

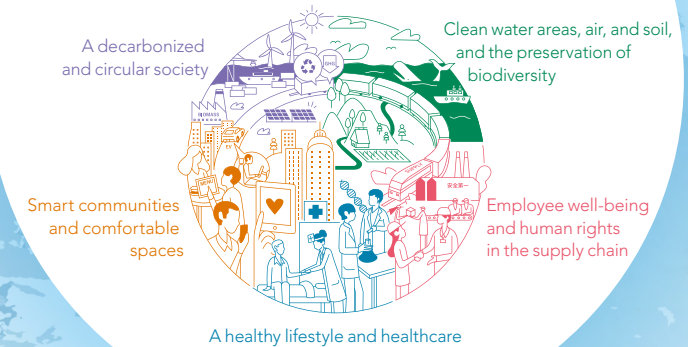
Toyobo group vision

Road map to realize our vision

To achieve the goals set forth in Sustainable Vision 2030, we will drive sustainable growth by advancing the four strategies outlined in the 2025 Medium-Term Management Plan, thereby contributing to the realization of a prosperous society.

Realizing sustainable growth

We create solutions needed by people and the planet through materials and science, contributing to the realization of a prosperous society



2018-2021 Medium-Term Management Plan

Themes

- Try again to achieve operating profit of ¥30 billion
- Continuously reform the business portfolio

Results

Net sales: **¥375.7** billion

Operating profit: **¥28.4** billion

GHG emission reduction rate
(Scope 1 and 2 / Compared with FY2014) **25.9%**

2022-2025 Medium-Term Management Plan

Themes

- Transform to sustainable growth
- Four years to rebuild and prepare

Targets

Net sales: **¥450** billion

Operating profit: **¥25** billion

Results (FY2024)

GHG emission reduction rate
(Scope 1 and 2 / Compared with FY2014) **31.6%**

Overview of the 2025
Medium-Term Management Plan > p.17

Sustainable Vision 2030

Where we'd like to be

Ushering in both a prosperous society where people can live with peace of mind and the enhancement of corporate value

Targets

Net sales: **¥600** billion

Operating profit margin: **8.3%** or higher

GHG emission reduction rate
(Scope 1 and 2 / Compared with FY2014) **46%** or higher

Sustainable Vision 2030

Green strategy

Green strategy > p.33

Innovation strategy

Innovation strategy > p.29

Human resource strategy

Human resource strategy > p.22

Materiality

To meet the demands and expectations of our stakeholders and realize our aim to be “a group that continues to create the solutions needed by people and the Planet,” Toyobo group identifies material issues and implements initiatives through its business activities.

Toyobo group's materiality

The materiality of the group was initially identified in May 2020 and has since been reviewed considering our Sustainable Vision 2030, leading to the current framework.

By assessing both the impact on stakeholders and the group, we have clarified high-priority goals and organized them into four key areas: contributing to the solving of social issues through business, human capital, environment and manufacturing, and business foundations (see diagram below).

Process of identifying material issues

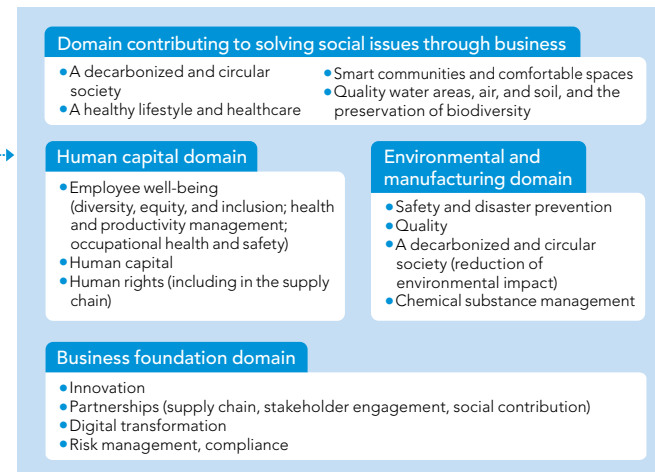
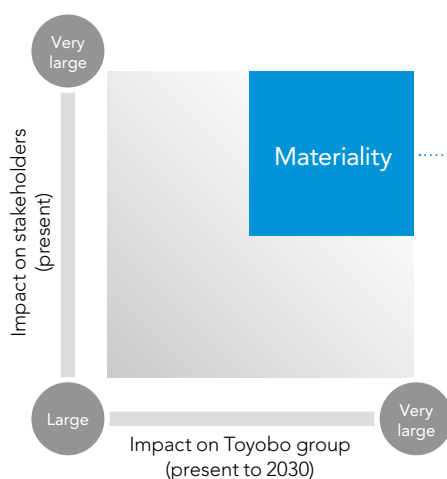
We reviewed external initiatives and 12 international guidelines, including the GRI Standards, to select candidate items. The positive and negative impacts of these issues were assessed through internal questionnaires and interviews. After considering feedback from external parties, such as institutional investors, we finalized our material issues with the approval of the Board of Directors.

Given the group's situation in fiscal 2023 and fiscal 2024, we decided to make quality independent of compliance and added chemical substance management.

Management of materiality KPIs (PDCA)

To ensure steady progress on our materiality initiatives, we have assigned officers to each materiality and established corresponding targets and Key Performance Indicators (KPIs). We report and share KPI progress twice a year within the Sustainability Committee and, based on this progress, review and adjust targets and KPIs to continuously enhance our efforts. In addition, the discussions within the Sustainability Committee are reported to the Board of Directors as appropriate.

