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CEO & Co-CEO

CEO message

**I aim for us to be a company
that our stakeholders are proud
of, and which grows sustainably**

Management approach

**“People First.” Individuals’ sense of personal involvement
will be the force driving transformation**

My vision of ideal Toyobo is a company that gains trust from society. I want our corporate group to be one that all of our stakeholders—employees, customers, business partners, shareholders, and others—can view with pride. The message of our corporate philosophy “*Jun-Ri-Soku-Yu*” (adhering to reason leads to prosperity) is “Do what we should do to contribute to the prosperity of society. Society will continue to advance as a result.” That is the true “realization of sustainable growth” that I seek.

In May 2022, the 140th anniversary of our group’s founding, we announced Sustainable Vision 2030. Within this, we revealed our vision for the future: “We will continue to create the solutions needed by people and the earth with materials and science*.” For us to achieve this, it is vital that we first contribute to resolving social issues through our business. Moreover, if we are to contribute to society sustainably, we ourselves must be sustainable and resilient. We are working to build a solid foundation for our corporate activities, incorporating safe and secure workplaces, a quality assurance system, and compliance. We have drawn up a growth

* We aim to go beyond mere manufacturing, providing materials, to create science, in other words, new value through ingenuity and ideas. We aim to be a group that realizes unique benefits, provides solutions, by combining materials and science.

CEO message

strategy under which three businesses — film, life science, and environmental and functional materials —that contribute to resolving social issues are deployed atop this foundation.

What is important in this is that it is people, and the teams and organizations in which people connect, that will carry out the transformation aimed at realizing our long-term vision. Since becoming president, I have repeatedly put forth the message “People First.” Every employee tackling problems and work with a sense of personal involvement—that will be the force that drives transformation. Since the second half of fiscal 2023, I have again been making site visits in Japan and overseas. I make visits intending to encourage employees, but I’m the one who gets energized instead. It provides opportunities for me to boost my resolve as the CEO.

I was particularly impressed by a visit to Toyobo Indorama Advanced Fibers Co., Ltd., the joint venture that we launched last year with the Indorama group in Thailand. At the airbag yarn manufacturing company, located in Rayong province about three hours from Bangkok, over 10 Toyobo engineers built and launched a factory over the course of two years in an unfamiliar environment different from Japan where they were accustomed to living. I felt great pride seeing the engineers accomplish this huge job. I also visited the Otsu Pharmaceuticals Plant, which is working to rebuild its quality assurance system, and the Toyama Production Center, which is consolidating manufacturing bases in the textile business. However difficult the situation, we earnestly tackle whatever needs to be done. Seeing colleagues taking action with a strong sense of mission, I felt anew that this is the true strength of Toyobo.

Toward the realization of Sustainable Vision 2030

Coming changes in the business environment are a fantastic opportunity. Our technologies, products, and services will have roles to play

It has been about a year since we released our vision. Giving shape to the group’s vision in the form of Sustainable Vision 2030, with the 2025 Medium-Term Management Plan (2025 MTP) as a waypoint, has brought about great change in our executives and employees.

First, it has enabled us to engage in work on a foundation of having shared our vision and our action plan for realizing it. As an example, when setting themes for development, our Innovation Division (business development) has gained a strong awareness of questioning how a given theme corresponds to which vision, and how and to what it makes contributions. In addition, leaders and executives of our divisions talk increasingly about visions for their departments and plants in their own words, based on our overall vision. They then extend this to their workplace action plans and track progress. By holding visions for their own divisions, connected to our overall vision, every individual at every worksite is able to maintain an awareness of the meaning of their work and of their future.

At the start of Sustainable Vision 2030, I declared that we will make a shift from survival-oriented thinking to a sustainable growth orientation. The survival-oriented thinking that seeks short-term outcomes and profits for today and tomorrow became too strong during the period of structural reform that spanned the past 20 years, raising the issue that long-term perspectives and actions may have been insufficient. In response to this, there are increasing moves by leaders in divisions to not merely respond to current issues but to also think ahead toward 2030 and beyond.

We are now at a historical turning point. Looking toward the future business environment, I sense greater change than we had expected when we were formulating Sustainable Vision 2030. For example, our cost structure has undergone enormous change from that of a decade ago. Our group’s raw materials and fuel costs have increased by ¥28 billion over the past two years. The price hike is greater than our average operating profit for the past five years. The movement to achieve carbon neutrality has also entered the stage in which effectiveness is scrutinized. A large number of institutional investors are requesting that we address ESG and sustainability issues involving human capital and governance, as well as environmental issues.

In Sustainable Vision 2030, we set out conventional financial indicators as management goals, as well as sustainability indicators such as zero serious accidents, enhancement of employee engagement, and reduction of greenhouse gases (GHGs). I recognize that these sustainability initiatives form a foundation for achieving our financial targets, and that we need to carry them out in a manner integrated with our business activities.

Such changes in the business environment include aspects

that place increased burdens on us, but I view them positively as opportunities for the growth of our company. As an example, to address the issue of shifting away from plastics, our company has been an early adopter of recycled resin within our industry. We already possess or are developing related technologies including volume reduction of about 30% in conventional films, plastic made from 100% biomass, and chemical recycling. By providing film products created through these technologies, we will contribute to resolving issues that surround plastics. We also anticipate that, with the launch of the new TOYOBO MC Corporation, the technologies for water and air purification, separation, and adsorption that we have built up for over 30 years will see increased opportunities for widespread use in Japan and overseas. Our human-related technologies will also be able to contribute more and more to enhancing quality of life for people worldwide, in areas including infectious disease prevention, diagnostic drugs, and medical membranes.

