

Toray Group's Vision

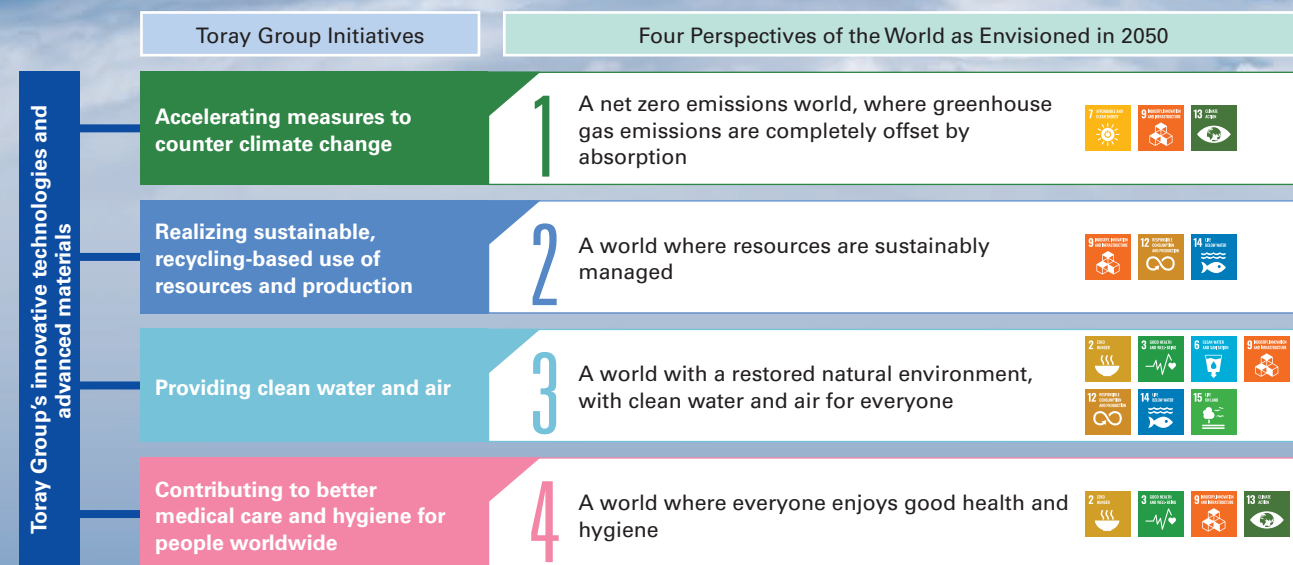
Toray Group established its Long-Term Corporate vision, TORAY VISION 2030, as a milestone for realizing the four perspectives of the world envisioned for 2050 as clarified in the Toray Group Sustainability Vision. Moreover, in March 2023, it announced the Medium-Term Management Program, Project AP-G 2025, which defines the issues to be addressed over the three-year period from FY 2023 to FY 2025. Since then, the Group has been moving forward with these efforts.

Toray Group Sustainability Vision

Toray Group Sustainability Vision formulated in July 2018 clarifies the four perspectives of the world in 2050 that Toray Group aims to achieve, as well as the initiatives that must be taken in order to realize them. More specifically, Toray Group's mission is to provide the necessary solutions to the challenges facing the world in terms of both development and sustainability, including the issues of an ever-increasing global population, aging populations,

climate change, water shortages, and resource depletion, through its innovative technologies and advanced materials. This means that the Group must not only ensure that its growth does not have a negative impact on global sustainability, but must also work closely with its business partners worldwide to help realize the co-creation of new value. As the basis for TORAY VISION 2030, Toray Group Sustainability Vision outlines the future direction of Toray Group and its contribution to addressing global issues, including the goals of the Paris Agreement and the United Nations Sustainable Development Goals (SDGs).

The World as Envisioned in 2050 and Toray Group Initiatives



Long-Term Corporate Vision, TORAY VISION 2030

Toray Group aims to achieve sound, sustainable growth while promoting a business model transformation by accurately identifying changing industrial trends caused by demographic factors, environmental issues, and technological innovation. With this in mind, Toray Group is promoting active investment to promote "global expansion in growth business fields." To make this possible, the Group is working to maximize the value it can create over the medium- to long- term by "strengthening competitiveness" through continuous business model innovations and total cost reductions, and by "strengthening the management foundation" to enable investment for growth based on enhanced capital investment efficiency and an improved financial structure.

Furthermore, the Group had worked across all segments under the policy of "global expansion in growth business fields" by expanding business activities through the supply of Green Innovation (GR) products and Life Innovation (LI) products, and since FY 2023, the Group has set a new target for the supply of Sustainability Innovation (SI) products that merge these two groups of products in an effort to expand revenue and profit. In addition, the Group is actively engaged in the group-wide Future TORAY-2020s Project (FT Project). As part of this project, the Group is investing resources intensively in large-scale themes with the aim of achieving total revenue of around ¥1 trillion in the 2020s across all new businesses.

Long-term Strategies to Achieve "Sound, Sustainable Growth"

1. Global Expansion in Growth Business Fields

- Promote SI Business, which contributes to the solutions for issues of global environment, resource, and energy, as well as to better medical care, longevity, and the fostering of public health

2. Strengthening Competitiveness

- Create new value through business advancement and high-added-value creation, thereby providing solutions with material-oriented approaches to customers and society
- Pursue dramatic cost reductions by setting challenging targets as well as strive to reduce environmental impact

3. Strengthening the Management Foundation

- Improve cash flow and capital efficiency, and balance financial soundness and growth investment
- Conduct business structure reforms of low-growth and low-profitability businesses

Revising 2030 Targets Upwards and Accelerating Action on Sustainability

Toray Group has advanced its growth strategies along the basis of the Toray Group Sustainability Vision. In light of the outcomes of its efforts through FY 2022, however, the Group has revised its targets for FY 2030 and has set out to accelerate action on sustainability. Specifically, the Group has significantly elevated the respective targets for CO₂ emissions avoided in the value chain, water filtration throughput contribution by Toray's water treatment membranes, and GHG emissions and water usage in production activities.

Toray Group Sustainability Vision: FY 2030 Targets

Previous Targets	FY 2030 Target [Baseline: FY 2013]	New Targets	FY 2030 Target [Baseline: FY 2013]
Supply of Green Innovation products	4-fold	Supply of Sustainability Innovation products ^{*1}	4.5-fold
Supply of Life Innovation products	6-fold	CO ₂ emissions avoided in value chain ^{*2}	25-fold
CO ₂ emissions avoided in value chain ^{*2}	8-fold	Water filtration throughput contribution by Toray's water treatment membranes ^{*3}	3.5-fold
Water filtration throughput contribution by Toray's water treatment membranes ^{*3}	3-fold	GHG emissions in production activities ^{*4}	Per unit of revenue across the Toray Group: 50% or more reduction Greenhouse gas emissions of Toray Group in Japan ^{*5} : 40% or more reduction
GHG emissions in production activities	Per unit of revenue across the Toray Group ^{*4} : 30% reduction		
Water usage in production activities	Per unit of revenue across the Toray Group: 30% reduction	Water usage in production activities	Per unit of revenue across the Toray Group: 50% or more reduction

