

— DIALOGUE —

Dialogue with ESG Investors

ESG Analyst

President & Representative Director

Toyobo President Ikuo Takeuchi sat down with Megumi Sakuramoto, Executive ESG Analyst at Asset Management One Co., Ltd. to discuss the sustainable growth of the Toyobo group.

A bold and clear long-term vision for sustainable growth

Sakuramoto First, I would like to share my general impressions of the recently announced Sustainable Vision 2030 (long-term vision) and 2025 Medium-Term Management Plan [FY2023 -2026] (2025 MTP). When I saw the shift the company has made to pursue sustainable growth, my impression, to exaggerate just a little, was the sleeping lion has finally awakened.

I also watched the video where you presented the company's objectives and found your narrative easy to understand terms and convincing.

Takeuchi I'm pleased to hear that. I made every effort to word and explain my objectives plainly so they would be understood. I wanted not just our investors and stakeholders, but all our employees and group employees to have a clear understanding our long-term vision and 2025 MTP. We started from the corporate philosophy and projected forward for our long-term vision, and from there we backcast to map out our medium-term management plan. That enabled us to ultimately put together a consistent story.

Sakuramoto Working back from the long-term vision and then presenting the medium-term plan as preparation for the future is particularly commendable.

The long-term vision forcefully and clearly states the three core objectives for what you want the company to be in 2030: Contributing to solving social issues through business operations; Sustainable growth with a solid foundation and track for future growth; and People First with safe workplaces where employees can work with peace of mind, pride, and a sense of rewarding work and self-growth.

Takeuchi The elements behind those core objectives are basically the same as those I expressed when I became president. I tried many ways to put them into succinct words until they were finally boiled down to what they are now.

Sakuramoto The vision is very clearly built around the concepts of sustainability, the company's people, and earning profits by contributing to solving social issues. I felt it was both faithful to our fundamentals and also sharp and forceful, not a like a razorblade but like a saw that would still cut even if some teeth were to break off.

I'd also like to point out that the ESG elements in the long-term vision would not immediately affect your business performance, but will work more subtly over time, like traditional Chinese medicine. That's why it will

be so important to stay on course with the long-term vision. A view of the future is crucial in an era of VUCA (volatility, uncertainty, complexity and ambiguity) when it's difficult to anticipate what's ahead. The vision is exceptional for the clarity of its image of the future of society and the markets.

With the vision in place, all that is left is execute the plan, which is where we hope you will show strong leadership.

*VUCA: volatility, uncertainty, complexity and ambiguity

Takeuchi I understand. I am going to lead by facing challenges head on and fostering a corporate culture with the whole group focusing on sustainable growth. I will talk often with group employees to inspire them and create a mindset for enjoying the change.

A completely new portfolio focuses on growth

Sakuramoto Looking at the 2025 MTP, I see that Toyobo is taking a long-term perspective and challenging itself to pursue goals that would be difficult to achieve with medium-term plans every four years.



Profile

Megumi Sakuramoto

Executive ESG Analyst,
Responsible Investment Group, Investment Division,
Asset Management One Co., Ltd.

Mr. Sakuramoto began his career at Pacific Consultants International and joined Yasuda Trust & Banking (now Mizuho Trust & Banking) in March 1990, where he was a fund manager and analyst in the investment operations of the Pension Management Division. He later worked at the Mizuho Pension Research Institute and joined Asset Management One as an ESG analyst in October 2016. He was appointed to his present position in January 2021.



Profile

Ikuo Takeuchi

President & Representative Director,
CEO & Co-CEO TOYOBO CO., LTD.

Mr. Takeuchi joined Toyo Boseki (now Toyobo) in April 1985 became General Manager of Corporate Planning Office in October 2014. After serving as Chairman of a Chinese subsidiary, he was appointed Head of the Functional Membrane and Environmental Division. He was appointed Executive Officer in April 2018 and Managing Executive Officer in April and Director in June 2020. He was appointed to his present position in April 2021.

You have even reorganized the business portfolio. Setting quantitative standards, assessing and stratifying each business in terms of profitability and growth potential, and planning to concentrate resources in key focus areas all create intriguing potential.

Takeuchi Portfolio reform has always been a major management theme at Toyobo. Past reform only aimed at eliminating unprofitable and low-profit businesses. We're taking a completely different approach now in that we are asking how we can build a business that contributes to society, and how we can then increase our profits from that business. Our focus is now fully on those two points. At the same time, the joint venture with Mitsubishi Corporation increases the growth potential for businesses that are already generating steady earnings.

The portfolio reform symbolizes our conceptual shift from survival to pursuing sustainable growth, which underlies the long-term vision.

Key to fulfilling the vision is fully convincing our officers and employees

Sakuramoto I mentioned that solid leadership will be important to fulfilling the long-term vision and 2025 MTP, but it will also be essential to gain the understanding and cooperation of everyone in the company. That is especially critical now with the drastic reforms you are planning.

Takeuchi I view the changes less as drastic and more as a natural progression. We are following the *Jun-Ri-Soku-Yu* principle and just "adhering to reason."