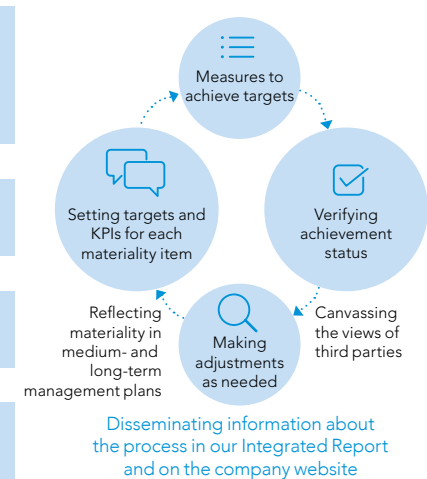
Materiality map



Identification process



KPI management (PDCA)



Risks, opportunities, and materiality in achieving the vision



Materiality KPIs

April 1, 2024

Category	Major items	Risks	Opportunities	KPIs				
				Themes	Targets from FY2025 onward	Officer in charge	FY2024 targets	FY2024 results
Domain contributing to solving social issues through business	A decarbonized and circular society	Short, medium, and long term • Greenhouse gas (GHG) reduction efforts • Increase in environmental impact costs • Losses due to environmental pollution	Short, medium, and long term Growth and expansion of products and businesses contributing to the following: • A decarbonized society • A resource-circulating society • People's well-being • Comfortable living	1. Expansion of ECO-PARTNER SYSTEM® products and services that contribute to the environment 2. Greening of the film business	1. Sales ratio of 40%*3 2. Green ratio of 60%*3	Taichi Sakai Senior Managing Executive Officer Head, Safety and Disaster Management Division, and Controlling Supervisor of Production Technology Division and Procurement and Logistics Department Muneo Hirooka Managing Executive Officer Head, Films Division	1. Sales ratio of 40%*3 2. Green ratio of 60%*3	1. 31% 2. 13%
	A healthy lifestyle and healthcare			1. Number of tests through the provision of infectious disease diagnostic reagents 2. Number of dialysis patients served with dialysis membranes	1. 10 million times per year*3 2. 250,000 patients per year*3	Takahito Sagara Managing Executive Officer Head, Life Science Division	1. 10 million times per year*3 2. 250,000 patients per year*3	1. 4 million times per year*3 2. 250,000 patients per year*3
	Smart communities and comfortable spaces			1. Expansion of sales volume for products supporting DX: 1.5 times FY2021	1. 1.5 times FY2021*3	Muneo Hirooka	1. 1.5 times FY2021*3	1. 1.51 times
Human capital domain	Employee well-being (diversity, equity, and inclusion, health and productivity management, occupational health and safety)	Short and medium term • Human rights violations in the supply chain • Productivity decline due to mental health issues and dissatisfaction • Losses and business impact from occupational accidents	Medium and long term • Work-style reforms emphasizing diversity • Talent development and creating a supportive workplace • Retaining top talent through health and productivity management	1. Ratio of overworked employees 2. Number of core overseas personnel undergoing training in Japan 3. Training investment per employee and training time 4. Ratio of women managerial staff 5. Employment ratio of people with disabilities 6. Ratio of annual paid leave taken per year 7. Reduction in annual time worked outside statutory working hours (number of employees working more than 360 hours of overtime per year / total number of eligible employees) 8. Ratio of men employees taking childcare leave 9. Certification as a "White 500" enterprise with Outstanding Health and Productivity Management 10. Improvement in how positive employees feel about their work, based on employee engagement surveys a. Percentage of respondents agreeing with the statement that they do not feel that their day-to-day work is difficult to perform b. Percentage of respondents agreeing with the statement that the company respects the diverse views and ideas of each individual employee	1. Improvement compared with the previous fiscal year (ratio) 2. 15 people per year*1 3. ¥50,000 per year, 21 hours*1 4. 5.0% or more*1 5. 2.7%*2 6. 75%*1 7. — 8. At least 80% of eligible employees*1 9. Maintained 10. Improvement in positive response rate	Takehiko Inada Managing Executive Officer Controlling Supervisor of HR, Administration and Legal Division	1. — 2. 15 people per year*1 3. ¥50,000 per year, 21 hours*1 4. 5.0% or more*1 5. 2.7%*2 6. 75%*1 7. 2.0% or less (20% reduction from FY2020)*1 8. At least 80% of eligible employees*1 9. Maintained 10. Establish a system for annual implementation	1. — 2. 7 people per year 3. ¥50,000 per year, 18.22 hours 4. 5.5% 5. 2.29% 6. 83.2% 7. 4.3% 8. 97.7% 9. Maintained 10. Not implemented
	Human capital							
	Human rights (Toyobo group)				1. Implementation of human rights education and training	1. Holding human rights study sessions and training for group employees 10 times or more per year	Taichi Sakai	1. 4 times or more
Environmental and manufacturing domain	Safety and disaster prevention	Short and medium term • Recurrence of similar disasters or troubles • Loss of social credibility due to accidents or scandals	Short, medium, and long term • Cultivating a safety culture • Accumulating know-how in preventive maintenance	1. Number of major accidents* 2. Frequency rate of workplace accidents resulting in lost workdays 3. Number of fires or explosions 4. Number of spills * Set internal standards based on definitions stipulated by the Ministry of Health, Labour and Welfare Note: Items 1–4 are aggregated from January to December	1. 0 incidents per year 2. 0.25 or less 3. 0 incidents per year 4. 0 incidents per year	Taichi Sakai	1. 0 incidents per year 2. 0.25 or less 3. 0 incidents per year 4. 0 incidents per year Note: Items 1–4 are aggregated from January to December	1. 0 incidents 2. 1.15 3. 0 incidents 4. 1 incident
	Quality	Short, medium, and long term • Loss of social credibility due to inaccurate data handling or inappropriate product shipments	Short, medium, and long term • Improving customer satisfaction and social credibility	1. Number of incidents related to products* 2. Implementation of product safety and quality assurance training * Set internal standards based on definitions stipulated by the Ministry of Economy, Trade and Industry	1. 0 incidents per year 2. 100%	Masakazu Iwasaki Executive Officer Head, Quality Assurance Division General Manager, Quality Assurance Management Department	1. 0 incidents per year 2. 100%	1. 0 2. 100%
	Chemical substances management	Short, medium, and long term • Loss of business opportunities due to non-compliance with chemical substance regulations	Short, medium, and long term • Strengthening business profitability through compliance with laws and regulations • Improving customer satisfaction and social credibility	1. Major disasters (Level IV) 2. Number of environmental accidents (Level III) 3. Environmental law violations (Level III): Pollution control laws, Poisonous and Deleterious Substances Control Act, Waste Management and Public Cleansing Law	1. 0 incidents 2. 0 incidents 3. 0 incidents	Taichi Sakai	—	—
	A decarbonized and circular society (reducing environmental impact)	Short, medium, and long term • Increased risk of extreme weather and natural disasters due to climate change • Environmental impact from waste and emissions • Water resource shortages or depletion	Short, medium, and long term • Expanding demand for products contributing to climate change mitigation (resource conservation, energy saving, low carbon) • Reducing energy costs through improved production efficiency • Lowering environmental conservation costs	1. GHG emissions Scope 1 and 2 (consolidated) 2. VOC emissions (domestic total) 3. Discharge of hazardous substances into water bodies (domestic total) 4. Amount of waste emissions (consolidated) 5. Final disposal (landfill disposal) rate (domestic total)	1. At least 46% reduction compared with FY2014*4 2. 60% reduction compared with FY2015*3 3. 80% reduction compared with FY2015*3 4. 15% reduction compared with FY2016*3 5. Less than 1% per year	Taichi Sakai	1. At least 46% reduction compared with FY2014*4 2. 60% reduction compared with FY2015*3 3. 80% reduction compared with FY2015*3 4. 15% reduction compared with FY2016*3 5. Less than 1% per year	1. 31.6% reduction (831 thousand t-CO ₂) 2. 77% reduction 3. 73% reduction 4. 3% increase 5. 0.52%