*1 (1) Products that accelerate measures to counter climate change; (2) products that facilitate sustainable, recycling-based use of resources and production; (3) products that help provide clean water and air and reduce environmental impact; and (4) products that help deliver better medical care and hygiene for people worldwide.
 *2 Toray calculates the CO₂ emissions reduced throughout the value chain of products in accordance with the chemical sector guidelines of the Japan Chemical Industry Association, the International Council of Chemical Associations (ICCA), and the World Business Council for Sustainable Development (WBCSD).
 *3 Water treated annually with Toray water treatment membranes. It is calculated by multiplying the amount of fresh water that the Toray membranes can produce per day, including reverse osmosis (RO), ultrafiltration (UF) and membrane separation bioreactors (MBR), by the number of membrane elements sold.
 *4 With the use of renewable energies and other zero emission power sources rising worldwide, the Toray Group aims to employ zero-emission power sources at a rate equivalent to or better than the targets in each country by FY 2030.
 *5 In Japan, Toray works to surpass the reduction target set for the industrial sector by the Japanese government (absolute emissions reduced by 38%) in its comprehensive plan (Cabinet decision on October 22, 2021) based on Japan's Act on Promotion of Global Warming Countermeasures.

Review of the Medium-Term Management Program, Project AP-G 2022

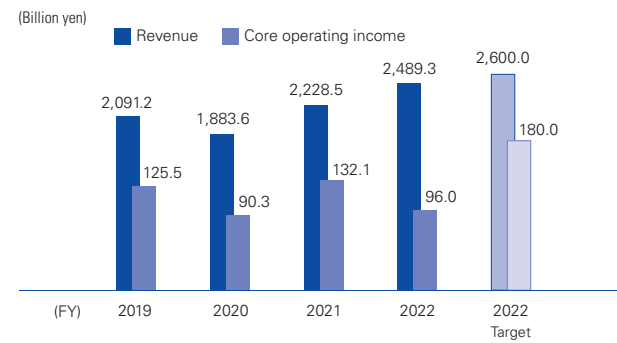
Revenue and Core Operating Income Analysis

Under the Medium-Term Management Program, Project AP-G 2022, announced in May 2020, Toray Group raised the three basic strategies of “Global expansion in growth business fields,” “Strengthening competitiveness,” and “Strengthening the management foundation.” At the same time, it also established the four Group-wide initiatives of “New business creation,” “Advanced business management by utilizing digital technology,” “Reduction of greenhouse gas emissions in production activities,” and “Ensuring the Toray Philosophy is fully embraced.” And to achieve “Sound, sustainable growth” in line with the Long-Term Corporate Vision, TORAY VISION 2030, the Group took an approach that balanced the pursuit of business expansion through active investment with efforts to implement structure reforms and to reinforce the financial structure to facilitate the growth strategy.

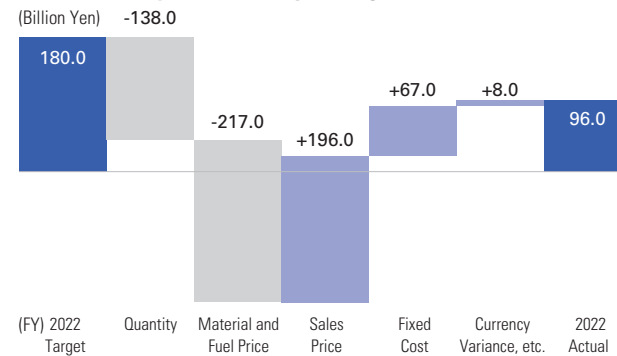
However, economic activity stagnated from the beginning of 2020 stemming from the spread of COVID-19, and growth subsequently slowed due to changes in the external environment, including the spread of infections to COVID variants, Russia’s invasion to Ukraine, supply constraints from labor shortages and disruptions in logistics, and soaring resource prices from inflationary pressure. Although revenue managed to return to a recovery track from FY 2021 against the backdrop of progress in vaccinations, profits faced downward pressure due to shortcomings in passing on higher material prices to sales prices in line with increases in variable costs. A decline in factory

utilization rates due to inventory adjustments in the semiconductor and display markets also had an impact. As a result, revenue and core operating income of FY 2022 both came in far below the initial targets, only reaching ¥2,489.3 billion and ¥96 billion, respectively.

Revenue and Core Operating Income



Variance Analysis of Core Operating Income



Billion Yen	AP-G 2022 Target	FY 2022 Actual	Difference	Factors for Increase and Decrease of Core Operating Income
Fibers & Textiles	76.0	51.2	-24.8	Income decreased due to pandemic-induced changes in the demand structure, such as a shift from formal wear to sports and outdoor apparel. Another factor include a drop in sales volume of materials for industrial applications, and the impact of soaring raw material and fuel prices.
Performance Chemicals	90.0	30.4	-59.6	Resins & Chemicals Business: • Income decreased due to a slow recovery in automobile production volumes and a decline in sales volume caused by slow economic recovery in China. Films Business, Electronic & Information Materials Business: • Income decreased significantly due to lower sales volume. The market is currently in an adjustment phase following a period of unusually high telecommuting-driven demand for TV and smartphone display-related products and special demand for semiconductors. The sharp rise in raw material and fuel prices also had a significant impact.
Carbon Fiber Composite Materials	24.0	15.9	-8.1	Sales volume fell due to the impact of lower the lower production rate of commercial aircraft in aerospace applications. However, higher sales of carbon fiber for wind turbine blades and pressure vessels in industrial applications helped to minimize the decline in income.
Environment & Engineering	19.0	19.7	+0.7	Income grew due to promotion of high-added-value products for seawater desalination applications undertaken to expand the reverse osmosis (RO) membrane business. Another contributing factor was a net change in price due to the depreciation of the yen.
Life Science	0	0.2	+0.2	
Others	2.0	2.5	+0.5	Income increased due to a reduction in fixed costs for Toray Industries, Inc.
Reconciliations	▲31.0	▲23.9	+7.1	
Total	180.0	96.0	-84.0	

Outcomes/Achievements of the Three Basic Strategies

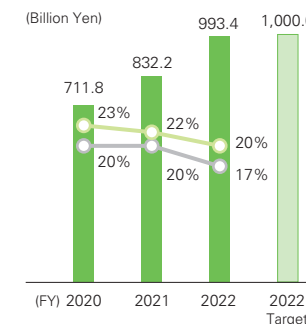
1. Global Expansion in Growth Business Fields

Even during the COVID-19 pandemic, our Green Innovation (GR) and Life Innovation (LI) businesses expanded and almost achieved their targets. Although revenue in the GR

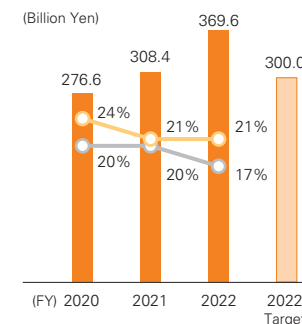
businesses was below target in carbon fiber for aircrafts and battery separator films, revenue expanded in resins for automobiles and motorcycles, large tow carbon fibers for wind turbine blade applications, water treatment membranes, and Toray Engineering’s inspection and production equipment. As a result, the total amounted to ¥993.4 billion. In addition, revenue from the LI businesses came to

¥369.6 billion due to the addition of the “supporting personal safety” field and an increase in shipments of non-woven fabrics for hygiene applications and sports-related materials. However, the operating margins of both businesses declined due to the increased costs associated with rising raw material and fuel prices.

