placed on immediate profits, which resulted in the occurrence of serious fire accidents and quality problems, making it necessary to review the business structure. I commend the group's highly active initiatives under President Takeuchi, first of all for the strengthening of its safety and disaster readiness system that is a foundation of manufacturing as well as the rebuilding of its quality assurance system, while taking further steps to reorganize its business portfolio. Toyobo's Board of Directors has five outside directors with diverse backgrounds including business operation, research and development, and compliance, and engages in active discussions. Among these, I have been in charge of managing a manufacturing company, where I experienced a major business portfolio transformation. Transformation is not easy, but we must achieve it for the sake of the company's future survival and development. I will make the most of my own experience toward Toyobo's transformation, and I will back President Takeuchi and all of the executive officers in their efforts to overcome this high hurdle.

Most recently, our operating cash flow has dropped under the impact of the economic disturbances during the COVID-19 pandemic and soaring raw materials and fuel prices, so we must reclaim our earning power as we advance efforts to earn unwavering trust in our safety, disaster prevention, and quality. Although I think all chemical manufacturers are confronting the same issue, the difficulty of raising prices on product lines that have undergone commoditization is precisely what makes this a critical moment. Toyobo must change its business structure to one that generates cash flow by optimizing product prices and advancing the shift to high value-added products.

Management aiming for a high position in the long term only makes sense in a harsh business environment

In order for Toyobo to be a company that continues to envision a growth trajectory through contributing to society while responding to changing times, there is enormous significance to our establishment of the TOYOBO PVVs corporate philosophy system and Sustainable Vision 2030. In addition to the major changes currently taking place in the global and business environments, we are also being rushed by a wave of digital transformation (DX). In order to weather high seas like these, it is crucial that everyone aim for a high position from a long-term perspective, and move toward that goal step by step.

In Japan, DX tends to be understood as the introduction of digital technology, but the genuine meaning of DX is the application of digital technology to the transformation of society. In looking at Amazon or Apple, we get a true sense of the power of advanced DX companies. DX has the kind of speed and power in which one equation can answer everything, so industrial and occupational structures change, renewing everything having to do with companies, lifestyles, and work. This kind of transformation has already started everywhere throughout industry, so that both companies and individuals are all under pressure to make a decision and do something about whether to ride this rogue wave or get swamped by it.

In order to realize the TOYOBO PVVs, it will be necessary for Toyobo to review its existing businesses and operations from the ground up and to rebuild the company, and DX will be essential to that effort. Ten years from now, Toyobo's business portfolio will have undergone some enormous changes. Now is the time that management must exercise its leadership to transform Toyobo into a company that will keep growing. As an outside director, I intend to solidly advance that transformation.