Still, because of the various organizational structures and positionings, it's by no means easy to do this across all our companies. That's where your idea of having everyone in the company making it their own personal the long-term vision is so important. The Corporate Sustainability Department, as the secretariat for the vision, and held multiple discussions with the Solutions Divisions (Business Division) and Corporate Departments (operations departments) when forming the draft vision. The executive officers then also met numerous times to put the vision together. During the discussions, the officers looked at the bigger picture beyond their own departments or position and primarily focused on what would be best for the group. When the

final version of the vision came out, all of our department managers considered it not as some plan that suddenly appeared but as the long-term vision that everyone had created together.

The vision's success will depend on all of the company's officers and employees getting behind it and making it their own. If you think the vision is separate from what you are doing at the company, you will not be successful. Your work is part of the long-term vision. I would even say the long-term vision can give meaning to your life and work. If you can feel that connection to your life, then the long-term vision will be meaningful to you.

Sakuramoto It will take a constant effort to make the vision permeate deeply among employees.

Takeuchi Yes, that will be critical, and I've already started to work on that. The other day when I announced the long-term vision to the group, in my message I included a question for everyone to think about: What is the purpose of creating a long-term vision? I wanted to convey that our aim is not to create the long-term vision but that it is important for group employees to make the vision "personal" and to take action to make it a reality.

I also recommended the leaders at all of the worksites to explain the long-term vision and 2025 MTP for the group and for their departments and then to thoroughly discuss them with everyone to hear what they think and how they feel about it.

In addition to linking our current activities to the long-term vision, each department and individual must have an action plan. We also know that "execution is everything" and will be diligently conducting follow up for the plan.

A human resources strategy linked to the management strategy

Sakuramoto In recent years, investors have been increasingly looking at corporate policies related to employees, or human capital, as a way of assessing a company from a long-term perspective. The rapidly changing market conditions and changing workstyles during the pandemic are creating a whole new value system, making it more important than ever that the strategy vectors of management and human resources are aligned. What is Toyobo's human resources strategy?

Takeuchi Our basic strategy is to foster worksites

where diverse human resources can thrive and be the driving force for the transformation that we are aiming for in our long-term vision and 2025 MTP. We will stimulate innovation by securing staff with diverse experience, sensibilities, values, and expertise and encouraging them to work together and develop their abilities.

One specific step we took was to introduce a new personnel system in fiscal 2023. The system is designed to create a workplace where every group employee can experience growth and work with pride and purpose. We are also constructing a Personnel Database that we will be able to use to plan and implement a human capital strategy closely linked to our management strategy by enabling three key activities: nurturing next-generation managers, providing job matching and reskilling. Along with this, we plan to make our biggest ever increase in investment for human resource development.

Combining external and internal knowledge for DX

Sakuramoto Digital transformation (DX) is also central to the 2025 MTP. What is your plan for DX?

Takeuchi We had already been working on DX, but we recently hired a new director for the IT and DX Planning Department to speed up the transformation. In June 2022, we also brought in Mr. Hiroshi Fukushi as an Outside Director from Ajinomoto Co., Inc., where he was the Chief Digital Officer and leading the company's management reform and DX. He will provide an objective view on what we are doing, and I look forward to hearing his frank opinions and recommendations.

Sakuramoto You are indeed actively moving on DX. I'd also encourage you the Toyobo DNA from your 140-year history. The knowledge of internal personnel who are deeply familiar with the company will be extremely important to obtain the full potential of DX.

Takeuchi That is very true. Combining knowledge from both inside and outside the company will be key. Mr. Fukushi has already been talking with executives and employees about the DX strategy. I'm looking forward to what the changes will bring for the company.

Importance of disclosure and dialogue about corporate activities

Sakuramoto Lastly, I would like to ask you about the company's information disclosure policies and dialogue with stakeholders. Risk disclosure is crucial to earning the trust of investors and financial markets. Disclosure related global issues like climate change are important, but so is disclosure of Japan-specific risk, such as earthquakes or tsunamis related to the Nankai Trough.

Takeuchi We actively seek to identify and respond to risk with our highest priority on risk related to safety, accident prevention, and quality, and make every effort to conscientiously disclose the related information. We also seek to identify other forms of risk, create comprehensive risk maps, and formulate and implement workaround and mitigation measures. Earthquakes are indeed a material issue that occurs frequently in Japan, and I would like to reexamine the risk and formulate a practical business continuity plan.

I want to fully disclose these risks, and I also want to communicate to investors and other stakeholders the measures we are taking to mitigate the risks.

Sakuramoto I think the company could also be more proactive about disclosing positive information. If investors don't hear about countermeasures, they will assume there are none.

Takeuchi I realized the importance of that in 2021 when I saw the positive reaction in the capital markets after we issued our integrated report. I was even told by some people that sharing information more widely could even boost our stock price.

Sakuramoto Toyobo has a solid principle, technology, and many other positive attributes. I feel that the company is not disclosing all that it could. I would like to see Toyobo receiving the recognition that it deserves.

Takeuchi That is excellent advice. We will steadily advance our long-term vision and 2025 MTP and share the progress, issues, and results with investors and other stakeholders. Thank you for coming today.

Sakuramoto Thank you very much. It was a pleasure talking with you.