

## CEO message

# Getting things done and delivering results through one team management

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CEO & Co-COO



### Realizing the corporate philosophy “Jun-Ri-Soku-Yu”

As a business leader, what I value most is Toyobo Group’s corporate philosophy, “Jun-Ri-Soku-Yu.” This phrase was one of the guiding maxims of our founder, Eiichi Shibusawa, and it means that adhering to reason leads to prosperity for society. In other words, by contributing to the resolution of social issues through our products, services, and technologies, we enrich both people and the planet and we grow together. It is through people taking action and working together in teams and organizations that these essential tasks are achieved. By approaching work with pride and a sense of purpose, both individuals and the Group grow together. For our management team, enhancing corporate value through the realization of this philosophy is our mission.

### Review of fiscal 2025

Looking back at the business environment surrounding our Group, in Japan, a gradual economic recovery, along with progress in reflecting cost increases in product and service pricing, led to a shift toward an inflationary trend. Globally, the

U.S. economy remained strong, but signs of weakening demand emerged amid rising inflation. In China, economic recovery was delayed by the prolonged real estate downturn and sluggish consumer spending, while deflationary pressures continued to expand.

Under these business conditions, shipments of products such as polarizer protective films for LCDs and enzymes for diagnostic reagents held firm. In addition, in businesses requiring improvement—such as the packaging film and nonwoven materials businesses—the restructuring of production systems and price revisions supported performance, resulting in net sales of ¥422.0 billion, up 1.9% year on year, and operating profit of ¥16.7 billion, a surge of 85.1% year on year. However, net profit for the period was limited to ¥2.0 billion due to factors including foreign exchange effects, loss on disposal of non-current assets, and profit attributable to non-controlling interests. Although performance is on a recovery trend, it has not yet returned to its optimal profitability level and remains in the process of recovery.

For fiscal 2026, we expect higher net sales and profits, supported by continued progress in businesses requiring improvement, such as packaging film, and the impact of growth investments in the Life Science segment and other areas. Fiscal 2026 net sales are projected to be ¥440.0 billion with operating profit of ¥21.0 billion (EBITDA ¥46.0 billion) and net profit of ¥4.5 billion\*.

\* Forecast as of May 2025



“ Our stance of creating new value—by combining technical expertise, close engagement with customers and markets, and meticulous responsiveness— is a driving force that paves the way for our Group’s future. ”

## Progress of the 2025 Medium-Term Management Plan

The 2025 Medium-Term Management Plan (2025 MTP), announced in May 2022, divides the nine-year period toward realizing Sustainable Vision 2030 into two distinct phases. The first stage, covering fiscal 2023 to fiscal 2026, was designated as “four years to rebuild and prepare” and progress has been made accordingly. This designation reflects the circumstances in 2020, the year prior to formulating the 2025 MTP, which included events that shook confidence in our capabilities as a manufacturer—such as a large-scale fire and quality-related incidents—while, apart from the industrial film sector, business growth had largely stalled.

Over the past three years, we have advanced four key initiatives: thorough safety, disaster prevention, and quality assurance; reorganization of the business portfolio; preparations for the future;

and reestablishment of foundation. Regarding thorough safety, disaster prevention, and quality assurance, we strengthened our check systems as a preventive measure, while expanding training programs and promoting organizational development to foster a culture of safety and quality, achieving significant progress. As for reestablishment of foundation, we have implemented a range of measures across personnel, assets, systems, and organizational culture. In terms of human resources, we conducted training to develop on-site leaders supporting manufacturing and the next generation of management, while also promoting initiatives in diversity and health and productivity management. In addition, we made investments to update aging factory infrastructure and worked to establish and strengthen our risk management and compliance frameworks. In terms of preparations for the future, concrete initiatives toward commercialization have begun in some areas. For example, the high-heat-resistant polyimide film XENOMAX® is being developed as an alternative to glass for electronic components, including areas

such as space applications, which hold great potential. In addition, with support from the New Energy and Industrial Technology Development Organization (NEDO), we are advancing highly efficient production technology through continuous cultivation of biosurfactants and conducting field trials in Brazil for their use as pesticide adjuvants. In these ways, products unique to Toyobo Group are emerging. Preparations are steadily progressing, and we are now entering the stage of turning these initiatives into tangible results.

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## Delay in reorganization of the business portfolio

However, in terms of performance, the operating profit forecast for fiscal 2026 was ¥21.0 billion as of May 2025, significantly below the initial target of ¥35.0 billion announced in May 2022. The main reason is the delay in the reorganization of the business portfolio. Since the start of the 2025 MTP, the textiles sector, included in the businesses requiring improvement, has returned to profitability, and losses in the contract manufacturing business of pharmaceuticals and airbag fabrics sectors have steadily declined, putting these sectors on track to achieve profitability. At the same time, packaging film positioned as a business focusing on expansion, and nonwoven materials, classified as a stable earning business, recorded a deficit partly due to soaring raw material and fuel costs. Moreover, profit growth in businesses focusing on expansion fell short of expectations, resulting in an overall delay in improving asset efficiency.

