



TOYOBO REPORT 2022

Year Ended March 31, 2022

For 140 years, we have worked to realize a prosperous society.

TOYOBO PVVS



Principle *“Jun-Ri-Soku-Yu”*
(Adhering to reason leads to prosperity)

“Jun-Ri”

- Do what must be done (positive standpoint)
- Don't do what must not be done (defensive standpoint)

“Soku-Yu”

- Adhering to “Jun-Ri” leads to a prosperous society while also realizing self-growth

This is the founding spirit of our company and is our belief.

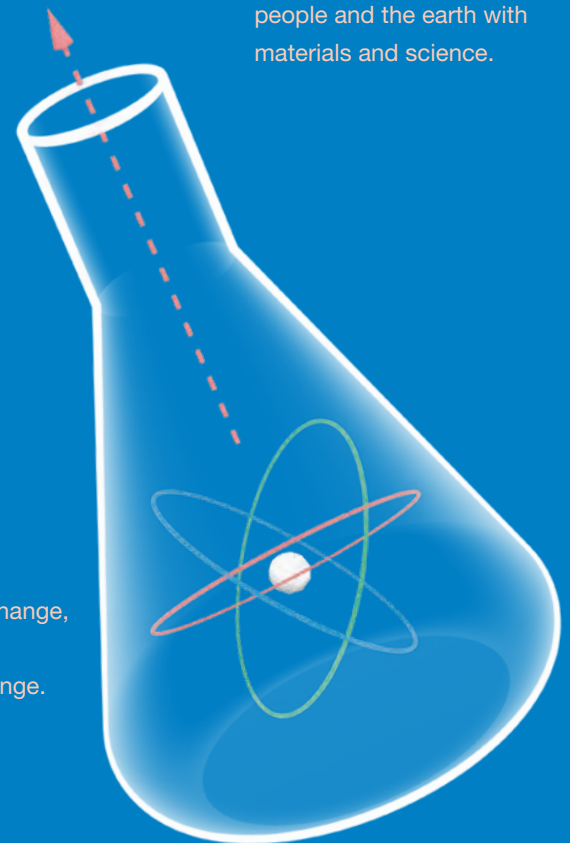


Our Vision

We will continue to create the solutions needed by people and the earth with materials and science.

Our Values

We welcome change,
enjoy change,
and create change.



TOYOBO Spirit Our 9 Commitments

Challenge



Think Ahead



Create



Accomplish

Reliability



Safety
First



Customer
Satisfaction



Factual
Basis

Collaboration



Mutual
Communication



Diversity



Providing
Opportunities

The spirit of *Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity), which was one of the mottos of our founder, Eiichi Shibusawa, and subsequently became our corporate philosophy, has been the foundation for our growth. The attitude that *Jun-Ri-Soku-Yu* represents—in terms of contributing toward solving various issues that have affected society at different times, seeking the prosperity of society, and the way that our company itself has achieved growth—can be thought of as a forerunner of today's concept of Creating Shared Value (CSV). Having continued to embody this spirit, in 2022 Toyobo celebrated its 140th anniversary.

INDEX

Introduction

TOYOBO PVs	001
New Corporate Logo and Business Outline	003

Vision

CEO Message	005
(Feature) Mitsubishi Corporation and Toyobo Top Management Discuss the New Joint Venture	009
Value Creation Process	013
Sustainable Vision 2030	015
Six Types of Capital	017
Materiality	019

Strategy and Practice of Value Creation

(Feature) Dialogue with ESG Investors ..	023
--	-----

CFO Message	027
Disclosure Based on TCFD Recommendations	031
2025 Medium-Term Management Plan	033

The Basis of Value Creation

Sustainability Management	042
(Feature) From the KAERU Project to KAERU	045
Environmental Policy and Activities ..	047
Social Contribution Policy and Activities	059
Fire Prevention Measures	059
Response to the Quality-Related Misconduct Incidents	060
Governance Policy and Activities	075
(Feature) Roundtable Discussion with Outside Directors	075

Management Team and Skill Matrix	079
Corporate Governance	083

Overview of FY2022

Key Events in Fiscal 2022	093
Financial and Sustainability Highlights	095
Overview by Solution	099
Key Financial Data (FY2012–FY2022)	101

Reference Material

Investor Information and Corporate Data	103
Company History	105

Editorial policy

Since 2019, Toyobo has issued an Integrated Report that presents both financial information and sustainability information such as environmental, social, and governance (ESG) related data. Through this Integrated Report, we aim to deepen understanding of the company among our wide range of stakeholders, including our shareholders and investors. This report includes content that is focused on the Sustainable Vision 2030 and the 2025 Medium-Term Management Plan (2025 MTP) formulated from this through backcasting, along with the views of top management, dialogue with investors, and a roundtable discussion with outside directors. We have striven to ensure that this report will help readers to develop an understanding of Toyobo's value creation from multiple perspectives.

Reporting entity:

Unless otherwise stated, the report refers to TOYOBO CO., LTD. (non-consolidated basis), and references to "Toyobo" or the "company" mean TOYOBO CO., LTD. Numerical data in financial information is reported on a consolidated basis.

Reference Guidelines, etc.:

- GRI "Sustainability Reporting Standards"
- International Integrated Reporting Council (IIRC) "International Integrated Reporting Framework"
- Ministry of the Environment "Environmental Reporting Guidelines" (2018 versions)
- Ministry of Economy Trade and Industry "Guidance for Collaborative Value Creation"

Reporting period:

April 2021–March 2022 (Partially includes information dated after April 2022)

Published:

October 2022 (next scheduled publication: September 2023)

Financial information

Our website

Investor Relations

Here, we bring together investor relations (IR) materials such as financial results, annual financial reports and business results presentations for the benefit of shareholders and investors. We also present an overview of the company's current financial status and business performance, stock information, an IR calendar, and a FAQ, etc.
<https://ir.toyobo.co.jp/en/ir.html>

Annual Financial Report

Prepared in accordance with the requirements of Paragraph (1), Article 24 of the Financial Instruments and Exchange Act, the Annual Financial Report presents a summary of the company's current situation, details of its business areas, the current state of its facilities, its operational status, and its financial statements, etc.
<https://ir.toyobo.co.jp/en/ir/library/securities.html>

FACT BOOK

The FACT BOOK presents key financial data, for both the company as a whole and individual segments, covering a period of 11 years. It also presents non-financial data covering a period of five years.
<https://ir.toyobo.co.jp/en/ir/library/fact.html>



TOYOBO REPORT
(Integrated Report)

This report outlines our company's value creation-oriented growth strategy, and presents an overview of our business operations. We actively utilize this report as a tool for dialogue with shareholders, investors and other stakeholders.
<https://www.toyobo-global.com/sustainability/report/>

Sustainability-related Information

Our website

Sustainability

Here, we present information about Toyobo group's ESG-related initiatives, along with relevant data.
<https://www.toyobo-global.com/sustainability/>

Sustainability Reports

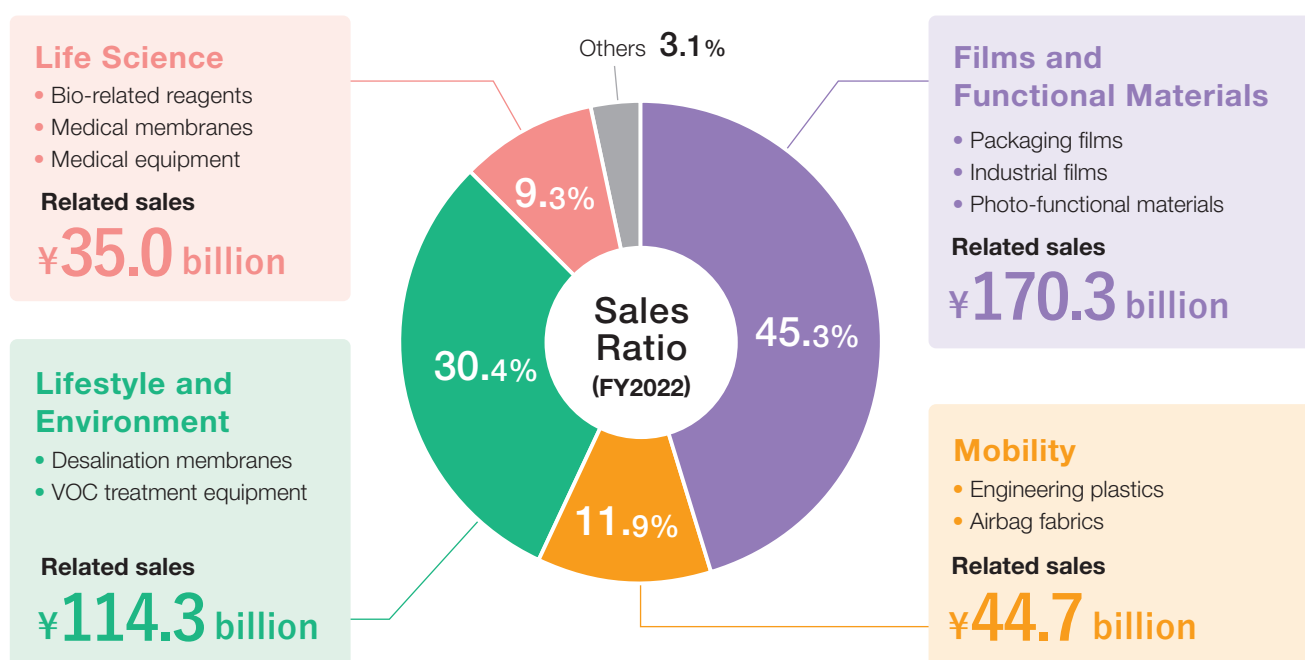
PDF versions, compiled in November each year, of sustainability-related information posted on the company's website
<https://www.toyobo-global.com/sustainability/report/>

Corporate Governance Report

This report presents information about Toyobo group's approaches and systems, in accordance with Japan's Corporate Governance Code.
<https://ir.toyobo.co.jp/en/ir/library/governance.html>

Beyond Horizons

Net Sales by Solution Division



TOYOBO

Beyond Horizons

Our new corporate logo and tagline

In our new logo, the wash of black represents outer space, and the blue-colored area represents the outline of the Earth. The logo represents our strong determination to use our company's technologies and products to help address the problems affecting the Earth. The tagline Beyond Horizons embodies the concept of going beyond what we have already achieved and making further progress. This is the motto of our whole company, including both officers and ordinary employees, which reflects our commitment: "While working to solve the world's problems, we can expect to encounter difficulties, but limits are there to be overcome. Looking ahead to the future, let us continue to challenge ourselves."

Solution-Specific Product Case Studies



Improved LCD screen performance

LCD film with more natural color reproduction



Protecting lives in accidents

Airbag yarn and fabrics



Eliminating water shortages

RO membranes for seawater desalination



Speeding up diagnostics

SARS-CoV-2 Detection Kit



Food loss reduction

Transparent vapor-deposited film ECOSYAR®



Improving automobile fuel efficiency

Engineering plastics



Balancing air pollution prevention and resource recovery

VOC recovery equipment



Shortening operation times and reducing the burden on patients

Nerve regeneration conduit Nerbridge®



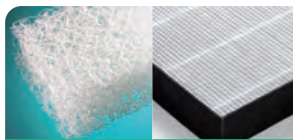
Recycling and resource conservation

Film of recycled PET resin CYCLE CLEAN®



Creating future mobility

Manipularer® concept car



Providing comfort and security

Three-dimensional cushion material BREATHAIR®, Electret air filter ELITOLON®



Supporting the lives of dialysis patients

Artificial kidney hollow fiber membranes of stable and reliable quality

Note: Names followed by the ® symbol or by "TM" are registered trademarks or pending trademarks respectively in Japan of TOYOBO CO., LTD.



Ikuo Takeuchi

President & Representative
Director, CEO & Co-CEO

Adopting a sustainable growth mindset

Management approach

Conditions for corporate continuity

Toyobo celebrated the 140th anniversary of its founding on May 3, 2022. We would like to express our gratitude for the unfailing support and cooperation of our customers, employees, business partners, local communities, shareholders, and all stakeholders.

I believe the group's success over nearly a century and a half arises from three key factors. First, we earn the trust of society. Second, we modify our business content and create new products matched to the changes in the business conditions. And third, we have an organization and people with the capabilities for business execution and reform.

Since its founding, the group has been focusing its business on addressing social issues following the corporate philosophy of *Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity), which was a motto of our

founder Eiichi Shibusawa. The fire accidents and quality-related misconduct incidents in recent years, however, have shaken the trust in the group. Currently, we are radically revising and overhauling our safety, disaster prevention, quality assurance, and other systems to reestablish solid trust in all of our companies.

Throughout our history, we have addressed the social issues of the age by always endeavoring into new business fields, developing new products, and changing our business content to create the “new” that is needed by society and the times. The roots of our bio / medical go back 50 years to when we first began developing technologies for air and water in what we now call our environmental solutions business. Those activities seem prescient given the growing importance of those businesses today. We are now establishing a firm foundation of safety, disaster prevention, quality, human capital, and intellectual property. On that base, we are

integrating marketing concepts and digital technology to our core technologies, such as polymer, bio / medical, environmental, and comfort design to generate innovation that will address the social issues.

Society is at major turning point. We anticipate a business environment characterized by dramatic, mass scale, and discontinuous change. Evolving personal values, changing business activities driven by digital transformation, and growing demand for carbon neutrality and a circular economy are just a few of the manifold changes that are having a major influence on corporate management. Change brings risk, but it also opens new opportunities to contribute to society and grow our business. We will deal with discontinuous changes in our business environment by following our *Jun-Ri-Soku-Yu* corporate philosophy to “do what must be done.” By doing that, there is no doubt that we will be contributing to a prosperous society where people can live with peace of mind and increasing the group’s corporate value.

Formulating the long-term Vision 2030

Sustainability-oriented management

In May 2022, we announced the long-term Sustainable Vision 2030 (long-term vision) and the 2025 Medium-Term Management Plan [FY2023 -2026] (2025 MTP) showing what we want the group to be in 2030. Sustainable Vision 2030 incorporates the long-term perspective that has lacking in our management approach. The long-term vision, which is subtitled “Realizing sustainable growth,” expresses our firm commitment to conduct management that is centered on sustainability. We are shedding the short-term survival mindset that characterized our culture during the many years of structure reform and making a dramatic shift to focusing on sustainable growth.

The TOYOB0 PVs corporate philosophy framework we created in fiscal 2019 presents our vision to “continue to create the solutions needed by people and the planet with materials and science.” The newly created the long-term vision further clarifies our vision by taking a global perspective on sustainability and presenting a focused image for how and in which fields we will contribute to sustainability. The vision was

formulated by projecting how the business environment will evolve in the next 10 years under the various environmental changes and issues. That projection became the basis for the “five social issues” that the group will focus on solving, which include healthy and comfortable spaces, human rights for people throughout the supply chain and realization of a decarbonized society. Toyobo Vision 2030 is to usher in both a prosperous society where people can live with peace of mind, and the enhancement of corporate value, through addressing those issues.

I would like to add that, as a corporate executive, I know that it is always the worksites that are leading our business. Worksites encompasses not just the manufacturing sites, but also the R&D centers, the sales departments, and the corporate departments. Being a company where each and every employee works with a sense of pride and purpose is fundamentally essential to achieving sustainable growth. The employees at our worksites are naturally the central players in the long-term vision. The long-term vision shows clearly the company what we want to be and the areas we want to contribute. Linking the work in front of us to company’s future gives meaning to the work each of us is doing so we can all make the vision our own.

2025 Medium-Term Management Plan

Four years to rebuild and prepare

We launched the 2025 MTP in April 2022 as the first step toward our long-term vision. The plan covers the first four of the nine years to 2030, which we are calling “Four years to rebuild and prepare” (the next five years will be the “Five years to achieve growth”). The current plan has four core initiatives: establish thorough safety, disaster prevention, and quality assurance, reorganize the business portfolio, prepare for the future, and rebuild the foundation.

Management has been reorganizing the business portfolio over the past several years. To enhance management effectiveness, all businesses have been put into the category of either profitability or growth potential and then stratified into four levels of businesses focusing on expansion, new businesses to be developed, businesses with stable earnings, or businesses requiring improvement. The films, life science, and environment

and functional materials businesses are categorized as businesses focusing on expansion, and we plan to allocate roughly 70% of growth investment to those areas and to strengthening our competitive advantages in their markets. In the films business, for example, we are aiming to become the world's leading manufacturer of eco-friendly "green" films. To attain that goal, we are investing in new production lines for films used in multi-layer ceramic capacitors (MLCCs), which we anticipate will be a growing market. We are also expanding our domestic and overseas production of gas barrier films, which help reduce food loss.

We have also categorized some operations as businesses requiring improvement, and are moving swiftly to implement master plans to bring the businesses up to standard. Also in this category is the environmental and functional materials business, which had been previously categorized as a business generating stable earnings. We changed the categorization a business focusing on expansion and took a major step to improve the operation by creating a new joint venture with Mitsubishi Corporation that we expect to provide a substantial boost to the business around 2030.

As we prepare for the future, we will be placing particular emphasis on open innovation. We believe it will be essential to cooperate and collaborate with various partners to accelerate the spread of our technologies and strengths and also to address the increasingly diverse and complex social issues. We are therefore looking for a wide range of partners among other companies, among universities and research institutes in academia, and also among startup companies both in Japan and overseas. With these partners we will seek to engage in open collaboration in pursuit of innovation while also seeking to create and provide new value. Recent initiatives in this direction include comprehensive agreements signed with Kobe University in April and with Osaka Metropolitan University in June of this year. We will be advancing joint research in the Life Science field and in membrane technology that will help realize carbon neutrality while also exploring the potential for collaboration in various other fields.

Another major way we will be preparing for the future will be initiatives related to climate change and to realizing a carbon-free society. In fiscal 2022, we

launched a greenhouse gas emission reduction plan aimed at achieving carbon neutrality in fiscal 2051. In May 2022, we increased our emissions reduction target for fiscal 2031 to a reduction of at least 46% in Scope 1 and 2 emissions versus fiscal 2014. We have implemented several energy-saving measures and improved the energy efficiency of our manufacturing operations. In April 2022, we introduced an internal carbon pricing program. We have also converted our fuel sources to fuels with lower carbon contents and have been procuring and using renewable energy. We are also planning additional measures to strengthen our climate change countermeasures to meet our goals for fiscal 2051, including converting to carbon-free fuels, electrifying our production processes, increasing our procurement of renewable energy, and introducing a carbon offset and carbon-negative program.

We will also be "remaking" the group by overhauling the group infrastructure and methodically addressing aging equipment and facilities. We are planning roughly double the amount of capital investment under the current plan compared to the previous plan. The investment is aimed at rebuilding the foundations of our business and will include investing ¥115 billion in growth, ¥92 billion in core system and infrastructure maintenance and upgrades at our manufacturing sites, and ¥33 billion in environmental improvements, such as safety and disaster prevention, energy conversion, and energy conservation.

The company "foundation" that I consider the most important is our worksites or, more specifically, our people. I also consider one of my primary imperatives to be to create a work environment where every Toyobo group employee feels a sense of pride and purpose in their work and can fulfill their potential. One step we have taken is to introduce a new human resource system in fiscal 2023, which was first major overhaul of the system in some 20 years. The new system is designed to encourage and support employees to take their own initiative for personal transformation. The system will facilitate strengthening the onsite capabilities of our manufacturing operations by promoting group-wide activities aimed at establishing worksite-led production innovation and by offering more education programs for engineering and on-site leaders.

Meanwhile, the change of the corporate culture will continue. For the past year, I've been encouraging open communication where people can talk casually but frankly about company matters. We are creating an atmosphere where people at the worksites feel they can speak out and know that they will be heard. I personally enjoy these discussions and joined about 20 of them this past year. I believe these opportunities to express themselves can help employees become more aware of their roles in the company, create stronger connections among people, and help create pleasant environments where people work with pride and satisfaction.

New joint venture with Mitsubishi Corporation

Fostering a third-pillar business and a growth mindset

As part of the growth strategy of the 2025 MTP, we are preparing to split of our environment and functional materials business and establish a new joint venture with Mitsubishi Corporation. Scheduled to commence operations in 2023, the new company will engage in the planning, development, manufacture, and sale of environmental solutions equipment, aqua membranes, super fibers, functional filters, engineering plastics, VYLON®, HARDLEN® and other items, which currently generate combined annual sales of roughly ¥100 billion.

We have made great strides in our film and life science businesses in the past several years. However, their overall performance has stagnated. The businesses under the heading of “environment and functional materials” have used their highly original technologies and products to carve out their own markets and generate stable profits. Nevertheless, the market is such that we are not likely to be able to generate significant growth without a partner. We have a multitude of decarbonization and other products that contribute to a sustainable society, and collaborating with Mitsubishi Corporation provides the potential to grow the business into a third pillar alongside the film and life science businesses.

Establishing the new joint venture has another important objective. We want the fusion and innovation that come from melding with a completely different corporate culture to act as a catalyst for change in the



Toyobo group. Collaborating with a trading company from a completely different industry will give us opportunities to come in contact with viewpoints and business management methods that we may have been outside the scope of a manufacturing company like ours. I am particularly looking forward to opportunities to expand into overseas markets and develop new business models.

The Toyobo group has cultivated a wealth of technological advantages over its 140-year history. As we look to the future, I believe we must formulate a “new growth mindset” with new marketing concepts and entrepreneurship so we can take full advantage of the opportunities in our changing world and transform them into dramatic growth for the group. This collaboration presents a golden opportunity to do develop this mindset, and I am certain it will lead to a new model for business growth.

The Toyobo group is aiming in 2030 to usher in both a prosperous society where people can live with peace of mind, and the enhancement of corporate value, through addressing those issues. In short, we aim to be a sustainable company contributing to the sustainability of society. We will “welcome change, enjoy change, and create change” and commit ourselves to “doing what must be done.”

We would like to ask our stakeholders for their continued understanding and support for the group.

President & Representative
Director, CEO & Co-COO

Shiro Takeuchi



Ikuo Takeuchi

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



Kotaro Tsukamoto

Group CEO, Industrial Materials Group
Executive Vice President
Mitsubishi Corporation

Special Feature

Mitsubishi Corporation and Toyobo Top Management Discuss the New Joint Venture

Mitsubishi Corporation and Toyobo are joining forces with a new company aimed at capturing the global market growth. Kotaro Tsukamoto, Mitsubishi Corporation Group CEO and head of the Industrial Materials Group, and Toyobo CEO Ikuo Takeuchi talked about the process leading to the partnership and their vision of the new company's future.

New joint venture that enhances both company's value

Tsukamoto We approached Toyobo three years ago about the prospect of creating a business together. What was your initial reaction when we brought up the idea?

Takeuchi I remember that we originally talked about possibly doing one business together. Later as we continued talking and you saw our wide variety of products, the discussion expanded to a collaboration

across a broader range of businesses.

There was one business in particular that we had been involved in for over 20 years but we were just not able to achieve significant growth. As we talked about ways we could collaborate, we realized that working together could create huge potential for the business.

Tsukamoto At that time, our company had just transitioned to a new group structure. The Industrial Materials Group had been established about six months earlier, and we were looking for ways to grow our business. We had always been a trading business and invested in related businesses, but we wanted to

partner with strong businesses to try and compete in global markets.

In addition, we wanted to not only generate profit, but to also fulfill our duty to create a sustainable business that would contribute to society and protect the environment. I told you our idea and said perhaps what our company was thinking was quite close to what Toyobo was thinking.

Takeuchi At the time, I was Controlling Supervisor of Corporate Planning Division, not yet CEO, and we had just started putting together the Sustainable Vision 2030 (long-term vision) and 2025 Medium-Term Management Plan [FY2023-2026] (2025 MTP), both of which we announced in May 2022. We were deep in discussions about how to base them on our corporate philosophy of *Jun-Ri-Soku-Yu*, which means adhering to reason leads to social prosperity. Right at that time, your company told us that our products can play a greater role in society, which reminded us of our company's existence value.

Fresh insight from an external perspective triggers change

Tsukamoto The Industrial Materials Group needed to implement significant changes, and we engaged in numerous discussions before making the decision to establish the joint venture (JV). We also asked ourselves, what functions can we offer Toyobo? and can we play a meaningful role in raising the company's corporate value and bring about the change that will elevate it to the next stage that you envision?

At the same time, we looked at what we had to offer. Our extensive knowledge as a general trading company could help give the JV a strong management foundation, and our worldwide network could maximize the multiplying effect with Toyobo's technology for business growth overseas. Those two points were

behind our decision to go ahead with the plan.

Takeuchi Our objective in creating the new company, as we state in our 2025 MTP is to develop environment and functional materials business into a third pillar of earnings and our next growth driver. One expectation I have for the JV is that it will provide an outside perspective on Toyobo's business approach and practices, so we can reexamine them and create more added value. The benefits of the JV are not only from the new company, but also from the positive effects that can reverberate throughout the Toyobo group.

This partnership with Mitsubishi Corporation could also open doors for more options to develop our overall business in many areas, such as procurement, environmental measures, and business expansion overseas. I see the connection with Mitsubishi Corporation as a major intangible asset that will undoubtedly enhance our ability to respond to the changes in society over the next 10 and 20 years.

Tsukamoto The business environment for the materials field is changing dramatically with the transition to electric vehicles requiring lighter materials and movement in society to become carbon neutral. We are responding by constructing a resilient management foundation, setting up an unconventional business model for co-creation, and pursuing global alliances—all of which will contribute to increasing the overall global competitiveness of the Japanese materials industry.

Takeuchi Our materials technology offers highly competitive environmental performance. Together with Mitsubishi Corporation's vast network, I would like to build the JV into a global player.

Tsukamoto To do that, we want to start with the small details, such as refining the business processes, and let the business develop to generate good synergy effects.

Takeuchi The JV will be a major change for Toyobo, since we will be transferring roughly 25% of all of our business into the company. Some employees may feel some apprehension about that, but if we can start

accumulating successes -even just small successes- I think everyone will see that the plan is working and get behind it. That's why the first three to six months will be critical.

Tsukamoto I agree. Building a track record of successes will be essential. I also think it will be important to create a sense of anticipation.

Mitsubishi Corporation currently has roughly 100 so-called consolidated companies just in the Industrial Materials Group. Of course, not all of them are growing, but the ones that are doing well seem to have frontline employees that are excited about their work.

Takeuchi That sense of nervous excitement and anticipation that comes with change is really important. The chance for younger employees to work side by side with everyone at Mitsubishi Corporation to tackle the new challenge will be a particularly good experience that will become an asset for our group in the future.

A shared vision to grow by contributing to solving social issues

Tsukamoto We also announced a three-year medium-term management plan in May 2022, which centers on what we call "MC Shared Value" (creating shared value). The plan highlights our message that we are going to put all of the MC Group's energy into addressing social and industrial issues and continuously create shared value. This is precisely what we are trying to do with the creation of the new joint venture.

Takeuchi Yes, that is absolutely true. I've been looking at your company's advertisements and other materials and thinking about various ways we can put Toyobo technology to use.

In our long-term vision, we state that we are aiming to "Realizing sustainable growth." We hear that term a lot these days, but we actually mean two separate sustainabilities. The first is to be a sustainable group,

and the second is to improve the sustainability of society. We believe contributing to the sustainability of society will underpin the sustainability of our company.

We believe the JV embodies that concept. The company will be engaging in the environment and functional materials business and will focus on creating a lineup of products that contribute to resolving the environmental issues that society is now facing. So helping address the problems the world is facing will generate growth for the new company and, when it grows into a third pillar of earnings, will lead to the growth of Toyobo.

Tsukamoto That aligns perfectly with our company's way of thinking and core essence. We want to build a third pillar of earnings by creating businesses that provide solution for various social issues.

Injecting a market perspective, spirit of taking on new challenges, and a strong commitment to growth into the Toyobo group

Tsukamoto One more objective I have for the joint venture is to take the businesses that have established steady earnings in the Japan market, and to steadily expand them overseas. My biggest dream is to grow the JV into the first company that our customers contact to meet their needs.

Takeuchi The Toyobo group generally approaches business by thinking about the technology, but we need to change that and get into the habit of thinking from a market perspective. I think that may be a crucial point for the management of the new company.

When we celebrated the group's 140th anniversary in May 2022, the message I conveyed to employees was that it was not by chance that the company has been around for 140 years, rather it was inevitable. We

have survived this long because we have always lived up to the reliability society puts in us and because we have evolved our business as the world has changed. For our business to evolve, we had to be continuously creating something new. With the new JV, we intend to create a new second business that is new in every aspect from business and technology to human resources.

Tsukamoto Taking on new challenges is absolutely essential. I strongly convey to our employees that we will certainly sometimes fail, but we should learn from our failures and move on to the next challenge. I definitely want to pass on that spirit to the new JV.

Takeuchi That is correct. In my discussions with your company, I feel the strong desire and commitment to grow. Your company has taken on numerous challenges. Our company has finally stabilized after coming through a rough period when we were fighting for our survival, and we could easily get stuck with an attitude of “we’re fine as we are.” I hope that your company will provide a positive stimulation so we can change that mindset.

Safety and compliance are absolutely fundamental

Tsukamoto Our group is a trading company, but we also have some manufacturing businesses, so safety and compliance are the top priorities. In my view, they are non-negotiable.

Takeuchi That will surely provide peace of mind to the employees at the worksites. During the four years of the previous medium-term management plan, our group had two fire accidents and we lost two colleagues. We also had quality-related misconduct incidents. The entire company is now working to restore reliability and reestablish unwavering trust in our company. I believe that what Toyobo is aiming for and Mitsubishi

Corporation’s approach to its manufacturing businesses share the same principles and underlying premises.

Becoming the “first call” for domestic and overseas customers

Tsukamoto Starting with the concept what kind of company we want the JV to be in the future, we are asking what our goals should be and how will we achieve them. From there we will set the management plan and draw up rules for the daily operations. That’s all ahead of us, but right now everyone in our group is very excited about the potential. I am looking forward to getting the business up and running as quickly as possible.

I want to create a company that everyone knows that wherever they go in the world, if you contact that company they will provide the functional materials you need.

Takeuchi It truly will be “the company you call first.”

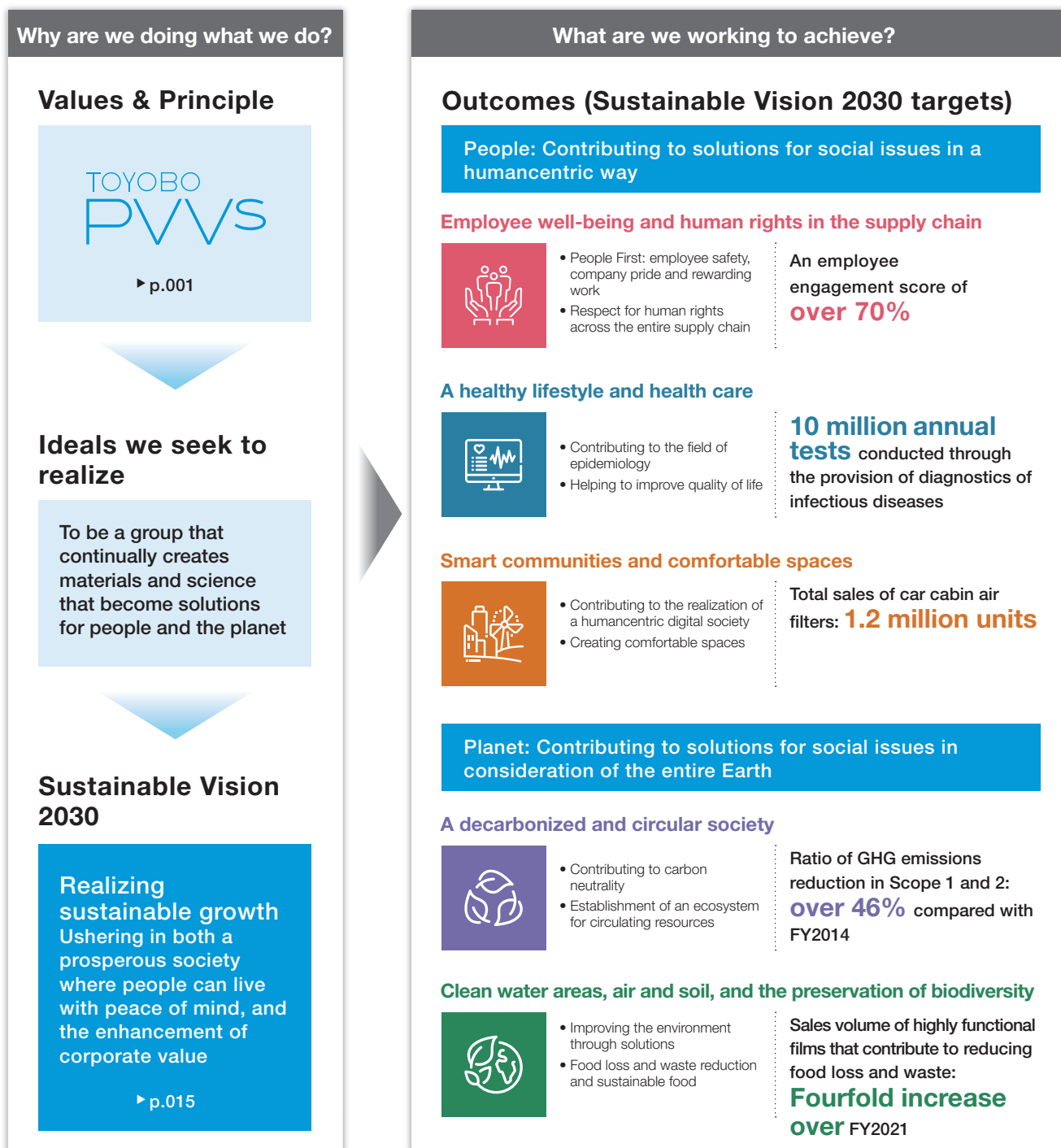
Most of the employees at the JV are from our group, so we are the ones who must take the initiative. We cannot passively wait for Mitsubishi Corporation to bring in business ideas. It’s essential that we actively work together with your company to go across boundaries and be actively pursue ideas as a single company.

The ultimate key to making the company a success will be each employee’s individual engagement. I would like our employees to work with the attitude of “welcome change, enjoy change, and create change,” which is one of our group values. I look forward to our group employees and everyone at Mitsubishi Corporation working together to make this venture a success and achieve growth. Thank you for talking with me today.

Tsukamoto Thank you very much.

Value Creation Process

Our value creation process takes the TOYOBOPVVs corporate philosophy framework as its starting point, and demonstrates how we use various types of capital to create value and increase value for all stakeholders. Through this process, the Toyobo group aims to accumulate and convert capital to continue creating “the solutions needed by people and the earth.”



How are we going to achieve our goals?

Outputs

- Mold releasing film for MLCC
- Transparent vapor-deposited film
- Laminate film for steel plates
- Eco-conscious films

Business activities



Film



Life Science



Environment and
Functional Materials

- Infection diagnosis-related products
- Artificial kidney hollow fiber
- Virus removing filters
- Blood purification membranes

- Engineering plastics
- VYLON® and HARDLEN®
- VOC treatment equipment
- RO and FO membranes
- High-performance fibers

2025 Medium-Term Management Plan

▶ p.033

Materiality

▶ p.019

Sustainability Management

▶ p.042

Accumulation of various types
capital through businesses

Inputs

Capital

Financial capital

Manufacturing capital

Intellectual capital

Human capital

Social / relationship capital

Natural capital

Six Types of
Capital ▶ p.017

Company
History ▶ p.105

Digital
transformation

New business


Conversion to capital by internalizing the external economy and other methods

Vision

Sustainable Vision 2030

Toyobo has formulated Sustainable Vision 2030 in May 2022 to achieve sustainable growth while moving away from survival thinking that overemphasizes short-term results. Through innovation and the 3Ps (people, planet, and prosperity), we aim to usher in both a prosperous society and the enhancement of corporate value by making contributions to solving social issues.