Revenue from GR Businesses



Revenue from LI Businesses



2. Strengthening Competitiveness

As a part of the Total Cost Reduction Project (NTC Project), we promoted cost competitiveness through constant variable cost and fixed cost reduction activities coupled with drastic cost reductions by means of production process innovation. We thereby achieved a reduction of ¥203.1 billion, significantly exceeding the three-year cumulative target of ¥150 billion.

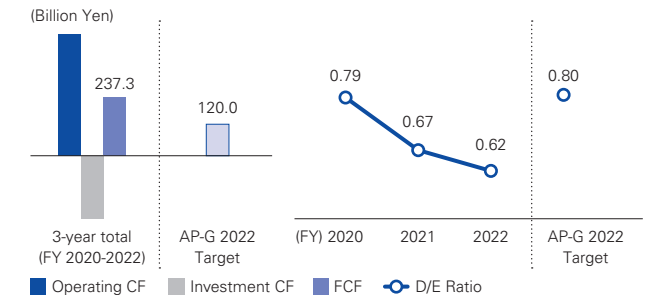
Total Cost Reduction Project (Billion yen)

	FY 2020-2022 3-year total of reduction	AP-G 2022 Target
Variable cost reduction	119.3	100.0
Fixed cost reduction	67.6	35.0
Innovation of production process	16.2	15.0
Total	203.1	150.0

3. Strengthening the Management Foundation

Owing to careful selection of capital investment projects during the COVID-19 pandemic, free cash flow increased to ¥237.3 billion (three-year cumulative total), far surpassing the target of ¥120 billion. Furthermore, owing in part to an increase in retained earnings and greater equity due to foreign exchange impacts at group companies outside Japan, the D/E ratio was 0.62, which was far below the guideline of around 0.8. Meanwhile, the Group also focused its energies on structure reforms for low-growth and low-profitability businesses, including consolidating manufacturing bases in the Japanese fibers and textiles business.

Free Cash Flow (3-year total), D/E Ratio



Sustainability

In addition to expanding the GR and LI Businesses, Toray Group also significantly exceeded its FY 2022 targets for GHG gas emissions and water usage per unit of revenue (20% and 25% reduction respectively compared with FY 2013). As a result of advancing activities targeting carbon neutrality through business activities, the Group significantly increased CO₂ emissions avoided in the value chain by 9.5 times compared with FY 2013.

Sustainability Target for FY 2022

	FY 2013 Actual (Baseline year) (J-GAAP)	FY 2022 Actual (Compared to FY 2013) (IFRS)	FY 2022 Target (Compared to FY 2013) (IFRS)
Avoided CO₂ Emissions	40 million tons	9.5-fold	5.3-fold
Contributed Annual Water Filtration Throughput	27.23 million tons/day	2.5-fold	2.4-fold
Greenhouse gas emissions per unit of sales in production activities	337 tons/100 million yen	233 tons/100 million yen (35% reduction*)	20% reduction
Water consumption per unit of sales in production activities	15,200 tons/100 million yen	10,030 tons/100 million yen (32% reduction*)	25% reduction

*The calculation of the figure for the baseline of FY 2013 includes data for companies that joined the Toray Group in FY 2014 or later.

Compliance

Despite deploying activities to instill the compliance awareness of “having the integrity to do the right thing in the right way,” inappropriate actions related to UL certification were discovered. Therefore, Toray Group set out to thoroughly investigate the root causes and implemented measures to prevent recurrence. In order to reform the corporate culture not to let any misconducts happen again, the management team has expressed its commitment to compliance while the Group has engaged in activities to deepen communication with the frontlines.

Issues for the Next Medium-term Program

In looking to AP-G 2025, the Group recognized that the challenges that must be addressed were: (1) Expanding business and improving profitability (profit margin), (2) Accelerating sustainability measures, (3) Improving asset efficiency (concentrating management resources on growth business fields), and (4) Enhancing internal controls and promoting even greater compliance awareness.

Medium-Term Management Program, Project AP-G 2025 (FY 2023–2025)

Innovation and Resilience Management—Value Creation for New Momentum

Covering the three-year period from FY 2023 to FY 2025, the Medium-Term Management Program, Project AP-G 2025 (hereafter AP-G 2025), is founded on the Toray Philosophy and aims to achieve “sound, sustainable growth” through “contributions to real solutions to the challenges the world faces in balancing development and sustainability” as presented in the Toray Group Sustainability Vision. In this respect, the Group will focus on value creation that enables the related growth strategy as well as strengthening the Group’s human resources base that supports this approach, thereby advancing efforts to strengthen the management foundation in a way that enables growth investments from the perspectives of capital investment efficiency, the financial structure, and human resources.

Under AP-G 2025, the Group has set the basic strategies

as “sustainable growth,” “ultimate value creation,” “product and operational excellence,” “enhancement of people-centric management,” and “risk management and governance” to engage in efforts to expand the Sustainability Innovation (SI) Business and Digital Innovation (DI) Business as growth business fields, as well as in efforts involving business advancement and high-added-value creation. Other areas of focus include efforts to enhance quality strength and cost competitiveness. At the same time, the Group will ensure financial soundness by conducting business operations that consider a balance between profits, cash flow, and asset efficiency. Moreover, the Group will promote the expansion of high-growth and high-profitability businesses along with structure reforms for low-growth and low-profitability businesses in order to trace a new growth trajectory.

Basic Strategies of AP-G 2025		
Seizing Profit Opportunities	1 Sustainable Growth	Focusing management resources on Sustainability Innovation Business and Digital Innovation Business
	2 Ultimate Value Creation	Maximizing profitability by making the most of tangible and intangible assets, and by collaborating with external partners
	3 Product and Operational Excellence	Promoting cross-organizational cost reduction activities leveraging enhancement of quality strength and organizational strength, which are the sources of competitiveness
Strengthening the Management Foundation	4 Enhancement of People-centric Management	Preserving and further building upon the legacy of our corporate culture, which prioritizes developing people, while promoting individual career development, and improving job satisfaction
	5 Risk management and Governance	Ensuring sound organizational management by enhancing internal controls and improving management capabilities