Risks, opportunities, and materiality in achieving the vision



Materiality KPIs

April 1, 2024

Category	Major items	Risks	Opportunities	KPIs				
				Themes	Targets from FY2025 onward	Officer in charge	FY2024 targets	FY2024 results
Business foundation domain	Governance	<ul style="list-style-type: none"> Medium and long term Compliance with laws and regulations, and responding to system changes Social demands for strengthening corporate governance 	<ul style="list-style-type: none"> Medium and long term Practicing sustainability management aimed at enhancing corporate value 	<ol style="list-style-type: none"> Number of meetings of the Board of Directors/Nomination and Compensation Advisory Committee Attendance rate of officers at meetings in 1. above Effectiveness evaluation of the Board of Directors, content disclosure 	<ol style="list-style-type: none"> Disclosure of results Disclosure of results Disclosure of details of effectiveness evaluation 	Takehiko Inada	<ol style="list-style-type: none"> Disclosure of results Disclosure of results Disclosure of details of effectiveness evaluation 	<ol style="list-style-type: none"> 22 times Attendance by directors and corporate auditors at meetings ⁽¹⁾ Evaluation of the effectiveness of the Board of Directors ⁽²⁾
	Innovation	<ul style="list-style-type: none"> Medium and long term Delays in creating new products and new businesses due to decreased competitiveness in R&D Decline in product demand due to changes in customer needs 	<ul style="list-style-type: none"> Medium and long term Creating new markets by developing new products and businesses that address social issues Early response to changes in customer needs and strengthened regulations 	<ol style="list-style-type: none"> Promotion of development in the three key themes Number of new inventors Number of intellectual property education sessions for Toyobo and group companies Percentage of research themes contributing to the achievement of Sustainable Vision 2030 Direct investments in open innovation (e.g., proof of concept for commercialization with invested companies, joint development) Number of intellectual property information analyses Number of business suspensions due to patent infringement Number of intellectual property training sessions for employees (Toyobo and group companies) Number of comprehensive industry-academia-government collaborations 	<ol style="list-style-type: none"> At least 75% At least 30 people 2.0 times per year 	Katsuya Ito Executive Officer Controlling Supervisor of Innovation Division	<ol style="list-style-type: none"> – – 19 times 90% or more*1 4 cases or more per year 20 cases per year 0 cases per year 2 cases 	<ol style="list-style-type: none"> – – 20 times 90% 4 cases 32 cases 0 cases 2 cases
	Partnerships (supply chain)	<ul style="list-style-type: none"> Short, medium, and long term Negative impact on business activities due to illegal actions or compliance violations by suppliers 	<ul style="list-style-type: none"> Short, medium, and long term Securing social sustainability and long-term competitive advantage 	<ol style="list-style-type: none"> Ratio of CSR procurement surveys returned Ratio of reduction in CO₂ emissions (intensity) related to logistics (sales) 	<ol style="list-style-type: none"> Ratio of surveys returned, or engagement with business partners with room for improvement Reduction of 0.5% year on year 	Taichi Sakai	<ol style="list-style-type: none"> 90% or more Reduction of 0.5% year on year 	<ol style="list-style-type: none"> 94% Reduction of 0.53%
	Partnerships (stakeholder engagement)	<ul style="list-style-type: none"> Short, medium, and long term Failure to fulfill accountability leading to unestablished trust with stakeholders Reputational risk 	<ul style="list-style-type: none"> Short, medium, and long term Building strong trust relationships with diverse stakeholders 	<ol style="list-style-type: none"> Number of press releases Number of interviews with investors Number of meetings with employees and labor unions Frequency of engagement with stakeholders 	<ol style="list-style-type: none"> At least 75 per year At least 150 per year At least 60 times per year 3 times 	Takehiko Inada	<ol style="list-style-type: none"> At least 75 per year At least 150 per year At least 60 times per year 3 times 	<ol style="list-style-type: none"> 84 cases 113 cases 60 times 3 times