The products and services that our group provides are indispensable to safety, security, and comfortable living for the public. I am confident that by expanding and creating products and services imbued with value that only Toyobo can provide, we will be able to make even further contributions to solving social issues.

Progress during the first year of the 2025 MTP

Steady execution of our “four years to rebuild and prepare” action plan

In fiscal 2023, the first year of the 2025 MTP, earnings fell significantly for reasons including sudden changes in the business environment. Our top priorities are first to regain our earnings capability (profitability) and to return to or exceed our normal earnings level, with operating profit of ¥20 billion or more by fiscal 2025.

We are generally making progress as planned in the four measures contained in the 2025 MTP.

The first of these is “thorough safety, disaster prevention, and quality assurance,” which we view as the most important issue. Acting under a strong determination to never again allow a major fire incident, our company as a whole is steadily executing our master plan for safety and disaster prevention, doing so through the 2025

CEO message

MTP as well. We have made large investments in fire detection and containment, and have considerably enhanced our level of disaster prevention in physical terms. However, we recognize that we still have a way to go in terms of safety culture, that is, in people's awareness of safety and disaster prevention. We are enhancing training and workplace dialogue to enable a sense of personal involvement in safety.

Regarding the second measure in our plan, "reorganization of the business portfolio," we have divided our businesses into four strata along the dual axes of profitability and growth potential based on capital costs, and are advancing business operations according to the positioning of each. We are actively investing in our film business and life science business, which we have positioned for "growth expansion". In our environmental and functional materials business, positioned until now for "stable earnings," we launched TOYOBO MC Corporation as a joint venture with Mitsubishi Corporation in April 2023 to create a third pillar. Looking ahead, we will tackle growth expansion in areas including those related to environmental solutions and electric vehicles (EVs). At the same time, in businesses facing profitability issues and positioned as "requiring improvement," we are executing factory consolidation and earnings improvement measures in line with the master plan for reform that we have formulated.

With regard to the third measure of our plan, "preparations for the future," we are making preparations for the creation of innovation, the promotion of digital transformation, and the realization of carbon neutrality.

For the creation of innovation, we formulated our Innovation Creation Vision last year with an eye toward the future beyond 2030. By combining our strengths in polymer technology and biomedical technology, we will accelerate innovation in three areas of solutions: New Circular Plastics, Environmentally Active Clean, and Well-Being (see p.25).

As an initiative aimed at carbon neutrality, last year we obtained certification from the Science Based Targets initiative for the consistency of our group's 2030 GHG emission reduction targets with the level required by the Paris Agreement. We will steadily carry out actions including the introduction of energy conversion, energy conservation, and renewable energy, following the roadmap we have laid out. We also intend to put the internal carbon pricing system that we introduced in April 2022 into full operation and accelerate investments

that will contribute to GHG emission reduction, with plans to utilize these in the examination of business portfolio reform as well (see p.55).

The fourth measure in our plan is "rebuilding the foundation." This foundation is a necessity for carrying out the three measures noted above. While advancing development of our business infrastructure through the renewal of aging facilities and systems including information system, we are also making efforts toward human resource development and organizational culture reform.

Operating under our conviction that it is people and teams of people who will shoulder corporate reform, we will build human resources management mechanisms that allow all employees to experience growth and play active roles with pride and motivation. More specifically, pressing issues that lie before us include promoting the selection and development of the next generation of management candidates and the training of workplace leaders to support manufacturing, as well as increasing the number of women leaders who advance to executive positions. We have also developed optimal personnel placement mechanisms, education systems, and programs to enable diverse ways of working so that all employees can achieve personal development within the company (see p.64).

Launch of TOYOBO MC Corporation

A turning point for our group. Tackling growth by changing our ideas and actions

The establishment of TOYOBO MC Corporation is a major project to which we apportioned a quarter of the sales of Toyobo. We view it as a large investment in growth. Our primary aim is to develop new markets and achieve growth by combining the cutting-edge technologies and products of Toyobo with the strengths of Mitsubishi Corporation. At the same time, considering anticipated future changes in the business environment, behind the establishment of the new company was also a powerful sense of crisis over the difficulty of maintaining our status quo through business as usual.

By changing the conventional ideas of Toyobo and our ways of working while adding different ideas, we will make ourselves capable of taking on great opportunities for growth. Toward that end, we selected a partner that could be seen as an unorthodox choice for our company. I expect to see innovation result from this

combination of differences. In terms of approach to seizing business opportunities, ability to execute, and speed, Mitsubishi Corporation has strengths that we do not. By pairing our cutting-edge products and technologies with Mitsubishi Corporation's global management capabilities and its domestic and overseas networks, we will execute growth measures using inorganic and other methods.

Message to our stakeholders

Carrying out the four measures of the 2025 MTP to enhance our corporate value (economic value x social value)

I define corporate value as the product of economic value (earning power) times social value (trust by stakeholders). This means naturally that no corporate value can exist without the trust of society, or without the power to earn. Our group aims to be a company that contributes to the sustainability of society while itself continuing to grow sustainably.

My mission is to sustainably enhance our corporate value through business activities aimed at realizing our corporate philosophy. The key to doing so will be carrying out the four measures stated in the 2025 MTP. By enhancing asset efficiency and achieving growth through portfolio reform and by further enhancing people's trust in our company, we will transform into a corporate group in which our stakeholders can take pride.

I ask our stakeholders for their continued understanding and support for our group.