Financial Target for FY 2025

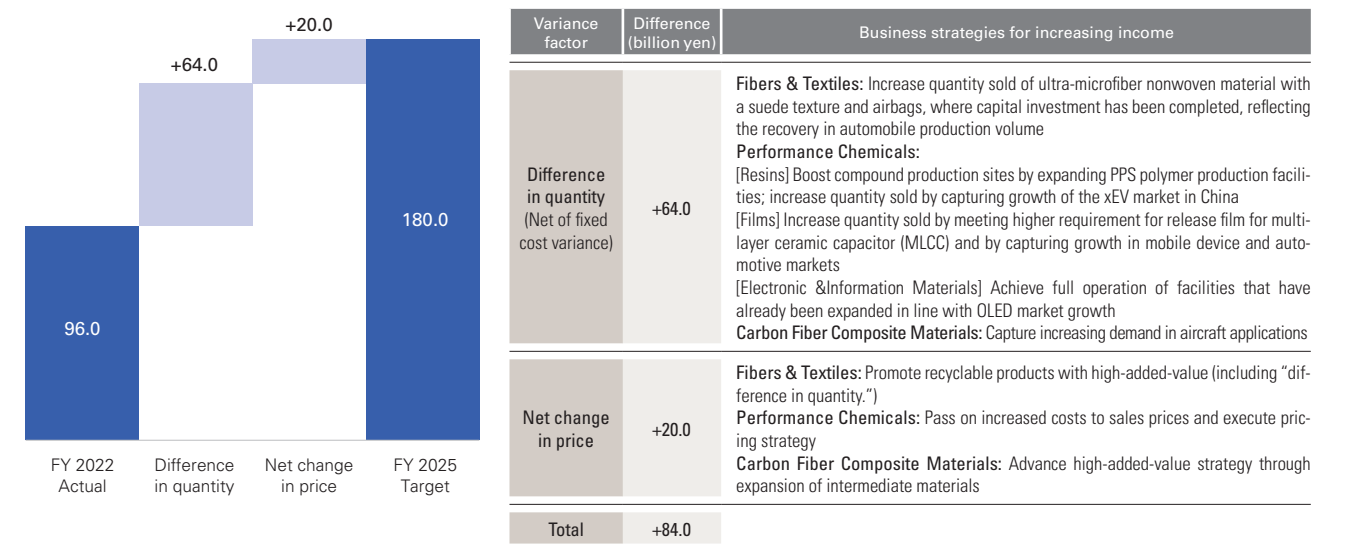
	FY 2022 Actual	FY 2025 Target
Revenue	2,489.3 billion yen	2,800.0 billion yen
Core Operating Income	96.0 billion yen	180.0 billion yen
Core Operating Margin	3.9%	6%
ROIC*1	2.7%	About 5%
ROE*2	5.0%	About 8%
Free Cash Flow	237.3 billion yen (3-year cumulative total)	Positive (3-year cumulative total)
D/E Ratio	0.62	0.7 or lower (guideline)

Exchange rate assumption for AP-G 2025: 125 yen per US dollar

*1 ROIC = Core operating income after tax / Invested capital (average of the balances at beginning and end of the period)

*2 ROE = Net profit attributable to owners of parent / Average equity attributable to owners of parent

Variance Analysis of Core Operating Income (Business Growth Factors) (Billion yen)



Segment Revenue and Core Operating Income Targets for FY 2025 (Billion yen)

		FY 2022 Actual	FY 2025 Target	Main strategies / major capital investments
Fibers & Textiles	Revenue	999.2	1,030.0	Developing environmentally friendly materials and rebuilding the recycling supply chain; expanding business and reaping the benefits of capital investment in growth fields such as ultra-microfiber nonwoven material with a suede texture and airbags; creating high-added-value with functional fibers; expanding Ultrasuede™ production facilities
	Core operating income	51.2	64.0	
Performance Chemicals	Revenue	909.4	1,040.0	Resins & Chemicals: Increasing market share in China and the automobile market; expanding PPS polymer production facilities Films: Expanding business of films for electronic component manufacturing processes; expanding production facilities for PET films used in MLCC manufacturing processes and OPP films for automotive capacitors Electronic & Information Materials: Expanding business in OLED and semiconductor markets; expanding production facilities for electronic coating materials for OLED
	Core operating income	30.4	91.0	
Carbon Fiber Composite Materials	Revenue	281.7	370.0	Capturing market growth in both aviation and industrial/sports applications; expanding production facilities for industrial-use carbon fiber
	Core operating income	15.9	36.0	
Environment & Engineering	Revenue	228.8	280.0	Securing top market share for reverse osmosis (RO) membrane market and expanding peripheral businesses
	Core operating income	19.7	27.0	
Life Science	Revenue	53.8	60.0	Strengthening the business foundation by pursuing business development outside Japan, expanding indications, improving existing products, and ensuring thorough cost reductions
	Core operating income	0.2	2.0	
Others	Revenue	16.4	20.0	
	Core operating income	2.5	0	
Reconciliations	Core operating income	▲23.9	▲40.0	
Total	Revenue	2,489.3	2,800.0	
	Core operating income	96.0	180.0	

Sustainability Targets for FY2025

	FY 2013 Actual (Baseline) (J-GAAP)	FY 2022 Actual (Compared to FY 2013) (IFRS)	FY 2025 Target (Compared to FY 2013) (IFRS)
Revenue from Sustainability Innovation (SI) Business	562.4 billion yen	1,282.8 billion yen (2.3-fold)	1,600.0 billion yen (2.8-fold)
CO ₂ emissions avoided in value chain	40 million tons	9.5-fold	15.0-fold
Water filtration throughput contribution by Toray’s water treatment membranes	27.23 million tons/day	2.5-fold	2.9-fold
Greenhouse gas emissions per unit of revenue in production activities	337 tons/100 million yen	35% reduction*	40% reduction
Greenhouse gas emissions of Toray Group in Japan	2.45 million tons	21% reduction*	20% reduction
Water usage per unit of revenue in production activities	15,200 tons/100 million yen	32% reduction*	40% reduction

*The calculation of the figure for the baseline of FY 2013 includes data for companies that joined the Toray Group in FY 2014 or later.

Seizing Profit Opportunities

BASIC STRATEGY 1 Sustainable Growth

Having established “contributing to society through business activities” as one of its basic concepts for management, Toray Group engages in business operations that aim to achieve “sound, sustainable growth.” As part of this strategy, the Group will work to expand businesses by concentrating management resources on growth business fields. Similarly, the Group will contribute to the realization of a circular economy through efforts to reduce GHG emissions, recycle, and use biomass-based resources intended to “achieve carbon neutrality for Toray Group.”

Expanding Business in Growth Business Fields Founded on the Toray Group Sustainability Vision

Growing demand for addressing sustainability and the evolution of digital technology indicate increase of business opportunities in areas where Toray’s core technologies can be utilized. One of such business fields in which greater profits are expected by exercising Toray’s strengths is the Sustainability Innovation (SI) Business. It is a redefinition of a combination of Green Innovation (GR) Business and Life Innovation (LI) Business the Group had focused on thus far in line with the Toray Group Sustainability Vision. Another is the Digital Innovation (DI) Business, which will serve to help realize the four perspectives of the world envisioned for 2050. We have newly positioned both as growth business fields that supports the “sound, sustainable growth” of the Group.

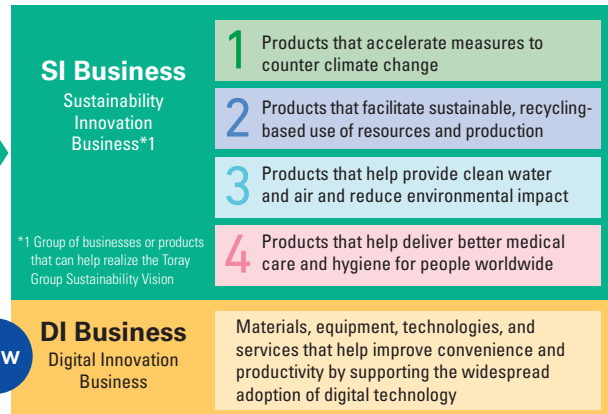
The Group will allocate ¥450 billion worth of resources consisting of capital investments and R&D expenditures to the SI and DI Businesses. With this resources, the Group intends to build a cross-organizational structure and accelerate both comprehensive solution proposals to customers, as well as internal collaborations, with an aim of expanding these businesses to account for approximately 60% of consolidated revenue. Furthermore, these allocations will solidify the Group’s position as a “leading company in the materials business that contribute to sustainability,” and will embody its core value of “contributing to society through business activities.”