	Data security, privacy	<ul style="list-style-type: none"> Short, medium, and long term Information leaks, system failures, or stoppages due to cyberattacks Loss of customer trust, deterioration of relationships with business partners, and decreased competitiveness 	<ul style="list-style-type: none"> Short, medium, and long term Gaining customer trust, maintaining good relationships with business partners, and improving competitiveness 	<ol style="list-style-type: none"> Promotion of information security measures <ul style="list-style-type: none"> Renewal of network security infrastructure Renewal of computer security infrastructure Number of information security training sessions Number of incidents (e.g., information leaks, service outages) Completion of activities centered on the Information Security Sub-committee 	<ol style="list-style-type: none"> 50% completion of renewal (FY2025–FY2026) 15 sessions per year* 0 incidents per year <p>* The standard for the number of sessions has been changed due to a modification in the format of the events.</p>	Ichiro Takai Senior Managing Executive Officer Controlling Supervisor of Corporate Planning Division	<ol style="list-style-type: none"> – 60 times per year 0 cases per year Completion of activities 	<ol style="list-style-type: none"> – 97 times per year 0 cases per year Completion of activities
	Compliance	<ul style="list-style-type: none"> Short, medium, and long term Business activity stagnation, loss of social credibility, and damage to corporate value 	<ul style="list-style-type: none"> Short, medium, and long term Establishing a stable management foundation Strengthening risk management systems Fostering a culture of compliance awareness 	<ol style="list-style-type: none"> Enhancement of compliance awareness Awareness and utilization of the Compliance Consultation Desks Number of serious legal violations 	<ol style="list-style-type: none"> Improvement in compliance questionnaire responses <ol style="list-style-type: none"> Does the company emphasize compliance? Awareness of case study reports, expansion of compliance study sessions and other training Frequency of compliance study sessions (managerial staff) and other training Improvement in compliance questionnaire responses <ol style="list-style-type: none"> Awareness of Compliance Consultation Desks Ease of use of Compliance Consultation Desks 0 cases 	Takehiko Inada	<ol style="list-style-type: none"> Improvement in compliance questionnaire responses <ol style="list-style-type: none"> Does the company emphasize compliance? Awareness of case study reports, expansion of compliance study sessions and other training Frequency of compliance study sessions (managerial staff) and other training Improvement in compliance questionnaire responses <ol style="list-style-type: none"> Awareness of Compliance Consultation Desks Ease of use of Compliance Consultation Desks 0 cases 	<ol style="list-style-type: none"> I feel that it does, or by and large I feel that it does: 78% I read every issue, or I sometimes read it, or I read those articles that are of interest to me: 77% Compliance study sessions: 22 times + video streaming to all employees Other training: 40 times <ol style="list-style-type: none"> 89% 83% <ol style="list-style-type: none"> 102 cases 0 cases
	Compliance (R&D, intellectual property)			<ol style="list-style-type: none"> Achievement rate of education and anti-fraud activities related to R&D Implementation of audits related to compliance with intellectual property regulations Number of product safety or quality assurance violations in the R&D quality assurance system Number of serious rule violations related to guidelines from ministries and funding allocation agency rules Number of serious rule violations related to the handling of research data Number of orders for corrective actions regarding labeling 	<ol style="list-style-type: none"> 100% 100% 	Katsuya Ito	<ol style="list-style-type: none"> – – 0 cases per year 0 cases per year 0 cases per year 0 cases per year 	<ol style="list-style-type: none"> – – 0 violations 0 violations 0 violations 0 violations

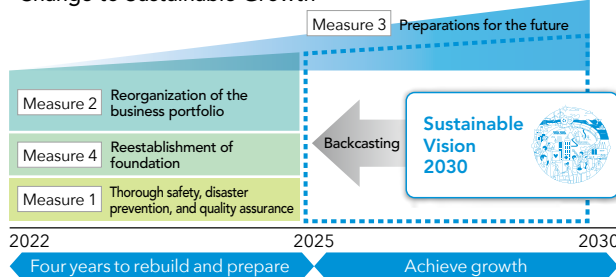
Items in blue are newly established for FY2025.
*1 FY2026 target *2 FY2027 target *3 FY2031 target

Overview of the 2025 Medium-Term Management Plan

Ideal we seek to realize and strategy

Guided by the basic policy of shifting from a survival mindset to a sustainable growth orientation, the 2025 Medium-Term Management Plan sets out the four measures outlined below.