“Jun-Ri-Soku-Yu” : adhering to reason leads to prosperity

Ideals we seek to realize	<div>Innovation</div> <div>To be a group that continually creates materials and science that become solutions for people and the planet</div>			
Social change and trends in 2030	Standardization in handling safety, human rights and social justice issues	Increased and diversified needs concerning access to medical care/health promotion	Demographic changes, humancentric innovation, accelerated urbanization	Decarbonization, resource circulation, limited natural resources
Social issues to be solved through commitment	People		Planet	
				
	<div>1</div> <div>Employee well-being and human rights in the supply chain</div> <div><ul style="list-style-type: none">• People First: employee safety, company pride and rewarding work• Respect for human rights across the entire supply chain</div>			
	<div>2</div> <div>A healthy lifestyle and health care</div> <div><ul style="list-style-type: none">• Contributing to the field of epidemiology• Helping to improve quality of life</div>			
	<div>3</div> <div>Smart communities and comfortable spaces</div> <div><ul style="list-style-type: none">• Contributing to the realization of a humancentric digital society• Creating comfortable spaces</div>			
	<div>4</div> <div>A decarbonized and circular society</div> <div><ul style="list-style-type: none">• Contributing to carbon neutrality• Establishment of an ecosystem for circulating resources</div>			
Goals for the future	<div>5</div> <div>Clean water areas, air and soil, and the preservation of biodiversity</div> <div><ul style="list-style-type: none">• Improving the environment through solutions• Food loss and waste reduction and sustainable food</div>			
Where we'd like to be by 2030	<div>Prosperity</div> <div>Ushering in both a prosperous society where people can live with peace of mind, and the enhancement of corporate value</div>			
	<div>1) Contributing to solving social issues through our business</div> <div>2) Sustainable growth: a solid foundation and trajectory for future growth</div> <div>3) People First: safe and secure workplaces, rewarding work employees can be proud of, and the opportunity for personal development</div>			
	<div>■ Sustainability Indicators</div>		<div>■ Financial Indicators</div>	
	Serious incidents		Consolidated sales	
	Employee engagement score		Operating profit margin	
GHG emissions cut (over FY2014) Scope1 and 2		ROE		
Ratio of green materials in main business operations*		ROIC		

Sustainability goals by social issue

Five social issues

FY2031 target



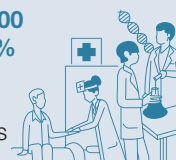
Employee well-being and human rights in the supply chain

- Achieving **zero** accidents in workplaces
- Certified as a top tier company for Outstanding Health and Productivity Management by FY2026
- Engagement score: **over 70%**
- Respect for human rights across the entire supply chain
- Expanding and improving educational and training systems for employees



A healthy lifestyle and health care

- Number of tests conducted by the provision of infectious disease diagnostics, etc.: **10 million per year**
- Number of dialysis patients receiving Toyobo dialysis membranes: **250,000**
- Share in the market of raw materials for biochemical and other tests: **30%**
- Number of patients provided with Toyobo regenerative inducers: **100,000 per year**
- Proliferation and expanded sales of 3D network-structured fiber materials in the medical and nursing care fields



Smart communities and comfortable spaces

- Sales of product groups supporting DX: **1.5-fold** increase over FY2021
- Total sales of car cabin air filters: **1.2 million units**
- **Creation of a comfortable space** inside electric vehicles through sound and heat management



A decarbonized and circular society

- (A decarbonized society)
- Ratio of GHG emissions reduction in Scope 1 and 2: **over 46%** compared with FY2014
 - **Net zero** in FY2051
 - Avoided emissions > Amount of GHG emissions throughout the entire value chain
 - **Entry into new solution fields**
 - Osmotic power generation, offshore cables and insulating resin for wind power generation, adhesive sheets for cells used in fuel cell vehicles, electrode materials for large storage batteries, hydrogen-related materials, etc.

- (A circular society)
- Achieve final disposal rate from business activities: **less than 1%**
 - Produce a **60%** ratio of green films
 - Join resource circulation ecosystem (R PLUS JAPAN)



Clean water areas, air and soil, and preservation of biodiversity

- Air volume treated using VOC recovery equipment: **7 billion Nm³ per year**
- Desalination of sea water using membranes: equivalent to the volume of tap water for **10 million people**
- Sales volume of highly functional films that contribute to reducing food loss and waste: **fourfold** increase over FY2021
- Entry into sustainable food field



Note) "Employees' well-being and human rights in the supply chain" corresponds to the materialities of "human capital" and "safety and disaster prevention." Others correspond to their similarly named materialities.

Six Types of Capital

Accelerating value creation through the strategic use and growth of capital

Toyobo group has grown by identifying societal changes and needs, and contributing to solving social issues. We have accumulated a variety of capital along the way that contributes to our strength today. We will pursue to create further value through the strategic use and growth of capital.



Financial capital

Toyobo group is currently reviewing our portfolio and focusing the management resources on growth fields. Moreover, we are also promoting the creation of new businesses and technologies in addition to DX as preparation for the future from a long-term perspective. In order to achieve these measures for sustainable growth, we are striving to maintain a sound financial position while steadily making the investments needed from a long-term perspective.

•Stable financial position

Rating and Investment Information, Inc. (R&I) Rating

FY2021 FY2022

Evaluation **A-** → **A-**

•Cash flows from operating activities

FY2021 FY2022

¥35 billion → ¥17.1 billion



Manufacturing capital

Since the founding of our group 140 years ago, we have been committed to manufacturing based on the corporate philosophy of “Jun-Ri-Soku-Yu” (adhering to reason leads to prosperity), which means to enriching oneself while solving social issues. From our various production sites both in Japan and around the world, we create a diverse range of products and solutions that support people’s daily lives and society. By promoting DX, such as converting to smart factories, we will continue to upgrade and expand our manufacturing capital.

•Production sites in Japan

FY2021 FY2022
7 sites → 7 sites

•Production sites overseas (Countries/regions)

FY2021 FY2022
15 sites → 15 sites

•Capital investment

FY2021 FY2022
¥23.3 billion → ¥33.6 billion



Intellectual capital

After expanding its spinning business to synthetic fibers and chemical fibers, Toyobo group has since acquired and nurtured core technologies such as polymerization and modification, molding and processing, and biotechnology, while responding to the needs of the day. We will create innovations that address social issues in the future through a combination of marketing perspectives and digital technology. We will also aggressively invest in R&D to achieve this goal.

•Ratio of R&D expenses to net sale

FY2021 FY2022
3.8% → 3.7%

•Primary R&D sites

FY2021 FY2022
3 sites → 3 sites

•Core technologies

Polymerization and modification, molding and processing, biotechnology



Human capital

Toyobo group has more than 10,000 employees worldwide. In keeping with the principle of people first, we will ensure safety, security, and health while creating environments where employees with diverse attributes can continue to feel pride and fulfillment in their work. Furthermore, as part of our efforts to boost the creation of corporate value, we are developing human resource policies tied to management strategies, such as strengthening employee engagement and reskilling training.

• Number of employees

FY2021 FY2022
10,149 → 10,503

• Ratio of women managers

FY2021 FY2022
3.1% → 3.7%

• Number of employees engaged in R&D

FY2021 FY2022
Approximately 500 → 515



Social / relationship capital

Toyobo group has offered wide range of products and services in the areas of textiles and chemicals, from upstream to downstream on the supply chain. The result has been a building of reliability with diverse customers and suppliers, as well as collaborations with the government, industry, and academia to create innovative solutions. We will continue to proactively participate in open innovation with other companies, joint research with universities, and initiatives aimed at solving social issues.

• Strong relationships with customers and suppliers

• Collaborations with other companies and universities

• Participation in various initiatives



Natural capital

As a global textile and chemical manufacturer, Toyobo group's products and business activities require a substantial amount of resources, and we are committed to conserving them. Currently, in addition to combating climate change by setting the long-term goal of reducing greenhouse gas emissions, we are promoting the development of technologies to deal with plastic problems.

• Energy consumption

FY2021 FY2022
13,166_{TJ} → 13,216_{TJ}

• Sales ratio of eco-conscious products

FY2021 FY2022
29.9% → 33.8%

Materiality

Based on our long-term vision for 2030

In fiscal 2021, Toyobo group identified material issues in response to the demands and expectations of our stakeholders, and to realize our Vision of being a “group that will continue to create the solutions needed by people and the earth.” In fiscal 2022, we reviewed them based on our future vision, Sustainable Vision 2030.

Relationship between Sustainable Vision 2030 and materiality

In anticipation of society and trends in 2030, Sustainable Vision 2030 sets five social issues that the group can contribute to solving through its businesses (▶p.015 “Sustainable Vision 2030”).

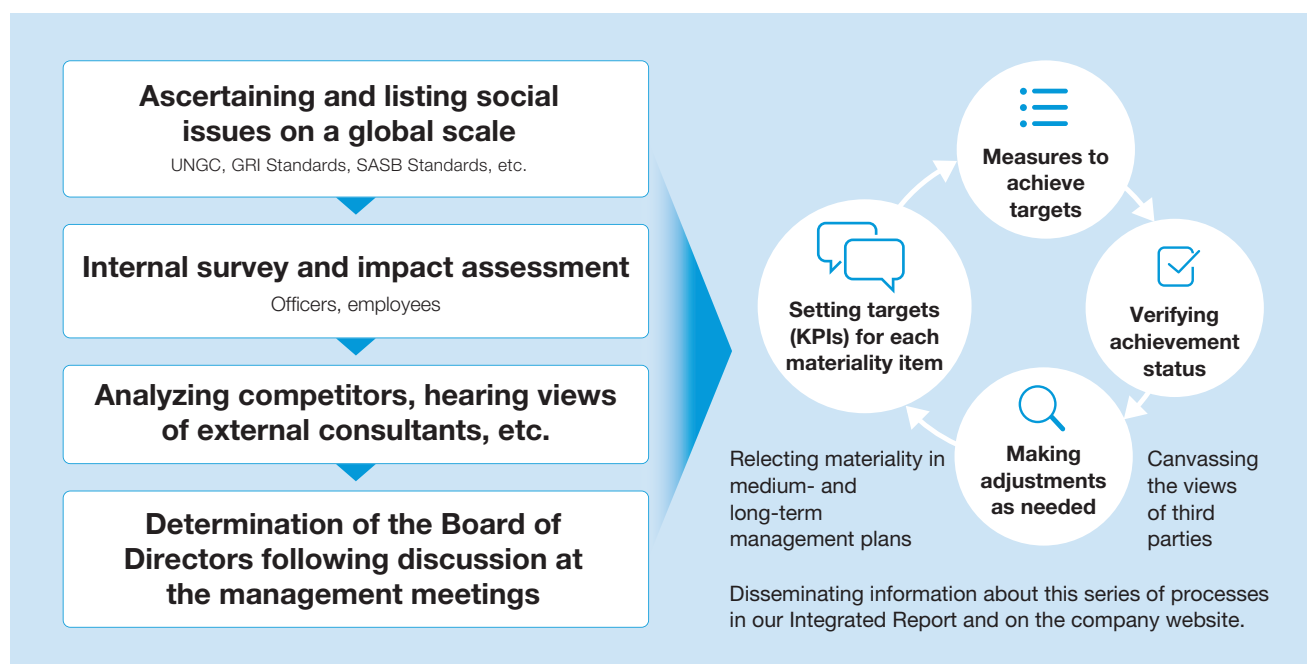
Materiality refers to important issues for the group

to address in order to become a sustainable company through contributing to the resolution of social issues. From the two axes of impact for stakeholders and for the group, the highest priority items are clearly identified.

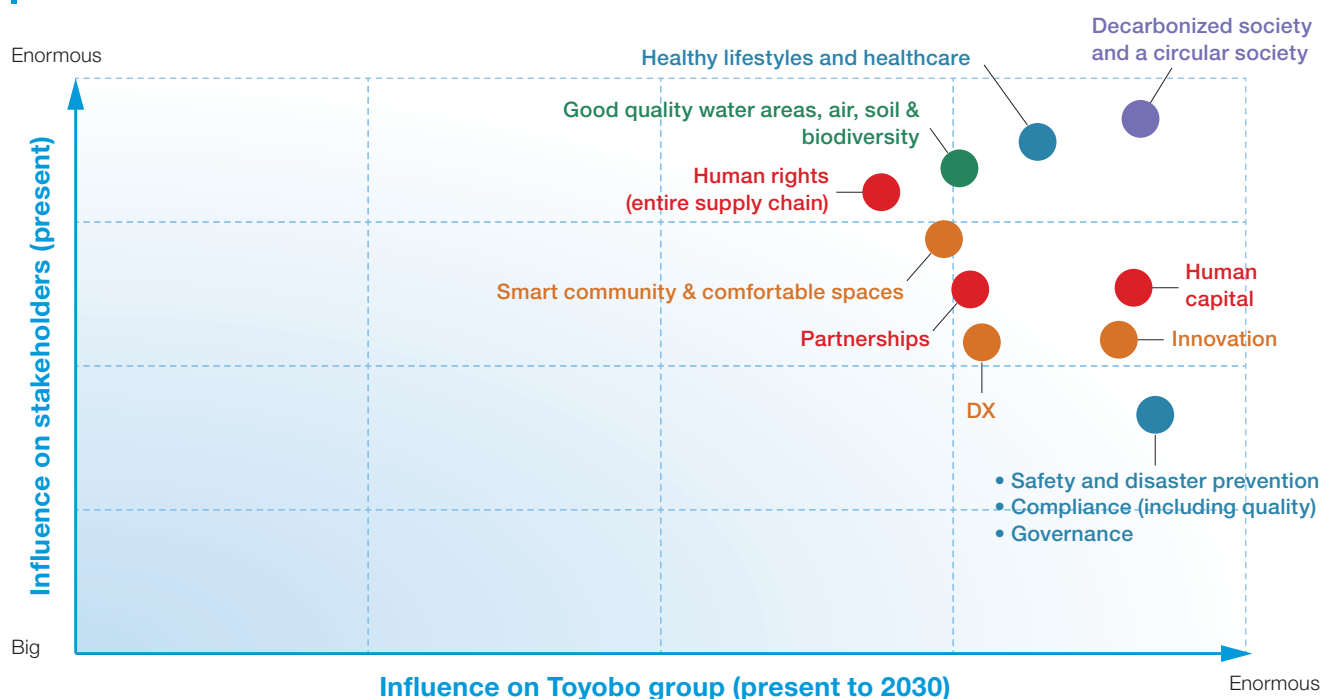
Identification process

We selected candidate social issues with reference to external initiatives and 12 international guidelines, including the GRI Standards. We then clarified the positive and negative impact of these social issues

through internal surveys and interviews. Our materiality finally was determined after approval by the Board of Directors, taking into account the views of external parties such as institutional investors.



Materiality map



[Note] "Employee well-being" is included in the materialities of "human capital" and "safety and disaster prevention."

Human capital: Human resources management (education, securing), diversity & inclusion, health management

Partnerships: Supply chain, social contribution, stakeholder engagement

Management of materiality KPIs (PDCA)

In order to further ensure the progress management of materiality initiatives, we have assigned officers in charge and formulated KPIs and targets for each materiality. We reviewed our materiality based on Sustainable Vision 2030, we announced in May 2022.

In fiscal 2023, we will consider targets and KPIs for

new material issues. In addition, to ensure the success of PDCA, the progress of KPIs is reported and shared at quarterly meetings of the Sustainability Committee.

Discussion results of the Sustainability Committee are reported to the Board of Directors as appropriate.

Materiality KPIs

Toyobo has set KPIs for promoting materiality initiatives. These KPIs are adjusted as necessary to correspond to the target achievement status. The results are reported annually to the Board of Directors.

Category	Main topic	Related ESGs	Related SDGs	Officer in charge	KPIs: timeframe for achievement set for each theme			
					Themes	Targets	FY2021 results	FY2022 results
Management base (basic preconditions to materiality)	Safety and disaster prevention	E S G	3,8,11, 12,17	Taichi Sakai Executive Officer Head, Safety and Disaster Management Division	1) No. of major accidents* 2) Frequency rate of workplace accidents resulting in lost workdays 3) No. of fires or explosions 4) No. of abnormal events and accidents (spills) * Major accidents: Defined according to internal standards based on the definition stipulated by the Ministry of Health, Labour and Welfare	1) 0 accidents per year 2) 0.25 or less 3) 0 accidents per year 4) 0 accidents per year All targets apply every year (calendar year)	1) 1 accident 2) 0.70 3) 1 accident 4) 0 accidents	1) 0 accidents 2) 0.42 3) 1 accident 4) 2 accidents
	Quality	S G	8,12	Yoshio Araki Director, Executive Officer Head, Quality Assurance Division	1) No. of incidents related to products* 2) Implementation status of product safety and quality assurance training * Incidents related to products: Defined according to internal standards based on the definition stipulated by the Ministry of Economy, Trade and Industry	1) 0 incidents per year 2) 100% All targets apply every year	1) 0 incidents 2) 80%	1) 0 incidents 2) 100%
	Corporate governance	G	16	Masakatsu Shirai Director, Executive Officer Controlling Supervisor of HR, Administration and Legal Division	1) No. of meetings of the Board of Directors / committees 2) Attendance rate of officers at meetings included in 1). 3) Disclosure of details of evaluation of the Board of Directors' effectiveness	1) Disclosure of results 2) Disclosure of results 3) Disclosure of details of effectiveness evaluation	1) 25 meetings 2) Disclosed in the Toyobo Report (integrated report), and on the company website 3) Disclosed in the Toyobo Report (integrated report), and on the company website	1) 24 meetings 2) Disclosed in the Toyobo Report (integrated report), and on the company website 3) Disclosed in the Toyobo Report (integrated report), and on the company website
	Respect for human rights	S	3,4,5,8	Masakatsu Shirai Director, Executive Officer Controlling Supervisor of HR, Administration and Legal Division	1) Implementation status of human rights education and training 2) Employment ratio of people with disabilities	1) Once a year for 20% of nonconsolidated* employees 2) 2.3% * "Nonconsolidated" here refers to TOYOBO CO., LTD., TOYOBO STC CO., LTD., and TOYOBO INFORMATION SYSTEM CREATE CO., LTD. Target for FY2026	1) 24.1% 2) 2.2%	1) 27.6% 2) 2.2%
Materiality	Ability to provide solutions (R&D, and intellectual property)	E S	3,4,6,7, 8,9,12, 13,14	Yasuo Ota Managing Executive Officers Controlling Supervisor of Innovation Division	1) (Corporate research) Percentage of research themes that contribute towards the realization of SDGs 6, 12, 13 and 14, which are related to the ability to provide solutions as defined by Toyobo, and to the realization of SDGs 3 or 7, which are necessary for the achievement of a sustainable society 2) (Research undertaken by individual business divisions) Clarification on a company-wide basis of the current situation in regard to research themes, and setting of company-wide targets 3) No. of cases of intellectual property information analysis 4) No. of cases of business termination due to patent infringement 5) No. of overseas patent applications finalized through collaboration with business divisions or with R&D units 6) Completion of review of Outstanding Patent Application Award candidates 7) No. of intellectual property education projects targeting TOYOBO CO., LTD., and no. of such projects targeting Toyobo group companies	1) At least 75% by FY2022 (and at least 90% by FY2026) 2) – 3) Annual target: 20 cases 4) Annual target: 0 cases 5) Annual target: 2 applications 6) Target: By Dec. 31, 2021 7) Annual target: TOYOBO CO., LTD.: 13 projects; Toyobo group companies: 6 projects	1) – 2) – 3) 17 cases 4) 0 cases 5) 2 applications 6) – 7) TOYOBO CO., LTD.: 13 projects; Toyobo group companies: 5 projects	1) 71% 2) – 3) 20 cases 4) 0 cases 5) 2 applications 6) Review completed. Awards scheduled to begin in FY 2023. 7) TOYOBO CO., LTD.: 15 projects; Toyobo group companies: 6 projects
	Supply chain management	E S	1,2,3,6, 8,12,13, 14,15,16	Nobuya Fujiwara Executive Officer Controlling Supervisor of Procurement and Logistics Department	1) Ratio of CSR procurement surveys returned 2) Ratio of reduction in CO ₂ emissions per unit of transportation* related to logistics * CO ₂ emissions per unit of transportation (g-CO ₂ /t-km) represent CO ₂ emissions (in grams) for every 1 tonne of goods transported over 1 km.	1) 90% or above (In years when a survey is not implemented, we carry out dialogue with business partners that had issues in past surveys) 2) Year on year reduction of 0.5%	1) Establishing a system for conducting questionnaires 2) Year on year reduction of 0.6%	1) 93% 2) Year on year reduction of 0.5%
	Reducing greenhouse gas emissions	E	7,13	Taichi Sakai Executive Officer Head, Safety and Disaster Management Division	1) Greenhouse gas emissions (consolidated) 2) R&D investment targeting climate change 3) TCFD / scenario analysis disclosure	1) 30% reduction from FY2014* 2) We will start to discuss and respond to this issue from now on 3) We have started to discuss and respond to this issue from 2H FY2022 * Target for FY2031 Set target in anticipation of increase in greenhouse gas emissions accompanying net sales growth (FY2031: ¥500 billion)	1) 26% reduction (902 thousand t-CO ₂) 2) – 3) –	1) 26% reduction (900 thousand t-CO ₂) 2) – 3) ▶p.031
	Reducing environmental impact	E	6,12,14, 15	Taichi Sakai Executive Officer Head, Safety and Disaster Management Division	1) VOC emissions (total for operations in Japan) 2) Discharge of hazardous substances into water (total for operations in Japan) 3) Waste volume (consolidated) 4) Final disposal (landfill disposal) rate (total for operations in Japan) 5) Expanding products and services that contribute to the environment (ECO-PARTNER SYSTEM [®]) (TOYOBO CO., LTD. only)	1) 60% reduction from FY2015* 2) 80% reduction from FY2015* 3) 15% reduction from FY2016* 4) Less than 1% every year 5) Sales ratio held by ECO-PARTNER SYSTEM [®] products 40%* *Targets for FY2031	1) 14% reduction 2) 56% reduction 3) 4% increase 4) 0.2% 5) 30%	1) 29% reduction 2) 36% reduction 3) 8% increase 4) 0.2% 5) 34%

As of April 2022

Category	Main topic	Related ESGs	Related SDGs	Officer in charge	KPIs: timeframe for achievement set for each theme			
					Themes	Targets	FY2021 results	FY2022 results
Materiality	Human resource management	S	3,4,5,8	Masakatsu Shirai Director, Executive Officer Controlling Supervisor of HR, Administration and Legal Division	1) Training core overseas personnel in Japan 2) Training investment per employee (and training time) 3) Achievement of women manager ratio target 4) Ratio of annual paid leave taken 5) Reduction in annual time worked outside specified working hours (no. of employees working more than 360 hours of overtime per year / total no. of employees) 6) Ratio of men employees taking childcare leave 7) Certified as a "White 500 Company" for Outstanding Health and Productivity Management 8) Improvement in how positive employees feel about their work, based on an employee engagement survey 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) 15 employees per year* 2) ¥50,000 per year* (21 hours) 3) 5.0% or above* 4) 75%* 5) Reduction of 20% (2.0%)* 6) At least 80% of eligible men employees taking childcare leave* 7) Obtain / Maintain* 8) a. Increase in the percentage of respondents agreeing with this statement b. Increase in the percentage of respondents agreeing with this statement * FY2026 targets	1) Canceled because of COVID-19 2) ¥24,000 (12.95 hours) 3) 3.1% 4) 64.0% 5) (3.0%) 6) 80.0% 7) Certified as a Health and Productivity Management Organization 2021 8) —	1) Canceled because of COVID-19 2) ¥50,000 (17.67 hours) 3) 3.7% 4) 72.3% 5) (3.8%) 6) 64.4% 7) Certified as a Health and Productivity Management Organization 2022 8) a. 33% b. 42%
	Compliance	S G	16	Masakatsu Shirai Director, Executive Officer Controlling Supervisor of HR, Administration and Legal Division	1) Increase in awareness of compliance 2) Awareness and use of compliance consultation desks 3) No. of serious legal violations	1) Improvement in compliance questionnaire responses a. Does the company emphasizes compliance ? b. Awareness of "Compliance Mini Study" Expansion of compliance study sessions (Managers) and various other trainings c. Compliance study sessions Various other trainings 2) Improvement in compliance questionnaire responses a. Awareness of compliance consultation desks b. Ease of use of compliance consultation desks Disclosure of no. of cases handled 3) 0 violations per year	1) a. I feel that it does, or by and large I feel that it does: 88% b. I read every issue, or I sometimes read it, or I read those articles that are of interest to me: 78% c. Compliance study sessions Held 11 times + video delivered to all employees Various other trainings Held 13 times 2) a. 92% b. I would like to try using it, or I can't really say one way or the other: 89% 37 cases handled	1) a. I feel that it does, or by and large I feel that it does: 79% b. I read every issue, or I sometimes read it, or I read those articles that are of interest to me: 78% c. Compliance study sessions Held 10 times + video delivered to all employees Various other trainings Held 21 times 2) a. 87% b. I would like to try using it, or I can't really say one way or the other: 93% 62 cases handled 3) 0 violations
	Compliance (R&D and Intellectual Property)	S G	16	Yasuo Ota Managing Executive Officer Controlling Supervisor of Innovation Division	1) No. of product safety or quality assurance violations in the R&D QA system 2) No. of violations of ministerial guidelines or of funding bodies' rules 3) Violations of rules governing handling of research topics 4) No. of cease and desist orders received relating to display items	1) 0 violations per year 2) 0 violations per year 3) 0 violations per year 4) 0 orders per year	1) — 2) — 3) — 4) 0 orders	1) 0 violations 2) 0 violations 3) 0 violations 4) 0 orders
	Data security, privacy	S G	17	Ichiro Takai Managing Executive Officer Controlling Supervisor of Corporate Planning Division	1) No. of information security education sessions provided* 2) No. of incidents (information leaks, service outages, etc.)* 3) Implementation of information security measures** * Scope is TOYOB CO., LTD., TOYOB STC CO., LTD., and TOYOB INFORMATION SYSTEM CREATE CO., LTD. ** Scope is consolidated subsidiaries (determined while monitoring the situation) Specific measures aimed at consolidated subsidiaries • Application of Information Security Policy • Roll out of measures to strengthen office automation and factory automation	1) 15 times per year 2) 0 incidents per year 3) Disclosure of promotion contents All targets for FY2022	1) 19 times 2) 0 incidents 3) Under discussion at the Cyber Security Committee	1) 23 times 2) 0 incidents 3) Activities being promoted, with the Cyber Security Committee playing a central role
All inclusive	Communication with stakeholders	S G	17	Masakatsu Shirai Director, Executive Officer Controlling Supervisor of HR, Administration and Legal Division	1) No. of press releases 2) No. of interviews with investors 3) Frequency of meetings with employees and labor unions 4) Frequency of engagement with stakeholders	1) 75 per year 2) 150 per year* 3) At least 30 times per year 4) Twice a year All targets for FY2022 * Target covers the period from August 2021 to July 2022	1) 90 2) 144 3) 14 times 4) 2 times	1) 93 2) 148 3) 47 times 4) 1 time

Ability to provide solutions: Specific contribution areas have been outlined in the Sustainable Vision 2030, and, going forward, the setting of KPIs will be discussed.
Product lifecycle management: This item has been deleted pursuant to the revision of the company's materiality.

— DIALOGUE —

Dialogue with ESG Investors

ESG Analyst

President & Representative Director

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

A bold and clear long-term vision for sustainable growth

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

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

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

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



Profile

Megumi Sakuramoto

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

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

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

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

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

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

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

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

*VUCA: volatility, uncertainty, complexity and ambiguity

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

A completely new portfolio focuses on growth

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

Profile

Ikuo Takeuchi

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

A human resources strategy linked to the management strategy

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

Takeuchi Our basic strategy is to foster worksites

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

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

Combining external and internal knowledge for DX

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

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

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

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

Importance of disclosure and dialogue about corporate activities

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

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

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

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

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

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

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

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



Hiroshi Otsuki

Representative Director,
CFO & Senior Managing
Executive Officer
Controlling Supervisor of
Management and
Administration Division

We will take on the risk necessary to attain our long-term objectives and establish sustaining growth.

Boosting corporate value through effective cash allocation

The Chief Financial Officer's role is often compared to the brakes on a car. The CEO steps on the accelerator to race toward fulfilling the vision, and the CFO pushes on the brakes at the right time and the right amount of strength. That's an easy to understand image, but the CFO's role goes well beyond that. Certainly, the most fundamental mission of financial management is to ensure the company does not fail, to ensure it does not run out of funds.

Funds are like the waterline on a ship. You always

have to be aware of the waterline to ensure the ship can be navigated safely through the various risks, and funding has to be actively managed to ensure no leaks occur below the waterline that could threaten to sink the ship. For a company to grow, however, it must do more than just stay afloat.

I believe that the CFO's primary mission is to manage the allocation of cash for increasing corporate value. We must analyze all types of risks and opportunities to determine when, where, and how much will be the best way to allocate a limited amount of cash. Risk is inevitable. But we need to avoid risks that could damage the corporate value and take the risks that are

necessary for the company's future. So, while being prepared to put on the brakes, I'm also ready to step on the accelerator.

One of my other roles is to support the work sites by objectively analyzing a company's financial foundation and a business's cash generation ability and telling them with conviction, "It'll work. We can do it!"

Achievements of the previous Medium-Term Management Plan

In fiscal 2022, the final year of the 2018 Medium-Term Management Plan, net sales increased 11.4% year on year to ¥375.7 billion driven by ongoing strong demand for industrial films and PCR test reagents even amid the worldwide COVID-19 pandemic. Operating profit grew 6.6% to ¥28.4 billion as the Life Science business drove overall growth that overcame the sharp increases in the prices of naphtha and other raw materials and fuels in the second half of the fiscal year. Profit attributable to owners of parent surged 206.2% to ¥12.9 billion on an improvement in extraordinary income.

Net sales surpassed the 2018 Plan target of ¥375 billion. Operating profit fell short of the ¥30 billion target, largely due to the impacts of the fire accident and the sharp rises in raw material and fuel prices. However, operating profit grew by over 30% over the plan's four years, and the operating profit margin improved from 6.5% to 7.6%. We steadfastly maintained our financial discipline with the equity ratio moving in the 36–38% range and the debt-to-equity ratio remaining below the 1.0x standard for financial soundness. I believe the company was able to operate reasonably well in terms of finance during the four years of the plan.

I believe the achievements of our non-financial activities during the 2018 Plan were even greater. Top among the achievements is the reconstruction of the corporate philosophy framework in fiscal 2020. The *Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity) corporate philosophy was completely reinterpreted and the TOYOBO PVVs were put into clear language and

communicated throughout the group. Although they did not instantly change the organizational culture, the important point is that we now have a solid foundation to build on for the future.

Redefining our corporate philosophy and clearly stating Toyobo group's Vision and Values provides the criteria for our employees and business departments to decide what must be done and what must not be done. From this, we were then able to put together our recently announced the long-term Sustainable Vision 2030.

Four years of preparation for aggressive growth investment

The 2025 Medium-Term Management Plan (2025 MTP) that we launched in fiscal 2023 was formulated by backcasting from the goals of the long-term Sustainable Vision 2030. 2025 MTP sets targets for fiscal 2031 of ¥600 billion in net sales and ¥50 billion in operating profit as milestones and the four years to fiscal 2026 as the period to remake and prepare the company for fulfilling the long-term vision.

The plan's targets for net sales and operating profit are quite ambitious considering our current levels. To achieve them, we will need to aggressively engage in upfront investment in many areas, including in equipment to fortify our existing businesses, R&D to develop new businesses, and in the human resources and DX that will be the foundation for growth. Due to this aggressive investment, during the plan's four years we expect to investment spending to exceed operating cash flow and our debt to increase. That will be the "preparation" stage, however, and when we move beyond that stage in fiscal 2026, we expect all our businesses to have exponentially greater earning power while our free cash flow steadily increases as we pay down the debt.

The first step will be to aggressively invest in equipment to strengthen the ability of all our businesses to generate cash. Capital spending under the previous four-year plan amounted to ¥115.8 billion, and we plan

to more than double that to ¥240 billion during the new plan. Following our financial discipline, our policy has been to keep capital investment within range of depreciation, but we will exceed that level with the investment we are planning for the next few years.

As we invest for business growth, we will also be stratifying our business portfolio. Businesses will be put into two categories of profitability and growth and then further stratified into businesses focusing on expansion, new businesses to be developed, businesses generating stable earnings or businesses requiring improvement. We will continue aggressively investing in the films and the Life Science businesses, which are categorized as businesses focusing on expansion. In the environmental/functional materials business, which is a business generating stable earnings, we will reevaluate the potential of each product as we develop the business into a full-fledged solutions businesses. We will also pursue new growth avenues through a joint company we will establish with Mitsubishi Corporation (discussed below), which we will seek to develop as a third core earnings driver.

R&D expenses are essential to expanding our possibilities

In addition to our businesses focusing on expansion, we will also be actively investing in new businesses to be developed. Our annual investment on R&D has been around ¥12 billion over the past several years. During the 2025 MTP, we will increase our R&D budget to ¥15 billion annually.

Due to the nature of our business, it takes an average of seven or eight years for an R&D investment to manifest as a commercial business. There have been times in the past when we restricted R&D spending because of tight financial conditions, and as expected we see few new businesses emerging seven and eight years later.

Our managers all agree that, even if we do not see immediate results, for the future of the company, R&D

expenses absolutely must not be reduced. We determined that, no matter the circumstances, we will allocate 3.6-3.8% of sales to R&D. R&D is essential to expanding our possibilities for the future.

Embarking on a new challenge with Mitsubishi Corporation

We know it would be very difficult to achieve our target of ¥600 billion in net sales in fiscal 2031 only through organic growth of our existing management resources. Understanding that was our impetus for embarking on the new joint venture with Mitsubishi Corporation that we announced in March 2022.

We had numerous discussions inside the company before making the decision to set an ambitious target and then create a joint venture company that will enable the dramatic growth needed to attain the target. We even discussed if we really needed to set such a high target, and if continuing in our current direction would be sufficient. However, the clients we supply our products to, their customers, and consumers are constantly changing. As a maker of intermediate materials, our survival depends on our ability to respond to those changes. If we stop evolving, we will find ourselves becoming further and further away from the needs of our customers and the markets.

The joint venture is very exciting to me as the CFO. Joining with a trading company in a completely different industry is a growth strategy I have never experienced before, and I think the endeavor will bring huge advantages to the company. It's an opportunity for us as a manufacturing company to encounter management ideas and business approaches and perspectives that we could not have thought of on our own. I expect this joining with a completely different culture to change Toyobo's corporate culture for the better. I'm especially excited about the potential to develop new businesses in overseas markets, which is truly an "encounter with the unknown."

As we adapt to the new mindset that will be

needed to achieve the dramatic growth, I believe the new joint venture will lead us to a completely different business models for generating growth.

Our manufacturing sites, management divisions, and many other departments will certainly face many challenges in the process, but the effort will be worth it. I also think there will be a positive ripple effect not just among the people directly involved in the venture but across all businesses and back-office departments.

EBITDA and ROIC added to core financial indicators

We added EBITDA, which adds depreciation to operating profit, to the key management indicators in the 2025 MTP to encourage a management mindset for active investment. The 2025 MTP also sets both ROE and ROIC as key indicators to increase management focus on capital efficiency. Due to the nature of our business, calculating ROIC for each operation is problematic, so instead we use the roughly equivalent ROCE.