Toray Group Growth Business Fields

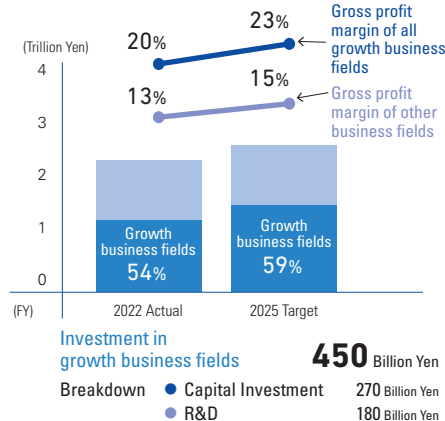
Growth Business Fields under AP-G 2022



Growth Business Fields under AP-G 2025

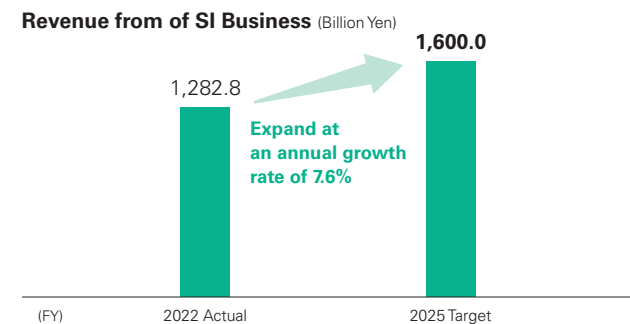
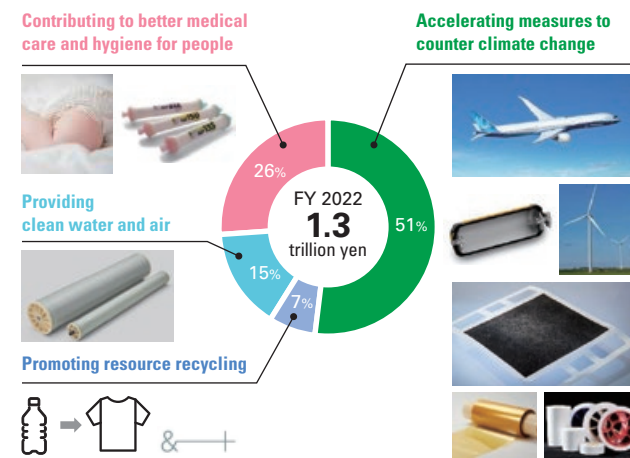


Revenue from Growth Business Fields



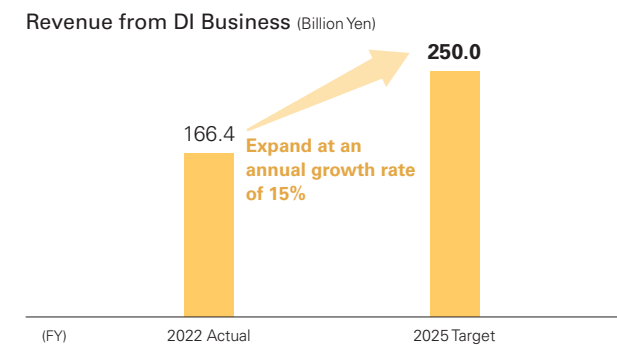
Expansion of the Sustainability Innovation (SI) Business

The SI Business aims to achieve ¥1,600 billion revenue by FY 2025 through the focused allocation of capital investments, R&D, and other resources. Specifically, the Group will allocate these resources to lightweight materials, hydrogen and fuel-cell related materials, and carbon fibers for wind turbine blades that will contribute to the acceleration of action on climate change; recycled materials that will contribute to resource circulation; water treatment membranes and air filters that will contribute to providing clean water and air; and hygiene materials, pharmaceuticals, and medical devices that will contribute to medical care as well as public health.



Expansion of the Digital Innovation (DI) Business

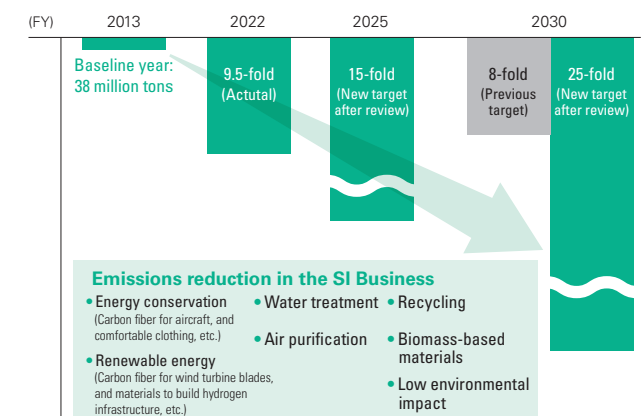
The DI Business will focus on the resins, films, electronic and information materials, and other advanced materials used to manufacture semiconductors and displays, as well as on RO membranes used to produce the ultrapure water required for semiconductor fabrication processes along with cleaning and stripping solvents. Moreover, the DI Business aims to achieve revenue of ¥250 billion in FY 2025 by strengthening efforts to provide total solutions to customers, including proposals that combine materials and processes together with manufacturing and inspection equipment.



Contributing to the Realization of a Carbon Neutral Society

By further expanding the SI Business, Toray Group will significantly elevate the target for CO₂ emissions avoided in the value chain in FY 2030 from the original 8 times to 25 times compared with FY 2013 in an effort to contribute to “building a carbon-neutral society.” Furthermore, in an effort to “achieve carbon neutrality for Toray Group” by 2050, the Group hiked the target for reducing GHG emissions per unit of revenue to more than 50% and the target for GHG emissions of Toray Group in Japan to more than 40% (absolute value) compared with FY 2013, and will accelerate efforts to achieve these.

CO₂ Emissions Avoided in Value Chain (Baseline: FY 2013)



Sustainability Targets for FY 2025

	Previous Targets	FY 2025 Target [Baseline: FY 2013]	FY 2030 Target [Baseline: FY 2013]
Greenhouse gas emissions per unit of revenue in production activities	—	40% reduction	50% or more reduction
Greenhouse gas emissions of Toray Group in Japan	—	20% reduction	40% or more reduction
Water usage per unit of revenue in production activities	—	40% reduction	50% or more reduction

Contributing to Building a Circular Economy

Under AP-G 2025, Toray Group set new targets for recycling-oriented use of resources. Specifically, the FY 2030 revenue target for “products that facilitate sustainable, recycling-based use of resources and production” in the SI Business was set to ¥400 billion, while the target for the percentage of raw materials sourced from recycling used in Toray core polymers* was set to 20% in an effort to accelerate the Group’s contributions to building a resource-recycling-based economy.

*Percentage of raw materials sourced from recycling used in Toray core polymers: The ratio of PET and nylon polymer raw materials sourced from recycling, derived from biomass, or produced with CO₂ recycling.