Change to Sustainable Growth



Targets and past performance

The financial targets outlined in the table on the right were initially set. However, due to a decline in earning power and deterioration in financial stability caused by large-scale up-front investments, the outlook for fiscal 2026 has been revised.

Nevertheless, progress is being made in safety, disaster prevention, and quality assurance, preparing for the future, and reestablishing the foundation, and these efforts will continue.

	FY2022 results	FY2023 results	FY2024 results	FY2026 initial target	FY2026 outlook
Net sales (¥bn)	375.7	399.9	414.3	450	450
Operating profit (¥bn)	28.4	10.1	9.0	35	25
Operating profit margin (%)	7.6	2.5	2.2	7.8	5.6
EBITDA (¥bn)*1	48.5	29.1	28.8	63	51
Net profit (¥bn)	12.9	▲ 0.7	2.5	15	9
ROE (%)*2	6.8	-	1.3	≧7.0	≧4.5
ROIC (%)*3	5.1	1.7	1.3	≧5.0	≧4.0
D/E ratio	0.98	1.21	1.26	<1.20	<1.40
Net debt/EBITDA ratio**4	3.4	5.8	7.5	<5.0	<5.0
Capital investment (FY2023 to FY2025 cumulative total) (¥bn)				240	180

*1 Operating profit + depreciation (includes goodwill)

*2 Profit / Average shareholders' equity at the beginning and end of period

*3 NOPAT / (Interest-bearing debt + Net assets)

*4 (Interest-bearing debt - Cash and deposits) <Period-end> / EBITDA

Key measures for FY2024

The status of the four measures is as follows:

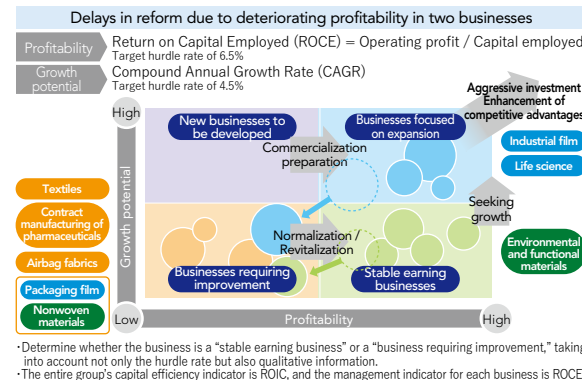
Measures 1, 3, and 4 are on track, whereas Measure 2, which involves reorganizing the portfolio, has been delayed. We will address that issue this fiscal year.

Progress of the four measures

○ On schedule △ Some delays ▲ Significant delays

Measure	Measure Description	Progress Status
Measure 1	Thorough safety, disaster prevention, and quality assurance	○ On schedule
Measure 2	Reorganization of the business portfolio	△ Some delays
Measure 3	Preparations for the future	○ On schedule
Measure 4	Reestablishment of foundation	○ On schedule

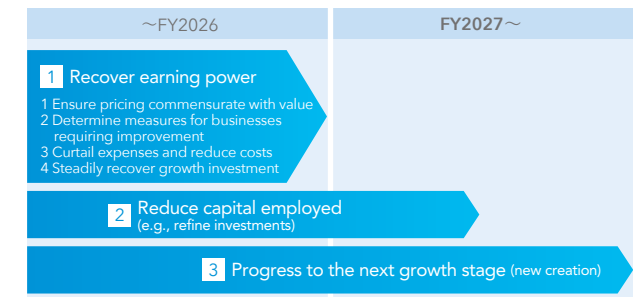
Changes in business portfolio positioning



• Determine whether the business is a "stable earning business" or a "business requiring improvement," taking into account not only the hurdle rate but also qualitative information.
• The entire group's capital efficiency indicator is ROIC, and the management indicator for each business is ROCE.

Actions to enhance corporate value by addressing outstanding issues

To put reorganization of the business portfolio (Measure 2) on track and improve corporate value, we will broadly focus on three major actions this fiscal year: recover earning power, reduce capital employed, and progress to the next growth stage.



Overview of the 2025 Medium-Term Management Plan

Action to prepare for FY2026 onward

Action 1 Recover earning power

To recover earning power, we will implement measures based on four fundamental policies: ensuring pricing commensurate with value, taking measures for businesses requiring improvement, narrowing down expenses and cost reduction, and steadily recovering growth investments. By doing so, we will secure capital for the next phase of growth. Specifically, in measures for businesses requiring improvement, we will analyze the factors causing performance deterioration and implement countermeasures. To drive the steady recovery of growth investments, we will establish a road map and execute it diligently.

Basic policy

1 Ensuring pricing commensurate with value	<ul style="list-style-type: none"> Follow up on the execution of pricing by management: Shift price setting from cost based to value based
2 Taking measures for businesses requiring improvement	<ul style="list-style-type: none"> Packaging film: Production system revision, early expansion of eco-conscious products, sales expansion for overseas Nonwoven materials: Reorganization of domestic business, production system revision Airbag fabrics, contract manufacturing of pharmaceuticals: Execution of the road map to profitability Textiles: Returned to profitability in FY2024 → Pursue capital efficiency improvement
3 Narrowing down expenses and cost reduction	<ul style="list-style-type: none"> Enhance the cost competitiveness of business sites and plants (review of common departmental costs, business reallocation) Reduce the cost of indirect materials and services Improve operational efficiency and productivity (enhancing business quality while reducing costs)
4 Steadily recovering growth investments	<ul style="list-style-type: none"> Profit increase by realizing the effects of growth investments and development investments