We have been following a standard of holding the D/E ratio below 1.0x. During this preparation phase in the 2025 MTP when we will be conducting upfront investment, however, we will allow the ratio to elevate to the 1.2–1.3x range as we seek to use more of our available leverage.

At the same time, since it is not desirable to increase debt without improving our cash creation capability, we have also adopted another guideline of maintaining a net debt to EBITDA ratio near 4x. We believe that a certain level of cash creation will give us the flexibility to allow debt to rise to that level.

Long-term perspective on profit return

We recognize returning profits to shareholders and investors is a high priority for companies and an important part of cash allocation. In addition to distributing dividends, we will also consider share buybacks and other avenues for returning profit to shareholders.



The capital policy during the 2025 MTP calls for investment that will significantly exceed operating cash flow as we invest aggressively in growth with priorities on measures for safety and disaster prevention and for environmental protection. Our policy will be to maintain a total shareholder return ratio at a stable 30%. We expect to distribute dividends of ¥40 per share in fiscal 2023, unchanged from the previous fiscal year.

We expect a successful 2025 MTP to position us to boost our operating cash flow and capital surplus during the subsequent medium-term management plan beginning in fiscal 2027, which would allow us to implement a more proactive shareholder return policy.

I believe it is important duty as CFO to engage in dialogue with all stakeholders so everyone has a clear understanding of the scenarios we see for realizing business growth in the future.

We look forward to your continuing support as we position the company for long-term growth.

Representative Director, CFO & Senior Managing Executive Officer
Controlling Supervisor of Management and Administration Division

Disclosure Based on TCFD Recommendations

Recognizing the scale of the impact of climate change on our group and stakeholders, we have identified a “decarbonized and circular society” as one of our materialities. In January 2020, we announced our support for the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), and have been working on initiatives and disclosures that follow them.

Governance

The entire Toyobo group is working together to formulate a strategy to achieve carbon neutrality by 2050, and to contribute to realizing a carbon neutrality in society as a whole. Under the Sustainability Committee, which is chaired by the President, we established a subcommittee called the Carbon Neutral Strategies

Council in April 2021 as a platform to accelerate our initiatives. The Carbon Neutral Strategies Cross-functional Team, made up of members from across the company to formulate strategies and milestones for carbon neutrality, has been placed under the Council to work on concrete measures.

Strategy

Scenario analysis

First, we analyzed how climate change would impact our business based on two scenarios for our core film business, which is expected to be relatively largely impacted.

In the scenario limiting temperature rise to 2°C, societal changes associated with the shift to a decarbonized society could affect our business. In response, we will begin to examine rationalization of the manufacturing process, study the introduction of renewable energy and carbon-free fuel (hydrogen, ammonia, etc.).

If the temperature rise is around 4°C, our business may be affected by damage to production facilities and suspended supplies of raw materials due to extreme wind and flood damage. We will work to prevent this by periodically reviewing and updating our BCP, reviewing raw material inventory levels, and considering multiple purchases. On the other hand, our analysis shows that we may be able to capture new business growth opportunities as our technologies and products meet the growing expectation and demand of customers for products that contribute to low carbon emissions.

Scenarios	2°C	4°C
Vision of society	Bold policies and technological innovations will be promoted to limit the average temperature increase to 1.5°C by the end of the century and to achieve the development of a sustainable society. The societal changes brought by the transition to a decarbonized society will likely affect businesses. <Examples> <ul style="list-style-type: none">•Introducing a carbon tax and higher carbon prices•Shifting to automobile electrification and expanding renewable energy	Although Intended Nationally Determined Contributions (INDCs) and other national policies have been implemented in line with the Paris Agreement, the average global temperature will rise by about 4°C by the end of this century. Climate change, with rising temperatures, will likely affect businesses. <Examples> <ul style="list-style-type: none">•Increasing flood damage due to heavy rain
Reference	<ul style="list-style-type: none">•SDS (IEA WEO2020/ETP2020, 2°C scenario)•NZE (IEA Net Zero by 2050: A Roadmap for the Global Energy Sector, 1.5°C scenario)•RCP2.6 (IPCC AR5, 2°C scenario)	<ul style="list-style-type: none">•RCP8.5 (IPCC AR5, 4°C scenario)•STEPS (IEA WEO2020/ETP2020, 4°C scenario)
Risks and opportunities	Transitional risks and opportunities are likely to materialize	Physical risks and opportunities are likely to materialize

Climate change-related risks and opportunities

Based on the 2°C and the 4°C scenarios, we identified risks and opportunities for the film business. We extracted and consolidated highly important risk and opportunity items, then summarized them from the perspective of societal change and discussed proposed measures for each.

Toyobo group has set the goal of achieving carbon neutrality by reducing greenhouse gas(GHG) emissions

at least 46% (Scope 1 and 2, compared to fiscal 2014) by fiscal 2031, and achieving net zero emissions by fiscal 2051 (▶p.047 Climate Change). From April, 2022, we introduced an internal carbon pricing system, and will utilize this system as one of the criteria for future investment decisions. We are accelerating investments such as in low-carbon and decarbonization facilities, energy efficiency, and development facilities aiming to increase avoided emissions.

Societal change and its impact	Risks/Opportunities			Our measures
(1) Introduction and rise of carbon pricing	Risk	Medium-term	Increasing raw material prices (carbon price pass-through, etc.)	<ul style="list-style-type: none"> Approaching and collaborating with suppliers (low-carbon raw material development, production technology support) Diversifying raw material procurement methods (expansion of multiple purchases and local procurement)
		Medium- to long-term	Introduction and rise of carbon pricing	<ul style="list-style-type: none"> Expanding introduction and procurement of renewable energy Promoting higher efficiency and energy conservation in production processes Switching from fuels such as coal to those with fewer GHG emissions for in-house electricity generating equipment Examining use of carbon-free fuels (such as hydrogen and ammonia) Examining introduction of innovative technologies, including CCU and CCS
(2) Cost impact of decarbonization	Risk/ Opportunity	Medium- to long-term	Fluctuating costs due to the promotion of energy conservation, the introduction of high-efficiency equipment, and other factors	<ul style="list-style-type: none"> Pursuing innovation and ultra-high efficiency in production processes Increasing efficiency of production in the entire value chain (integration and strengthening of cooperation with affiliate companies, M&As)
		Medium-term	Fluctuating costs due to the introduction of renewable energy	<ul style="list-style-type: none"> Selecting renewable energy procurement methods
(3) Growing demand for low-carbon products	Opportunity	Medium- to long-term	Increasing need and demand for low-carbon and decarbonization-related products	<ul style="list-style-type: none"> Expanding production and sales of eco-conscious products (products that contribute to GHG emissions reduction) Developing and expanding sales of materials related to renewable energy and carbon-free fuels Promoting research and development of low-carbon and decarbonization-related products and technologies
			Expanded sales of eco-conscious products using various certifications	
	Risk	Medium-term	Decreasing demand for products derived from petrochemical raw materials, and tighter plastics regulations	<ul style="list-style-type: none"> Utilizing recycled raw materials and biomass materials Developing recycling-oriented materials and products and establishing recycling scheme
			Demand for decreased carbon content during product manufacturing	<ul style="list-style-type: none"> Expanding introduction and procurement of renewable energy Promoting higher efficiency and energy conservation in production processes Switching from fuels such as coal to those with fewer GHG emissions for in-house electricity generating equipment Examining use of carbon-free fuels (such as hydrogen and ammonia) Examining introduction of innovative technologies, including CCU and CCS
(4) Intensifying wind and flood damage due to rising temperatures	Risk	Medium-term	Disrupted raw material supplies due to frequent disasters	<ul style="list-style-type: none"> Reviewing inventory levels, and expanding multiple purchases
		Medium- to long-term	Damaged equipment and suspended operations due to extreme weather conditions	<ul style="list-style-type: none"> Conducting BCP training and enhancing measures for production sites in coastal areas Decentralizing production sites, and introducing highly durable equipment
(5) Product demand fluctuations due to rising temperatures	Opportunity	Medium-term	Increasing demand for measures to prevent infectious diseases (prevention/treatment) due to rising temperatures	<ul style="list-style-type: none"> Expanding demand for food packaging-related products Promoting research and development of products and technologies to prevent infectious diseases

Future direction of scenario analysis

In the future, we plan to conduct scenario analyses for company-wide and individual businesses and other factors that will take CO₂ emissions and financial impacts into account.

2025 Medium-Term Management Plan

Previous Medium-Term Management Plan
(FY2019 to FY2022)

2025 Medium-Term Management Plan
(FY2023 to FY2026)

What has been achieved

- Organization of “TOYOBO PVs” corporate philosophy framework
- Expansion of industrial film business (Operating profit approx. triple)
- Expansion of biotechnology and medical materials business (Operating profit approx. double)
- Maintenance of sound financial structure

What we haven't achieved and new issues

- Fluctuations in reliability: large-scale fire accidents, quality-related misconduct incidents
- Delay in business expansion targeting growth
- Delay in normalization of challenging projects (including additional challenging projects)

Financial targets and results

	FY2019	FY2020	FY2021	FY2022	FY2019 - FY2022 Targets in Medium-Term Management Plan
Net sales (¥bn.)	336.7	339.6	337.4	375.7	375
Operating profit (¥bn.)	21.7	22.8	26.7	28.4	30
Operating profit margin (%)	6.5	6.7	7.9	7.6	8.0
Profit attributable to owners of parent (¥bn.)	-0.6	13.8	4.2	12.9	16
ROE (%)	-0.3	7.8	2.3	6.8	≥ 8.0
D/E ratio	0.93	0.98	1.01	0.98	< 1.00

CAPEX ¥115.8 billion/4 years

Change to Sustainable Growth –2025 as a milestone–

Measure 1 Thorough safety, disaster prevention, and quality assurance

- Execute a master plan for safety and disaster prevention “zero accidents”
- Restructure the quality assurance management structure
- Establish a risk management structure

Measure 2 Reorganization of the business portfolio

- Stratify businesses (return on capital employed and growth potential)
 - (1) Forcing on expansion: propose and implement growth measures, and enhance competitive advantage
 - (2) Stable earnings: seek or maintain and improve growth
 - (3) Requiring improvement: implement the master plan for what the business should be

Measure 3 Preparations for the future

- Creation of new businesses and technologies: strengthen environment and biotechnology-related and Mirai Value Proposition Project
- DX strategy: SFA¹, MI², Smart Factory, and new methods of earning
- Roadmap for carbon neutrality (2050)

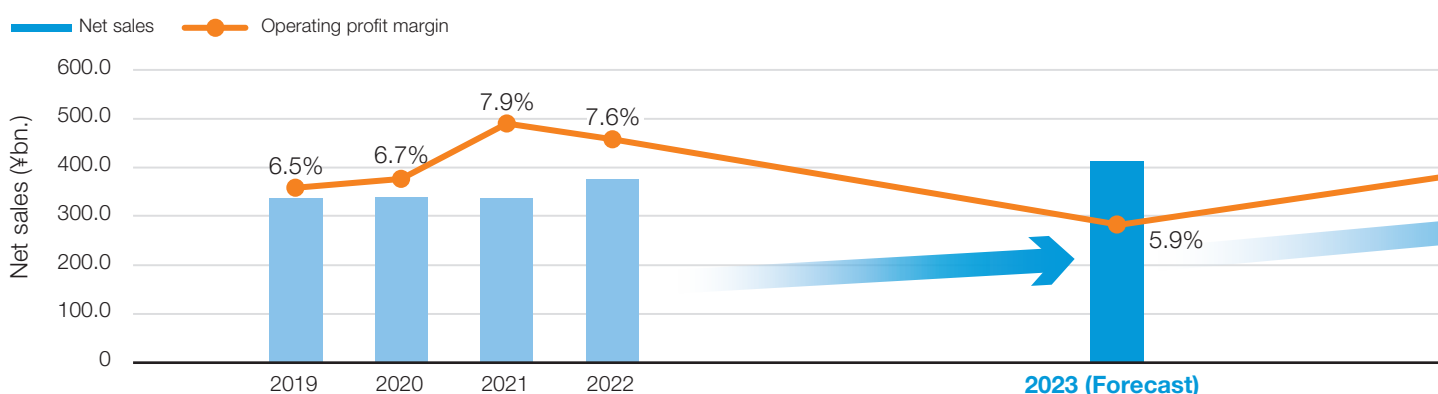
Measure 4 Rebuilding the foundation

- Promotion of human resources development and diversity
- Workplace capabilities in manufacturing
- Development of the business base
- Governance / Compliance
- Change of the organizational culture

1 Sales Force Automation: Sales support system

2 Materials Informatics: The efficient exploration and development of materials through informatics methods utilizing AI, machine learning, statistical analysis, etc.

Four years to rebuild and prepare



Sustainable Vision 2030

Financial targets and image

	FY2023 Forecasts	FY2026 Targets (2025MTP)	FY2031 Estimates
Net sales (¥bn.)	410	450	600
Operating profit (¥bn.)	24	35	50
Operating profit margin (%)	5.9	7.8	8.3
EBITDA (¥bn.)	45	63	90
Profit attributable to owners of parent (¥bn.)	13	15	23
ROE (%)	6.6	≥ 7.0	≥ 9.0
ROIC (%)*	4.1	≥ 5.0	≥ 7.0
D/E ratio	1.05	< 1.20	< 1.00
Net Debt / EBITDA ratio	4.0	< 5.0	< 4.0

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

Realizing sustainable growth

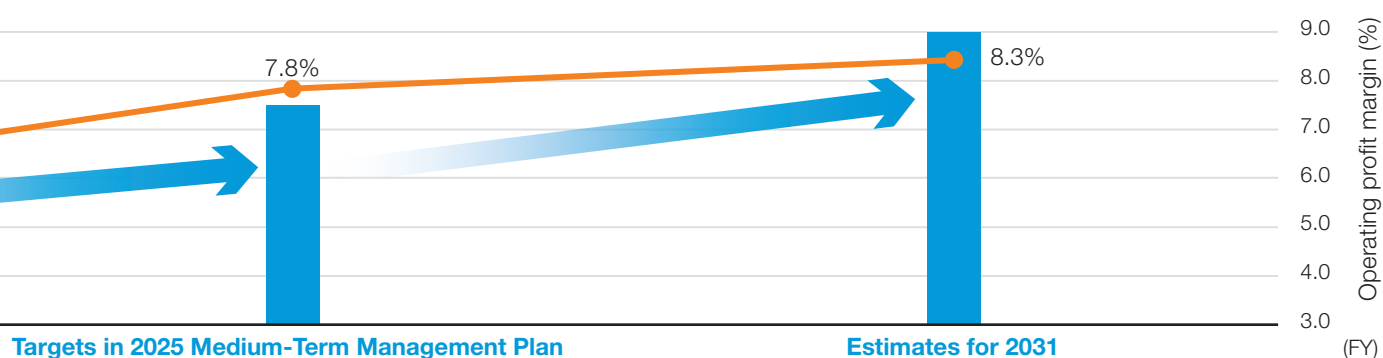


Backcasting

Challenges toward the future

Solving five social issues

Achieve growth



Four measures

Measure 1 Thorough safety, disaster prevention, and quality assurance

We will proactively invest in disaster prevention and upgrade aging equipment for safety and disaster prevention. We have also set up disaster prevention training centers to raise individual awareness, and are reminding workplace managers on the importance of regularly listening to their subordinates and of raising one's voice when sensing danger.

We have significantly revised our promotion structure regarding quality. Moreover, we are working to reform our organizational culture, and are building a new quality assurance culture.

We are also working to strengthen our risk management structure concerning both of these issues, and are striving to create a structure that ensures the sustainability of our business based on the assumption that there will always be risks.

(▶p.059-064 Fire prevention measures / Response to the quality-related misconduct incidents / Safety and Disaster Prevention / Quality)

Execute a master plan for safety and disaster prevention “zero accidents”

- Measures for issues detected through comprehensive on-site inspections and disaster prevention checks
- Investment in safety disaster prevention, and renovation of aging equipment
- Safety and disaster prevention training, and creation of safety culture (secure and safe workplace)

Restructure the quality assurance management structure

- Enhancement of personnel and structure, creation of mechanisms, and introduction of systems
- Quality assurance training, and creation of organizational climate and quality culture

Risk management structure

- Creation of risk map (identifying locations of risks and degree of impact: preparation)
- Improvement of the group's corporate governance
→ establishment of the Corporate Business Management Dept. of Subsidiaries and Affiliates
- Enhancement of monitoring system

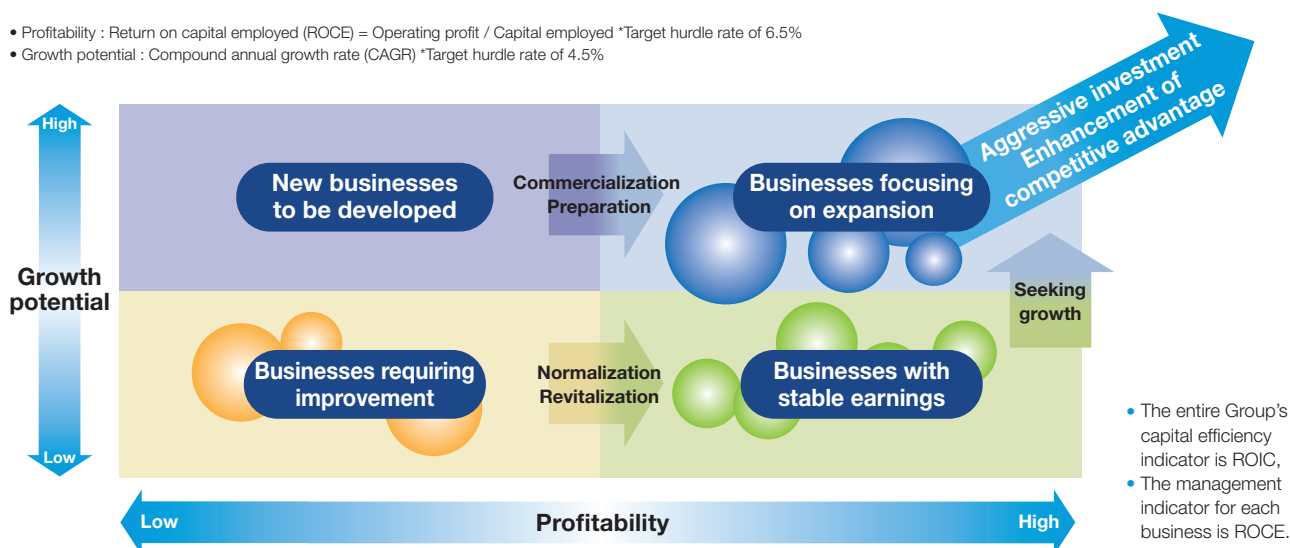
Measure 2 Reorganization of the business portfolio

In order to take measures for business stratification, we have evaluated each business on the two axes of profitability and growth potential, and classified each business into four quadrants: new businesses to be developed, businesses

focusing on expansion, businesses requiring improvement, and businesses with stable earnings. The compound annual growth rate, which is the judgment standard for growth potential, is based on the chemical industry average target of 4.5% per year, and the return on capital employed, which is the judgment standard for profitability, is based on a target of 6.5% in terms of capital costs.

We are aiming for the normalization of the textile, airbag fabrics, and contract manufacturing of

- Profitability : Return on capital employed (ROCE) = Operating profit / Capital employed *Target hurdle rate of 6.5%
- Growth potential : Compound annual growth rate (CAGR) *Target hurdle rate of 4.5%



Determine whether the business is a “businesses with stable earnings” or a “businesses requiring improvement,” taking into account not only the hurdle rate but also qualitative information. Consider measures by stratified business.

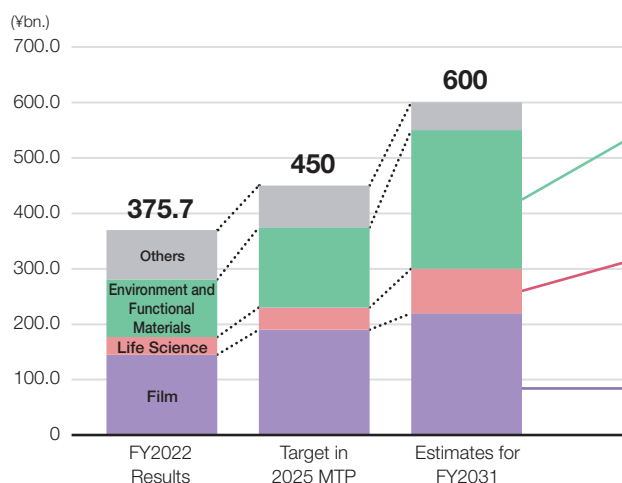
pharmaceuticals businesses by fiscal 2026, each of which are businesses requiring improvement.

In the environment and functional materials business, we anticipate significant business opportunities from the response to environmental issues and the growth of electric vehicles. We expect the environment and functional materials business to become our third pillar following the film and life science businesses, and are aiming for the further expansion and growth in the new joint venture with Mitsubishi Corporation.

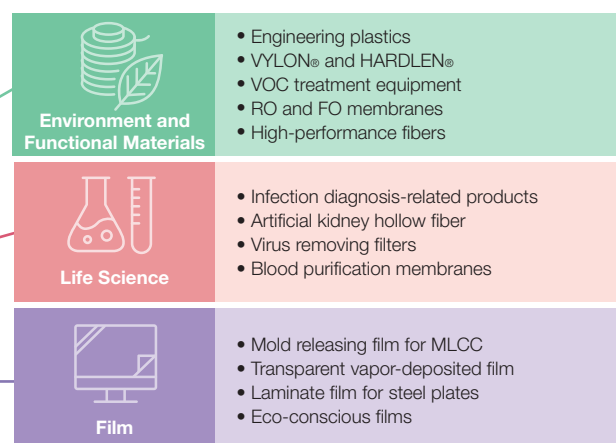
After this reorganization, we designated these three businesses of film, life science, and environment and functional materials as businesses focusing on expansion.

Of the group sales target of ¥600 billion for fiscal 2031, we aim to achieve ¥220 billion in our core business of film, ¥80 billion in life science, which is expected to grow from fiscal 2026, and ¥250 billion in environment and functional materials, where we will establish a new joint venture.

Changes in net sales of the group



Main expanding businesses



Measure 3

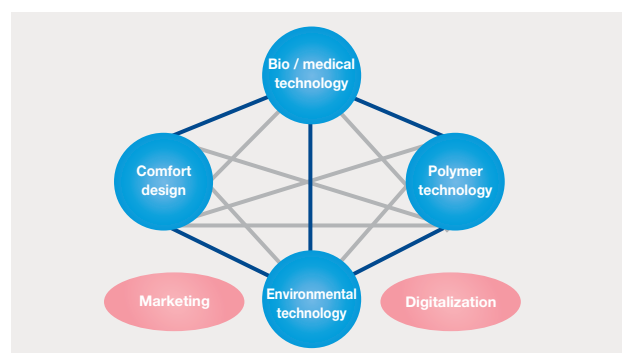
Preparations for the future

By combining Toyobo group's four core technologies with technology and know-how related to marketing and digitalization, we are promoting the creation of innovation from a long-term perspective. One example of this is

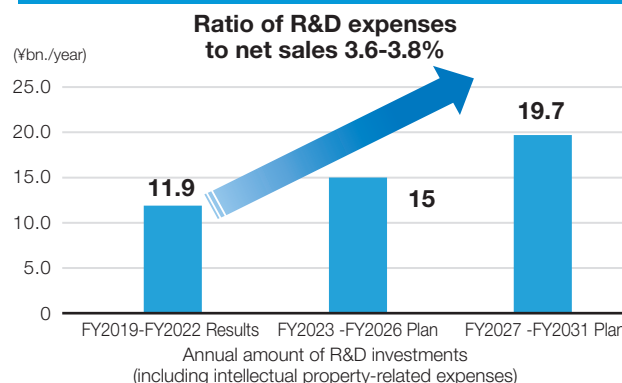
sustainable food products, which we are currently working to commercialize. We are also developing innovative products and technologies that will meet the needs of the new era, including renewable polymers, acute blood

Sparking innovations

Fusing technologies: combining four core technologies with marketing and digitalization



Amount of R&D investments



1st in "Patent overall ranking for technologies related to polymer films and sheets" (Calculated by Patent Result Co., Ltd. in 2021)

purification products, raw materials for nucleic acid medicine manufacturing, and organic photovoltaics materials.

For R&D investment, we expect to allocate 3.6% to 3.8% of net sales, which is the average level in the industry. We are considering future resource allocation based on a broad overview of the entire process, including capital expenditure related to R&D.

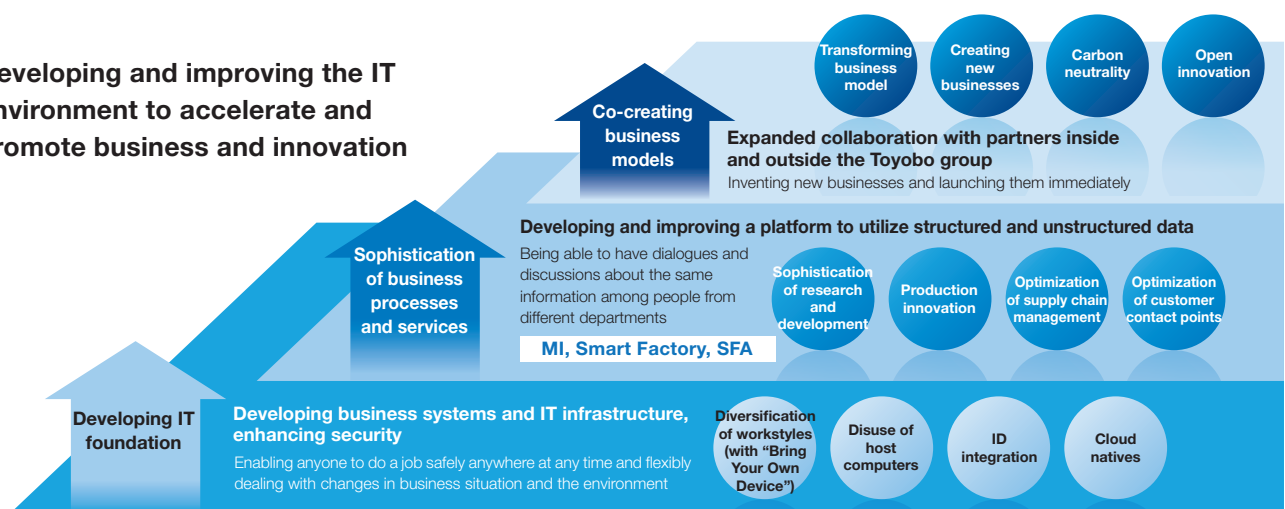
In order to accelerate innovation in all of our business

activities, we are also proactively promoting the development of IT environments from various perspectives.

In addition, we have set an interim target of reducing greenhouse gas emissions (Scope 1 and 2) by at least 46% in fiscal 2031 compared to fiscal 2014 in order to achieve carbon neutrality by fiscal 2051.

(▶p.047 Climate Change)

Developing and improving the IT environment to accelerate and promote business and innovation



▶ p.073-074, p.083-090

Measure 4

Rebuilding the foundation

We are rebuilding the foundation of Toyobo group based on these five themes.

Particularly regarding human resources, we conducted a major review of our human resource system in fiscal 2022. We reviewed our seniority-based system and designed a system to promote younger employees to executive positions with an eye toward a job-based system

Promotion of Human Resources, Workstyle Reform, and Diversity

- Reform human resource system: Evaluation, educational expansion, rotation, appoint suitable personnel for the right position
- The next generation of management, promotion of women's participation and advancement (Women leader development seminars)

▶ p.065-070

Governance / Compliance

- Restructuring of governance structure
- Group Business Management
- Strengthen compliance structure and the internal auditing function
- Respect for human rights in the supply chain

▶ p.073-074, p.083-090

Change of the organizational culture

- Instillation of "TOYOBO PVVs", organizational development, addressing people with the polite suffix "-san" attached to their name, and serious chats

▶ p.045-046

Rebuilding the foundation

Workplace capabilities in manufacturing

- Production innovation activities, and engineering education systematization

Development of the business base

- Renewal investment, and consider a concept for the entire company and production sites
- Update legacy systems

that balances job responsibilities and compensation. In addition, we are considering revising the promotion system from one that was previously designed for men to one for a variety of people, including women and foreigners, to

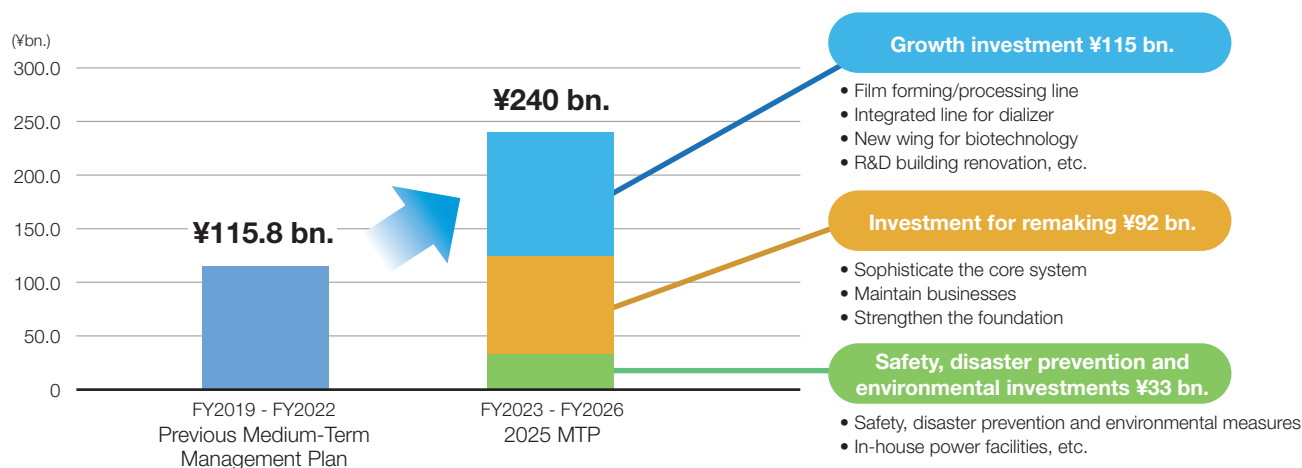
promote diversity. While the ratio of women managers is 3.7% as of fiscal 2022, we aim to increase this to at least 5.0% by fiscal 2026.

Capital expenditure

We will spend ¥240 billion for capital expenditure, approximately double the amount invested during the previous medium-term management plan period, by placing the top priority on safety, disaster prevention, and environmental investments, increasing investments for

sustainable growth.

Of this, we plan to invest ¥115 billion in growth focusing mainly on the three businesses of film, life science, and environment and functional materials, which have been designated as businesses focusing on expansion.

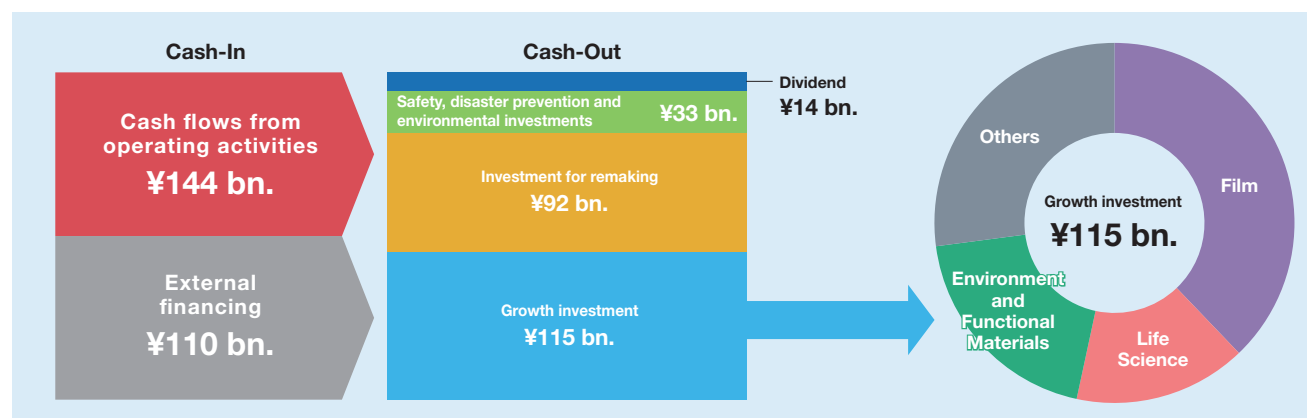


Capital policy : Cash flow allocation

Over the four years of our 2025 MTP, we anticipate cash flows from operating activities of ¥144 billion.

We plan to procure external financing for any shortfalls

based on the previous capital expenditure and dividend payments.



Growth strategy by business

Film business

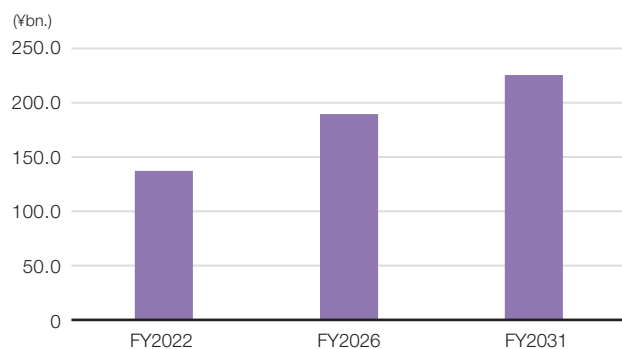
Toyobo aims to accelerate our shift to eco-conscious products and increase our ratio of green products, such as biomass, recycled, or volume-reduced, to 60% by fiscal 2031 and 100% by fiscal 2051.

In industrial film, we will continue to expand sales of highly functional films and make increased capital expenditure in line with the growth of the IT market and mobility electrification. We will also expand synergies with the subsidiary of our consolidated Teijin Film Solutions Limited and grow our recycled film business.

In packaging films, we will contribute to realizing a decarbonized society and circular society by providing films made from biomass and recycled raw materials.

In addition, we will focus on the overseas development of barrier films for food loss and waste reduction, and the production of highly rigid films for volume reduction.

Net Sales Target of Film Business

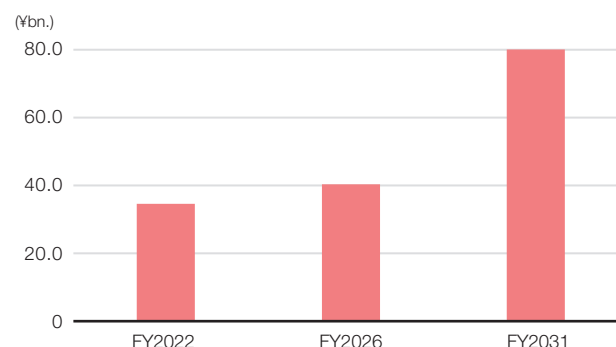


Life Science business

In bio, Toyobo aims to lead the world in the infectious diseases diagnostics field. We will expand our diagnostics business to include raw enzyme, reagents, diagnostic reagents, and diagnostic equipment for genetic testing, utilizing our strength in advanced protein purification technology. We also expanded overseas for enzymes for biochemical diagnostic reagents, such as blood glucose, cholesterol, creatinine, GOT and GPT.

In addition, in membrane technology, we aim to improve the quality of life of patients, and to expand artificial kidney hollow fiber and virus removal filters using our hollow fiber separation membrane technology.