Revenue Target

Revenue target for products that facilitate sustainable, recycling-based use of resources and production in the SI Business in FY 2030	400 billion yen
Target for percentage of raw materials sourced from recycling, derived from biomass, or produced with CO ₂ recycling used in Toray core polymers* in FY 2030	20%

Examples of Recycling-Oriented Use of Resources

Recycling	Biomass
Recycled PET film ECOUSE™ Lumirror™	Switching to Biomass-Based Materials
Fiber made from recycled plastic (PET) bottles &+™	

Seizing Profit Opportunities

BASIC STRATEGY 2 Ultimate Value Creation

Toray Group will strengthen value creation by maximizing the use of tangible and intangible assets held by the Group. Specifically, the Group will engage in strategic pricing and value chain innovation as approaches to advancing business and creating high-added-value. Moreover, the Group will work to create new businesses.

Business Advancement and High-Added-Value Creation

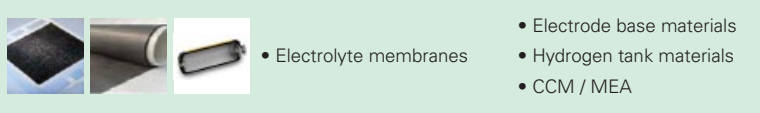

Along with working to differentiate its products, Toray Group will actively engage in strategic pricing intended to ensure customers acknowledge the value generated by the Group, and that the price appropriately reflects this value. Furthermore, Toray Group will maximize the value it delivers to customers through innovations in the

value chain based on collaborations between the Group and its external partners, and through the use of digital technologies.

New Business Creation

Toray Group aims to generate a total of ¥1 trillion in sales across the target themes in the 2020s by concentrating resources on large-scale themes that are anticipated to help solve social issues and become growth drivers for Toray Group. Specifically, the Group will continue to engage in and accelerate commercialization for themes intended to solve global-scale environmental issues and realize a society that offers personal safety, health, and longevity. These themes include “materials related to hydrogen and fuel cells,” “products and process technologies utilizing biomass,” “environmentally friendly printing solutions,” “next-generation medical care,” and “next-generation display solutions.”

Future TORAY-2020s Project (FT Project)

Growth Business Field	Theme	
Products that accelerate measures to counter climate change	Materials related to hydrogen and fuel cells	 <ul style="list-style-type: none"> Electrolyte membranes Electrode base materials Hydrogen tank materials CCM / MEA
Products that facilitate sustainable, recycling-based use of resources and production	Products and process technologies utilizing biomass	<ul style="list-style-type: none"> Process technologies utilizing biomass raw materials 100% bio-based products
Products that help provide clean water and air and reduce environmental impact	Environmentally friendly printing solutions	<ul style="list-style-type: none"> Environmentally friendly printing materials that contribute to CO₂ emissions reduction and are VOC-free 
Products that help deliver better medical care and hygiene for people worldwide	Next-generation medical care	<ul style="list-style-type: none"> Cancer drugs Cancer diagnostic agents Cardiac diagnosis and treatment devices
Digital related products	Next-generation display solutions	<ul style="list-style-type: none"> Next-generation display materials and manufacturing equipment

Phase: Long-term development | Business development | Business expansion

BASIC STRATEGY 3 Product and Operational Excellence

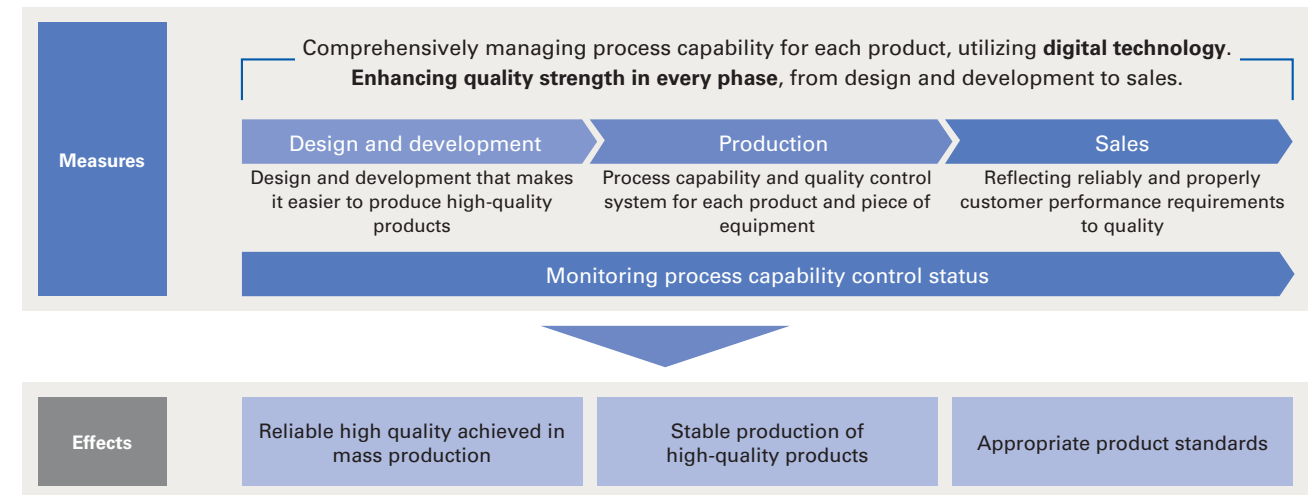
Strengthening the competitiveness of Toray's products and services will rely on further refining quality and cost competitiveness. In addition, this strategy will accelerate DX promotion that is closely tied to the *Genba* (workplace).

Enhancing Quality Strength

Toray Group has recognized anew that “quality is the foundation of the Toray brand and the source of profit,” and will

therefore strive to further deepen the trust of its customers. Likewise, this strategy seeks to embody the strong will of “providing solutions of high value to customers, and to pursuing customer satisfaction and the world's highest level of quality” as included in the Corporate Guiding Principles. Similarly, it seeks to maintain the Group's position as one that boasts the height of its quality strength. As a measure for this, the Group will leverage digital technologies and deploy the Quality Strength Enhancement Project (QE Project) intended to fundamentally enhance the process capability for each product.

Quality Strength Enhancement Project (QE Project)



Total Cost Reduction

Under AP-G 2025, Toray Group will continue its group-wide Total Cost Reduction Project (NTC Project) utilizing the Group's collective strengths. This Project seeks to reduce costs regarding every aspect of the Group's business activities, from production process innovations that directly result in significant cost reductions to rationalization and streamlining of everyday tasks. In particular, it aims to reduce costs by a three-year cumulative total of ¥200 billion through stronger cost controls and higher yields at Group companies outside Japan.

Cumulative cost reduction of 200 billion yen over 3 years		
Variable cost reduction activities	Fixed cost reduction activities	Production process innovations
Effect target 125 billion yen/3 years	Effect target 60 billion yen/3 years	Effect target 15 billion yen/3 years

Advanced Business Management by Utilizing Digital Technology

Under AP-G 2025, the Group plans to make ¥20 billion in digital technology related investments in order to accelerate efforts to build global data infrastructure designed to effectively utilize data accumulated by Toray Group throughout the Group, initiatives to combine analysis and simulation technologies, and cooperation with value chain partners. Moreover, the Group plans to train more than 2,000 human resources fluent in digital technologies Group-wide in order to promote the use of data and digital technologies in an approach that is closely tied to the *Genba* (workplace). This strategy will enhance the Group's value creation capability and competitiveness in every aspect of its business activities, including R&D, production, sales, and management.