Taking measures for businesses requiring improvement

	Factors in deterioration of operating results	Measures
Packaging film	<ul style="list-style-type: none"> High prices for raw materials and fuel Delayed and insufficient price increase 	<ul style="list-style-type: none"> Accelerated shift to eco-conscious products Accelerated rollout of ultra-high rigidity OPP film
	<ul style="list-style-type: none"> Prolonged distribution inventory adjustment (partially affected by imported products) Change in consumer behavior Delay in new equipment launch (start-up cost recorded) 	<ul style="list-style-type: none"> Thorough revision of product pricing Marketing reforms (including strengthening overseas sales) Early full-fledged operation of new equipment Review of the production system, optimize investments
Nonwoven materials	<ul style="list-style-type: none"> Competition with overseas products Commoditization 	<ul style="list-style-type: none"> Strengthening and promotion of development Revision of domestic production system Expansion of production outsourcing

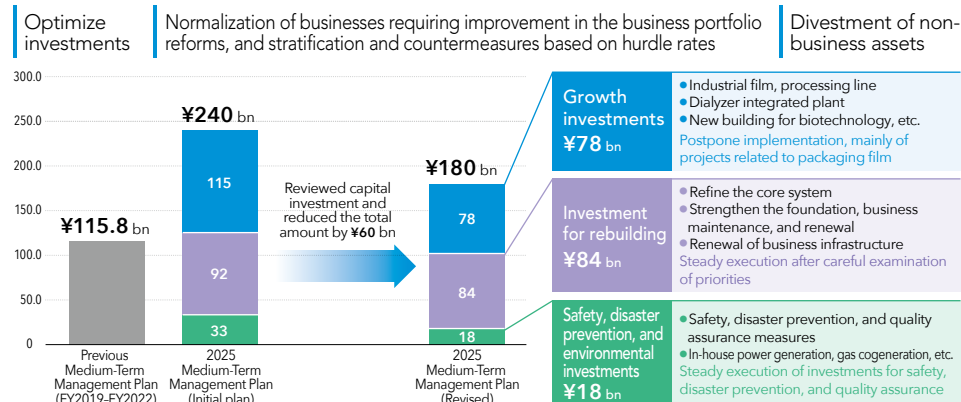
Road map toward the steady recovery of growth investments

Segment	Details	Investment amount (¥bn, round number)	Time to realize investment results (FY)			
			2024	2025	2026	2027
Films	OPP film equipment (Inuyama)	7.0				
	Processing equipment for Unit 2 of mold releasing film for MLCC (Tsuruga)	6.0 ^{*1}				
	Equipment of mold releasing film for MLCC (Utsunomiya)	20.0				
Life Science	Equipment for raw enzymes for biochemical diagnosis (Tsuruga)	7.0				
	Equipment for reagents for PCR testing and genetic diagnostic reagents (Tsuruga)	6.5				
	Integrated production plant for artificial kidney hollow fiber (Akita)	5.0				
Environmental and Functional Materials	Equipment for high-performance resins (Takasago)	8.0 ^{*2}				
	Equipment for high-performance resins (Iwakuni)					

*1 Total with Unit 1 *2 Total investment amount of joint venture

Action 2 Reduce capital employed

Focusing on capital efficiency, we will implement the following initiatives to optimize capital employed.



Action 3 Progress to the next growth stage

As part of the next growth strategy, we will implement the following measures in each area.

Focus area	Action details
Films	<ul style="list-style-type: none"> Increased production and expansion of highly functional film, including polarizer protective films for LCDs, COSMOSHINE SRF[®], and mold releasing film for MLCC Development of new highly functional film
Life Science	<ul style="list-style-type: none"> Enhancement of production capacity in the biotechnology business Increased production of artificial kidney hollow fiber in the medical materials business and expansion of applications for acute blood purification membranes and process membranes
Environmental and Functional Materials	<ul style="list-style-type: none"> EV response and expansion of OEM for overseas companies in resin and chemicals business, etc. Expansion of VOC recovery equipment, water treatment membranes, and high-performance fibers in the environment and fiber business
Innovation Creation	<ul style="list-style-type: none"> Strengthening of the company-wide innovation system through collaboration between corporate research and divisional development Launch of the Mobility Business Strategy unit (TOYOBO MC Corporation)
Three Areas of Innovation Creation	<ul style="list-style-type: none"> New Circulation Plastics Solution: Conversion to renewable polymer Environmental Active Clean Solution: Providing new eco-conscious materials and services Well-Being Solutions: Medical materials and devices that satisfy unmet medical needs; Providing value to next-generation medicine Cross-domains: Providing petroleum-free and sustainable materials through biomanufacturing

CFO message



Taizo Ono

Executive Officer
Chief Financial Officer (CFO)
Controlling Supervisor of Management
and Administration Division

Enhancing profitability and asset efficiency to recover earning power

Aspirations upon assuming the role of CFO

Although I have only recently assumed the role of CFO this April, I am already finding great fulfillment and excitement in having more opportunities to engage directly with the capital markets and experience external perspectives firsthand. A key responsibility as CFO is to accurately assess risks and opportunities, and I am committed to distinguishing between when to apply the brakes to avoid risks and when to step on the accelerator to seize valuable growth opportunities, all while carefully monitoring the business environment. Furthermore, since the volume of information is crucial for making sound decisions, I will always remain attuned to external developments, staying informed of changes in the external environment and market trends via various sources. Internally, I will deepen

close collaboration with the Sales and Marketing Division and the Corporate Planning Division to accurately understand the company's situation and make objective, sometimes even cold, decisions. As someone working in a manufacturing company, I also value the pride in the worth generated by research, development, and manufacturing, and I am determined to create a framework that effectively translates this value into profitability.