Net Sales of Life Science Business

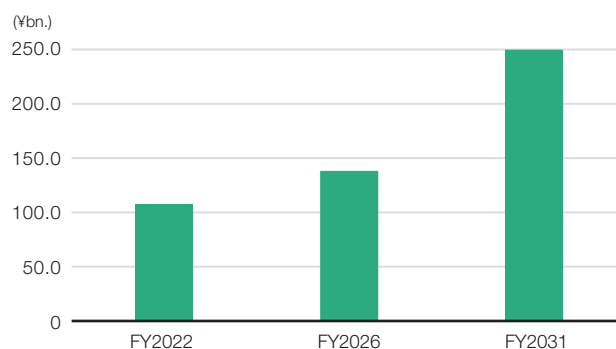


Environment and Functional Materials business

Toyobo has established a new joint venture with Mitsubishi Corporation to plan, develop, manufacture, and sell functional materials, and has signed an agreement to start operations. We will spin off its environment and functional materials business to the newly established company, and provide investments in cooperation with Mitsubishi Corporation. The investment ratios are 51% for Toyobo and 49% for Mitsubishi Corporation. The goal of establishing this new company is to achieve further growth in the global market through the combination of our technological strengths with Mitsubishi Corporation's comprehensive strengths.

There are about 10 fields that we aim to contribute to in fields where we expect growth, such as water, air, weight reduction, and batteries, and we plan to establish a new company by April 2023.

Net sales of Environment and Functional Materials business



CSV examples

Expand high-end applications with film with superior smoothness Mold releasing film for MLCC

Ceramic capacitors are generic electronic components that regulate current and temporarily store electricity. They are used in a variety of electronic circuits, automotive applications, and consumer appliance applications.

Our releasing films such as COSMOPEEL®, mold releasing film for MLCC, are indispensable when manufacturing ceramic capacitors. We support the spread and development of IoT and AI as the only manufacturer with an integrated process from production of the raw film to coating of the releasing layer.

We also have the film forming technology to achieve superior smoothness, and plan to manufacture films for high-end applications with inline coating.* We will install inline coating facilities at our Utsunomiya Plant in fiscal 2025.

* Inline coating is the implementation of a process to form a coating layer during the film forming process. Forming the coating layer during the film forming process at a high speed enables high productivity, while stretching the coating layer after forming realizes a superior uniform thickness.

Expand in the genetic testing field such as PCR testing Raw enzymes, reagents, diagnostic reagents, and diagnostic equipment for genetic testing

Toyobo group has expanded its diagnostics business to include raw enzymes, reagents, diagnostic reagents, and diagnostic equipment for genetic testing, with its strength in the technology to produce highly functional proteins.

We supply enzymes for diagnostic reagents used in biochemical diagnosis to diagnostic agent manufacturers, and also provide GENECUBE®, a fully automated gene analysis system that can easily and quickly perform processes from nucleic acid extraction to amplification and detection using our unique high-speed nucleic acid amplification technology. This contributes to the earlier diagnosis of diseases and the proper use of medicines. Furthermore, the SARS-CoV-2 Detection Kit -Multi- uses a unique, inhibition-resistant gene amplification enzyme, which enables the elimination of the gene extraction and purification processes. The optimization of enzyme functions by adjusting reagent formulations reduces the time required for the amplification process of extracted genes to less than half of the traditional process. Processes from extraction to measurement can be completed in as little as 60 minutes.

Toyobo also contributes to overseas demand with enzymes for biochemical diagnostic reagents (blood glucose, cholesterol, creatinine, GOT and GPT, etc.).

Film that contributes to reducing food loss and waste Transparent vapor-deposited film ECOSYAR®

ECOSYAR® is a transparent vapor-deposited film with superior gas barrier properties, and contributes to the reduction of food loss and waste through its strength in the long-term storage of food.

Since it is not vapor-deposited with metal, it can be heated in a microwave. Another strength is that it contains no chlorine compounds and does not generate chlorine gas when burned.

The transparent vapor-deposited film market is growing globally at 10% per year. Toyobo group aims to quadruple its sales volume of barrier films, which contribute to food loss and waste reduction, in this market by fiscal 2031 compared to fiscal 2021. Our plant in Indonesia went into full operation in fiscal 2021, aiming to meet global demand.



Food packaging using ECOSYAR®

Excellent biocompatibility due to cellulosic membrane Artificial kidney hollow fiber membrane

Toyobo provides artificial kidney hollow fiber membrane with the aim of contributing to the improvement of treatment outcomes and quality of life of the growing number of dialysis patients every year.

The hollow fiber membrane boasts an outstanding waste removal performance with little degradation over time. The membranes are made from natural cellulose, which reduces the incidence of allergic reactions during treatment and provides superior biocompatibility.


In cooperation with Nipro Corporation, we have decided to establish a new plant that can integrate production from hollow fiber production to processing and commercialization into dialyzers. In order to meet the globally increasing demand for dialyzers, we aim to start operations in July 2024 and to enhance our production system.



Integrated production plant for CTA dialyzers



Nipro Corporation's CTA dialyzer that uses Toyobo's hollow fiber membrane



The Basis of Value Creation

Sustainability Management

Message from Head of Corporate Sustainability Division	042
Management structure	043
Our sustainability activities	044

(Feature) From the KAERU Project to KAERU	045
---	-----

E Environmental Policy and Activities

Climate Change	047
Resource Circulation	049
(Feature) Contributing to the Development of Prototype	
PET Bottles Made from 100% Plant-Derived Raw Materials ·	051
Living in Harmony with Nature	054
Eco-Conscious Products	057

S Social Contribution Policy and Activities

Fire Prevention Measures (FY2022)	059
Response to the Quality-Related	
Misconduct Incidents (FY2022)	060
Safety and Disaster Prevention	061
Quality	063
Human Resources Management	065
Respect for Human Rights	071
Supply Chain Management	073

G Governance Policy and Activities

(Feature) Roundtable Discussion with Outside Directors ···	075
Management Team and Skill Matrix ···········	079
Corporate Governance	083
Compliance	089
Risk Management / Data Security and Privacy	091

The Basis of Value Creation

Sustainability Management

Message from Head of
Corporate Sustainability Division**Nobuya Fujiwara**

Executive Officer

Head of Corporate Sustainability Division

People around the world understand the terms and messages related to sustainability, and the importance of carbon neutral, a circular economy, and other concepts is widely recognized. Recently, a new idea has risen to the forefront: nature positive.

Nature is a broad concept covering both animate and inanimate objects, and the word evokes a strong sense wanting to restore the nature that people have lost.

From ancient times, people who have considered humans as part of nature and thought of people and animals along with non-living things like water and mountains all as part of nature can easily grasp the message of “nature positive.”

Our corporate philosophy of *Jun-Ri-Soku-Yu* means adhering to reason leads to prosperity. In this phrase, reason has a broad meaning, which also means law of nature. The nature positive message can also be said to align with our philosophy, in the sense that it represents following the law of nature.

Carbon neutral, circular economy, and nature positive are all very closely related, and any initiatives for them must be based on scientific evidence.

We announced our Sustainable Vision 2030 (long-term vision) in May 2022 (▶p.15 “Sustainable Vision 2030”). Following our long-term vision, we are promoting a science-based innovation approach to realizing sustainable management for our ultimate customers —people and the planet.

The long-term vision defines five areas where the

Toyobo group will focus on solving problems and clearly sets the direction for the group to move forward. One of those five areas is “employees well-being and human rights in the supply chain.” We will develop an environment where employees can fulfill their potential and continue to grow as workers, and use engagement surveys to continue improving the worksites. We will also broaden our CSR in procurement activities and throughout the supply chain.

As an effort to contribute to a decarbonized society, we formulated a plan to reduce GHG emissions with the goal of achieving carbon neutrality in fiscal 2051. We recently increased the reduction target amount for fiscal 2031 (▶p.47 “Climate Change”). We are making steady progress toward achieving our target using an internal carbon pricing system and TCFD scenario analysis while we are also preparing to earn SBT certification.

Nature positive initiatives to create “good conditions of water areas, atmosphere and soils and biodiversity” include our efforts to provide water, atmosphere, and soil solutions, reduce food loss and waste, and create sustainable food products.

These activities contribute to resolving social issues and create a competitive advantage for the company. Applying the Toyobo group’s many solutions to solve social issues and contributing to attaining the SDGs are directly connected to the purpose of our existence. Our long-term vision is to create new value in two ways —by helping realize a prosperous society where people can live with peace of mind (social value) and by enhancing our corporate value. We will share with stakeholders via various media our progress following our vision to create new value.

Conceptual Framework—Sustainability, CSV and ESG

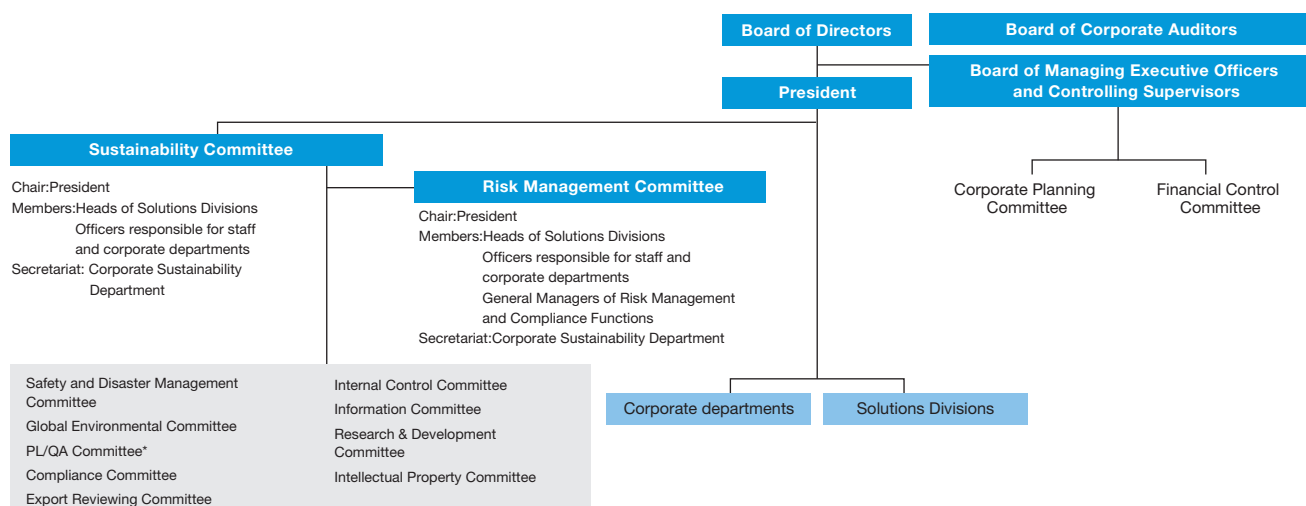


Management structure

The group has established a Sustainability Committee (chaired by the President), which meets on a quarterly basis to confirm the progress made in implementing sustainability activities and to discuss new issues that need to be addressed. In fiscal 2022, we discussed several themes, including: (1) GHG emission reduction scenarios as part of efforts toward carbon neutrality; and (2) measures and KPI settings based on the results and analysis of employee engagement surveys as part of

work-style reforms. We have also established a Risk Management Committee under the Sustainability Committee to enhance our sustainability risk management.

In April 2020, the Corporate Sustainability Department was established as the organization responsible for formulating and promoting various specific measures, disseminating them externally and facilitating external dialogue. In April 2021, it was put under the direct supervision of the President, and in April 2022, the Corporate Sustainability Division was established.



* Product Liability/Quality Assurance Committee

Our sustainability activities

Since its founding, the group has practiced the idea of growing its own business by contributing to the prosperity of society through a forerunner of today's CSV concept, based on the corporate philosophy of *Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity), which was one of

the mottos of our founder, Eiichi Shibusawa.

Since fiscal 2021, we have been fully promoting activities aimed at sustainability management. We have set strategies and milestones, particularly focused on our carbon neutral and circular economy initiatives.

Period	Initiatives and their purpose
Jan. 2020	Signed the UN Global Compact and joined the Global Compact Network Japan. Announced our support for the TCFD recommendations.
Apr. 2020	Established the Corporate Sustainability Department. Incorporated ESG elements into management and strategy to enhance information dissemination to stakeholders.
Apr. 2020	Established the Sustainability Committee, chaired by the President (renamed the CSR Committee).
Apr. 2021	Placed Corporate Sustainability Department under the direct supervision of the President.
Apr. 2021	Established a structure to promote the realization of carbon neutrality. Established the Carbon Neutral Strategies Council and the Carbon Neutral Strategies Cross-Functional Team.
Apr. 2021	Established the Risk Management Committee, chaired by the President.
Apr. 2022	Established the Corporate Sustainability Division.

UN Global Compact (UNGC)

In January 2020, Toyobo became a signatory to the UNGC, and also joined Global Compact Network Japan, which comprises Japanese companies and organizations that are UNGC signatories. As a responsible corporate citizen, this reflects our endorsement of the goal to resolve global issues and realize sustainable growth. We also gather information through our participation in the subcommittees of Global Compact Network Japan, utilizing this in our day-to-day activities. From fiscal 2021, we are participating in subcommittees such as ESG, Supply Chain, Environmental Management, Kansai-based regional subcommittee, Reporting Research. Toyobo will continue to contribute to realizing a sustainable society by following the ten principles of the UNGC.



The Ten Principles of UNGC

Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and	▶ p.019-022, p.071-074
	Principle 2: make sure that they are not complicit in human rights abuses.	
Labour	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	▶ p.019-022, p.070-074
	Principle 4: the elimination of all forms of forced and compulsory labour;	
	Principle 5: the effective abolition of child labour; and	
	Principle 6: the elimination of discrimination in respect of employment and occupation.	
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges;	▶ p.019-022, p.040, p.044, p.047-058
	Principle 8: undertake initiatives to promote greater environmental responsibility; and	
	Principle 9: encourage the development and diffusion of environmentally friendly technologies.	
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	▶ p.019-022, p.089-090

Feature

From the KAERU Project to KAERU: Establishing a culture of “continued change”

Previous KAERU activities

After failing to achieve the past four medium-term management plans and experiencing compliance violation incidents, volunteer officers came up with an idea from a sense of crisis and the need for change. In April 2018, with the support of a majority of its employees, Toyobo group started the KAERU Project (kaeru means “to change”) throughout the company with the participation of all officers and employees.

In March 2019, we established the TOYOBO PVVs, a corporate philosophy framework that would serve as a banner for reform, and have been promoting reform from

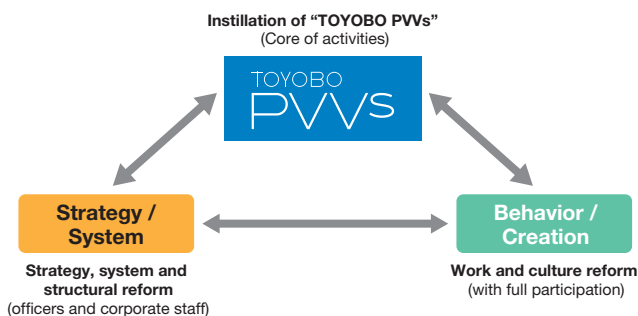
both the “strategy, system and structure” and “work and culture” perspectives, centered on instillation activities with the participation of all officers and employees.

The March 2022 employee survey (3,668 respondents; 84% response rate) shows that **43% of the respondents feel that they are experiencing “positive change” in the workplace, and 83% of these employees are participating in KAERU activities.**

Through the initiatives to date, we have witnessed not only tangible changes in terms of concrete measures and numerical values, but also a genuine change in the atmosphere within Toyobo and in the comments of employees.

Future of KAERU

Toyobo group believed that the TOYOBO PVVs could only be achieved by further expanding the change and establishing a culture of “continued change.” That is why we changed the name of the “KAERU Project” to “KAERU Department” in FY2023, and to continue the constant reforms with the participation of all officers and employees.



	FY2019	FY2020	FY2021	FY2022	FY2023	Key issues
Strategy, system and structural reform	Development of philosophy system	★ Establishment of TOYOBO PVVs (March 2019) Formulation of growth scenario	★ First organizational culture and job satisfaction survey	Sustainable Vision 2030 Formulation of 2025 Medium-Term Management Plan		✓ Improvement of officer team strength
		Reorganization		Reform of performance management system		✓ Establishment of performance management system
		Introduction of multifaceted evaluation system Revision of personnel evaluations		Reform of human resource system		✓ Operation of new human resource system
			Digital strategy / Marketing strategy			
Work and corporate culture reform		TOYOBO PVVs instillation activities				
	Concept of ideal work styles				★ Relocation of head office	✓ Creation of opportunities for awareness
		Proposal and establishment of work styles				✓ Improvement and reform by taking advantage of awareness
		Business visualization/improvement		Business standardization/systemization		✓ Cross-departmental initiatives
			Enhancement of team strength (organizational development)			

KAERU in numbers (April 2018–July 2022)

Increasing those with awareness

Basic organizational development training: 91 participants
Facilitation training: 866 participants

Creating opportunities for awareness

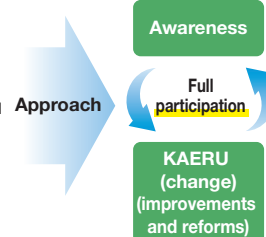
Visualizing department operations: 100% progress
Drawing department operations in company-wide unified workflow chart: 75% progress
Presentations and talk sessions: 21 held with a total of approximately 1,470 participants
Dialogue and exchange workshops: around 180 held with a total of approximately 730 participants
(all officers, the president and employees, in each workplace, across departments, etc.)

Linking awareness to change

Identifying issues from visualization and workflow chart: 550 cases
Supporting improvement: 205 cases out of 550 issues

Connecting change agent

Work style proposals by cross-departmental teams: 23 subcommittees with a total of 155 participants
(meetings, 3S, information sharing, guidance and training, business manners, utilization of IT tools, paperless, office layout)



KAERU members (planners and promoters): **8** full-time, **152** concurrent

KAERU supporters (former members, supporters, etc.): **130**

KAERU activity participants: **2,471**

* As of July 2022

Looking back on the four years of the “KAERU Project”—Comments from planners and promoters

We held a roundtable discussion with seven of the 290 members who have been involved in the planning and promotion of the KAERU Project. Here are some excerpts. You can watch the full roundtable discussion on our website.

Roundtable discussion (managerial positions) : <https://bcove.video/3xd69iY> (available only in Japanese)

Roundtable discussion (regular employees): <https://bcove.video/3RS54VB> (available only in Japanese)



Mitsuhiro Akiyama,
Nonwoven Materials
Operating
Department



Takeshi Mochizuki,
Internal Audit
Department



Atsushi Tsukada,
Engineering
Department, Iwakuni
Production Center



Risa Tanaka, Production
Innovation Section and
Engineering
Department, Iwakuni
Production Center



Tomoko Tamura,
Packaging Operating
Department



Satoru Ashitaka, Quality
Assurance Management
Department,
Environmental
Management
Department



Tokuyuki Higuchi,
Nonwoven Materials
Operating
Department

Q. How has the KAERU Project changed Toyobo?

A. Ashitaka In the past, we rarely **discussed the work of people who performed different tasks in the same department**, but there is now an atmosphere in which people are willing to do so. Sometimes conversations can get a little heated, but I think that is okay.

Akiyama Our activities taught me the value of **listening and communicating**, and I participated in efforts to improve team strength (organizational development). As a result of my experiences with KAERU, I have made meetings in my own department more interactive. I think it is a good thing that many different opinions are being expressed.

Q. How is the culture created through KAERU?

A. Mochizuki I think KAERU became easier to understand after the TOYOBO PVVs were created. The key word for the TOYOBO PVVs instillation activities I took part in was “empathy.” A new sense of **spontaneity** within Toyobo has emerged since instead of doing KAERU as they are told, the notion that **“we are doing it because we can identify with it”** is valued.

Q. What are some methods to expand KAERU activities?

A. Ashitaka We **lowered the bar for participation** so that anyone could start with something small at first.

Tamura A large number of people think that you have to be very passionate about the company in order to join KAERU activities. I think it is important to approach employees and let them know that **it is fine to participate even just by casually wanting to know more about other departments**.

Q. What are some of the challenges faced in promoting KAERU and what was learned from them?

A. Tsukada At first, I started out by thinking I could make changes very aggressively, but I had a hard time gaining the acceptance of members. I decided to change my style to one in which **I listened to and understood each workplace and everyone’s circumstances and feelings before moving forward**. I was conscious of trying to make sure that activities would also **lead to the growth of the planning team members**.

Q. What are some positive effects from implementing KAERU?

A. Tanaka Because my work usually finishes within the Iwakuni Production Center, it was great to be able to talk with everyone at the head office about the company and **learn different opinions**.

Tamura Everyone in the subcommittee I belonged to was very earnest and kind. It was fun to see that the opinions I had freely expressed being taken seriously and sincerely, and leading to positive changes in the company.

Q. How did you change?

A. Higuchi I honestly thought it would mean more work in the beginning. But after participating, **I wanted to play a role in improving the many problems in each department, including my own**. I truly feel that things are gradually changing.

The Basis of Value Creation

Environmental Policy and Activities

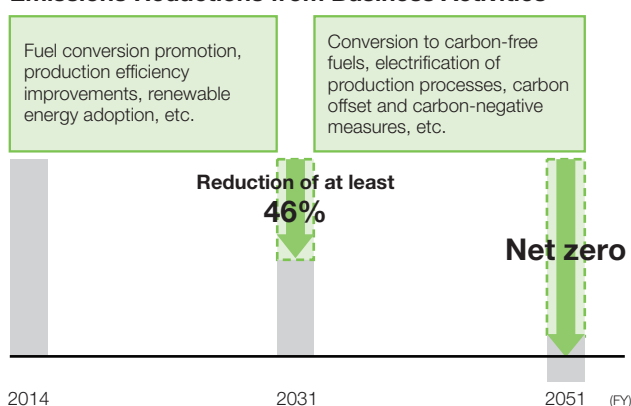
Climate Change

Basic approach

The Glasgow Climate Pact was adopted at the 26th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP26) in 2021, with the aim of addressing the global issue of climate change. The Pact incorporates a commitment to strive to keep the rise in average global temperatures within 1.5°C, which would have a less severe impact than the earlier target of 2°C, by utilizing the latest scientific know-how, and it thus set a de facto goal for the world to work toward. The Pact confirmed that the next 10 years will be vitally important for realizing this, and that it is important to reduce overall global CO₂ emissions by 45% by 2030 compared to 2010, and to cut emissions to net zero by 2050.

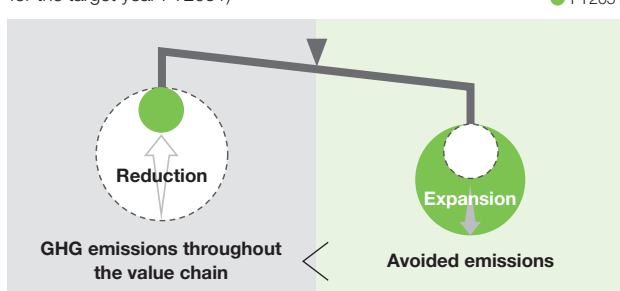
Toyobo group recognizes that the need for climate change response measures constitutes a very important issue affecting society, and one which will have a major impact on the company's business. With this in mind, Toyobo has set itself the target of achieving carbon neutrality by fiscal 2051.

Targets for Scope 1 and 2 Emissions Reductions from Business Activities



Targets for the Entire Value Chain

(including contribution through products and solutions for the target year FY2051)



Targets and results

With regard to Scope 1 and 2¹ greenhouse gas (GHG) emissions associated with our business activities, we have set ourselves the target of realizing net zero emissions by fiscal 2051. In May 2022, we raised our intermediate-term target for fiscal 2031 to a target of reducing emissions by at least 46% compared to fiscal 2014.

In order to contribute toward realizing the decarbonized society, we are proceeding with efforts to reduce GHG emissions from the entire value chain deriving from activities that are related to our own business, while also working to expand the contribution that we make toward reducing GHG emissions through our products and services.

Initiatives	Targets (FY2031)	Results (FY2022)
Scope 1 and 2 GHG emissions (consolidated)	Reduction of at least 46% (compared to FY2014)	26% reduction (900 thousand tonnes CO ₂)

As regards the results in fiscal 2022, total Scope 1 and 2 GHG emissions came to 900 thousand tonnes CO₂. While sales increased by 11.4%, because we were implementing energy-saving activities and measures to enhance production efficiency, GHG emissions remained at roughly the same level as in fiscal 2021.

¹ Scope 1: Direct emissions from owned or controlled sources
Scope 2: Indirect emissions from the use of purchased electricity, heat and steam

GHG Emissions



Aggregation scope: Consolidated

Initiatives

Reduction of Scope 1 and 2 emissions

We have formulated plans for Scope 1 and 2 emissions reduction aimed at realizing carbon neutrality, and our emissions reduction measures have taken concrete shape. Based on the plans, we have raised our intermediate-term target for fiscal 2031 to a target of reducing emissions by at least 46% compared to fiscal 2014, and we are proceeding with emissions reduction activities.

Our emissions reduction activities include continuous efforts in the areas of energy-saving activities and enhancing production efficiency. We are also implementing a transition toward low-carbon energy use, by switching to fuels with lower carbon contents for our in-house electricity generating equipment, and installing additional gas co-generation system² equipment. Besides the adoption of renewable energy, including photovoltaics and small-scale wind power systems, to help us become carbon-neutral, and the electrification of production processes, we are also exploring the potential for switching over to carbon-free fuels, including mixed combustion.

² Gas co-generation systems are systems that use natural gas to generate electricity, with the waste heat being harnessed to produce steam and hot water that are used in manufacturing processes, for supplying hot water, for air conditioning, etc.

Introduction of renewable energy

We are proceeding with the installation of photovoltaic power generation and small-scale wind power generation facilities at each of our business sites, making use of roof spaces and unused land.

Reduction of Scope 3 emissions

With regard to Scope 3 emissions, we are implementing reduction measures mainly for Category 1³ and Category 11⁴ emissions, which account for a particularly large share of Toyobo group's emissions.

In the case of Category 11 emissions, we have identified GHG emissions hotspots when VOC recovery

equipment is in use, for electric power and other utilities, and we are implementing measures to control these emissions. More specifically, we are working to substantially reduce emissions at the level of individual units, by enhancing the performance of the adsorbent materials and desorbent materials used, and by building energy-saving drive systems.

³ Category 1: Emissions from activities (such as manufacturing) relating to purchased goods and services

⁴ Category 11: Emissions from use of sold products

Expanding our avoided emissions

Most of the Toyobo group's products are materials or intermediate goods. Many of these products contribute toward reducing GHG emissions, and we are performing calculations to quantitatively determine the size of the contribution. We will expand our contribution to reducing emissions by increasing sales of forward osmosis (FO) membranes for osmotic power generation, reverse osmosis (RO) membranes for seawater desalination, renewable energy materials, and recycled materials, in particular.

Structure to achieve carbon neutrality

In April 2021, Toyobo established the Carbon Neutral Strategies Council and the Carbon Neutral Strategies Cross-Functional Team (CN-CFT) to formulate and promote strategies to achieve carbon neutrality.

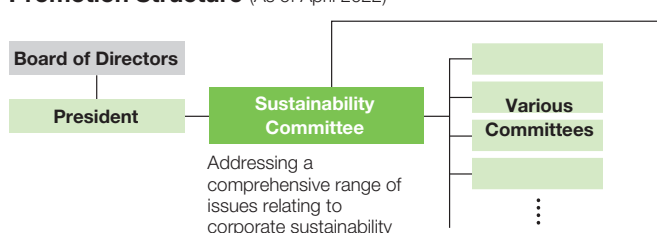
In order to make steady progress towards the realization of carbon neutrality, we have also established working groups (WGs), with members from different units across the entire company, within the CN-CFT.

WGs' main initiatives

- Formulation of the plans for Scope 1 and 2 emissions reduction (covering the period through to fiscal 2051)
- Calculation and promotion of life cycle assessment, the company's carbon footprint, and avoided emissions
- Promotion of related innovation

(▶p.031 Disclosure Based on TCFD Recommendations)

Promotion Structure (As of April 2022)



Subcommittee Carbon Neutral Strategies Council

Comprising members of the Board of Managing Executive Officers and Controlling Supervisors

Carbon Neutral Strategies Cross-Functional Team

Leader: Head of Corporate Sustainability Division

Secretariat: Corporate Sustainability Department

Participant: Solutions Divisions, Production Technology Division, Corporate Planning Division, Innovation Division, Safety and Disaster Management Division



Resource Circulation

Increasing consumption of natural resources and energy, and increasing generation of waste, are becoming serious problems throughout the world. As a result, there is a global trend to realize a transition away from conventional uni-directional resource usage toward the circular economy, in which resources are used in a sustainable manner.

Toyobo group is aiming to help realize the circular economy through its business activities by implementing initiatives to achieve the greenification (i.e., utilization of biomass and recycled raw materials, and volume reduction)¹ of plastic in the value chain, reduce waste, and conserve water resources.

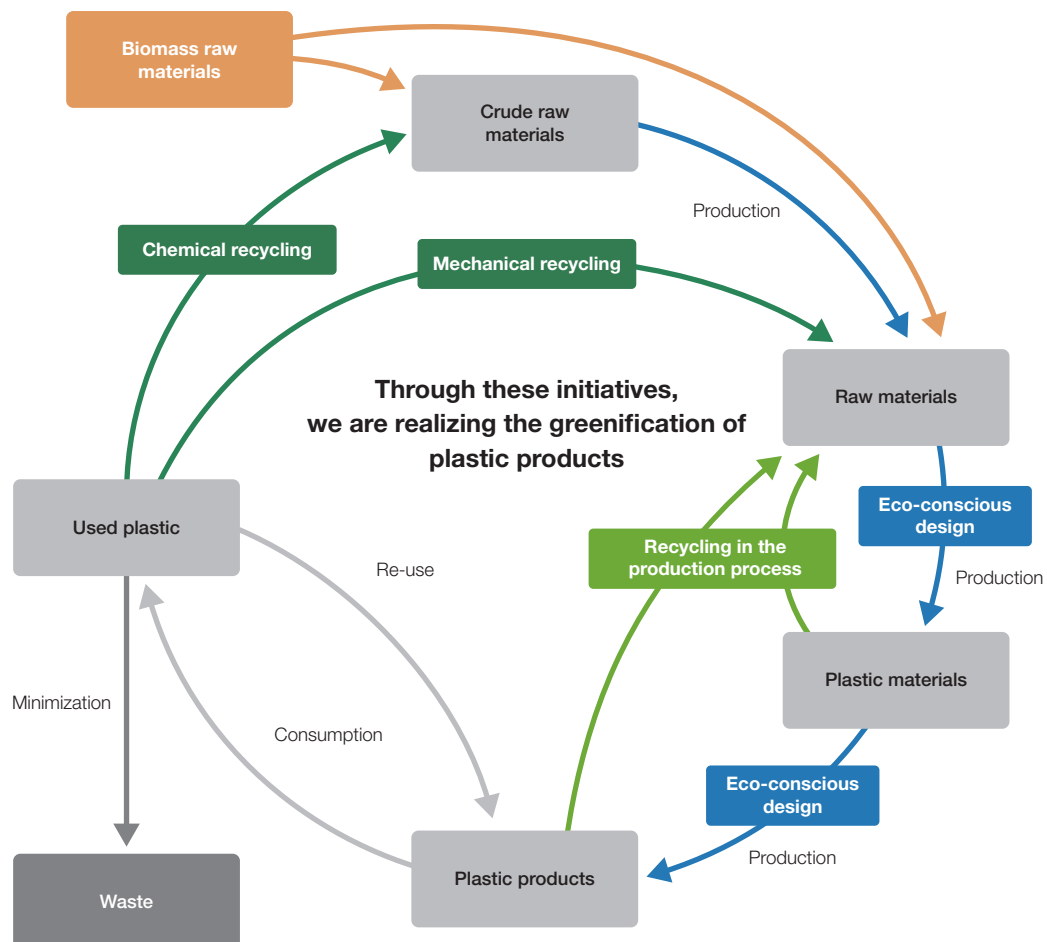
¹ This excludes some products where safety or lifespan is an issue.

Plastic resource circulation

Basic approach

Plastic is an indispensable material for modern society, but it is also associated with issues such as the problem of waste, depletion of natural resources, and its impact on climate change. Against this background, the promotion of plastic resource circulation is becoming increasingly important. In Japan, April 1, 2022 saw the coming into effect of the Act on Promotion of Resource Circulation for Plastics, the aim of which is to realize a strengthening of comprehensive resource circulation systems in relation to the plastics that are used in so many different things in our daily lives.

Toyobo Group's Initiatives in Relation to the Plastic Lifecycle and Resource Circulation



Toyobo group has been actively engaged in developing products and technology that reduce the impact on the environment, to contribute to realizing the circular economy. With regard to plastic products, we are proceeding with greenification in order to make the materials that we provide sustainable. Besides increasing the usage rate for biomass and recycled raw materials, we are also working on the commercialization of biomass plastic that maintains high functionality. Furthermore, when designing new products, we implement eco-conscious design, by reducing the amount of plastic used or using mono-material design. We are also working to re-use materials including offcuts in our production processes.

Biomass raw materials

It is anticipated that the use of biomass raw materials will reduce dependence on fossil fuel resources as a raw material for plastics, and help mitigate climate change through the reduction of CO₂ emissions.

Toyobo group is switching over to and expanding the use of biomass raw materials and is working actively to develop new raw materials and materials.

Related technologies and products	Collaborative projects and other joint initiatives
<ul style="list-style-type: none"> • BIOPRANA® • VYLOAMIDE® • HOLLOSEP® • Polyethylene Furanoate (PEF) resin (currently under development) 	<ul style="list-style-type: none"> • Partnership with Avantium N.V. to develop PEF resin • Partnership with Suntory Group and Anellotech, Inc. to develop PET resin that uses 100% plant-based raw material • Japan BioPlastics Association • Japan Plastics Industry Federation

Chemical recycling²

We are one of the founders of R Plus Japan, Ltd., through which we are actively promoting the development of chemical recycling technology to produce high-quality recycled plastic by turning used plastic back into crude raw material.

Collaborative projects and other joint initiatives

- R Plus Japan, Ltd.
- Anellotech, Inc.
- Japan Chemical Industry Association

Mechanical recycling³

We are working actively to develop and sell products that contribute toward conserving resources through the use of recycled materials.

We have also developed TOYOBO GS Catalyst®, an innovative polyester polymerization catalyst that reduces PET degradation when PET material is used repeatedly in closed-loop recycling such as “bottle-to-bottle” recycling. Utilizing this technology, and with a main focus on PET, we are working to expand our presence in the global mechanical recycling technology and mechanical recycling materials markets.

Related technologies and products	Collaborative projects and other joint initiatives
<ul style="list-style-type: none"> • ECHORCLUB® • Crisper® • TOYOBO GS Catalyst® 	<ul style="list-style-type: none"> • Licensing of technology to Indorama Ventures Public Company Limited

When developing and commercializing related technologies, we explore technologies from all over the world, and we proactively collaborate with external organizations and other companies.

Having adopted the slogan “Catalyzing Circular Economy,” Toyobo group is contributing toward the realization of the circular economy through a wide range of initiatives, and by fulfilling our responsibility to future generations, we are aiming to realize sustainable growth.

Eco-conscious design

Toyobo group is working to make its products more eco conscious.

Reduce

- Reducing the amount of raw material needed, by developing and commercializing thinner, lighter materials
- Reducing the amount of packaging material used, by simplifying packaging

Mono-material solutions

Increasing recyclability by having products consist of just one type of plastic

Related technologies and products

- SPACECLEAN®
- Highly heat-resistant, high-rigidity biaxially oriented polypropylene (OPP) film

Recycling in production processes

We collect airbag material offcuts and film product offcuts, and re-use them as material for producing either the same type of product or different products. In this way, we are able to reduce the amount of waste generated by our production processes.