Strengthening the Management Foundation That Underpins Growth

BASIC STRATEGY 4 Enhancement of People-Centric Management

“People-centric management” has been Toray Group’s approach to management ever since its founding. As such, the Group seeks to advance the promotion and participation of young core human resources, locally hired staff outside of Japan, highly specialized human resources, women, and seniors by securing and promoting a diverse

range of human resources. In terms of human resources development, the Group will provide support for employees to develop their own careers and will promote the training of leaders who can assist in developing workplace competency. Toray Group will promote job satisfaction and supportive workplaces by providing workplace environments and opportunities that lead to employee pride in working for the Group, and by building an organizational culture that values feedback from the frontlines.

Enhancement of people-centric management

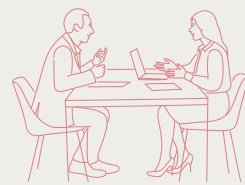
Securing and promoting diverse human resources

- Actively appointing young core human resources
- Planned promotion of locally hired staff to management positions at group companies outside Japan
- Developing and providing career opportunities for highly specialized human resources
- Empowering women in the workforce and supporting their networking
- Providing opportunities for senior human resources



Human resources development

- Supporting self-reliant career development based on career path worksheets used by employees and their superiors
- Developing professional human resources by supporting employee self-development and empowering them to acquire abilities and skills
- Expanding opportunities such as internal recruitment, encouraging employees to take on new challenges
- Training leaders who can develop workplace competency



Promoting job satisfaction and supportive workplaces

- Creating workplaces environments and opportunities that lead to employee pride in working for the Toray Group
- Enabling work styles that accommodate employee life stages, along with career development
- Building an organizational culture that values feedback from the frontlines



BASIC STRATEGY 5 Risk Management and Governance

Amid the growing uncertainty in the business environment due to intensifying geopolitical and other risks, the importance of risk management involved in Toray Group’s business management approach is increasing. Therefore, the Group seeks to identify the risks in each country and region, draft contingency plans for emergencies, check for vulnerabilities in the supply chain, and strengthen the resilience of product supply continuity. Furthermore, Toray Group seeks to improve its operation and quality audit

systems, and to enhance the effectiveness of group-wide internal controls. In addition, the Group will strengthen internal controls by promoting digitalization and expanding the scope of operation flows without human intervention.

On the other hand, the Group seeks to complement the management audit function of Group companies outside Japan and strengthen workplace competency through cooperation between the functional axis and regional axis. Moreover, the Group will build global data infrastructure in an effort to promote the advancement and greater efficiency of global management.

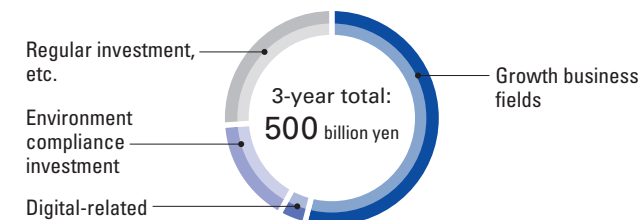
Financial Strategy

Basic Policy Financial Strategy

Toray Group’s basic policy is to promote business expansion while maintaining financial soundness, and therefore aims for capital investments to total ¥500 billion over the three-year period from FY 2023 to FY 2025 (¥355.2 billion under AP-G 2022) and R&D expenditures to reach ¥220 billion (¥193.8 billion under AP-G 2022) over the same period. In particular, the Group plans to invest ¥450 billion in growth business fields, with ¥270 billion in capital investments and ¥180 billion in R&D expenditures. In addition

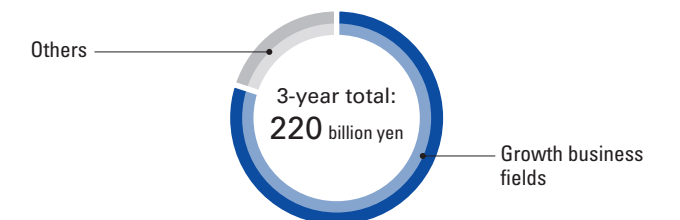
to large-scale investments intended to expand business, the Group will also execute capital investments to address sustainability, improve quality strength, enhance cost competitiveness (including digital technology use), and upgrade aging facilities. The Group will conduct strategic investments in M&As and alliances separately from its capital investments. Meanwhile, the Group seeks to improve ROIC through profitability and capital efficiency enhancements.

Breakdown of Capital Investment



For M&A, conduct strategic investments separately from capital investments

Breakdown of R&D Expenses



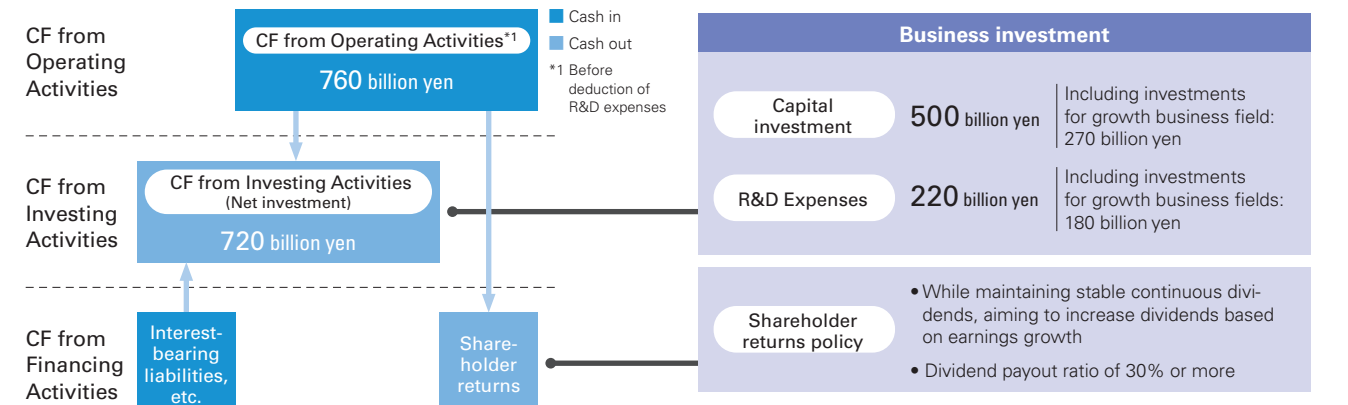
Maintaining Financial Soundness and Capital Allocation

Although free cash flow (three-year cumulative total) and the D/E ratio improved significantly compared with the initial plan under AP-G 2022, improvements in asset efficiency have lagged. Therefore, along with concentrating management resources in growth business fields and engaging in strategic pricing, the Group will raise the reliability of returns, which will connect to improved ROIC. Specifically, for this purpose the Group will further strengthen efforts to identify risks involved in, as well as to enhance management of, capital investments and R&D expenditures.