Reflecting on fiscal 2024

In fiscal 2024, the group's earning power declined, leading us to revise our initial earnings forecast downward twice. We recognize that this has eroded the trust of our stakeholders. Reflecting on our insufficient grasp of the earnings outlook, we will enhance our internal information gathering and analysis, and implement proper cost management. Over the past few years, selling, general, and

administrative expenses have increased by more than ¥10.0 billion. Although these expenses were necessary for the company's sustainable growth and foundational improvements, they were excessive given our current performance.

In addition, we have seen a significant increase in capital demand due to large-scale investments in business growth areas and environmental initiatives, essential for achieving sustainable growth. To address this, we have reviewed our funding strategy with a long-term perspective, implementing Positive Impact Finance and a Sustainability-Linked Bond as part of our approach. As a result, our D/E ratio exceeded 1.2x at the end of fiscal 2024, falling short of the initial target of less than 1.2x set in our 2025 Medium-Term Management Plan (2025 MTP). Moving forward, we will carefully manage our cash flow to ensure stable funding and take measures to strengthen our financial structure.

Looking ahead to the latter half of the 2025 MTP

The two years starting from fiscal 2025 will mark the latter half of the 2025 MTP. To recover earning power, we will implement four key management measures: ensuring pricing commensurate with value, taking measures in businesses requiring improvement, narrowing down expenses and reducing costs, and ensuring steady returns on growth investment.

Regarding measures for businesses requiring improvement, we evaluate the position of each business in our portfolio based on a hurdle rate of 6.5% for Return on Capital Employed (ROCE) as a profitability indicator, taking into account both quantitative and qualitative information. In addition to our businesses related to textiles, contract manufacturing of pharmaceuticals, and airbag fabrics, we have classified the packaging film and nonwoven materials businesses, where profitability has declined due to changes in the business environment, as areas requiring improvement. We are currently making company-wide efforts to normalize these businesses.

To ensure the steady recovery of growth investment, we are now entering the stage of recouping the large-scale capital investments made over the past two years in the films and life science businesses. The urgent task at hand is to swiftly and reliably bring the new facilities under construction online and monetize them. In addition, in the environment and functional materials business, we aim to expand by capitalizing on business opportunities driven by megatrends such as the shift to electric vehicles (EVs). We will also maintain our R&D investments, aimed at creating future growth opportunities, at a level of 3.6% to 3.8% of sales.

To generate the necessary cash, the Sales and Marketing Division will ensure pricing commensurate with value. We will closely monitor progress and, if needed, consider and implement early actions. Furthermore, as part of efforts to narrow down expenses and reduce costs, we will meticulously manage expenses such as selling, general, and administrative costs by prioritizing and applying a focused approach within our limited resources. Through these initiatives, we will control performance to achieve our targets.

Over the four years of the 2025 MTP, we will reduce capital investments by ¥60 billion from the initial plan due to resource constraints. While we will ensure that investments in safety, disaster prevention, and quality assurance, and areas focused on expansion are executed as planned, we have decided to postpone investments related to the packaging film business, which has been reclassified as a business requiring improvement. In the meantime, we will aim to carefully control the Net Debt/EBITDA ratio with a target between 4 and 5, monitoring the balance between cash inflows and outflows.

Toward enhancing corporate value

From the perspective of improving the P/B ratio, recovering earning power and enhancing ROE are our top priorities. We are taking seriously the fact that the P/B ratio has significantly declined over the past few years, falling below 1.0. We will steadily advance



the reorganization of our business portfolio and work to improve profitability and asset efficiency. As CFO, I will provide strong support to the Sales and Marketing Division. By uniting staff divisions with the Sales and Marketing Division, we will ensure that various measures are effectively translated into profits. At the same time, we will strive for greater transparency in our disclosures to enhance reliability and expectations. We will provide more detailed explanations regarding the progress of efforts to reorganize the business portfolio; the road map for ensuring thorough safety, disaster prevention, and quality assurance; and the progress of addressing human capital and foundational improvements as we reestablish our foundation. In addition, we will advance information disclosures that clearly convey how the new materials developed by the group will transform people's lives and society, and demonstrate their future potential and growth. Through these efforts, we aim to enhance corporate value. To restore our ability to expand returns to shareholders, we recognize that recovering earning power is the most direct approach. Although we have been somewhat delayed in returning to a growth trajectory and appreciate the patience of our stakeholders, we will continue our efforts to build trust in the market. We ask for your continued support as we work toward this goal.

Measures for businesses requiring improvement

In the reorganization of our business portfolio, the businesses requiring improvement now include not only the original textiles, contract manufacturing of pharmaceuticals, and airbag fabrics businesses but also the packaging film and nonwoven materials businesses. We aim to normalize and return all these businesses to profitability by fiscal 2026.