Related technologies and products	Collaborative projects and other joint initiatives
<ul style="list-style-type: none"> • ECOKURELEAF® • ECOVYLOPET® • COSMOSHINE SRF® 	<ul style="list-style-type: none"> • Resource circulation project (KAMISHINE® mold releasing film)

Responding to the issue of marine plastic waste and microplastics

With the aim of reducing the amount of marine plastic waste, Toyobo is participating in initiatives such as the Clean Ocean Material Alliance (CLOMA) established in Japan, and is undertaking the development and dissemination of substitute materials.

Collaborative projects and other joint initiatives

- CLOMA

- 2 Chemical recycling: This refers to chemically breaking down used plastic to turn it back into crude raw material that can be reused.
- 3 Mechanical recycling: This refers to crushing and melting used plastic to generate raw resin, which is used as a material for recycled plastic.

Feature

Contributing to the Development of Prototype PET Bottles Made from 100% Plant-Derived Raw Materials

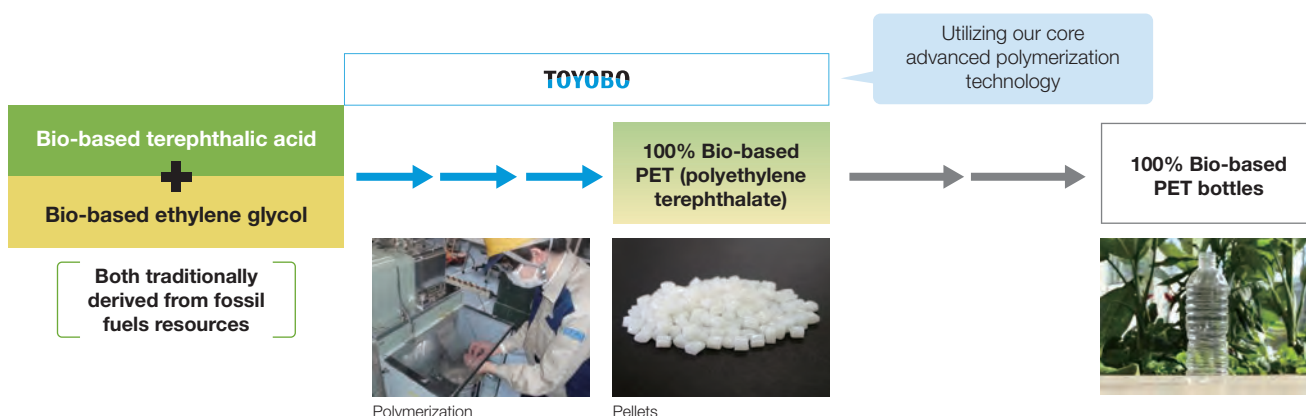
Toyobo group is actively promoting the switch to biomass raw materials and the utilization of recycled raw materials, with its goal to increase the ratio of green film products¹ to 60% by 2030. We have used our core technologies to develop a variety of eco-conscious products.

In December 2021, Suntory Group and Anellotech, Inc. jointly developed a prototype PET bottle made from 100% plant-derived raw materials (100% bio-based PET bottles) using one of our core technologies, polymerization.² Generally, PET resin is produced by the

polymerization of terephthalic acid and ethylene glycol, which are both derived from fossil fuel resources. Anellotech's technology enabled to produce terephthalic acid efficiently from plant-derived raw materials. The group's success in polymerizing 100% bio-based PET resin from bio-based terephthalic acid and bio-based ethylene glycol contributed significantly to the development of 100% bio-based PET bottles.

1 Promotion of the use of biomass and recycled raw materials, and volume reduction
2 Chemical reactions to produce desired polymers

Manufacturing Flow of 100% Bio-Based PET Bottles



Polymerization of 100% bio-based PET resin

Key to success is a thorough preliminary examination leveraging cultivated knowledge and technical capabilities



Yuichiro Matsuura

Polymers Development Center,
Tsuruga Research and
Production Center

Creating bio-based terephthalic acid has been considered difficult. While it was successfully generated using Anellotech's technology, it resulted in only a few dozen kilograms as a polymerization sample, which was much smaller quantity than anticipated. When implementing polymerization, we normally expect some failures, but with such a small amount, not even a single failure is acceptable. For this reason, after thoroughly analyzing and preparing the raw materials and equipment, respectively, the team determined the polymerization conditions after numerous discussions. The actual polymerization was repeated more than a dozen times in small quantities in order to disperse the risk and produce as much 100% bio-based PET resin as possible. However, the increased frequency requires an awareness of variations in quality. Each operation to adjust the temperature or pressure was performed carefully step by step to avoid such variations, and then fine-tuned according to differences among lots of raw materials and in the daily temperature and humidity. I remember

always watching for any abnormalities in each and every process. As a result, we were able to obtain the same quality. It was a true relief when all of the polymerization was completed.

I believe that the skills I cultivated since joining the company and the abundant PET-related data and expertise that was accumulated over many experiences were key to this success. In working on polymerization, I learned many things from my managers and those in my department. I believe that it was this warm support that enabled us to succeed even while being pressured not to fail.

I would like to continue engaging in various projects to further increase confidence in Toyobo's technological capabilities, and contribute to the development of products that positively contribute to society.



Team members of 100% bio-based PET resin project

Creating an organization that can pass on skills

Fostering a culture of nurturing young engineers throughout Functional Materials Production and Technology Operating Department



Gaku Maruyama

General Manager of Tsuruga Polymers Plant and Manager of Polymers Development Center, Tsuruga Research and Production Center

I am very happy to have contributed to the development of a 100% bio-based PET bottles prototype with Toyobo's technology, and I am proud of the members who accomplished this.

Toyobo's facilities enable consistent technological development, from basic studies like those in university laboratories to condition studies for commercial production in plants. Our strength lies in our extensive facilities and wealth of data and know-how based on many years of experience. We have earned the confidence of customers in our polymerization technology, and they often entrust us with various polymerizations.

In such a privileged environment, our department actively assigns large projects to young engineers in the second and third year of their careers in order to encourage them to grow as professionals. We know that there is a lot of pressure and anxiety associated with "can't-fail" projects such as these, and we do our best to support them.

Throughout the projects, engineers deal with advanced technology in addition to the polymerization work itself. As a result, I feel that the young engineers have learned and adapted the technologies that were inherited from predecessors at Toyobo.

I feel rewarded when I hear feedback such as, "I am glad I had this experience even though I made some mistakes," or when I see young participants in this project using their knowledge to help engineers who are less experienced.

The Functional Materials Production and Technology Operating Department as a whole has this kind of "culture of nurturing young engineers." I would like to continue to develop human resources and contribute to the company's growth by giving younger engineers work they are responsible for, and providing them with the support to do so.

The Basis of Value Creation



Environmental Policy and Activities

Resource Circulation

Waste reduction

Basic approach

Each of Toyobo group's production sites is implementing initiatives to reduce, reuse, and recycle waste. By reducing the amount of waste through measures such as recycling non-conforming products and offcuts, and by finding ways to effectively utilize, as far as possible, the waste that we do generate, we are striving to minimize the amount of waste sent to landfill.

Targets and results

We have set ourselves the goal of reducing waste by 15% (compared to fiscal 2016), and we will keep the final disposal (landfill disposal) rate down to less than 1% while proceeding with waste reduction.

Initiatives	Targets (FY2031)	Results (FY2022)
Waste volume (consolidated)	15% reduction (compared to FY2016)	8% increase

In fiscal 2022, the amount of waste increased by 8% compared to fiscal 2016. This was due to an increase in production volume. On the other hand, we achieved a consolidated final disposal rate of 0.4%, continuing to successfully meet our target in this regard.

Initiatives

To reduce the amount of waste, we are collecting offcuts produced during manufacturing processes and reusing them as material for producing either the same type of product or different products. We are also making effective use of items such as used plastic packaging materials by recycling them in the form of pallets. Furthermore, when outsourcing the disposal of industrial waste, we select outsourcing providers that are capable of implementing recycling.

With regard to polychlorinated biphenyl (PCB) waste, we are proceeding with appropriate disposal in a systematic manner. We are proceeding with systematic disposal of electric facilities containing low-concentration PCBs that are currently still in use.

Water resources

Basic approach

Water is a precious resource that keeps us alive and supports our lifestyles, and conserving water resources is an important global issue. Toyobo group contributes toward enhancing usable freshwater resources, both within and outside Japan, through our seawater desalination products and businesses. We also work to conserve water resources through the recycling of water in our own business activities, and by keeping the amount of water that we use to a minimum.

Results

Water Intake by Region

(million m³)

	FY2018	FY2019	FY2020	FY2021	FY2022
Japan	90.8	86.4	89.1	83.4	84.5
Overseas	1.3	1.2	1.4	1.1	1.4
Total	92.1	87.6	90.5	84.5	85.9

Aggregation scope: Consolidated

Initiatives

Toyobo group recognizes that conservation of water resources is an important issue in terms of ensuring business continuity, and we are proceeding with efforts to reduce the amount of water intake and promote water recycling. By reusing waste such as cooling water used in manufacturing processes, we are striving to reduce our water intake. We are now also evaluating water risk for each of our production sites by using the AQUEDUCT Water Risk Atlas compiled by the World Resources Institute.

In line with the TOYOBO Group Fundamental Policy on the Global Environment, we comply with environmental regulations set by national and local government authorities and rules set by environmental conservation agreements. In addition, in our self-management standards, we have set criteria which may in some cases be more rigorous than the statutory requirements in terms of water discharge from our production sites, while installing pollution prevention equipment.

E

Environmental Policy and Activities

Living in Harmony with Nature

Our daily lives and our economy are supported by the benefits that we receive from a wide range of living creatures and ecosystems, or in other words, from biodiversity.

Toyobo group handles a wide range of chemical products, and produces items such as textile products, packaging containers, and raw materials for pharmaceutical products. To minimize the negative impact that our operations have on the global environment and on ecosystems, we are working to conserve biodiversity, by implementing thorough management of chemical substances, as well as striving to reduce our impact on the environment, including the atmosphere and on water area.

Chemical substance management

Basic approach

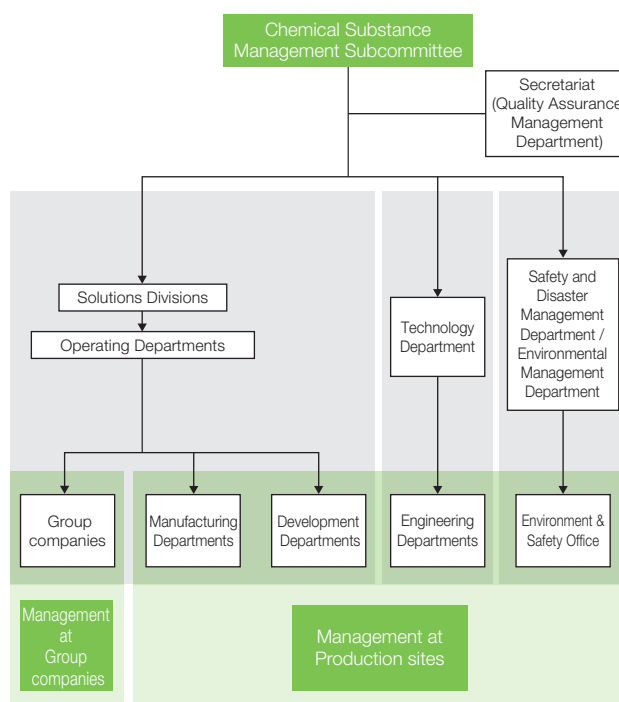
Toyobo group endeavors to manage chemical substances appropriately throughout the product lifecycle (research, development, design, manufacturing, sales, use, and disposal), in order to help conserve the global environment, support disaster prevention, ensure workers' health and safety, guarantee product safety, and ensure conformity with each country's chemical substance regulations.

Chemical substance management structure

In order to promote appropriate management of chemical substances, Toyobo group has established a management structure at each production site. Each Solutions Division supervises the activities of the production sites and group companies under their jurisdiction.

In addition, we have created the TOYOBO Chemical Substance Management Classification in compliance with relevant laws and regulations—both international and domestic—as well as client requests. This classifies the chemical substances we handle into five levels, and the management procedures are specified for each level or “rank.” Use of substances in rank A and B is permitted only when the risks are thoroughly assessed, mitigation measures are taken, and the risk is deemed tolerable. We are continuously making efforts to reduce the overall usage volume of rank A and B substances by optimizing and replacing these substances.

Chemical Substance Management Structure



TOYOBO Chemical Substance Management Classification

Rank	Management Category	Notes (relevant laws and regulations, etc.)
A	Substances requiring particularly strict management	Chemical Substances Control Law, ¹ Industrial Safety and Health Act, Poisonous and Deleterious Substances Control Act, Act on the Protection of the Ozone Layer through the Control of Specified Substances, etc. and Other Measure, Act on the Prohibition of Chemical Weapons and Control, of Specific Chemicals, POPs, ² PIC, ³ RoHS, ⁴ REACH, ⁵ etc.
B	Substances requiring strict management	Chemical Substances Control Law, PRTR, ⁶ Industrial Safety and Health Act, Poisonous and Deleterious Substances Control Act, REACH, etc.
C	Substances requiring strict exposure prevention measures	Chemical Substances Control Law, PRTR, Industrial Safety and Health Act, Poisonous and Deleterious Substances Control Act, Fire Service Act, etc.
D	Substances requiring exposure prevention measures	PRTR, Industrial Safety and Health Act, etc.
E	Others	Other than A–D

¹ Chemical Substances Control Law: Act on the Regulation of Manufacture and Evaluation of Chemical Substances

² POPs (treaty): Stockholm Convention on Persistent Organic Pollutants

³ PIC (treaty): Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade

⁴ RoHS: Restriction of the use of certain Hazardous Substances in electrical and electronic equipment

⁵ REACH: Registration, Evaluation, Authorisation and Restriction of Chemicals

⁶ PRTR: Pollutant Release and Transfer Register

Chemical substance management activities

Recent years have seen new requirements to manage chemical substances within the supply chain. Such requirements also apply in Japan, following the coming into effect of the Act on the Regulation of Manufacture and Evaluation of Chemical Substances. (Chemical Substances Control Law), as well as other regulations relating to chemical substance management. Additionally, the Globally Harmonized System of Classification and Labeling of Chemicals (GHS) has been adopted by the United Nations.

In view of this situation, Toyobo has introduced a chemical substance management system covering every stage from procurement through to manufacturing and sales. This is to realize green procurement while providing accurate and prompt support to our customers. We employ this system to investigate the use of regulated substances and carry out surveys regarding content in products. The system also supports suppliers in creating safety data sheets (SDS) for chemical substances.

Reducing environmental impact

Basic approach

With regard to chemical substances that are emitted into the atmosphere or into water areas, Toyobo group has set self-management standards that go beyond the statutory requirements and reduction targets. Based on these, we implement rigorous management and are working to reduce emissions.

Targets and results

We have set ourselves the targets of reducing emissions into the atmosphere of substances that have an impact on the environment by 60%, and of reducing such emissions into water area by 80%, compared to fiscal 2015, by fiscal 2031.

Initiatives	Targets (FY2031)	Results (FY2022)
VOC emissions (Japan total)	60% reduction (compared to FY2015)	29% reduction
Discharge of hazardous substances into water(Japan total)	80% reduction (compared to FY2015)	36% reduction

Japan total: TOYOBO CO., LTD. and domestic consolidated subsidiaries

In fiscal 2022, we succeeded in reducing emissions into the atmosphere by 29%, and emissions into water area by 36%, compared to fiscal 2015.

Initiatives

Toyobo group estimates and reports the amount of

emissions and amount transferred for chemical substances that are subject to PRTR. Based on the overall results that are announced each year, we strive to utilize this information effectively in reducing the amount of emissions and the amount transferred.

We are proceeding with the improvement and replacement of production equipment and installations, the improvement of operating conditions, the installing of equipment for removing relevant substances, and the adoption of substitute raw materials and auxiliary materials, in order to reduce emissions.

Biodiversity

Basic approach

TOYOBO Group Fundamental Policy on the Global Environment calls for the group to actively support and participate in environmental protection and biodiversity conservation activities throughout society and in local regions, as a good corporate citizen. In doing this, we strive to minimize the impact of our business activities on ecosystems. We are working to strengthen our initiatives aimed toward the conservation of biodiversity by formulating our own Action Guidelines for Biodiversity Conservation, and by expressing our support for the Initiative Based on the Declaration of Biodiversity by Keidanren in 2022.

Action Guidelines for Biodiversity Conservation

We recognize that biodiversity is an essential part of a sustainable society. As a group which continues to create the solutions needed by people and the earth, we will endeavor to understand the impact of our business activities on the conservation of biodiversity, and strive to conserve the three types of biodiversity (species, genetic, and ecosystem diversity) through various activities.

- We will work to understand how the group's business activities depend on and affect biodiversity, and endeavor to avoid or minimize negative impacts.
- We will strive to give consideration to biodiversity conservation throughout the entire value chain.
- We will contribute to conservation by promoting the development of biodiversity-conscious products and technology.
- We will support and promote conservation activities through employee participation, and through cooperation and collaboration with various

stakeholders, including local communities and NGOs.

- We will comply with domestic and overseas agreements on biodiversity.

Initiatives

We identify the relationships between our business activities and biodiversity, and then seek to make a positive contribution through our products and solutions, minimize the environmental impact of our business activities, and undertake biodiversity conservation activities in collaboration with local communities.

Toyobo group's business activities and its involvement in biodiversity

The relationships between Toyobo group's business activities and biodiversity are organized as shown in the figure below.

In addition, at all domestic and overseas production sites of our group, by using IBAT,* we have conducted surveys to determine whether there are any rare species or important natural environments such as World Natural

Heritage sites, IUCN Protected Areas (Management Categories I-VI), or Ramsar Convention wetland sites that should be conserved within 1 km of the production site, and we have collated this information.

The biodiversity conservation activities that we undertake at each production site are based on the relationship between Toyobo group's business activities and biodiversity and on the local environment at each production site.

* Abbreviation of "Integrated Biodiversity Assessment Tool," a database of the world's protected areas in which the United Nations Environment Programme (UNEP) and other organizations participate.

Initiatives through our business activities

The Toyobo group utilizes a variety of environmental protection technologies, including in-house developed VOC treatment equipment, to remove harmful chemical substances from water and gases emitted at our production site. In addition, we have installed monitoring systems within our production process to ensure that no harmful chemical substances are released accidentally. We also strive to improve our manufacturing processes so as to minimize the amount of these substances that is used and emitted.

Relationship between Business Activities and Biodiversity [Risks and Opportunities]

Life cycle of business activities		Design / Development	Procurement of raw materials	Production	Distribution / Packaging	Product use / Consumption	Recycling / Disposal / Incineration
Inputs	Energy resources	Crude oil / Natural gas, etc.					
	Metals / Mineral resources	Crude oil / Iron, etc.					
	Renewable resources	Water / Plant-derived materials / Wood / Paper, etc.			Paper, etc.	Water, etc.	
	Chemical substances	Chemical substances					
	Petrochemicals	Plastics, etc.					
Products and services produced by each Solutions Division (Films and Functional Materials, Mobility, Lifestyle and Environment, Life Science)							
Outputs	Emissions into the atmosphere	CO ₂ , NO _x , SO _x , dust and soot, etc.					
	Discharge into waters	BOD, COD, etc.		BOD, COD, etc.		BOD, COD, etc.	
	Discharge to soil						Waste
	Waste generation	Waste					
Impacts (risk) Impact on ecosystems	Climate change	Greenhouse gas generation					
	Environmental impact	Pollution of air, water and soil, and depletion of resources					
	Habitat loss / Decrease in biological resources	Habitat loss / Decrease in biological resources					Habitat loss / Decrease in biological resources
	Invasion of foreign species		Invasion of foreign species		Invasion of foreign species		
Contributions (opportunities) Contribution to biodiversity conservation	Climate change	Greenhouse gas reduction (Energy conversion / Energy conservation), and development of eco-conscious products					
	Environmental impact	Resource recycling, waste reduction, appropriate chemical substance management, use of renewable resources, and development of eco-conscious products					
	Habitat loss / Decrease in biological resources, etc.	Activities to reduce the above-noted environmental impacts, promotion of awareness of CSR Procurement Guidelines and White Logistics, control of genetically modified organisms, social contribution activities, and forest conservation activities					

Impacts (risks) resulting from the land use of the business location

Climate change, environmental impact, habitat loss, decrease in biological resources, and invasion of foreign species

Examples of eco-conscious products

Greenhouse gas reduction

Osmotic power generation plant employing FO membranes

Resource recycling

BREATHAIR®

Use of plant-derived raw materials

BIOPRANA® ONY

Compiled with reference to the "Map of Relationships between Corporations and Biodiversity" published by the Japan Business Initiative for Biodiversity.

The Basis of Value Creation



Environmental Policy and Activities

Eco-Conscious Products

Basic approach

As clearly stated in the TOYOBO Group Charter of Corporate Behavior, Toyobo group strives to save energy as well as reduce and re-use resources. We also develop products and technologies that help reduce the impact on the environment.

Mechanism for certification of eco-conscious products

These products and technologies are defined and evaluated under our Eco-Review system. This system evaluates the following aspects at every stage in the product life cycle: preventing climate change, reduction of chemical substance use, resource conservation, waste reduction, and other environmental contributions. Products that meet these standards are certified as ECO-PARTNER SYSTEM® products. Since the Eco-Review is carried out at each stage in the product life cycle—from R&D to commercialization—issues that require improvement from an environmental protection perspective are identified and

improved at an early R&D stage prior to the subsequent review. Consequently, we are contributing to the environment as we develop our products and technologies.

Targets and results

Initiatives	Targets (FY2031)	Results (FY2022)
Sales ratio held by ECO-PARTNER SYSTEM® products (TOYOBO CO., LTD. only)	40%	33.8%

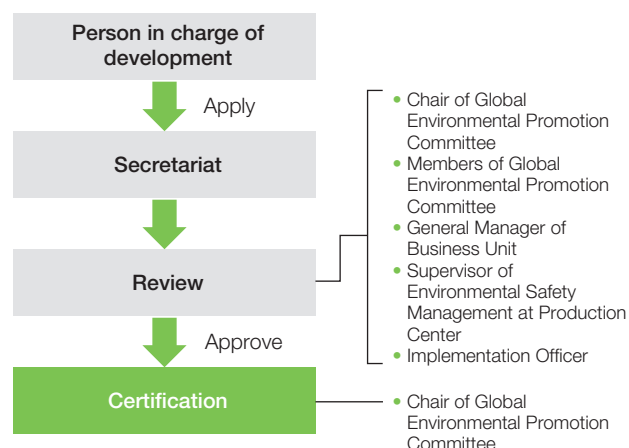
In fiscal 2022, sales of ECO-PARTNER SYSTEM® products accounted for 33.8% of the company's total sales. Going forward, we will continue to create eco-conscious products.

In addition, we are considering expanding the scope of application of the certification system to include group companies, and have begun to identify issues in order to calculate the sales ratio held by ECO-PARTNER SYSTEM® products for the entire group.

Eco-Review Evaluation Items

Design and development	<ul style="list-style-type: none"> Designing eco-conscious products
Raw materials	<ul style="list-style-type: none"> Using recycled materials and alternative raw materials to petroleum-based raw materials Considering biodiversity
Production	<ul style="list-style-type: none"> Using energy-saving and clean energy Reducing water use and effectively using raw materials Reducing waste
Distribution and packaging	<ul style="list-style-type: none"> Reducing transportation energy Reducing packaging waste
Use and consumption	<ul style="list-style-type: none"> Reducing resource consumption Increasing lifespan
Recycling, disposal, and incineration	<ul style="list-style-type: none"> Reducing hazardous chemical emissions Biodegradability and recyclability

Review and Certification Process



Sales by Evaluation Standard of ECO-PARTNER SYSTEM® Products

Five evaluation standards				
Preventing climate change	Resource conservation	Waste reduction	Reduction of chemical substance use	Other environmental contributions
¥45.7 billion	¥28.4 billion	¥49.3 billion	¥44.0 billion	¥29.1 billion

Note: Net sales in the figure include duplicates because they are determined based on multiple criteria.

RO membranes for seawater desalination

Globally, water shortages are becoming an increasingly serious problem. We provide hollow fiber reverse osmosis (RO) membrane, which enables desalination to be performed with low energy consumption, to countries throughout the world, especially in regions where there is inadequate access to fresh water. By comparison with the conventional multi-stage flush (MSF) method, Toyobo's method using RO membrane makes it possible to achieve a substantial reduction in CO₂ emissions.

Toyobo's RO membrane is made mainly from biomass material, and it has a number of unique features, including long product lifespan of eight years or more, and being able to produce high-purity fresh water. Additionally, the superior chlorine resistance of the membrane material keeps maintenance costs down.

Going forward, we will be expanding production of RO membrane so that it can be used to meet the daily water needs of around 10 million people through seawater desalination (this is the target for Sustainable Vision 2030).



Seawater desalination plants



Biomass Mark* for our hollow fiber membrane in HOLLOSEP®

Avoided emissions (reduction of CO₂ emissions)

Approx. 9 million t-CO₂

Amount of fresh water produced

Approx. 900 million m³

Estimated value calculated by Toyobo based on the assumption that the RO membrane elements sold by Toyobo in fiscal 2022 are used for eight years.

* The Biomass Mark is allowed to be labeled on products and materials containing a certain percentage of biomass after the composition, proportion, quality, and safety of the raw biomass is verified by a third-party organization composed of academic experts.

VOC recovery equipment

Toyobo's VOC recovery equipment is used around the world to control emissions of volatile organic compounds (VOCs), which are feared to affect the atmosphere and human health.

Our VOC recovery equipment incorporates an innovative built-in activated carbon fiber K-FILTER®, which is used in various industries to recover dichloromethane used in the lithium battery separator manufacturing process, and to control emissions and recover ethyl acetate (which is used in dry lamination and adhesive processes), toluene, and IPA etc.

Our activated carbon fiber K-FILTER® has superior adsorption and desorption capabilities and contains less impurities than granular activated carbon, enabling high-quality solvent recovery and excellent energy efficiency. Our VOC recovery equipment can reduce carbon dioxide emissions by approximately 40 to 80% compared to conventional VOC combustion equipment when treating combustible VOCs such as ethyl acetate and toluene (according to research by Toyobo).

Going forward, to contribute toward the realization of the decarbonized society, we will expand applications of our VOC recovery equipment and sales promotion of our nitrogen desorption type VOC recovery equipment, which is more energy efficient.



VOC recovery equipment

VOC recovery amount (Dichloromethane)

Approx. 3 million tonnes

Estimated value, calculated by Toyobo, of the amount of VOCs (specifically, dichloromethane) that would be recovered if our VOC recovery equipment sold by Toyobo in fiscal 2022 is operated for 15 years.

The Basis of Value Creation



Social Contribution Policy and Activities

Fire Prevention Measures (FY2022)

In the wake of the September 2020 fire accident at the Toyobo Inuyama Plant, the Toyobo group is taking two main approaches to improving safety prevention. We are fostering a culture of safety by clearly establishing safety as the highest priority and revising our education structure. We are also fortifying our safety infrastructure by formulating a plan to enhance our safety and disaster prevention equipment and management and by developing specific PDCA cycles.

Fostering a culture of safety

We had always stated that worksite “safety is the highest priority,” but we now recognized that the problem was that management involvement was insufficient. To foster a deeply imbedded culture of safety, in April 2022 we announced the New Safety Declaration. The New Safety Declaration clarifies for all employee our management stance of placing the highest priority on safety related to occupational labor and conditions, our products, and our equipment. Measures to change our awareness of safety issues include revamping the position-based safety education system and introducing safety workshops and education programs for management level employees led by external organizations. A safety workshop for management-level employees was held in December 2021, with all of the participating company executives having the opportunity to study safety conditions at various companies.

We distributed video footage of the Inuyama Plant fire to each worksite to stimulate discussions about safety and to ensure the lessons learned from the disaster are not forgotten.

Fortifying for safety infrastructure

We continue to apply the PDCA cycle to fortify our safety and disaster prevention infrastructure. The group established the Disaster Management Department and the Occupational Safety Department under the Safety and Disaster Management Division, which is directly overseen by the president, in fiscal 2021. Subsequently, to improve the efficiency and simplify the organization of our safety management, we reorganized the structure and the Safety and Disaster Management Department and Environmental Management Department were brought under the Safety and Disaster Management Division in April 2022.

In fiscal 2022, we also launched a project with safety specialists advising on the formulation of disaster prevention management standards for fire prevention that will apply across the group. The standards were carefully constructed to allow sites to conduct their own inspections in accordance with their specific conditions. We have also added a system for safety specialists to conduct regularly scheduled inspections of the operating conditions at each worksite.

A Medium-term Safety and Disaster Prevention Plan has also been created to avoid the situation of short-term budget planning for business operations leading to postponements of measures and spending for safety and disaster prevention. We worked with external specialists to create detailed risk maps for 15 sites for evaluating the natural disaster risk at each site and to guide the implementation of disaster countermeasures. The risk map will also be used in our planning for future production sites. In addition, we plan to review the disaster prevention measures at all sites and identify sites requiring additional measures for fire containment, such as to prevent a fire from spreading to adjacent buildings. We are preparing a budget with ¥18.6 billion in additional funds to be used for prevention measures by fiscal 2026.

We are also setting up disaster prevention training spaces at all of the group's primary production sites. In August 2021, the Iwakuni Production Center conducted a training program to raise awareness of disaster prevention that included simulating past accidents with reenactments. We plan to set up and utilize more safety training spaces in the future (▶p.061: Safety and Disaster Prevention).

Steps to Enhance Our Culture of Safety

	FY2022	FY2023	FY2024	FY2025
Fostering a culture of safety (employee behavior and awareness) Reestablish shared values and communications	<div>Mostly dependent stage¹</div> <div>Increasing independent stage¹</div> <div>Emerging interdependent stage¹</div>			
	Top management commitment statement An expression of management commitment and action, and a demonstration of tangible leadership (Declaration of Action, on-site dialogues)			
	Workshops for specific position levels (all levels → broaden to group companies and overseas sites)			
	3S² activities (production innovation, small group) Continuously improve ability to identify on-site risks, develop human resources capable of noticing and rectifying abnormalities			

¹ This expression is a quote from the dss⁺ Bradley curve of the stages of safety culture development.

² 3S: Sort, straighten, sweep

Response to the Quality-Related Misconduct Incidents (FY2022)

The Toyobo group is responding to the quality-related misconduct incidents discovered related to the PLANAC® and other engineering plastics in 2020 by firmly establishing “manufacturing that fulfills our promise to provide safety and security from the customer’s perspective” and by fortifying the inspection and quality confirmation mechanisms in the group’s risk management system.

Status of the engineering plastics department

Following the quality-related misconduct incidents to PLANAC® and other products, we have been in contact with our customers individually have and reacquired certification from Underwriters Laboratories (UL) for some of our products.

We also proceeded to investigate the status of all of our product through questionnaires and other methods. Any quality-related matters in the Engineering Plastics Department that were considered serious issues, such as violations of our agreements with customers, were considered priority issues and reported individually to all associated customers.

Our investigations and confirmations with the cooperation of our customers have found no significant defects related to product safety or basic functionality. We are continuing to make improvements.

Full-scale investigations into the incidents

As part of our comprehensive investigation following the discovery of quality issues with the PLANAC® products, in spring 2021 Toyobo conducted an anonymous questionnaire survey of all 10,101 group employees and officers (excluding the already completed questionnaires of the Engineering Plastics and certain other departments) to determine if there was knowledge of any additional product quality issues. The company received 7,391 responses (response rate: 73.2%), in which were reported 111 cases requiring additional investigation. A follow-up questionnaire was then conducted of respondents who had provided their name, but since more than half of the responses were anonymous, the company issued new questionnaires requiring respondents to provide their name.

The follow-up questionnaire was distributed in summer 2021 to 9,452 group employees and officers in Japan and overseas, from which 8,866 responses (response rate: 93.8%) were received.

We confirmed from the questionnaire responses that there were some agreement violations. We discussed the issues with the

customers and received confirmation that the issues were not related to quality. Including this result, at this time we have not identified any serious quality-related issues.

We recognize that violations of agreements with customers, non-observance or the lack of internal rules, and concerns about compliance awareness are priority issues that must be addressed. We will make these issues known internally and use the findings from the questionnaires to continue recurrence prevention measures at all of the group’s work sites and organizations.

Strengthening the quality risk management system

The company responded to the quality-related misconduct incidents by adopting a “three lines of defense” structure at the start of fiscal 2022. The multi-layered structure for detecting and preventing quality-related misconduct positions the business divisions as the first line of defense and the Quality Assurance Division and Internal Audit Department as the second and third lines of defense.

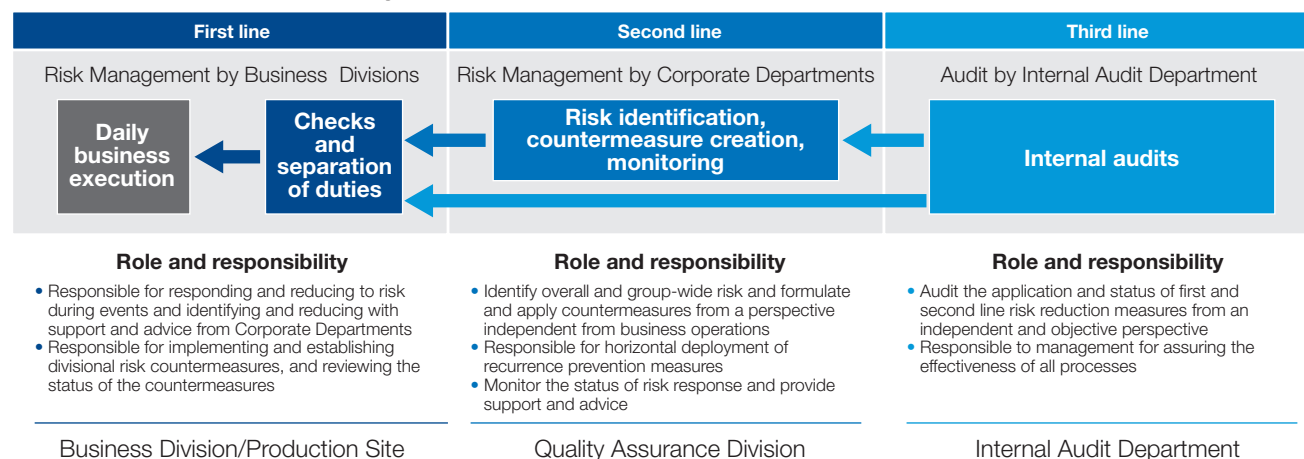
The Quality Assurance Division, which is the second line of defense, identified improper inspections and other items as significant quality-related risks, and led and assisted risk assessments at each business unit. The division formulated measures to reduce risk and has begun assisting in the application of the measures.

The Internal Audit Department, the third line of defense, created a Risk Management Audit Team to perform quality audits for the first and second lines of defense. The department collects information on the operation status and current issues of the Quality Assurance Division and the business divisions, and examines the best approach to coordinating audits.

In the second half of fiscal 2022, the Internal Audit Department began a first line audit with the Quality Assurance Division. The department also audited the Quality Assurance Division and had a frank dialogue with the division about expectations for its supervision of the Solutions Divisions.

We also implemented data integrity (DI) measures related to quality, including automating the inspection report processes of the Solutions Divisions’ Quality Assurance Departments to reduce human error, among other initiatives (▶p.063: Quality).

The Three Lines Model for Quality Control





Safety and Disaster Prevention

Approach and policy

Toyobo group recognizes that ensuring health and safety is a precondition for successful corporate activities. We have formulated the TOYOBO Group Basic Policy on Health & Safety, which applies not only to our employees but also to the personnel of partner companies (contractors), and we are striving to build a safe workplace environment. Our safety declaration for fiscal 2023 is “We will thoroughly implement ‘putting safety first,’ and we will emphasize labor safety, environmental safety, product safety, and equipment safety.”