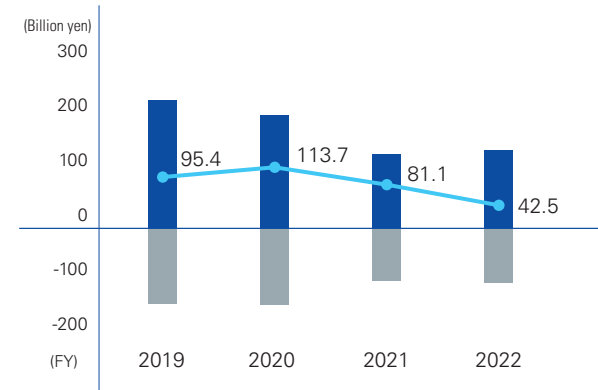
Along with assuming an operating cash inflow of ¥760 billion over the three-year period from FY 2023 to FY 2025, capital investments and R&D expenditures are envisioned to generate an investment cash outflow of ¥720 billion. This capital allocation aims to achieve a positive free cash flow, thereby stabilizing and increasing shareholder returns. Furthermore, the Group will revise the D/E ratio guideline downward from around 0.8 to 0.7 or lower to support sound, sustainable growth based on a strong financial foundation.

AP-G 2025 targets • Free cash flow : **Positive** (3-year total) • D/E ratio : **0.7** or lower

3-year total of Capital Allocation (FY 2023-2025)

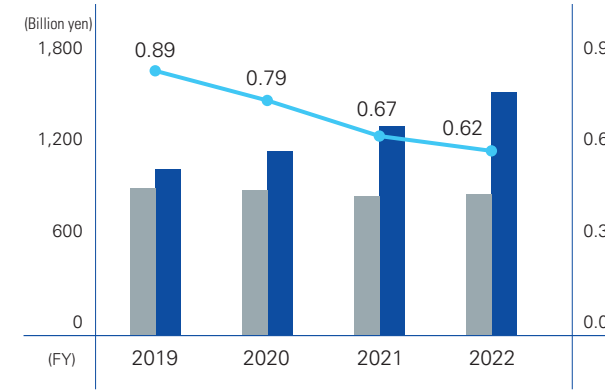


Cash Flows



■ Cash flows from operating activities
■ Cash flows from investing activities ● Free cash flow

Interest-bearing Liabilities, Owner's Equity and Debt-to-Equity Ratio (D/E Ratio)



■ Interest-bearing liabilities (left axis) ■ Owner's Equity (left axis)
● D/E ratio (right axis)

Initiatives to Reinforce the Financial Structure and Enhance Asset Efficiency

The Group aims to raise asset efficiency in terms of cash flow and ROIC* and improve ROIC while seeking a balance between business expansion and greater profitability.

Seizing Profit Opportunities

- Expanding businesses in growth fields (SI/DI businesses)
- Improving profitability through value creation
Improving reliable return on investment
- Investing necessary management resources to achieve targets
- Promoting M&A in areas where synergies can be expected

Strengthening the Management Foundation

- Using a D/E ratio guideline of 0.7 or lower
- Enhancing management of free cash flow
- Reducing working capital by maintaining Cash Conversion Cycle Improvement (3C-i) activities
- Enhancing structural reforms based on Four categories for growth potential and profitability

Growing core operating income

Efficient management of invested capital

ROIC improvement

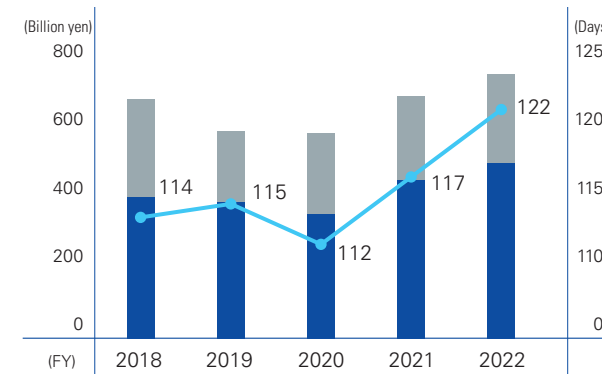
*ROIC = Core operating income after tax / Invested capital
(average of the balances at beginning and end of the period)

Initiatives to Enhance Asset Efficiency

1. Efficient Use of Working Capital

In order to address today's drastically changing business environment, the Group must minimize inventories for products, as well as inventories in the intermediate process and upstream raw material procurement stages. For this purpose, the Group will leverage DX to visualize and optimize inventory along the supply chain, as well as continue 3C-i activities for working capital. At the same time, it will seek to reduce working capital by managing the number of days for inventory and receivables and payables.

Working Capital and CCC (Cash Conversion Cycle)



■ Inventories (left axis) ■ Net receivables and payables (left axis)
● CCC (right axis)

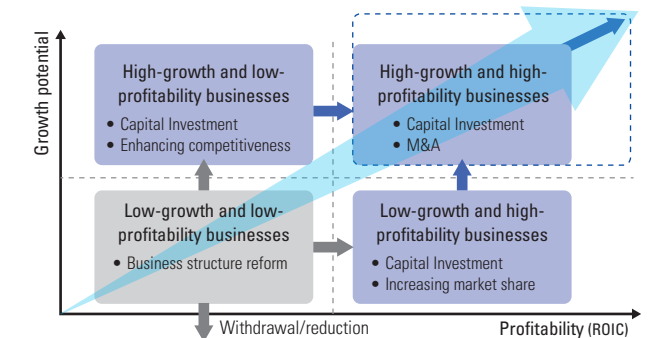
2. Business Portfolio Reforms

Under AP-G 2022, the Group analyzed the business portfolio along the two axes of growth potential and ROIC, and mainly promoted structure reforms for businesses belonging to the low-growth and low-profitability category. Under AP-G 2025, the Group will employ revenue growth rates as an indicator for growth potential and ROIC as an indicator for profitability. These axes will serve as standards for categorizing Toray Group businesses and companies into "high-growth and high-profitability businesses," "low-growth and high-profitability businesses," "high-growth and low-profitability businesses," and "low-growth and low-profitability businesses."

and low-profitability businesses," and "low-growth and low-profitability businesses." In turn, this approach will allow the Group to efficiently improve ROIC by investing management resources in growth business fields and by maximizing the profitability of existing tangible and intangible assets.

- The Group aims to further expand "high-growth and high-profitability businesses" through capital investments, etc.
- The Group aims to grow market share for and shift "low-growth and high-profitability businesses" into the high-growth and high-profitability business category through capital investments, etc., given that revenue growth is low compared with market growth.
- The Group aims to shift "high-growth and low-profitability businesses" into the high-growth and high-profitability category through ultimate value creation and enhanced product and operational excellence. Many of the growth drivers for AP-G 2025 are categorized in this area.
- The Group aims to shift "low-growth and low-profitability businesses" into the other three categories through structure reforms. In the case where businesses have low potential for escaping from the low-growth and low-profitability category and where such businesses continue to generate losses, the Group will consider withdrawal and reduction.

Four categories for growth potential and profitability



Shareholder Return Policy

Toray Group considers the appropriate distribution of profits to shareholders to be an important management issue, and therefore aims to increase dividends through earnings growth. This approach is taken under the Group's basic policy of maintaining stable and continuous dividends

while comprehensively taking into account business earnings trends, the financial structure, and the securing of retained earnings necessary for future growth. The dividend payout ratio is set to 30% or more.