Performance in the first half of the 2025 MTP

Textiles Achieved profitability in fiscal 2024

- Integration and reorganization of group companies through the establishment of TOYOBO TEXTILE CO., LTD. (April 2022)
- Completed consolidation of the three sites at the Toyoma Production Center (March 2024)
- Withdrawal from unprofitable products
- Revision of product prices

Contract manufacturing of pharmaceuticals

- Warning Letter from the U.S. Food and Drug Administration (FDA) lifted (July 2023)

Airbag fabrics

- Commercial production commenced at the new factory for airbag yarns in Thailand (fiscal 2024)

Actions for the second half of the 2025 MTP

Textiles

- Pursuit of asset efficiency

Contract manufacturing of pharmaceuticals

- Continued efforts toward normalizing the business

Airbag fabrics

- Continued efforts toward normalizing the business

Packaging film

- Thorough revision of product prices
- Review of the production system
- Acceleration of shift toward environmentally friendly products, where we have a competitive edge
- Strengthening of international expansion

Nonwoven materials

- Review of domestic production system
- Expansion of external production outsourcing
- Enhancement of development products

Financial and capital strategy

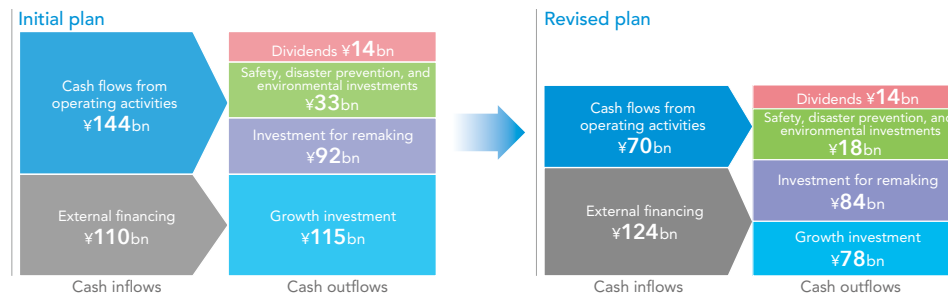
Financial Strategy

In the 2025 Medium-Term Management Plan (2025 MTP), we aim to implement forward-looking investments to ensure future growth without missing opportunities. Our policy is to control the balance between cash generation and interest-bearing debt, targeting a D/E ratio of less than 1.2 and a Net Debt / EBITDA ratio between 4 and 5, thereby managing our financial condition stably.

However, due to a decrease in cash flows from operating activities, increased cash flows from investing activities related to large-scale investments in growth businesses such as films and life science, and a rise in interest-bearing debt due to increased capital employed from delays in business portfolio reorganization, we have reviewed our cash flow allocation.

In terms of capital investment, we will ensure the reliable implementation of investments in safety, disaster prevention, and quality assurance. We will prioritize and execute investment for remaking as needed. Growth investment, particularly in the packaging film business will be postponed.

Cash flow allocation (FY2023–2026)



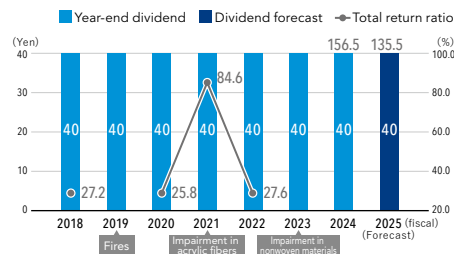
Sustainable finance

As a strategic external financing method, we executed two sustainable finance transactions in fiscal 2024.

Positive Impact Finance	A type of financing for businesses with unspecified use of funds.
Sustainability-Linked Bond	Issue amount: ¥10.0 bn Maturity: 5 years

Policy on shareholder returns

During the 2025 MTP, our policy is to aim for a total return ratio of 30% (including share buybacks as an option), while continually providing a stable dividend. This approach takes into account sustainable profit levels, retention of earnings for future investments, and improvement of our financial position.

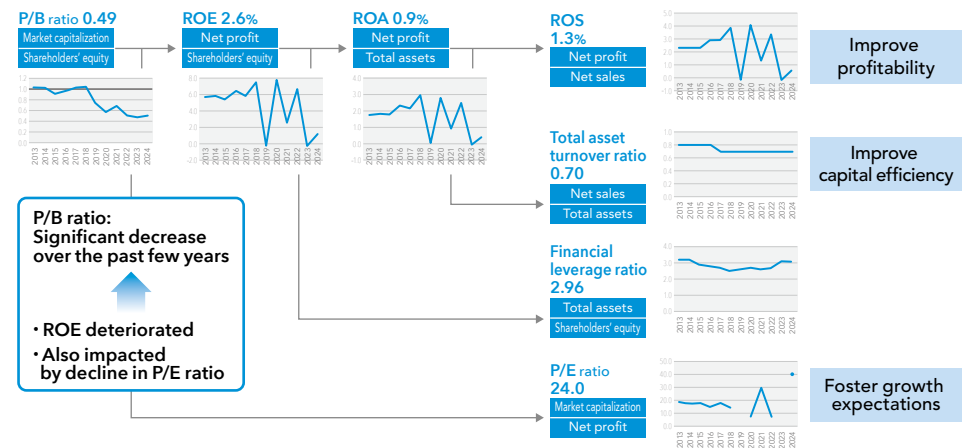


Management focused on cost of capital and stock price

Current situation

Toyobo group is advancing management with a focus on the cost of capital, incorporating key financial indicators such as ROE and ROIC into the 2025 MTP. We are taking the current situation, where the price-to-book (P/B) ratio is below 1.0, seriously and recognize that improving ROE and ROIC is a critical challenge.

Note: Figures in bold represent the three-year averages for fiscal 2022 through fiscal 2024.



Policy to improve ROE and ROIC

By effectively implementing the four measures outlined in the 2025 MTP, we aim to enhance the group's asset efficiency and profitability, thereby improving ROE.

In addition to demonstrating specific strategies and results for growth to boost growth expectations through preparations for the future, we will work on improving the P/B ratio by reducing risks through thorough safety, disaster prevention, and quality assurance, and reestablishment of foundation.