Structure

In order to achieve steady progress in initiatives relating to safety and disaster prevention, which are the most important management issues, we have established the Safety and Disaster Management Division, which is a body reporting directly to the President, with a high degree of decision-making authority.

We have also established the Safety and Disaster Management Committee and the Safety and Disaster Management Promotion Committee under the Sustainability Committee, which deliberate on matters relating to safety and disaster prevention activities, decide on policies, verify progress, and report to the Board of Directors. The Safety and Disaster Management Committee is chaired by the Executive Officer who is head of the Safety and Disaster Management Division, and its members comprise the Co-COO, Senior Managing Executive Officer and Managing Executive Officers responsible for overseeing individual divisions and departments. In addition, Corporate Auditors and other persons appointed by the committee chair can also attend meetings of the committee as observers, and express their views. Ordinary committee meetings are held once a year in

principle. The Safety and Disaster Management Promotion Committee meets six times a year, to discuss and decide on concrete matters and manage activity progress status, in accordance with the Basic Policy. The Committee also organizes teams, composed of the committee chair and committee members, which visit individual production centers, plants, and group companies to perform safety and environmental assessments and on-site inspections of activity status.

Furthermore, each production center and plant has its own Health and Safety Committee, which is composed of employee representatives, managers and experts, and which investigates and deliberates on matters relating to employee safety, disaster prevention and health, including risk assessment status, at each workplace.

Labor union representatives also participate in the discussions of the Safety and Disaster Management Promotion Committee and the Health and Safety Committee.

Targets and KPIs

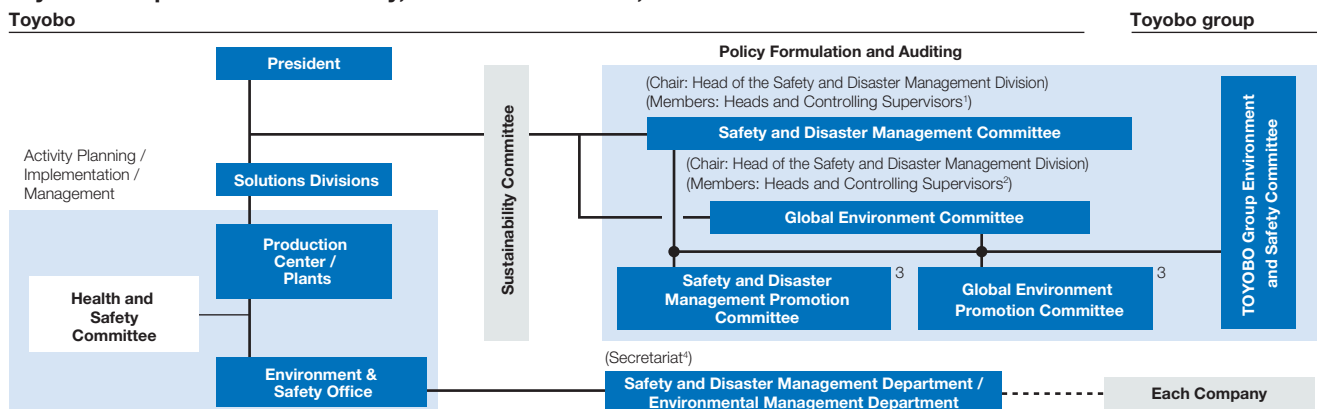
We will strive to prevent disasters and accidents by clarifying and thoroughly complying with basic safety throughout the entire Toyobo group.

KPIs and Results

Initiatives	KPIs	Targets	Results (2021)
1. Build a culture of safety	No. of major accidents*	0 accidents per year	0 accidents
2. Prevent workplace accidents (enhance safety for people, equipment and operations, and promote security and disaster prevention)	Frequency rate of workplace accidents resulting in lost workdays	0.25 or less	0.42
	No. of fires or explosions	0 accidents per year	1 accident
	No. of abnormal events, accidents (spills)	0 accidents per year	2 accidents

* Major accidents: Defined according to internal standards based on the definition stipulated by the Ministry of Health, Labour and Welfare

Toyobo Group Structure for Safety, Disaster Prevention, and the Environment



1 Deliberates and decides policy on safety and disaster prevention 2 Deliberates and decides policy on the global environment
3 Deliberates and decides specific matters, and manages progress 4 Supports activities, provides information, and conducts interdepartmental coordination

Making people, equipment, and processes safer

We identify major sources of potential danger and take steps to prevent major accidents from occurring. We clarify onsite risk, and we make improvements to equipment and procedures on the basis of risk assessments and research procedures. We then include this information in procedure manuals and utilize it in safety education. In cases when an accident does occur, by investigating it, we help to prevent similar accidents from occurring in the future. Additionally, with regard to accidents that occur at other companies and workplaces, we check whether there is a similar risk at our own workplaces and take steps if necessary.

In April 2020, we began to issue “Safety and Disaster Prevention News.” Using the lessons from accidents and disasters that have actually occurred in the past, it helps to spread awareness by providing easy-to-understand explanations, supported by illustrations, regarding key points to note to conduct operations safely, and how to respond in the event of an accident.

Promotion of disaster prevention

Learning from fire accidents, we have revised the content of our training drills so that they are more practical, and have endeavored to ensure that all workers are able to participate in them at least once a year, in order for everyone to be able

to protect their own workplaces in the event of fires.

We will promote reliable measures to enhance disaster prevention at all sites with the aim of creating sites that do not allow fires to occur, and that prevent casualties and minimize other damage if they do occur. To this end, we have formulated fire prevention equipment guidelines and disaster prevention management standards, and we are working to reduce the risk of fires.

With regard to natural disasters, we will continue to implement disaster mitigation measures by reinforcing buildings against earthquakes, improving office and plant infrastructure, and conducting emergency response drills.

3S activities and training

We undertake 3S (sort, sweep, and standardize) activities, which are the foundation for safety and disaster prevention activities, on a company-wide basis. We have put in place a safety and disaster prevention training system that is shared throughout the company, and we provide the safety and disaster prevention training that is needed at each level.

In addition, with the aim of realizing effective safety and disaster prevention knowledge training, we have installed Disaster Prevention Training Workshops—training spaces in which panel-type displays play a central role—in all production centers, and we have established Disaster Prevention Experience Training Facilities at key sites.

Establishment of a disaster prevention training center at the iwakuni production center

With the aim of looking back on and learning from accidents that have occurred in the past, and preventing the lessons from being forgotten, in August 2021 a new Disaster Prevention Training Center was opened at the Iwakuni Production Center, where personnel can experience the terrifying nature of accidents and make use of simulation equipment.

This is a training center, where, for example, besides being able to experience the awfulness of fires and explosions, such as dust explosions and fires caused by static electricity, it is also possible to experience the horror of accidents that involve being pulled into machinery. The center also shares case studies of accidents that have occurred in Toyobo group in the past.

To provide additional opportunities for personnel to enhance their knowledge of and awareness of fires and smoke, and to pay more attention to safety and disaster prevention, we have started internal training and are promoting internal education. Going forward, we will be considering how to put in place a framework that can be utilized effectively throughout Toyobo group.



The Basis of Value Creation

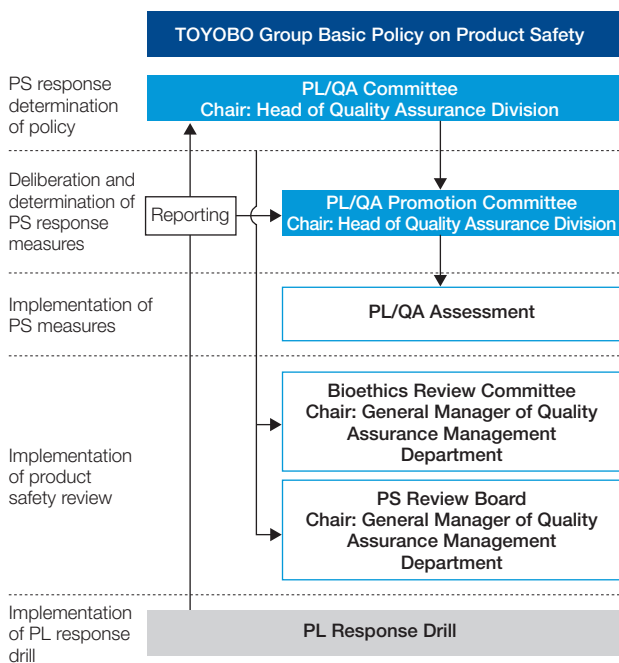
S Social Contribution Policy and Activities Quality

Approach and policy

Toyobo group is striving to ensure customer satisfaction and win customers' trust, not only through the safety of our products and services, demonstrating concern for the environment and maintaining compliance with relevant laws and regulations, but also through high quality standards. In order to achieve this, we have formulated the TOYOBO Group Basic Policy on Quality Assurance and the TOYOBO Group Basic Policy on Product Safety. To safeguard the quality and safety of the products and services that we provide, we have established an appropriate management system, we perform quality inspections using suitable procedures, and we also strive to ensure that data is properly handled.

Responding to the quality-related misconduct incidents that were discovered in our engineering plastics business in fiscal 2021, we are putting new systems in place in order to win back the trust of our business partners and of all other stakeholders. (▶p.60 for more details of "Response to the quality-related misconduct incidents (FY2022)")

Product Liability (PL) Response System

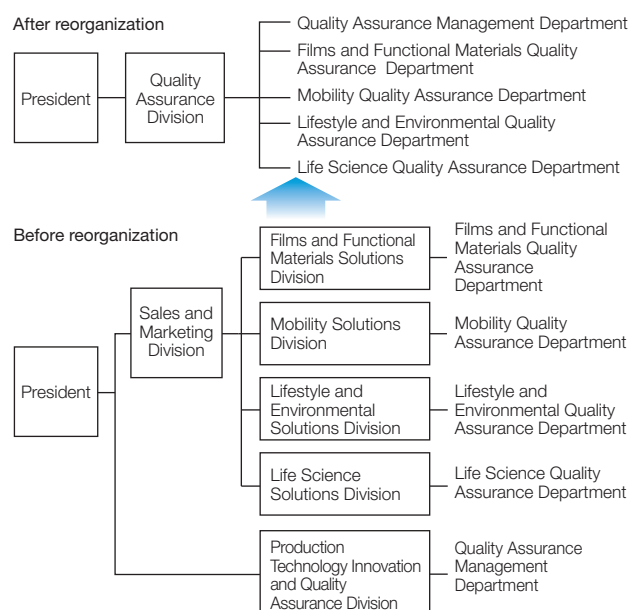


Structure

Toyobo group has established the PL / QA Committee as a standing committee that oversees product liability (PL) and quality assurance (QA). The chair of the committee is the Controlling Supervisor Director of the Quality Assurance Division, which comprises persons in charge from each business and persons in charge (executives) from the corporate staff. Ordinary committee meetings are held twice a year in principle, and meetings of the PL/QA Standing Committee comprising general managers are held six times a year. The committee met eight times in fiscal 2022.

We established the new Quality Assurance Division on April, 2021 as one of the measures to prevent recurrence of inappropriate conduct. Under the new division, we have placed the Quality Assurance Management Department, and also the Quality Assurance Departments which are in charge of Solutions Division. By establishing the independence of the quality assurance related departments, a function which was previously implemented in each business division (Solutions Division), we have strengthened its control over the business divisions. In addition, the Quality Assurance Management Department has been given the authority to guide and suspend the development, production, and sales of the company and group companies regarding product safety(PS) and QA of Toyobo group, and we are working to reconstruct an appropriate quality management system and strengthen governance.

Before and After Reorganization of the QA Structure



Targets and KPIs

We will increase customer satisfaction by practicing quality management throughout our entire supply chain, including upstream areas, and ensuring quality that can be trusted.

KPIs and Results

Initiatives	KPIs	Targets	Results (FY2022)
1. Realize stable supply, contribute to solutions for customer issues, meet customer needs	No. of incidents related to products*	0 incidents per year	0 incidents
2. Ensure product safety and quality	Implementation status of PS and QA training	100%	100%

* Incidents related to products: Defined according to internal standards based on the definition stipulated by the Ministry of Economy, Trade and Industry

Quality assurance

Employees have shared access to the Quality Assurance Manual, which describes the basic approach and code of conduct for all employees when implementing Toyobo group's development, production and sales activities, and use it as the basic philosophy for Toyobo group manufacturing.

In addition, we have formulated the Quality Assurance Guidelines, and we are aiming to develop a system that guarantees quality. Moreover, a QA system is established for each product and service so that quality and product safety can always be guaranteed at each stage. In September 2021, we implemented a revision of the Quality Assurance Guidelines, adding definitions for online systems that will reduce manual processing and manual intervention when handling quality data, so as to eliminate opportunities for data falsification from the perspective of enhancing data reliability. Additionally, checks are repeatedly carried out by business supervisors, related internal and external parties, and experts, to ensure that no incidents occur in the market.

Product safety promotion activities

For each department and group company, we conduct PL / QA assessments carried out by the Quality Assurance Division, which has been made independent of the business divisions, or by QA personnel from different departments, to verify and improve PS activities. Moreover, we have established criteria for assessing PS and PL risk, and based on these criteria, we carry out inspections at each stage, from product development to sales, striving to reduce risk.

All possible measures are taken to ensure PS, and training drills are also conducted on a regular basis at all business divisions based on PL incident scenarios. PS remains a crucial theme throughout the whole of the group, and we will continue to mitigate risk as much as possible and strive to fulfill our social responsibility.

Product safety and quality assurance training

We implement PS and QA training not only for new employees and new managers, but also for other employees at each level.

In fiscal 2022, we conducted training for new employees and department-specific training through e-learning in a packaged format, with four online courses over the year. In all, 302 people received this training. In fiscal 2023, we intend to begin implementing case study sessions focused on quality-related misconduct incidents, to further enhance awareness.

As part of our efforts to strengthen our awareness-raising system in response to quality-related misconduct incidents, we have designated November as Quality Month, and this is implemented annually. During this period, we conduct various awareness-raising activities, including the displaying of messages from the President relating to QA in each business site using digital signage and posters, and the holding of seminars on PL / QA.

The Basis of Value Creation



Social Contribution Policy and Activities

Human Resources Management

Basic approach

In line with our own corporate growth strategy, Toyobo group aims to realize the TOYOBORO PVs corporate philosophy framework, which is centered around human resource management in which “each individual can work with a sense of growth, pride, and satisfaction.” To achieve this, we respect employee individuality and support work practices that allow employees to demonstrate their individual skills, and build environments where a diverse work force can thrive.

As an example, we have formulated and shared a Human Resources Development Plan and we are increasing the amount we invest in employee education. We prohibit inappropriate behavior, such as various forms of harassment, in our workplaces and ensure there is no discrimination in the way we employ, evaluate, and treat employees.

Structure

The Managing Executive Officer in charge of the HR Division is responsible for the group’s human resources management. The Human Resources Department creates regular opportunities for discussion and information sharing with the departments responsible for human resources at

each business site and group company, which leads to the formulation and execution of human resources management plans. Regarding key issues in the annual management plan, reports are made to the relevant executive officer each quarter and the issues are also deliberated on by the Sustainability Committee. In addition, important measures are discussed by the Board of Managing Executive Officers and Controlling Supervisors and Board of Directors.

Targets and KPIs

Targets

Toyobo group will build an organizational structure for the entire group that enables employees to work easily and feel satisfaction with their work, that ensures fairness and integrity, and that is considerate of diversity and human rights.

Developing human resources

Basic approach

Toyobo group considers human resources to be our most important asset. We support the growth of each and every one of our employees, while respecting their diversity. We believe that the continuation and development of the group

KPIs and Results

Initiatives	KPIs	Targets	Results (FY2022)
<ul style="list-style-type: none">• Develop human resources (build careers, develop capabilities)• Promote work-life balance• Ensure equality in recruitment and treatment of employees• Realize diversity and inclusion• Maintain people-friendly work environments (promote health)	Training core overseas personnel in Japan	15 employees per year*	Canceled because of COVID-19
	Training investment per employee (training hours)	¥50,000 per year (21 hours)*	¥50,000 per year (17.7 hours)
	Achievement of women in managerial positions ratio target	5.0% or above*	3.7%
	Ratio of annual paid leave taken	75%*	72.3%
	Reduction in overtime work exceeding annual statutory permitted overtime hours (no. of employees working more than 360 hours of overtime / total no. of employees)	Reduction of 20% (2.0%)*	3.8%
	Ratio of men employees taking childcare leave	Total number of days of absence leave taken increased by at least 20% for at least 80% of those eligible for absence leave*	64.4% of those eligible for absence leave, nine days absence leave taken
	Certified as a “White 500 Company” for Outstanding Health and Productivity Management	Obtain / Maintain	Certified as a Health & Productivity Management Outstanding Organization 2022
	Increase in employee work satisfaction based on engagement survey (1) Percentage of positive responses to “No difficulty in performing daily work” (2) Percentage of positive responses to “Respects each individual’s diverse opinions and ideas”	(1) Increase in positive response rate (2) Increase in positive response rate	(1) 33% (2) 42%

* Targets for FY2026

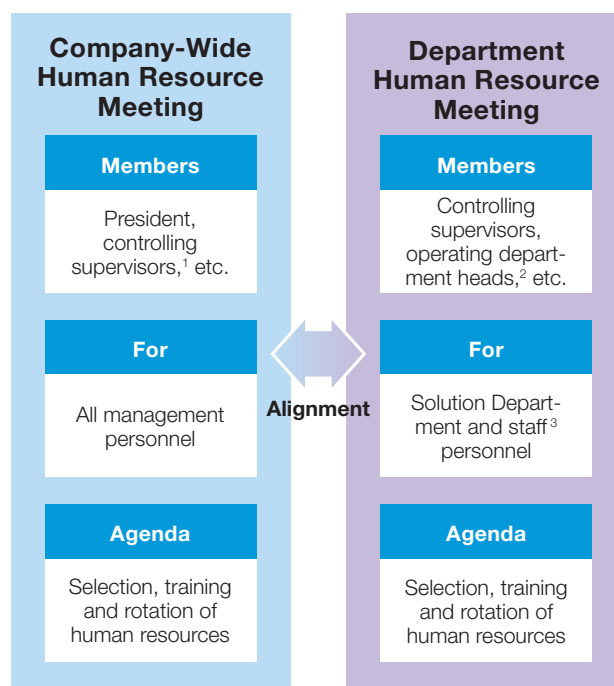
as a whole can be achieved by building an environment in which our employees can flourish both inside and outside the company and realize their own potential.

Toyobo carries out human resource development based on a training program categorized by job level, type and objective, from the newly employed to top management. Over our long history, we have fostered an approach of valuing “people”—our most important asset—and this is shared throughout the group.

Based on this approach, the new human resource system put into operation in July 2022 implements specific policies such as promoting and supporting capacity building, treating and evaluating in accordance with job responsibilities, enhancing management skills, and encouraging the active participation of diverse professional human resources, so that each of our employees can feel growth, pride, and satisfaction.

Initiatives

For Toyobo group’s initiative to train the next generation of management, the group plans to provide chosen personnel with internal and external management executive development training. In order to further broaden their experience, we will also give them the opportunity to undertake business operation and management duties to hone their management skills, which will help us achieve our succession plan. The group has been holding the Human Resource Meeting to discuss measures to cultivate the next generation of management from fiscal 2022. The meeting will be divided into the company-Wide Human Resource Meeting, which mainly discusses the succession of management positions, and the Department Human Resource Meeting, which mainly discusses the succession of positions with high levels of operational expertise, and topics will include the selection and rotation of human resources and support for the training of successor candidates. We will be able to find and develop human resources and increase their effectiveness through coordination between these two meetings. We will also promote diversity and inclusion to enhance our capabilities over the medium to long term, and in addition to promoting the advancement of women, we will proactively recruit career and non-Japanese employees so that we can incorporate more knowledge and experience from outside Toyobo. Furthermore, we conduct company-wide training for all managers to ensure the thorough awareness of safety and disaster prevention, occupational safety, quality, our corporate philosophy framework TOYOBO PVs, and compliance.



1 Oversees each division and Management and Administration Division

2 Oversees specific fields across multiple business divisions

3 “Corporate divisions” including corporate planning, management and administration, and human resources

Developing global human resources

Toyobo group implements a “Short-term Overseas Business Training” in which around 10 employees in two separate groups from Japan are sent overseas for training each year (first and second half of the year). This motivates younger and mid-career employees to participate in Toyobo’s global business, and also represents a major opportunity for them to further their careers.

In addition, local candidates for management from overseas offices are selected to undergo training in Japan twice each year. This aims to enhance their understanding of Toyobo and deepen interaction with employees who work in Japan.

(The national staff training was cancelled in fiscal 2022 due to the COVID-19 pandemic.)

Employee engagement

We need to align the vectors of organizational goals and personal growth, given that we position companies and employees as being equal. To this end, we started surveys on organizational climate and job satisfaction targeting all officers and employees in fiscal 2022.

These surveys will keep us periodically apprised of employee engagement, and create an environment in which they can proactively work with a sense of pride and fulfillment.

Diversity and inclusion

Basic approach

Toyobo group believes that personal and organizational growth is achieved through a process of mutual respect among our employees, with their differing work styles, careers, genders, nationalities, races, and beliefs, and through cooperation to achieve our shared objectives. We respect different opinions and a wide range of values, and cooperate to achieve ambitious goals together.

Promoting the empowerment of women

Toyobo group established the Women Empowerment Promotion group within the Human Resources Strategy Department, and the group has been engaged in activities to promote the empowerment of women. We hold events such as presentations, seminars for managers, women leader development seminars, and Women Empowerment Promotion Project on a continuous basis, in order to realize a change of mentality among our employees.

Number and Ratio of Women in Managerial Positions (FY)

	2018	2019	2020	2021	2022
Number of women managers (chief-class and higher)	12	12	14	19	25
Ratio of women managers (chief-class and higher)	2.0	2.1	2.4	3.1	3.7
Number of women managers (manager-class)	5	8	12	13	19
Ratio of women managers (manager-class)	1.2	1.9	2.7	2.8	3.8

Besides setting various numerical targets, including raising the ratio of women in managerial positions¹ to 5.0% by fiscal 2026, we continue to maintain the target of having women account for at least 40% of recent graduates recruited onto the managerial career track,² in order to increase the pool of candidates for cultivation as future women managers.

In addition, we started a Career Development Support Program in fiscal 2022 for women employees on the regional career track³ to meet with their supervisors over a period of three years on a schedule that includes a development plan, on-the-job training, specialist technical

skills and other knowledge, as well as self-development, with repeated annual reporting and refresher training. Whereas in the past there was no clear career development path for women employees on the regional career track, such a path has now been created, and the company is continuing to provide support to help women employees to fully develop their capabilities.

Targets (by end of FY2026)

1	Raise the share of managers who are women to at least 5.0%
2	Raise the share of women on the managerial career track ⁴ to at least 22%
3	Raise the percentage of eligible men employees taking childcare leave to at least 80%, and increase the number of days of childcare leave taken by at least 20%

Key Measures

Seminars	Results
Women leader development seminars (introductory and intermediate)	Held 10 times
Career planning seminars for women employees	Held 19 times
Seminars for managers on managing women employees	Held 50 times
Men employees taking childcare leave (FY2022)	Ratio taking leave: 64.4%
Career Development Support Program for women employees	Started in fiscal 2022
Interviews	Held with a cumulative total of 1,058 employees (approximately 150 per year, including men employees)
Women Empowerment Promotion Project	Activities implemented continuously over a five-year period, with changing participants
Babysitter support system (Childcare costs incurred while away on business trips)	Entirely covered by the company
Mentoring system	A total of 368 mentoring pairs (achieved over a period of three years, with pairs being changed every six months)
Establishment of a nursery within the company (at the Research Center with a capacity of 10 children)	Cumulative total no. of users: 33 children over four years

Toyobo group also has a policy of participating actively in external initiatives. The company has already expressed its support for the 30% by 2030 Challenge⁵ to raise the ratio of women officers to 30% by 2030, and for the Women's Empowerment Principles,⁶ in addition to signing a statement committing to act in accordance with the WEPs.

Through these activities, the company received 2-star

Eruboshi certification⁷ for promoting women's participation and advancement in December 2021.

In addition, as part of our childcare support, we have set up the Toyobo Nursery School at the Research Center (Otsu City, Shiga Prefecture). This not only allows for employees to return from childcare leave early or according to a plan, but also creates an environment where employees can have children with peace of mind.



2-star Eruboshi certification



Toyobo Nursery School at the Research Center

- 1 Including all women employees with the rank of section chief-class or higher.
- 2 Career track for employees who are expected to be active throughout the entire company.
- 3 Career track for employees whose career is expected to be confined to one specific business site.
- 4 Defined as all employees on the managerial career track, including those who have only just joined the company.
- 5 This is one of the targets for promoting D&I to realize sustainable growth in line with "The NEW Growth Strategy" announced by the Keidanren in November 2020.
- 6 The Women's Empowerment Principles were formulated jointly by UNGC and UN Women in 2010.
- 7 2-star Eruboshi criteria: Must meet 3–4 of the specified criteria, and must demonstrate continued improvement for a period of at least two consecutive years.

Active participation of diverse human resources

In addition to activities to promote the participation and advancement of women, we are also working to ensure that the assessment and treatment of employees focuses on ability and is not influenced by differences such as gender and nationality, and we are aiming to cultivate a corporate culture in which diverse employees can participate actively and find job satisfaction.

We have introduced a senior employee system to promote employment by rehiring employees who have retired at the retirement age of 60 and who wish to continue working and are considered capable of working normally. The rehired senior employees actively help to train younger employees and pass on skills.

In regard to raising the ratio of employees with disabilities, because it is crucial that initiatives are carried out at a company-wide level, we share information and actively encourage the recruitment of people with disabilities at meetings of the managers of General

Administration Departments at each business site held four times a year. As part of efforts to improve working environments, the Tsuruga Research and Production Center and the Inuyama Plant have been made with a universal design and others are sequentially being upgraded.

KPIs and Results

KPIs	Targets (FY2026)	Results (FY2022)
Employment ratio of people with disabilities	2.3%	2.2%

Work-life balance

Basic approach

Toyobo group is engaged in work style reform so that our employees can work with renewed efficiency and achieve a good balance between work and personal life. We also provide support such as the Childcare Shortened Work Hour Program, Nursing Care and flextime system, and telecommuting. Building an environment that enables more flexible work styles tailored to each employee's life stage provides an opportunity to enhance creativity. Letting each individual do their best with confidence, pride, peace of mind, and a forward-looking mindset helps to build a stronger foundation for the company.

The TOYOBO Group Charter of Corporate Behavior declares, "We will respect employee diversity and support work practices that allow employees to demonstrate their individual skills. Moreover, we will provide workplaces that are conducive to productive work while taking health and safety into consideration."

Main initiatives

Toyobo has introduced schemes that go above and beyond the legal requirements, including the Childcare Shortened Work Hour Program and Nursing Care Leave, and we also provide a flextime system. Since fiscal 2020, five days of paid leave has been offered as Childcare Leave. In conjunction with this change in the system, we are encouraging men to take childcare leave. Men employees who have a child are notified of the system individually and are recommended to take this leave by their immediate supervisor. We will continue these promotion efforts until it becomes normal for men employees to take childcare leave.

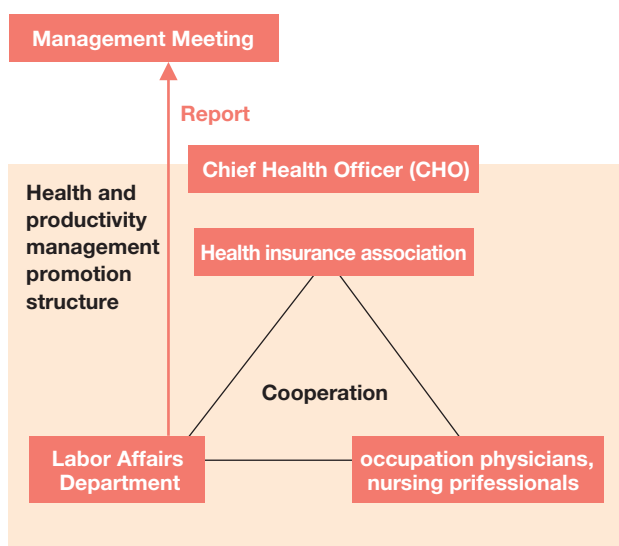
Maintenance and promotion of health

Basic approaches

Toyobo group is engaged in initiatives for maintaining and improving employees' physical and mental wellbeing in order to create comfortable workplaces that are conscious of employee health. From fiscal 2020, we have begun working on health and productivity management, which considers and strategically implements health administration from a managerial perspective, and we are promoting initiatives to contribute to organizational revitalization and improving business performance through maintaining and improving employee health, and increasing productivity.

Health and productivity management structure

In March 2020, Toyobo group formulated the TOYOBO Health & Productivity Management Declaration in order to proactively and systematically address health and productivity management, as well as establishing a promotion structures. Under the Managing Executive Officer controlling supervisor of the HR Division who is also the Chief Health Officer (CHO), the Labor Affairs Department, the occupation physicians and nursing professionals and the health insurance association work in close coordination to implement priority programs.



Key measures under the TOYOBO Health & Productivity Management Declaration

We have formulated the TOYOBO Health & Productivity Management Declaration, and we are working on the following key measures.

1. Initiatives for raising employees' health awareness: education and training
2. Initiatives for improving employees' lifestyle habits: exercise, diet, support for quitting smoking, etc.
3. Initiatives for strengthening mental health, including improvement measures for high-stress employees and workplaces

Initiatives for improving employees' lifestyle habits

As the COVID-19 pandemic has changed how we work and live, forcing us to face a variety of restriction, we place the utmost importance on mental and physical health. In fiscal 2022, we created and launched our own smartphone application called Tsunagaru Kenko/Toyobo Zukan (Leading to health/Toyobo illustrated book), into which a wide range of opinions were considered with the help of subcommittee members of the KAERU Project (kaeru means "to change"), a project to change the corporate culture.

As the first initiative, we provide an application which lets employees interact with each other freely by taking pictures of flowers they see while walking and post them with comments. We hope that this application will create a space for a positive chain of events by helping employees to start exercising daily and connect with each other.

Health checkups

Toyobo aims to have a (actual) 100% rate of health checkups by industrial health staff at each business site.



Internal company announcement poster

Our health checkups for lifestyle-related diseases, cancer, and other ailments are more comprehensive than required by law.

In cooperation with the health insurance association, we conduct cancer screenings for any staff (employees and their dependents) who want them, and we are working to ensure early detection and treatment of diseases including in family members.

Our occupation physicians check the results of health checkups for all employees, and in the event of any abnormal findings, meet with and provide health guidance in cooperation with nursing professionals. If necessary, they also provide examinations and treatment at clinics, and referrals to specialized medical institutions. We also support the maintenance and improvement of employee health by providing health consultation structures and environments. Furthermore, the health insurance association actively provides specific health guidance on approaches to reduce risks faced by high-risk patients.

We continue to improve structures and environments for health examinations and consultations, to support the maintenance and improvement of employee health.

Restricting long working hours

Beginning in fiscal 2019, if long working hours exceed a certain standard* for three months consecutively, for any employee including management staff, then measures to prevent recurrence will be discussed in management meetings. Management and employees at each business site have set a specific cutoff point, and keep tabs on work that leads to excessive hours in order to promote their reduction. We have also set the number of employees doing overtime as a KPI, and have set a reduction of 20% as a target.

Management and employees at each business site have designated a no overtime day, and we encourage employees to go home on time so they can enjoy personal and family time.

Furthermore, in order to prevent mental health issues caused by long working hours, we have put in place stricter standards than legally mandated, and we hold interviews with occupation physicians.

* Over 80 hours overtime in two consecutive months + over 45 hours in the third month

Mental healthcare initiatives

Toyobo provides annual mental health lectures to managers in order to increase their awareness and understanding of mental healthcare. Individual consultations are also given by

industrial health staff (one to five) at each business site. We also provide personalized support to employees suffering from high levels of stress, based on the results of a stress checkup. We are planning to identify and resolve issues in high-stress workplaces based on the results of group analysis shortly.

With regard to mental healthcare when telecommuting as a measure to tackle the spread of COVID-19, we have addressed the importance of self-care and so-called “line care,” care provided by managers for the wellbeing of the employees and measures to improve the workplace, issuing information so as to maintain and support our employees’ physical and mental wellbeing.

Health management support for expats

Every year, the number of expats is increasing as we accelerate our global expansion. We support those expats to enable them to engage in their work while maintaining their health, including by requiring physical examinations before going overseas, and providing immunizations, local medical system support, and medical information.

External evaluation

As in 2021, the company was certified in the large enterprise category of the 2022 Certified Health & Productivity Management Outstanding Organization Recognition Program, a project conducted jointly by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi (Japan Health Council). By fiscal 2026, we aim to be certified as a “White 500 Company,” a certification given to outstanding organizations.

We will further strengthen and promote health management through measures such as continuing to actively work to maintain and improve employee health, and through this increase our corporate value.





Respect for Human Rights

Basic approach

Respecting human rights is essential for Toyobo group to fulfill its responsibilities as a member of society and continue as a trusted company. In this regard, respecting the rights of employees and trading partners, who are important stakeholders for the group, is crucial to enabling them to demonstrate their abilities, and to work with vigor and energy. In recognition of this, we have included “4. Respect for Human Rights” and “6. Active Employee Participation” within the 10 principles of the TOYOBO Group Charter of Corporate Behavior. We have also positioned relevant items as materiality (key issues) and are advancing initiatives accordingly.

As a way to openly express our position on this both inside and outside the company, the group became a signatory to the United Nations Global Compact (UNGC) in January 2020. We also support and respect other international agreements relating to human rights, such as the International Bill of Human Rights, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the Children’s Rights and Business Principles. The TOYOBO Group Human Rights Policy,* which was drawn up in October 2020, conforms to the UN Guiding Principles on Business and Human Rights. With regard to respect for human rights in the supply chain, our CSR Procurement Guidelines clearly stipulate items relating to respect for human rights (including the prohibition of child labor and forced labor and discrimination based on gender identity including LGBT), to be considered when selecting business partners.

* TOYOBO Group Human Rights Policy
https://www.toyobo-global.com/sustainability/society/human_rights/

Structure

In April 2021, Toyobo group established a unit responsible for human rights within the Human Resources Department, with the aim of emphasizing respect for human rights in Toyobo group in a proactive, systematic manner.

The Managing Executive Officer who is the controlling supervisor of the HR Division has overall responsibility for matters relating to human rights.

Targets and KPIs

Targets

- Toyobo group will carry out initiatives to ensure respect for basic human rights and diversity throughout the entire group, including providing training to foster such respect among employees.
- Through these initiatives, we will aim to be a fair company that is trusted by society.

KPIs and Results

Initiatives	KPIs	Targets (FY2026)	Results (FY2022)
<ul style="list-style-type: none">• Avoid human rights violations• Eliminate child labor and forced labor• Respond to human rights laws and regulations (Modern Slavery Act, etc.)• Ensure equality in recruitment and treatment of employees	Implementation status of human rights education and training	Once a year for 20% of non-consolidated* employees	27.6%

* TOYOBO CO., LTD., TOYOBO STC CO., LTD., and TOYOBO INFORMATION SYSTEM CREATE CO., LTD.