For fiscal 2026, we will continue enhancing profitability in businesses requiring improvement and reducing capital employed, while ensuring that growth investments made over the past three years in businesses focusing on expansion deliver their intended results. Two years have passed since the establishment of TOYOBO MC Corporation, a joint venture with Mitsubishi Corporation, positioned as a stable earning business in the Environmental and Functional Materials segment. The Company has made progress in building a solid management foundation, and the seeds of future

growth are beginning to emerge. Moreover, through rigorous action to achieve targets and swift execution of profit improvement measures, a new corporate culture—previously unprecedented within Toyobo—is gradually taking shape. By channeling the results of these organizational and cultural transformations, including those at TOYOBO MC Corporation, back into Toyobo Group, we aim to maximize synergies from a medium- to long-term perspective.

## Initiatives for Toyobo Transformation (TX)

The evolution of digital technologies and AI will continue to accelerate. Against this backdrop, under the leadership of the management team, we are undertaking a “revolution” to add value, aimed at reducing the burden on the workplace and improving operational efficiency. Toyobo Transformation (TX) is driving a transformation of Toyobo, changing traditional ways of working and business practices to become a more sustainable company. With the labor force gradually contracting in Japan, improving productivity is an urgent challenge. In TX, an important goal is not only to streamline operations through digital tools but also to foster a shift in mindset among all employees. Through these initiatives, we are advancing organizational culture transformation while cultivating talent that will serve as a driving force for innovation.

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## The vision beyond recovering earning power

The groundwork for achieving operating profit of ¥30.0 billion is largely in place. Compared with fiscal 2025, we expect fiscal 2026 to see a ¥7.0 billion increase from enhancements to businesses requiring improvement, with a further ¥10.0 billion projected by fiscal 2029 from the effects of growth investments.

With the domestic market showing little expansion, we see further potential to grow the Group’s overseas sales—which currently account for roughly 40% of total revenue—by focusing on globally competitive products in the Life Science, environmental, and electronics sectors. In addition, amid the global trend toward decarbonization, demand is increasing for bio-based and recyclable plastics. Leveraging our strengths in these areas, the Group aims to achieve resilient and sustainable growth while contributing to the resolution of social challenges through its business activities.

Accurately predicting the future 10–20 years from now—or beyond—is not easy. Even in an era of rapid change, we are confident that capitalizing on the Group’s unique strength in materials and science to continuously create innovative solutions for people and the planet will be key to sustainable growth. For example, the current success of our display films stems from technology originally developed for packaging films, which was applied to new markets through dialogue and collaboration with customers. In this way, our stance of creating new value—by combining technical expertise, close engagement with customers and markets, and meticulous responsiveness—is a driving force that paves the way for our Group’s future.

Centered on our three core businesses of Films, Life Science, and Environmental and Functional Materials, we are promoting shared technological platforms. This enables the development of innovative products that are difficult for competitors to replicate. For instance, the fusion of biotechnology and polymer technology allows us to create plastics that do not rely on petrochemicals and to offer functional materials derived from renewable bio-based sources. These unique technological synergies empower us to explore new markets beyond the scope of existing businesses and strongly support our efforts to establish the next core business.

## To our stakeholders

As the Group’s CEO, I take seriously the current situation in which our price-to-book (P/B) ratio stands below 1.0. To raise



this ratio, our priority is to restore ROE to 5% at an early stage, aiming to achieve operating profit of ¥30.0 billion. In addition, through reorganization of the business portfolio, we will drive improvements in both profitability and asset efficiency, targeting an ROE exceeding 8% and a P/B ratio of 1.0 by fiscal 2031. To achieve these goals, each executive will act with a strong sense of ownership, engage in thorough discussions as one team, reflect each commitment in the next Medium-Term Management Plan, and implement initiatives with full determination. In fiscal 2026, we are transitioning to a company with an Audit and Supervisory Committee, clearly separating the execution and oversight functions. Under a Board of Directors in which outside directors hold the majority, we are further strengthening our governance framework and establishing a structure that allows us to focus on discussions aimed at enhancing corporate value and achieving sustainable, long-term growth. Executive officers will continue to build trust with all stakeholders, including outside directors, by reliably achieving the targets they have set.

The groundwork for transformation is now firmly in place. The next step is to execute what needs to be done through one-team management and deliver results. We look forward to seeing Toyobo Group firmly recover earning power while continuing to take on challenges for the future. We sincerely appreciate the continued support of all our stakeholders.