Complaint handling and internal reporting systems

The Complaint Handling Committee and the Compliance Consultation Desks within the internal reporting system provide consultations and handle reports regarding human rights. In order to ensure that employees can use these systems with peace of mind, the name and other details of employees making reports or receiving consultations are kept private and we guarantee that these individuals will not be negatively affected by their action. We also strive to detect and solve human rights issues at an early stage through compliance surveys. (▶p.089: Compliance)

Respect for human rights from a global perspective

In the countries and regions, where Toyobo group has business sites, there are various human rights related issues that reflect the specific political, economic and social circumstances. Such issues may include discrimination in regard to employment and work roles, unfair labor practices,

forced labor and child labor, infringement of the human rights of foreign workers, and involvement in corruption. For each Toyobo group business site, it is vitally important to give due consideration to these human rights related issues.

In order to identify the issues that Toyobo group needs to take into consideration from among the human rights related issues existing in each region, we are participating in the relevant sub committees of Global Compact Network Japan, alongside human rights NGOs and other participant companies. We are aiming to deepen our understanding of human rights by gathering information on international human rights issues and other issues that corporations need to pay attention to. Going forward, we will continue to identify human rights related issues that we need to consider at each of the Toyobo group's business sites.

Respect for workers' rights

Respecting the right to freedom of association and to collective bargaining

Toyobo group respects freedom of association and collective bargaining rights. The realization of the TOYOBO PVs has been established as a joint target for management and labor, and we strive to build constructive, stable labor relations.

Labor union activity at Toyobo is based on the union shop system,* and all employees that are eligible to join a labor union under the labor-management agreement reached between labor and management join the labor union.

The company's union represents all union members, and the results of bargaining between labor and management are applied unconditionally to all union members. Under the terms of the labor-management agreement, employees at manager level and above are not permitted to join the labor union, and so the overall union membership rate is 79.0% (as of the end of fiscal 2022).

* The union shop system is a system whereby all workers employed at a particular workplace are required to join the labor union for that workplace.

Dialog between labor and management

We arrange repeated opportunities for frank discussion between labor and management aimed at realizing the TOYOBO PVs, and we promote the building of the foundations needed for every single employee to be able to work with energy and enthusiasm. Meetings of the Central Management Council, attended by representatives of the labor union headquarters and of company management, are held once a year, and meetings of the Branch Management Councils are held once a year at each of the nine branches in Japan.

The labor union is represented at meetings of the Central Management Council by staff from the union headquarters, and is represented at Branch Management Council meetings by staff from the relevant union branch, while the company is represented by the President at meetings of the Central Management Council, and by the business site manager or plant manager at Branch Management Council meetings. Topics addressed during discussions between labor and management include the operational status of the company, changes in the amount of pay rises, and the working environment.

Infringements of labor standards, etc.

In fiscal 2022 there were no cases of non-compliance with labor standards, and no cases of human rights violations. Toyobo group complies with legislation specifying minimum wages in the countries and regions in which it conducts business activities, and pays salaries in accordance with the relevant legislation.

Internal education initiatives

Toyobo group has created an English version of the TOYOBO Group Charter of Corporate Behavior in order to implement internal education that enables employees around the world to share the same vision. We inform employees of rules and examples regarding respect for human rights, the prohibition of discrimination, the prohibition of child labor and forced labor, and the protection of personal information through the TOYOBO Group Compliance Manual.

Furthermore, we have been holding seminars on respect for human rights alongside other initiatives aimed at improving awareness of human rights among employees.

In fiscal 2022, as in the previous fiscal year, in each business site, we implemented training for new hires, grade-specific education, lectures, and training sessions for personnel appointed as promoters of human rights, with a total of 396 personnel participating in such activities.

The Basis of Value Creation



Social Contribution Policy and Activities

Supply Chain Management

Basic approach

Toyobo group is contributing toward the achievement of the SDGs, which support the development of a sustainable society, throughout our entire supply chain by establishing an appropriate trading policy and conducting procurement and logistics responsibly. To realize this, we have formulated CSR Procurement Guidelines¹ that deal with matters such as legal compliance, fair trade, consideration for the environment, and respect for human rights (including the prohibition of child labor or forced labor and discrimination based on gender identity including LGBT), and Green Procurement Guidelines² that are considerate of the environment. In August 2022, we revised our CSR Procurement Guidelines based on various recent global issues.

Additionally, based on the principle of “2. Fair business practices” in the TOYOBO Group Charter of Corporate Behavior, we practice fair competition and dealings and responsible procurement, and maintain healthy relationships with customers, business partners and society as a whole.

1 CSR Procurement Guidelines

<https://www.toyobo-global.com/sustainability/guideline/>

2 Green Procurement Guidelines

<https://www.toyobo-global.com/sustainability/guideline/green/>

Procurement structure

On April 1, 2022 we reorganized the Procurement and Logistics Department, and established three new groups under it: the Material Procurement Group, the Logistics Management & Plant and Machinery Procurement Group, and the Procurement and Logistics Planning Group. We are working to speed up and enhance our ability to respond to various types of risks relating to procurement and logistics.

Targets and KPIs

Targets

- Throughout its supply chain, Toyobo group aims to realize procurement and logistics that involve fair and sincere transactions, respect human rights, and consider impact on both society and the environment.
- We reduce CO₂ emissions by promoting green logistics, such as implementing a modal shift to rail and sea transportation and improving loading efficiency.

KPIs and Results

Initiatives	KPIs	Targets	Results (FY2022)
<ul style="list-style-type: none">• Realize sustainable, responsible procurement and logistics• Carry out transactions that are fair and respect human rights• Build a decarbonized society	1. Ratio of CSR procurement surveys returned (every two years)	1. 90% or above (In years when a survey is not implemented, we carry out dialogue with business partners that past surveys had issues)	1. 93%
	2. Ratio of reduction in CO ₂ emissions per unit of transportation* in relation to logistics	2. Year on year reduction of 0.5%	2. Year on year reduction of 0.5%

* CO₂ emissions per unit of transportation (in g-CO₂/t-km) represents the number of grams (g) of CO₂ emitted per tonne of goods transported over one kilometer.

CSR procurement

We have formulated our CSR Procurement Guidelines and Green Procurement Guidelines with the aim of fulfilling our social responsibilities, such as ensuring legal compliance, product quality and safety and respect for human rights, and enhancing value throughout our entire supply chain through initiatives such as contributing to regional communities and environmental conservation.

As training, we have all personnel with responsibilities for procurement and logistics read through the TOYOBO Group Compliance Manual -including the CSR Procurement Guidelines—together on an annual basis. During these training activities, each Procurement and Logistics Department group manager ensures that relevant personnel are familiar with the CSR Procurement Guidelines.

CSR procurement survey

We conduct a survey among our key business partners throughout the world, based on the CSR Procurement Guidelines. This allows us to verify the status of their CSR activities, while facilitating them to deepen their understanding of our CSR activities.

Note: On this page, data that is not specified as referring to Toyobo group refers to TOYOBO CO., LTD. only.

[Results obtained in CSR procurement surveys in FY2022]

CSR procurement surveys covers social issues such as the environment, safety, human rights, labor, and compliance (including prevention of bribery, embezzlement, and other forms of corruption), as well as information security. Through these surveys, we are able to evaluate suppliers' risk in relation to social issues. We collaborate with suppliers to address the issues identified through risk assessment, and we strive to enhance the overall level of CSR activities throughout the supply chain. When we begin doing business with a new supplier, we ask them to assist us by responding to a survey, and we also ask existing suppliers to collaborate on surveys. If issues are identified through a CSR procurement survey, we take corrective measures.

■ Survey overview

• Aggregation scope and no. of suppliers covered

185 suppliers representing 90% of overall transaction volume

• Survey content

The survey was drawn up based on the Toyobo group's CSR Procurement Guidelines. The CSR Procurement Guidelines were compiled with reference to SDGs, the UN Global Compact, and the Charter of Corporate Behavior promoted by the Japan Business Federation (Keidanren).

• Survey items

Compliance and ethics / Supply chain management / Stakeholders / Risk management / Environmental activities / Human rights and working conditions / Promotion structure / Product safety

• Breakdown of Suppliers

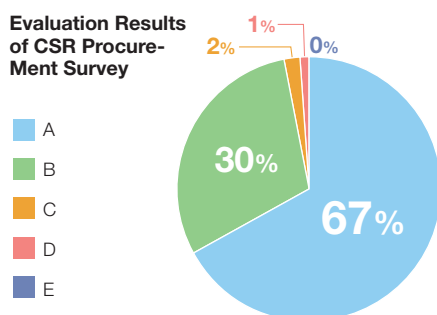
Raw materials suppliers	60%	Logistics providers	6%
Equipment and machinery suppliers	15%	Outsourced manufacturers, etc.	19%

■ Aggregated results

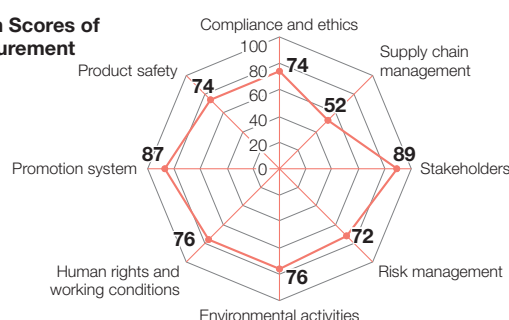
The survey completion and return rate for tier-one suppliers was 93% (172 out of 185 companies).

Risk assessment rank	Points band	No. of companies	Share of total	Content and response
A	96 points or higher	116	67%	CSR measures implemented are excellent ⇒ Feedback on survey results
B	80–95 points	51	30%	CSR measures implemented are adequate ⇒ Feedback on survey results
C	60–79 points	4	2%	Response: engage in dialogue with the supplier
D	40–59 points	1	1%	Response: engage in dialogue with the supplier and request improvements
E	Less than 40 points	0	0%	Response: engage in dialogue with the supplier, request improvements, and consider whether to continue doing business with that supplier

Evaluation Results of CSR Procurement Survey



Evaluation Scores of CSR Procurement Survey



■ Evaluation results

The survey results showed no compliance violations relating to matters such as the environment or product quality. With regard to supply chain management, an area where evaluation performance tended to be quite low overall, we asked each company to promote measures in this area, emphasizing its importance.

With respect to the five companies that were deemed to have relatively high risk (i.e., those companies ranked as C or D) based on the evaluation results, we undertook verification by engaging in dialogue with these companies. Through this process, we confirmed that two of the companies in question were actually implementing CSR measures without any significant problems. The remaining three companies had been unable to implement CSR measures properly because they did not have a CSR promotion structure in place. We provided them with support and guidance by introducing case studies of measures that we had taken, and we asked them to put in place the necessary systems and promote CSR.

Roundtable Discussion with Outside Directors



Masaru Nakamura
Outside Director

Mr. Nakamura has extensive experience and wide-ranging knowledge from his career that commenced in 1977 at Sumitomo Corporation where he went on to serve such as corporate officer, executive officer, managing executive officer, senior managing executive officer, and advisor. He joined Toyobo as an Outside Director in 2017.



Takafumi Isogai
Outside Director

Mr. Isogai has a specialist perspective and wide-ranging expertise in quality control field from his career in academia that began in 1987 as an Assistant Professor and then Professor at Osaka University and subsequently at Kobe University and the University of Marketing and Distribution Sciences. He joined Toyobo as an Outside Director in 2018.



Kimie Sakuragi
Outside Director

Ms. Sakuragi has extensive experience and wide-ranging knowledge in corporate ethics, compliance and sustainability fields from her career at Benesse Holdings. After joining Benesse in 1981, she held the Chief of Business Ethics and Compliance Office and the Audit and Supervisory Board Member. She joined Toyobo as an Outside Director in 2019.

Governance for sustainable growth

Evaluation of the governance system and its effectiveness

Nakamura When I was appointed as an outside director in June 2017, there were two outside directors. When the number rose to four in 2019 to meet social standards for governance, I remember feeling that it was easier to share my opinions. Having that feeling made me understand the importance of a Board of Directors that is balanced with outside directors.

Isogai Ms. Sakuragi, you were appointed in 2019.

Sakuragi Yes, I became Toyobo's first women director in

June 2019. To be honest, I felt a lot of pressure.

Nakamura Since you joined the board, it's been very interesting to hear your insight on ethical perspectives. Your views on women's topics like advancement in the workplace and on candidates for when creating succession plans are also invaluable contributions.

Sakuragi Initially, I was worried because I had no experience in the manufacturing industry, but the company was very welcoming. My first impression was that Toyobo greatly values its corporate philosophy. Purpose management has been a popular phrase in recent years, and it is an active part of Toyobo's corporate philosophy. Managers here often talk about the purpose of our business, and the outside directors are often asked too, which makes me feel everyone is



Masaaki Harima

Outside Director

Mr. Harima has a specialist perspective from his background as a lawyer and wide-ranging expertise gained from his career that started as an Assistant Judge in 1977. He later founded the Harima Law Office (now the Fushimimachi Lawyer's Office). He joined Toyobo as an Outside Director in 2020.

truly committed to the corporate philosophy.

Harima I think the Board of Directors' monitoring function is still getting stronger. In June 2022, the number of outside directors grew to five of the 10 members of the board. Diversity remains an issue though, because there are still few women and no non-Japanese on the board.

Nakamura Diversity in skills is also important. Most of the internal directors came up through the company, so their range of skills can be narrow. Outside directors bring a range of skills. The balance of internal and outside director roles is balanced now, but the experience and knowledge of non-Japanese will be crucial when begin focusing on overseas markets. I believe that this will be an important perspective to keep in mind when considering candidates for director in the future.

Isogai I agree that the skill matrix of candidates is important. My specialty is in quality control, and I have worked with numerous companies on quality issues.

That experience and those skills are the basis for my input to discussions.

Harima I have felt completely open about stating my opinions during the two years I have been on the board. The revised criteria for submission to the board's discussion agenda has reduced the items requiring a decision by the board, which is giving us more time to discuss important topics.

Nakamura In addition to attending the board meetings, the outside directors participate in twice-monthly briefings on the agenda items when we can ask for further information or clarification. The time saved from not needing to verify details is giving us more time for deeper discussions at the meetings. The volume of information provided to the outside directors has also been increasing over the past few years.

Sakuragi That freedom to voice opinions has led to some very long and heated discussions that can last over several meetings. Sometimes it's a shock to come out of the meeting and find it's dark outside. The system creates a good atmosphere.

One area I think we should spend more time discussing is the longer-term management strategies. I think the board's primary purpose should be to deliberate and set long-term strategies, business portfolio strategies, and investment strategies. We naturally spend much time on those topics when preparing the Sustainable Vision 2030 (long-term vision) and 2025 Medium-Term Management Plan [FY2023 -2026] (2025 MTP), but I believe they warrant continuing discussion going forward.

Isogai I once asked the board why there was so little discussion about the future, and they did then start talking about it more. So they are open to talking about issues for the future, but I agree that more discussion is needed.

Nakamura Much of the discussion over the past three years has been about the fire accident and quality-related misconduct incidents. Those discussions were necessary and I believe that because we kept talking about it we were able to formulate the measures that have been reasonably effective. Of course, we continue to discuss those issues. At the same time, now that the long-term vision and 2025 MTP are under way, I would like to see the board shift its focus to a longer-term perspective on ESG, DX, and the business portfolio.

Isogai I agree. I also think the twice-yearly open discussion meetings with corporate auditors and the information we receive about the annual audit plan and the discussions between the president and corporate auditors are extremely informative. I think the board should also consider holding those meetings more frequently.

Roundtable Discussion with Outside Directors

Fire prevention measures and response to the quality-related misconduct incidents

Harima Regarding the safety and disaster prevention measures after the fire, the board recognizes that an excessive focus on short-term profits and too much distance between the worksites and the head office were among the causes of the accidents, and it is actively working to establish a new organizational culture that puts safety ahead of everything. One key part of the safety and disaster prevention are the steps to make it easier for people at the worksites to communicate with the head office.

Isogai The company also has established a case committee of corporate auditors and outside directors—including all four of us—to review the quality-related misconduct incidents. The executive department has been resolutely implementing the prevention measures the committee has recommended, and the conditions are improving.

Harima The effectiveness evaluations of the Board of Directors in fiscal 2022 indicated a need to strengthen the internal auditing. In the past, much of the Internal Audit Department's staff were from accounting, and the general corporate audits tended to be primarily examinations of financial items. The internal audits were weak in the area of quality assessments. We recommended that the audits could be improved by staffing the Internal Audit Department with personnel with various areas of expertise, not just financial. We also recommended having an executive officer be in charge the department, which has been done. There is also now a system for regular reporting of the status of the internal audits directly to the board.

Nakamura The company has also created the Risk Management Committee to strengthen its risk management, and there has been a certain degree of improvement in safety and disaster prevention and response to the quality-related misconduct incidents. The 2025 MTP also contains measures in these areas. The executive department is fully engaged in these efforts, and, through the board, we are keeping on top of the situation, providing our advice, and monitoring the progress.

Isogai There have been instances where companies with divisional structures have not shared information because they are in competition with each other. That has led to many times when a business has developed quality issues and other problems because it was pursuing profits. Digitalization is making it easier to create connections between business divisions. I would like to see the company take this as an opportunity to make fundamental changes and to continue working toward realizing comprehensive quality control.

Sustainable Vision 2030 and the 2025 Medium-term Management Plan

Sakuragi The announcement of the long-term vision has finally provided a clear picture of the company's path forward. The long-term vision statement says Toyobo is working for "people and the earth," and we are committed to not being overly rigid in our thinking and to responding flexibly to changes in the surrounding environment. In that spirit, I would ask the board to not view the long-term vision for 2030 as set in stone, but to be willing to modify the vision as necessary.



Harima I also have high expectations for “employee well-being” one of the five social issues set forth in the long-term vision. The long-term vision is to be a company that is people first, with safe work environments where employees can work with peace of mind, pride, rewarding in their work. Management has been trying to work with the worksites since the fire accidents and quality-related misconduct incidents, but there still seems to be some distance between them at times. I really would like to see the company put its total effort into its vision for employee well-being and create a fresh atmosphere. That very well could become the foundation of all the strategies.

Sakuragi Yes, it could. I’ve also thought that the “inward-looking” aspect of Toyobo’s organizational culture could have contributed to the quality incidents. I don’t think that aspect has been completely eliminated. I think it’s important for each individual employee to look at the changes not just inside the company, but in Japan and the world as well, independently and with their own eyes. I feel strongly that we need to take that wider perspective on the company or else it will be difficult to fully achieve the Sustainable Vision.

I believe that, on the most fundamental level, Toyobo’s corporate philosophy and mentality closely match the current sensibilities in society, and I encourage the company to do all it can to incorporate society’s perspectives into its businesses and operations.

Isogai The long-term vision and 2025 MTP also reminded me that Toyobo is a deeply committed to its objectives and puts 100% into everything it does.

When I hear the Research Center announcements, I’m astounded by some of the amazing leading-edge technologies they develop. There are so many that have real potential, such as the desalination membranes that turn seawater into drinking water and the super fibers that can be used on floating offshore wind turbines. I was really surprised recently when I heard that Toyobo is developing low environmental impact “sustainable food” production. I had no idea Toyobo was even doing research in that field!

Nakamura That’s what Toyobo does. It looks for ways to apply promising technologies to various markets and turn them into successful businesses. A highly sophisticated technology may not have a market. We can’t make a product and try to sell it, we have to follow what the market wants.

Isogai That’s why finding partners for open innovation and collaboration is also important.

Nakamura The markets are changing so fast that the company needs to accelerate its technology development just to keep up. The company also must formulate a new business model.

Achieving long-term growth

Sakuragi I was most impressed with the detailed numerical targets in the long-term vision and 2025 MTP. When framing a vision for long-term growth, setting ambitious targets for net sales and operating profit is essential, and being obsessive about meeting those targets is critical.

Nakamura President Takeuchi has called the time it took for Toyobo, as a manufacturing industry, to downsiz the textile business and then to get the film business up and running as a period of “survival,” but it has also been an extended period when the company was forced to be patient. I’m sure that the fundamental drive to pursue profits was still lingering in management’s minds during that time, and they may have thought they could at least try to generate a little profit. That might be why the company was adamant about setting very specific goals when projecting to a long-term perspective.

Harima The view of the company from investors and others is that they want Toyobo to get bigger, and the company is believed to have the resources to do that.

Nakamura We are also strongly of that opinion, and we recommended in the board discussions that the target figures in the long-term vision and 2025 MTP reflect that. The company is planning to establish a joint venture with Mitsubishi Corporation, but overall it has not been very aggressive with M&A. We suggested that more dynamic strategies could be used to create future vision. The Board of Managing Executive Officers and Controlling Supervisors held many meetings about and ultimately announced target figures that are both ambitious but still realistically possible to achieve.

Isogai The company has finally moved beyond survival thinking and begun to focus on the pursuit of sustainable growth. I believe that the businesses that have been nurtured over time are now able to maintain their profitability.

Nakamura The targets are indeed the result of many discussions, and I know the company is absolutely committed to achieving them. The structure for achieving the targets is in place. Following the true spirit of the *Jun-Ri-Soku-Yu* principle, we hope that employees will have an open mind and imagine how fulfilling the vision will benefit our customers and generate profit for the company. I think the company could benefit from discussing how to bring that principle even more into play. We all will do everything we can to help the company succeed.

The Basis of Value Creation



Governance Policy and Activities

Management Team

Directors



Seiji Narahara

Chair of the Board & Director

Jan. 1988 Joined the Company
Apr. 2010 Executive Officer
June 2011 Director and Executive Officer
Apr. 2014 Representative Director, President and Chief Operating Officer
Apr. 2021 Chair of the Board & Director (current position)



Ikuo Takeuchi

President & Representative Director, CEO & Co-CEO
Controlling Supervisor of Corporate Sustainability Division, Internal Audit Department, and KAERU Department

Apr. 1985 Joined the Company
Oct. 2015 Deputy Director, General Manager of Corporate Planning Office
Apr. 2018 Executive Officer
Apr. 2020 Managing Executive Officer
June 2020 Director and Managing Executive Officer
Apr. 2021 President & Representative Director, CEO & Co-CEO (current position)



Chikao Morishige

Vice President and Representative Director & Co-CEO
Assistant to the President. Controlling Supervisor of New Company Establishment Office. Head of Films and Functional Materials Solutions Division

Apr. 1983 Joined the Company
Apr. 2014 Deputy Director, General Manager of Films Development Department
June 2014 Deputy Director, Senior General Manager of Plastics Production Technology Department
Apr. 2017 Executive Officer
Apr. 2019 Managing Executive Officer
Apr. 2020 Senior Managing Executive Officer
June 2021 Representative Director and Senior Managing Executive Officer
Apr. 2022 Vice President and Representative Director & Co-CEO (current position)



Hiroshi Otsuki

Representative Director and Senior Managing Executive Officer

Controlling Supervisor of Management and Administration Division, Supervisor of KAERU Department

Nov. 1987 Joined the Company
Oct. 2014 Deputy Director, General Manager of Plastics Planning and Management Office, and Manager of Film Business Management Office
Apr. 2017 Executive Officer
June 2020 Director and Executive Officer
Apr. 2021 Director and Managing Executive Officer
Apr. 2022 Representative Director and Senior Managing Executive Officer (current position)



Yutaka Ouchi

Director and Managing Executive Officer

Head of Life Science Solutions Division

May 1980 Joined Kyowa Hakko Kogyo Co., Ltd. (currently Kyowa Kirin Co., Ltd.)
June 2009 Director of Kyowa Hakko Bio Co., Ltd.
Mar. 2012 Managing Executive Officer of Kyowa Hakko Kirin Co., Ltd. (currently Kyowa Kirin Co., Ltd.)
Apr. 2019 Joined the Company
Apr. 2020 Managing Executive Officer
June 2021 Director and Managing Executive Officer (current position)

Corporate Auditors



Yasuhiro Iizuka



Takayuki Tabo



Hiroyuki Sugimoto
(Outside)



Akihiko Irie
(Outside)



Masaru Nakamura
Outside Director

Apr. 1977 Joined Sumitomo Corporation
Apr. 2006 Corporate Officer
Apr. 2008 Executive Officer
Apr. 2010 Managing Executive Officer
Apr. 2012 Senior Managing Executive Officer
Apr. 2016 Adviser
June 2017 Outside Director of the Company
(current position)



Takafumi Isogai
Outside Director

Jan. 1987 Assistant Professor of Faculty of Liberal Arts,
Osaka University
Apr. 1996 Assistant Professor of Graduate School of
Engineering Science, Osaka University
Apr. 2002 Professor of Faculty of Mercantile Marine,
Kobe University of Mercantile Marine
Oct. 2003 Professor of Faculty of Maritime Sciences,
Kobe University
Apr. 2013 Professor of School of Commerce, University
of Marketing and Distribution Sciences
Apr. 2018 Part Time Lecturer, University of Marketing and
Distribution Sciences
June 2018 Outside Director of the Company
(current position)



Kimie Sakuragi
Outside Director

Mar. 1981 Joined Fukutake Publishing Co., Ltd.
(current Benesse Holdings, Inc.)
Apr. 1995 Supervisor of Book Businesses in Publishing Division
Nov. 1998 Chief of Business Ethics and Compliance Office
Jan. 2003 Manager of Business Ethics and Compliance Office
June 2003 Standing Audit & Supervisory Board Member
(retired in June 2019)
Apr. 2007 Adjunct Professor of the University of Aizu Graduate School
(current position)
June 2019 Outside Director of the Company (current position)
June 2021 Outside Director of the Board
(Audit and Supervisory Committee Member) of Isuzu Motors
Limited (current position)
June 2021 Outside Director of Kumagai Gumi Co., Ltd. (current position)



Masaaki Harima
Outside Director

Apr. 1977 Assistant Judge at Osaka District Court
May 1981 Registered as an attorney at law
(Osaka Bar Association)
Sep. 1987 Founded Harima Law Office
(current Fushimimachi Lawyer's Office)
Apr. 2010 Chairman of Osaka City Fair Work Committee
June 2011 Outside Corporate Auditor of Ishihara Sangyo
Kaisha, Ltd. (current position)
June 2014 Independence Committee of the Company
June 2020 Outside Director of the Company (current position)
Apr. 2021 Chairperson of Osaka Prefecture Pollution
Examination Committee (current position)



Hiroshi Fukushi
Outside Director

Apr. 1984 Joined Ajinomoto Co., Inc.
June 2011 Corporate Executive Officer
June 2013 Member of the Board & Corporate Vice President,
General Manager, Bioscience Products & Fine Chemicals
Division
June 2015 Member of the Board & Corporate Senior Vice President
June 2017 Representative Director
June 2019 Director, Corporate Executive Deputy President,
Chief Digital Officer
June 2021 Representative Executive Officer & Executive Vice President
June 2022 Senior Corporate Advisor (current position)
June 2022 Outside Director of the Company (current position)

CEO & Co-COO

Ikuo Takeuchi

Co-COO & CTO

Chikao Morishige

Senior Managing Executive Officers

Hiroshi Otsuki

Shigeo Nishiyama

Managing Executive Officers

Shigeo Takenaka

Ichiro Takai

Yasuo Ota

Yoshio Araki

Yutaka Ouchi

Masakatsu Shirai

Executive Officers

Nobuya Fujiwara

Muneo Hirooka

Seiji Yamazoe

Kazuyuki Kawata

Yoshihiro Nomi

Kenji Fujihashi

Taichi Sakai

Nobuyuki Hoshino

Naoki Fujii

Masanao Kudo

Eiichi Shimizu

Atsushi Sogabe

Takahito Sagara

Tadao Kuroki

Attendance Record at Board of Directors and Corporate Auditors, Skills (As of June 2022)

		Outside	Independent	Age	Gender	Nomination and Compensation Advisory Committee	Chair of Each Committee	Attendance record (attendance percentage) FY2022			
								Board of Directors	Board of Corporate Auditors	Nomination and Compensation Advisory Committee	
Directors	Seiji Narahara			65	Men	○	Board of Directors	19/19(100%)	—	5/5(100%)	
	Ikuo Takeuchi			59	Men		Board of Managing Executive Officers and Controlling Supervisors	19/19(100%)	—	—	
	Chikao Morishige			62	Men			15/15(100%)	—	—	
	Hiroshi Otsuki			61	Men			19/19(100%)	—	—	
	Yutaka Ouchi			65	Men			15/15(100%)	—	—	
	Masaru Nakamura	○	○	68	Men	○ (Chair)		19/19(100%)	—	5/5(100%)	
	Takafumi Isogai	○	○	73	Men			19/19(100%)	—	—	
	Kimie Sakuragi	○	○	63	Women	○		19/19(100%)	—	5/5(100%)	
	Masaaki Harima	○	○	71	Men			18/19(95%)	—	—	
	Hiroshi Fukushi (Newly appointed)	○	○	64	Men			—	—	—	
Corporate Auditors	Yasuhiro Iizuka			63	Men			19/19(100%)	15/15(100%)	—	
	Takayuki Tabo			61	Men			15/15(100%)	10/10(100%)	—	
	Hiroyuki Sugimoto	○	○	69	Men	Observer		18/19(95%)	15/15(100%)	5/5(100%)	
	Akihiko Irie	○	○	65	Men			15/15(100%)	10/10(100%)	—	

	Of the experience and background required by the company, skills that are particularly beneficial					Overseas Experience	Term of Office	Reason for Appointment
	General Management	Business Operation / Sales	Production Technology / R&D	Finance / Accounting	Risk Management / Compliance			
	○			○		○	11 years	—
	○	○				○	2 years	—
	○	○	○				1 year	—
				○	○		2 years	—
		○				○	1 year	—
	○	○				○	5 years	Has leveraged his extensive experience and wide-ranging knowledge as a manager
			○				4 years	Has leveraged his extensive experience and wide-ranging knowledge as an academic specializing in the quality control field
		○			○		3 years	Has leveraged her extensive experience and wide-ranging knowledge in the fields of corporate ethics, compliance, and sustainability
					○		2 years	Has leveraged his extensive experience and wide-ranging knowledge as an attorney at law
	○	○	○			○	—	Has leveraged his extensive experience and wide-ranging knowledge as a manager and high level of expertise in the biotechnology and digital fields
		○	○				4 years	—
		○		○	○	○	1 year	—
				○	○	○	5 years	Has leverage his extensive experience and wide-ranging knowledge as a certified public accountant
		○			○		1 year	Has leverage his extensive experience and wide-ranging knowledge of corporate auditors at other companies, including listed companies



Corporate Governance

Basic approach and structure overview

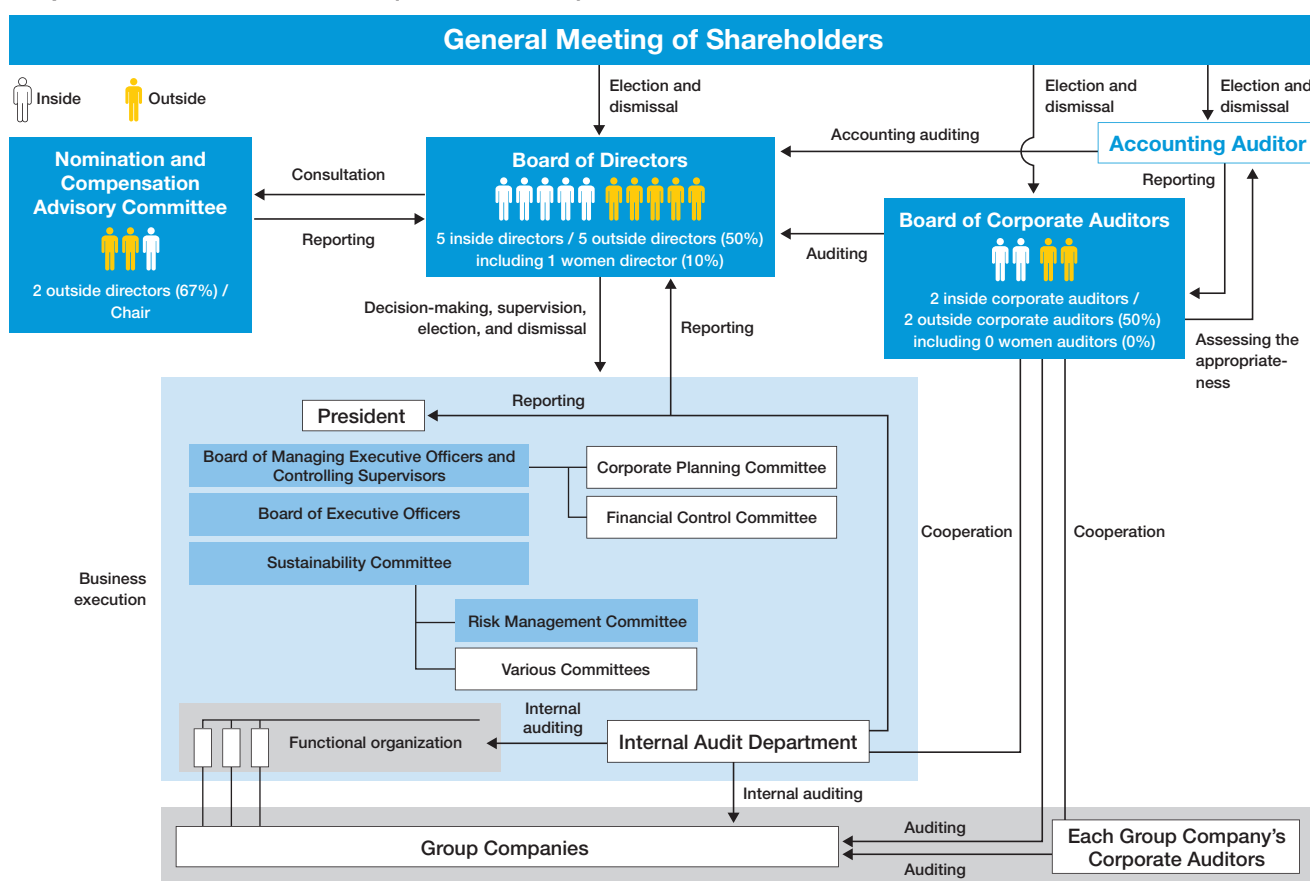
Based on the corporate philosophy of *Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity), we believe that our purpose is to contribute to solving social issues through its proprietary technologies after ascertaining these issues from a long-term perspective.

Toyobo, to respond to the changing times and continuously enhance corporate value, has established

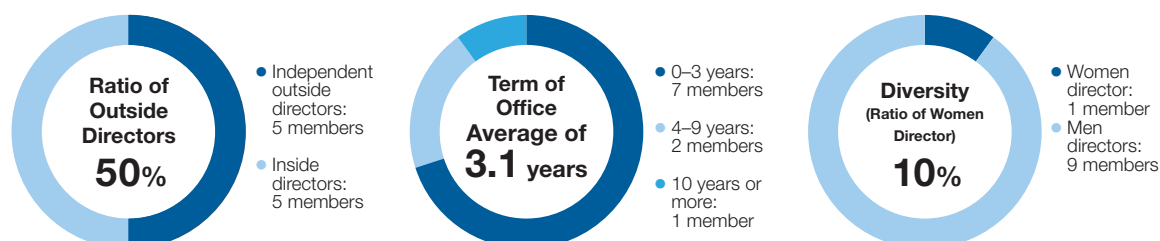
the three policies of (1) ensuring timeliness and accuracy in decision-making, (2) ensuring transparency in management, and (3) emphasizing fairness, and will work to appropriately collaborate with all stakeholders, such as shareholders.

Furthermore, by carrying out its fiduciary responsibility and accountability to shareholders, we will ensure the effectiveness of corporate governance and continually work on its improvement.

Corporate Governance Structure (as of June 2022)



Composition of the Board of Directors



Overview of Boards and Committees

* As of June 2022

	Members* and Roles	Main Issues (FY2022)
Board of Directors Number of meetings held in FY2022: 19	Members: 10 members. The Board of Directors consists of the Chair, who chairs the Board of Directors, 5 independent outside directors, and a director who is also as the executive officers. The number of directors on the Board of Directors is set at 14 or less, with at least a third being outside directors, and the term of office for directors is set at one year. Role: The Board of Directors receives reports on the progress of medium- and long-term themes, including from the perspective of sustainability, and the status of business execution in each business, and conduct appropriate supervision. In addition, by taking our fiduciary responsibility and accountability to shareholders into account, it works to build a corporate governance structure that will enable us to sustainably enhance corporate value.	<ul style="list-style-type: none"> • Important investment deals • Safety and disaster prevention, and quality initiatives • Quality-related misconduct incidents • Human resource system, and human resource development • Sustainable Vision 2030 • Cross-shareholdings • Management policy, and management issues • R&D-related • Business strategy • Establishment of joint ventures
Board of Corporate Auditors Number of meetings held in FY2022: 15	Members: 4 members, including 2 independent outside corporate auditors. Role: The Board of Corporate Auditors attends the Board of Directors meetings and other important meetings, states opinions when necessary, and audits the execution performance by directors through audits of each department's operation. KPMG AZSA LLC has been appointed to conduct accounting audits required under Japan's Companies Act. The Board of Corporate Auditors receive reports on auditing plans and auditing results from the accounting auditor, and meet with them to periodically exchange information. Information is also exchanged with the Internal Audit Department, which monitors the effectiveness of internal control.	<ul style="list-style-type: none"> • Determination of auditing policy and auditing plans • Sharing the results of operational and accounting audits, and visiting audit to affiliate companies • Attending and confirming details of important meetings, including Board of Directors • Sharing details of discussions with board • Confirming important documents
Nomination and Compensation Advisory Committee Number of meetings held in FY2022: 5	Members: 3 members, including 2 independent outside directors and the Chair. The Nomination and Compensation Advisory Committee is led by an outside director. 1 outside corporate auditor also participates as an observer. Role: Based on proposals from the President, the Nomination and Compensation Advisory Committee deliberates basic policies and criteria on the nomination of officers and succession planning, and reports to the Board of Directors.	<ul style="list-style-type: none"> • Review of officer compensation system • Basic policy and criteria for nomination, election and dismissal of officers • Recommendation of candidates for directors and corporate auditors, and election and dismissal of management team members
Board of Managing Executive Officers and Controlling Supervisors Number of meetings held in FY2022: 32	Members: 12 members, including those also serving as directors. The Chair and 2 inside corporate auditors may also participate and state their opinions. Role: The Board of Managing Executive Officers and Controlling Supervisors deliberates in advance on matters to be resolved by the Board of Directors, and determines matters related to business execution entrusted by the Board of Directors. The Corporate Planning Committee and the Financial Control Committee have been established under the Board of Managing Executive Officers and Controlling Supervisors to manage risks related to management.	Same issues as the Board of Directors
Sustainability Committee Number of meetings held in FY2022: 4	Members: 13 members. The Sustainability Committee consists of the Chair and the members of the Board of Managing Executive Officers and Controlling Supervisors, and the President serves as chair. 2 inside corporate auditors may also participate and state their opinions. Role: The Sustainability Committee reviews the progress of company-wide sustainability activities each quarter, and discuss new issues to be addressed and company-wide risks. The content of the Committee's discussions is reported to the Board of Directors on a regular basis.	<ul style="list-style-type: none"> • Progress report on materiality and KPIs • Initiatives toward carbon neutrality (Scope 1, 2 GHG emissions reduction plan, etc.) • KPI settings in work-style reforms, etc.
Corporate Planning Committee Number of meetings held in FY2022: 9	Members: 19 members. The Corporate Planning Committee members are selected from each specialized field and business departments. The Director in charge of planning serves as chair. Role: The Corporate Planning Committee provides opinions and deliberates from a professional and managerial perspective on strategic matters, including important capital investments, new businesses, new company establishment, technology introduction, and business alliances, based on the entrustment of the Board of Managing Executive Officers and Controlling Supervisors. This is to improve the efficiency of deliberations and resolutions by the Board of Managing Executive Officers and Controlling Supervisors and to ensure the proper approval process, including matters concerning affiliate companies.	<ul style="list-style-type: none"> • Significant capital investment projects • Matters regarding new businesses • Matters regarding the establishment of new companies • Other important matters (investments, technology introductions, business alliances, acquisitions, etc.) • Review of major Corporate Planning Committee matters
Financial Control Committee Number of meetings held in FY2022: 15	Members: 1 Chairperson, and 4 standing committee members. Role: The Financial Control Committee pursues improving the efficiency of deliberations and resolutions at the Board of Managing Executive Officers and Controlling Supervisors, and the appropriateness of the approval process by expressing opinions and deliberating from a professional and managerial perspective on important individual investments, loans, guarantees, and other matters. In addition, it seeks to streamline the deliberation or resolution of matters not subject to deliberation or resolution at the meetings, as required by various rules and regulations.	The following matters of individual importance: <ul style="list-style-type: none"> • Investments and lending • Guarantees and reservations of guarantees (including management awareness letters) • Collateral provision for third parties

Election and dismissal of top management and nomination of candidates for directors and corporate auditors

Policy

The election and dismissal of top management members (executive officers who also serve as directors) and the nomination of candidates for directors and corporate auditors are based on whether they are outstanding individuals who have the appropriate insight for their respective posts, while also taking into consideration the criteria for nominating directors and corporate auditors, and are decided by the Board of Directors after deliberation by the Nomination and Compensation Advisory Committee.

(1) Stance on composition of the Board of Directors and Board of Corporate Auditors

a) Board of Directors

The Board of Directors is comprised of the Chair of the Board, outside directors, and directors who also serve as executive officers, in order to have a balanced structure with the expertise and skills necessary to appropriately provide strategic direction and make decisions on important business operations, and the independence necessary to strengthen supervision of management, while also ensuring diversity in terms of professional background, gender, age, etc. Based on the concepts of (1) ensuring timeliness and accuracy in decision-making, (2) ensuring transparency in management, and (3) emphasizing fairness, the Articles of Incorporation stipulate that the Board of Directors must have no more than 14 members, and that the ratio of outside directors be at least one-third of members.

b) Board of Corporate Auditors

The Board of Corporate Auditors comprises human resources with expertise and skills in finance and accounting as well as knowledge of the group's business, from the perspective of ensuring the effectiveness of auditing.

(2) Summary of criteria for nomination, etc.

a) Candidates for directors (excluding candidates for outside directors)

Candidates for directors should have knowledge, achievements, experience, and skills as a manager, as well as a company-wide perspective

b) Candidates for outside directors

- Candidates for outside directors are expected to contribute to the enhancement of corporate value and the strengthening of supervision, such as providing business suggestions and management support
- Candidates for outside directors must meet separately specified independence criteria for outside directors

c) Candidates for corporate auditors

- Candidates for outside corporate auditors are expected to have ability to make appropriate judgments from an independent and objective standpoint in the auditing of the performance of duties, etc.
- Candidates for outside corporate auditors must meet the independence criteria

Procedures for nominations, etc.

The Nomination and Compensation Advisory Committee, comprising a majority of outside directors, has been established as an advisory body to the Board of Directors to ensure fairness and transparency, and is chaired by an outside director.

The Committee deliberates and reports to the Board of Directors on basic policies and criteria for nominating officers and succession planning, etc., based on proposals from the President.

Dismissal policy and procedures

In the event of an act of misconduct, impropriety, or actions suggesting a breach of trust, or of other reasons that make the member unsuitable to serve as an officer, after deliberation by the Nomination and Compensation Advisory Committee, a decision will be made by the Board of Directors on their dismissal.

Training programs for officers

As well as giving explanations to newly appointed directors and corporate auditors concerning their roles and responsibilities, the company sends executive officers to an external training program upon their appointment, in order to acquire the necessary knowledge.

In addition, newly appointed outside directors and outside corporate auditors are given explanations concerning the company's operations, finances, and organization, etc. and provided visits to each business site. They are continuously provided with opportunities after assuming office to acquire the necessary knowledge in order to sufficiently fulfill their roles and responsibilities.

Evaluating the effectiveness of the Board of Directors

In order to further enhance the functions of the Board of Directors, the company carried out an overall analysis and evaluation of the effectiveness of the Board of Directors in fiscal 2022 with the support of an external organization. An outline of this evaluation is as follows.

Method of analysis and evaluation of effectiveness

- (1) Target: All directors and corporate auditors
- (2) Method: Conducted a survey with approximately 40 questions, and provided the responses directly to an external service provider.
- (3) Analysis and evaluation: The Board of Directors conducted the analysis and evaluation based on reports of aggregate results from the service provider.

Summary of evaluation results

- (1) Member numbers for the Board of Directors, the ratio of internal and external members, and the Chair's management of meetings procedures were evaluated as generally appropriate.
- (2) It was confirmed that certain results and improvements were achieved as a result of addressing the five issues identified previously [1) strengthened risk management including of safety and disaster prevention, and QA, 2) strengthening the group-wide internal audit functionality, 3) tackling medium- and long-term themes, 4) initiatives towards succession planning and appointment procedures for Chief Executive Officers, and 5) further streamlining of Board of Directors' management of meetings procedures].
- (3) However, items 3), 4), and 5) received relatively low evaluations, and were identified as future issues to be addressed in addition to strengthening group governance. Item 1) also remains a future issue to be addressed in order to further improve through continuous initiatives.

Issues and future initiatives

The Board of Directors is working to improve its own effectiveness as a whole through the following initiatives.

(1) Risk management including of safety and disaster prevention, and QA

- We will monitor the activities of the Risk Management Committee to further enhance the group-wide risk management structure.

- We will monitor the progress and ensure the effectiveness of the implementation of the master plan for safety and disaster prevention and the restructuring of the QA management structure.

(2) Enhancing discussion on solutions to medium- to long-term management issues such as DX

- We will address themes set in the annual plan at the beginning of meetings to enhance discussion.
- We will increase the use of venues other than the Board of Directors, and strengthen collaboration with the Sustainability Committee and Risk Management Committee.

(3) Further initiatives towards succession planning and appointment procedures for Chief Executive Officers

We will further ensure transparency and fairness by receiving activity reports from the Nomination and Compensation Advisory Committee, and other initiatives.

(4) Further streamlining of Board of Directors' management of meetings procedures

We will review the operation of the Board of Directors as follows in order to further improve efficiency, and to ensure sufficient time for deliberation on important management issues.

- Earlier advance distribution of materials, and more detailed explanations beforehand
- Streamlined explanations

(5) Strengthening group governance

We will receive reports from the newly established Corporate Business Management Department of Subsidiaries and Affiliates on the business management of group companies, such as on risk management, and become involved appropriately.

Officer compensation system

Basic Policy

Toyobo's system of officer compensation is designed as follows, in line with basic policy, within the monetary amount resolved at the Annual General Meeting of Shareholders.

- 1) Provide incentives that lead to Toyobo group's sustained growth and enhance corporate value over the longer term
- 2) Secure highly talented management personnel
- 3) Set determination procedures that are objective and highly transparent

Compensation structure and levels are reviewed based upon the company's business environment, levels of employee salaries, and other companies' levels based upon surveys conducted by specialized external organizations.

Monetary compensation (including performance-based amounts)

(1) Composition of monetary compensation

Monetary compensation for directors (excluding outside directors) is a fixed monthly compensation, comprising the following two components:

- 1) Compensation by position for directors (representative director, director)
- 2) Compensation by position for directors also serving as executive officers

(2) Compensation by position for directors who also serve as executive officers

- 1) Comprises set amount by position and the short-term incentive reflecting the previous fiscal year company-wide evaluation and performance evaluation of the overseen department.
- 2) The KPI for the company-wide performance evaluation is the consolidated operating income, given that this is a major management indicator. The specific amount shall be determined in accordance with this by the Board of Directors based upon advice from the Nomination and Compensation Advisory Committee.
- 3) Performance evaluations of overseen departments will be determined by a comprehensive overview of its performance taking into account improvements in operating profit and ROA.
- 4) Compensation is calculated individually using formulas determined by the Nomination and Compensation Advisory Committee, and based upon company-wide performance evaluations and the performance evaluation of the overseen department, and decided upon by the Board of Directors.
- 5) Compensation for the Chair of the Board & Director is the same as the President, taking into account their duties.

Stock compensation

In order to increase incentives to sustainably enhance corporate value and to promote more value sharing with shareholders, a certain percentage of compensation is granted annually as non-monetary compensation for granting restricted shares (non-performance-based, provided in advance).

Ratio of compensation

Compensation for directors also serving as executive officers is designed to appropriately increase incentives to increase corporate value, and the ratio of the fixed portion, short-term incentive portion, and the non-monetary compensation is 7:2:1 (when 100% of KPI achieved). (Shifted to the new compensation system in July 2022)

Other

- (1) Compensation for outside directors is to be fixed monetary compensation in view of their role and independence.
- (2) Compensation for corporate auditors is to be fixed monetary compensation in accordance with their duties and responsibilities, and is to be decided by discussions with the corporate auditors in view of their duties and responsibilities.
- (3) The Nomination and Compensation Advisory Committee, comprising a majority of outside directors as members, has been established as an advisory body to the Board of Directors to ensure the transparency and objectivity of decisions regarding compensation. The Nomination and Compensation Advisory Committee receives advice from the Board of Directors and deliberates on the system, level, and calculation method of officer compensation, in addition to the targets set for the company-wide performance evaluations forming part of the compensation by position. The Board of Directors makes the final decision on the amount of individual compensation based upon the report from the Nomination and Compensation Advisory Committee.

Details of Officer Compensation (FY2022)

* Including mid-period appointments and resignations

Position	Total compensation, etc. (¥ mn)	Total compensation by type			Number of officers*
		Basic compensation (¥ mn)	Performance-based compensation (¥ mn)	Non-monetary compensation (Compensation for granting restricted shares) (¥ mn)	
Directors (including outside directors)	422 (41)	310 (41)	82 (—)	30 (—)	12 (4)
Corporate Auditors (including outside corporate auditors)	69 (17)	69 (17)	— (—)	— (—)	6 (3)
Total (including outside officers)	491 (59)	379 (59)	82 (—)	30 (—)	18 (7)

Review of officer compensation system

In fiscal 2022, the Board of Directors partially revised the officer compensation system based on a study of social trends surrounding executive compensation and appropriate incentives to improve performance. The main points of the review are as follows and were implemented starting in July 2022.

(1) Composition of compensation

- Reduce the percentage of basic compensation by position and increase the percentage of short-term incentive compensation.
- After review, the ratio of basic compensation by position, short-term incentive compensation, and long-term incentive compensation (compensation for granting restricted shares) should be 6:3:1.

Ratio of Compensation

Basic compensation

:

Short-term incentive compensation

Reflect the previous fiscal year's composition of short-term incentive compensation

:

Long-term incentive compensation

Composition for granting restricted shares

= 6 : 3 : 1

(2) Composition of short-term incentive compensation

The ratio of company-wide performance to the performance of the department in charge to be reflected in short-term incentive compensation shall be as follows:

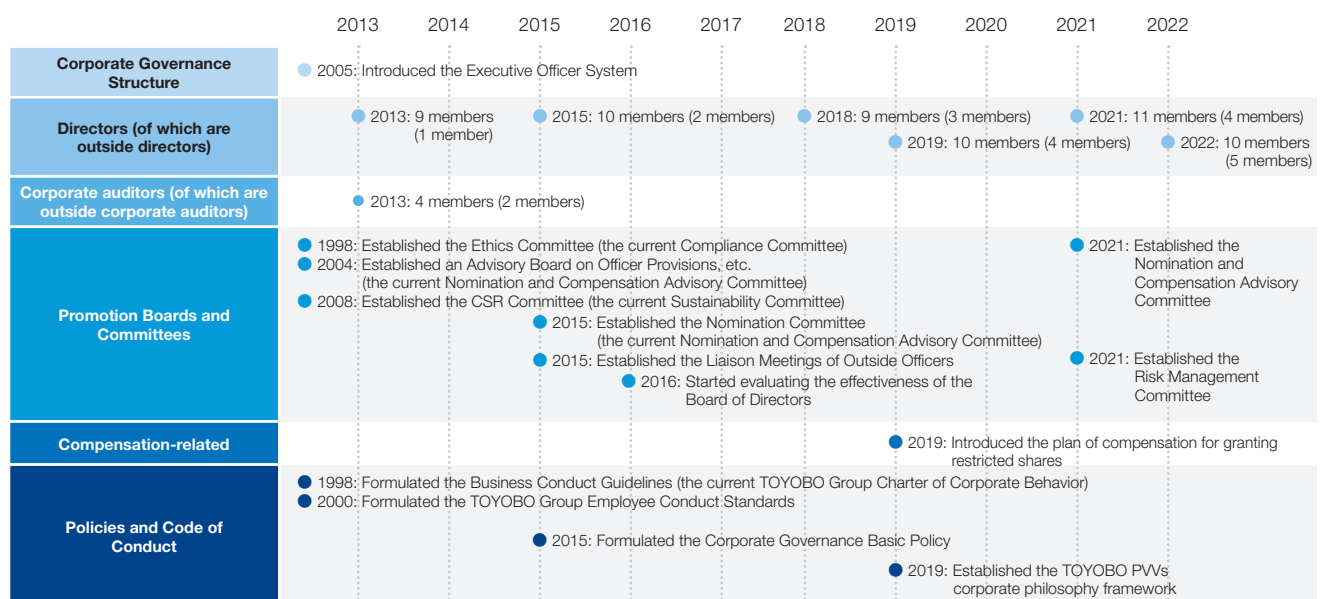
- Representative directors and executive directors: company results only
Directors: company performance = 2, Performance of the department in charge = 1
- Executive officers (full-time): company performance = 1, Performance of the department in charge = 2

(3) Performance indicator for short-term incentive compensation

The performance indicator used to evaluate company-wide performance will be changed from operating income to EBITDA*, in turn linking it to the goals of the 2025 Medium-Term Management Plan.

* Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) is an indicator that indicates a company's profit level.

History of Strengthening Corporate Governance



The Basis of Value Creation

G Governance Policy and Activities Compliance

Basic approach

Based upon our corporate philosophy of *Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity), at the core of Toyobo group's compliance activities is the idea of "Do what must be done" and "Don't do what must not be done."

Promotion structure

The goal of the Compliance Committee, which is comprised of members from the Board of Managing Executive Officers and Controlling Supervisors, is to promote group-wide compliance from a management perspective. A Compliance Promotion Committee, which has been established as a sub-committee of the Compliance Committee, considers specific initiatives, and the Legal and Compliance Department promotes compliance throughout the group as a whole. In fiscal 2022, the Compliance Committee convened twice, and the Compliance Promotion Committee convened four times. They have worked toward enhancing the effectiveness of education, training, and preventive measures.

Compliance consultation desks

Toyobo group provides an internal compliance consultation desk (internal reporting service) and external compliance consultation desk for all group employees. These receive reports and give consultations regarding workplace violations of laws and regulations or fraudulent acts, acts that violate anticompetition laws, corruption—including bribery and embezzlement—and bullying or harassment, and work toward early detection of these problems and toward rectifying them and preventing their recurrence.

To enhance awareness of the consultation desks, in fiscal 2022, special stickers outlining how to use them were produced, and distributed within Toyobo workplaces.

Also, as the quality-related misconduct incidents that were discovered in fiscal 2021, was not reported via the internal compliance consultation desk, in October 2021, an external compliance consultation desk was established, using a specialist external service provider.

In fiscal 2022, there were a total of 62 consultations, seven of which were made through the external compliance consultation desk. For the cases that were deemed to be problematic, we implemented corrective measures, recommended disciplinary action, provided advice to the consulting parties, and answered their questions.

Details of Consultations Handled by the Compliance Consultation Desks (FY2022)

Details of consultations	Incidents
Communication and labor management	14
Suspected abuse of authority	10
Quality and data related matters	5
Questions and opinions relating to internal systems and rules, etc.	5
Matters relating to COVID-19 and/or vaccination	4
Matters relating to working hours, overwork, etc.	3
Bullying or harassment	2
Suspected accounting irregularities, etc.	2
Inquiries regarding the reporting system / framework, etc.	2
Matters relating to occupational safety	1
Matters relating to the handling of reports	1
Suspected violations of the law	1
Others	12
Total	62

KPIs and Results

Initiatives	Targets	Results (FY2022)
Increase in awareness of compliance	Improvement in compliance questionnaire responses	<ul style="list-style-type: none">Does the company emphasize compliance? I feel that it does, or by and large I feel that it does: 79% (down 9% YoY)¹Awareness of "Compliance Mini Study" I read every issue, or I sometimes read it, or I read those articles that are of interest to me: 78% (roughly the same as in the previous year)
	Expansion of compliance study sessions (Managers) and various other trainings	<ul style="list-style-type: none">Compliance study sessions Held 10 times + video delivered to all employeesVarious other trainings Held 21 times
Awareness and use of compliance consultation desks	Improvement in compliance questionnaire responses	<ul style="list-style-type: none">Awareness of compliance consultation desks 87% (down 5%)Ease of use of compliance consultation desks I would like to try using it, or I can't really say one way or the other: 93% (up 4%)²
	Disclosure of no. of cases handled	62 cases handled
No. of serious legal violations	0 violations per year	0 violations

1 In October 2021, "I can't really say one way or the other" was added as one of the responses that could be chosen for the survey question (for reference, the share of respondents choosing this response was 17%)

2 There were three possible responses that could be chosen for the survey question: "I would like to try using it," "I can't really say one way or the other," and "I would not be keen on using it."

Education and awareness-raising activities

Main Activities in FY2022

Initiatives	Overview
Revision of, and ensuring familiarization with, the TOYOBO Group Compliance Manual	In order to strengthen the understanding of all Toyobo group employees and ensure that they are thoroughly familiarized with relevant rules, based upon the principles declared in the TOYOBO Group Charter of Corporate Behavior, we have summarized the rules to which employees are subject in the TOYOBO Group Compliance Manual. During Compliance Enforcement Month every year, we revise the manual (both the Japanese-language and English-language versions) and distribute it to group employees. We also edit the manual to produce localized versions at our overseas business sites. At each workplace, we have employees read through the manual together to familiarize themselves with the TOYOBO Group Charter of Corporate Behavior.
Awareness-raising activities during Compliance Enforcement Month	Video messages (covering safety, quality, and compliance) from the President and other executive officers were disseminated. We are also working to raise awareness of the compliance consultation desks, using posters and digital signage.
Holding compliance study sessions	We held 10 compliance study sessions targeting management-level personnel from all Toyobo business sites including headquarters, branches, production centers, and at 37 affiliate companies. With members of the relevant departments of compliance, QA, and IT acting as lecturers, a total of 1,084 employees participated in these sessions, which covered topics such as management's role in preventing misconduct, preventing harassment, and cyber security. We have also created a video of the study sessions edited for general employees, and distributed this to group companies.
Various other trainings, including level-specific training, occupation-specific training, etc.	As part of level-specific and occupation-specific training for managers, new employees, sales staff, and personnel being sent on overseas assignments, we implemented 21 compliance education sessions. Also, we have implemented discussion-type training activities for managers, focusing on topics that are of particular importance to the company, such as safety, quality, and compliance, from fiscal 2022 onwards.
Issuing case study reports	A "Compliance Mini Study," which educates employees about compliance violations in a case study format, is issued monthly, and heads-up reports are issued occasionally based on cases that have occurred within Toyobo group.

Questionnaire implementation

During Compliance Enforcement Month, which is held each year, we implement an anonymous questionnaire. This examines employee awareness of compliance, including ethics, safety, quality, confidential corporate information, harassment, the organizational culture, and use of the consultation desks. Through this, we confirm the status of compliance risks in the workplace.

In fiscal 2022, we received 6,765 responses from employees, and the results of the questionnaire survey were disclosed to all employees. Details on individual problems and issues are shared with related departments in a form that does not identify the respondent—this has proved useful in improving the situation and preventing problems.

Anti-corruption initiatives

Toyobo group positions the prevention of corruption in all forms, such as bribery, as a priority issue for compliance. Particularly with regard to bribery, in addition to Toyobo policies* and regulations, we have also decided upon guidelines that detail specific rules covering matters such as judgments and monetary standards when giving gifts

and entertainment. We ensure that these are well understood. Additionally, in order to build fair and healthy relationships with business partners, we have put in place rules regarding the accepting of gifts and entertainment. These include a requirement to decline to accept money or its equivalent, or gifts and entertainment that exceed socially accepted norms, and the introduction of a reporting system for when gifts or entertainment are received.

In fiscal 2022, as part of our company-wide risk management activities, we implemented a legal compliance risk assessment. Based on a variety of risk scenarios, we performed assessment in terms of the two axes of the severity of impact and the likelihood of a risk occurring. The results obtained confirmed that the level of corruption risk, including bribery, was relatively low across all Sales and Marketing Divisions.

* Toyobo Group Anti-Bribery policy
<https://www.toyobo-global.com/company/compliance/anti-bribery/>

Governance Policy and Activities Risk Management

Basic approach

Toyobo group has established a Basic Policy on Business Risk* that outlines our fundamental stance on risk management activities. Based on the Policy, we identify various types of risk that could pose a threat across the entire range of our business activities, and manage risk appropriately according to the characteristics of each risk. In an emergency situation, we immediately set up a task force under the direction of the relevant executive officer, and bring the crisis under control through a swift response. By putting these structures in place and conducting the aforementioned initiatives, we work hard to maintain the trust of our customers, the local community, and our shareholders and other stakeholders.

* Basic Policy on Business Risk
<https://www.toyobo-global.com/sustainability/governance/risk/>

Risk management structure

On April 1, 2021, Toyobo group established a Risk Management Committee headed by the President, for centralized management of risks throughout the group. The committee comprises members of the Board of Managing Executive Officers and Controlling Supervisors as well as members nominated by the chair, and in fiscal 2022, its first year of establishment, it convened four times.

This Risk Management Committee brings together risk management activities (identification, analysis, evaluation, and response), as well as formulating risk management policies for the group as a whole. It is working to strengthen our risk management structure by aiming to build effective and sustainable organizations and approaches.

In fiscal 2022, we began to operate the structure that we had designed and to promote activities aimed at reducing risks. We also started working to achieve company-level risk management and develop reduction activities targeting specific risks.

As a starting-point for these activities, we implemented assessment of company-wide risks. Based on a variety of risk scenarios, we performed assessment in terms of the two axes of the severity of impact and the likelihood of a risk occurring, and the results of this assessment were used to identify major company-wide risks that we need to pay particular attention to. Going forward, we will implement periodic monitoring activities in relation to these risks.

As part of our management operations, in order to build a company-wide structure to identify risks throughout the company, prevent their occurrence and ensure early detection, and also put in place measures to prevent reoccurrence, we are realizing the sustained implementation of self-directed risk management activities appropriate to particular business areas and roles.

Management Structure and Processes



Business risks

The main risks recognized that could have a material impact on Toyobo group's operating results and financial

position are as listed below. The list does not include all the risks related to Toyobo group.

Forward-looking statements were determined by the group as of the end of fiscal 2022.

Recognized risks

Financial risks

- Foreign exchange rate fluctuation
- Major interest rate rise
- Substantial decline in stock prices
- Impairment loss of fixed assets

Incurred or highly probable risks

- Occurrence of disasters, accidents and infections
- Further worsening of political and economic situations
- Inappropriate conduct in the contents of third-party certification registrations, etc.

Medium- to long-term risks

- Purchase of raw materials (▶p.073)
- Product defects (▶p.063)
- Securing of human resources (▶p.065)
- Climate change (▶p.047)
- Environmental impact (▶p.049, p.055)
- Information security (▶p.092)
- Laws, regulations and compliance (▶p.089)
- Overseas business activities
- Litigation

Data Security and Privacy

Basic approaches and structure

With the continuing development of the information society, the effective utilization of data to drive product and technology development and make a meaningful contribution toward society and the environment has become the key to survival for companies. On the other hand, inappropriate handling of data can cause significant damage and negative impacts, including loss of sales opportunities due to leakage of confidential information and information system outages.

Toyobo group has formulated an Information Security Policy, and strives to ensure that all information assets are appropriately managed and utilized. In fiscal 2022, we worked to familiarize employees with the basic rules, for example by disseminating a video explaining the Information Security Policy, and guidelines and training videos for managers and information system users.

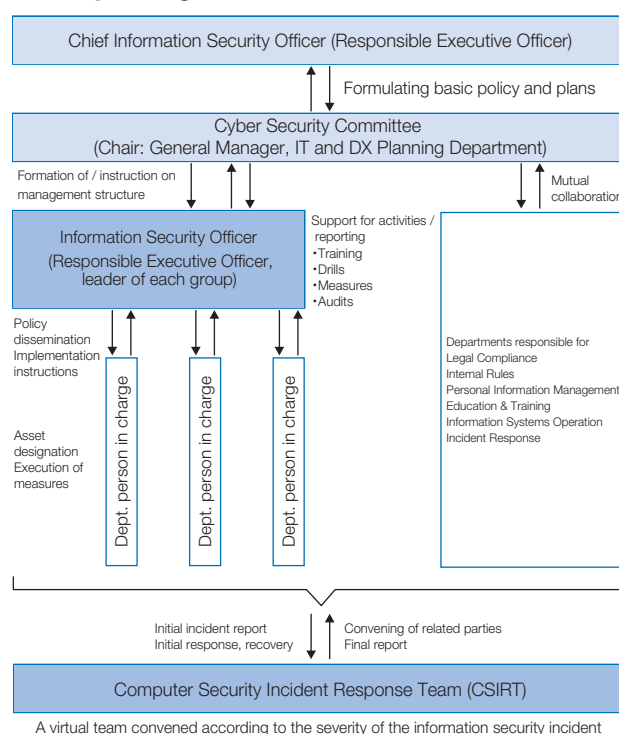
Toyobo Information System Create Co., Ltd., one of our group companies, has obtained ISO 27001* certification, and undergoes an external audit based on ISO 27001 on an annual basis. Toyobo Information System Create Co., Ltd. has been commissioned to assign personnel to perform information system management at five Toyobo business sites (head office, the Research Center, the Tsuruga Research and Production Center, the Iwakuni Production Center, and the Inuyama Plant; these five sites represent half of all Toyobo business sites in Japan), and also provides comprehensive management at other business sites using Toyobo Information System Create's management system.

The problem of cyber-attacks has been getting steadily more serious over the past few years, and Toyobo's overseas business sites and group companies have become targets on many occasions. With this in mind, we have been working

to bring the information security measures of our affiliate companies, both in Japan and overseas, up to the same level as Toyobo aiming to strengthen information security through Toyobo group as a whole.

* ISO 27001 is an international standard for information security management systems.

Toyobo Group Information Security Management Structure



Key Events in Fiscal 2022

Eco-conscious products design

■ Development of laser-printable film for exterior labels

We have developed Lesire™, laser-printable film for exterior labels, for use with products such as foods and cosmetics, which is the first film product of its kind.* By effectively utilizing the technology that Toyobo has cultivated over the years, we have made it possible to print labels directly using an ordinary, general-purpose laser printer.

Lesire™ is expected to enhance productivity by eliminating the need for ink replenishment and coating processes. In addition, because there is no need to wash off ink or coating material before recycling, the film is more suitable for recycling, and will help to conserve resources. Going forward, we will continue to expand our line-up of eco-conscious products and contribute toward the realization of the circular economy.

* Based on a Toyobo survey.



Laser-printable film Lesire™ for exterior labels
Text and symbols can be printed clearly (transparent type on the top; milky white type on the bottom)

■ Toyobo succeeds in polymerizing 100% bio-based PET resin

In December 2021, we succeeded in polymerizing polyethylene terephthalate (PET) resin that is made solely from plant-derived raw materials. It was provided for use as trial production raw material in the manufacturing of PET bottles that use only plant-derived raw material, which are being developed jointly by Japan's Suntory Group and U.S. biochemical start-up Anellotech, Inc.

With the aim of making a further contribution toward the realization of the circular economy, we are promoting the shift toward plant-derived raw materials and the effective utilization of recycled resources. Working through R Plus Japan, Ltd., a joint venture company established with Suntory and other companies in the Japanese plastics value chain, we are working to ensure that used plastic is recycled. (▶p.049 "Plastic resource circulation")



100% bio-based PET resin polymerized by Toyobo (left)

PET bottle made from 100% plant-derived raw material, developed by the Suntory Group and Anellotech, Inc. (photo courtesy of Suntory) (right)

Next-generation, cutting-edge technologies

■ Development of smart clothing that uses conductive material

Using COCOMI® stretchable conductive film, we have developed COCOMI® Cycling Undershirt smart clothing for cyclists to use when training. This new product went on sale via e-commerce retailer Amazon in May 2021.

When a user is wearing the COCOMI® Cycling Undershirt, a heart rate sensor can be attached to the shirt to measure the heart rate. High-precision measurement is possible because of the superior stretchability and conductivity of COCOMI®, and because the electrode area is carefully positioned to facilitate movement. At the same time, as this product provides the stretchability, UV protection and quick-drying water absorption capability expected of sportswear, it supports effective training.

Going forward, we will continue to develop new applications for COCOMI® across a wide range of fields, such as healthcare and nursing care.



COCOMI® Cycling Undershirt

Sustainability management





■ Issuing social bonds

In December 2021, Toyobo issued the company's first social bonds.* To issue the bonds, a framework was formulated that followed the Social Bond Principles (SBP) 2021 of the International Capital Market Association (ICMA) and the relevant guidelines.

Through the issuing of these bonds, we aim to further the creation of customer value and the provision of social value. In addition, by spreading awareness of our proactive implementation of CSV and SDGs related activities, and by incorporating constructive dialogue with stakeholders into our business activities, we are driving our sustainable growth.

* Social bonds are bonds issued to raise funds for business activities that will contribute toward solving social issues

Overview

Name:	TOYOBO CO., LTD.—43rd unsecured straight bonds (with inter-bond parri passu clause) (social bonds)
Total amount of issue / Term	¥10 billion / 7 years
Overview of fund use and compatibility with the SDGs	Expenses relating to manufacturing of medical film (Expenses relating to R&D and equipment investment for items such as artificial kidney hollow fiber membranes, and virus-removing membranes)  
	Expenses relating to reagent manufacturing (Expenses relating to R&D and equipment investment for items such as raw material enzymes for use in diagnostic reagents and genetic testing reagents)  

■ Adoption of internal carbon pricing system

In April 2022, we began operation of our internal carbon pricing system, which is a framework for setting an internal price for the company's CO₂ emissions. In relation to capital investment and investment in R&D facilities that may lead to an increase or decrease in CO₂ emissions, we apply the internal carbon price when calculating expenses, and use the calculation results as one of the criteria for investment decision-making.

Through the effective utilization of this system, we aim to reduce our greenhouse gas (GHG) emissions to net zero by fiscal 2051, and become carbon neutral.

System Overview

Internal carbon price:	¥10,000 / t-CO ₂
Applicable to:	Capital investment and investment in R&D facilities that may increase or decrease CO ₂ emissions
Method of application:	With regard to the increase or decrease in CO ₂ emissions resulting from individual equipment investment plans (including R&D equipment), the internal carbon price will be applied when calculating expenditure and used as a reference for investment decisions.

External evaluation

■ Inclusion as a component stock in ESG indices



In June 2021, Toyobo was selected, for the first time, for inclusion as a component stock in the FTSE Blossom Japan Index, an international ESG investment stock index. In March 2022, Toyobo was selected for inclusion as a component stock in the FTSE Blossom Japan Sector Relative Index.

2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

THE INCLUSION OF TOYOBO CO., LTD. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF TOYOBO CO., LTD. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

In December 2021, Toyobo was selected, for the first time, for inclusion as a component stock in the MSCI Japan ESG Select Leaders Index.

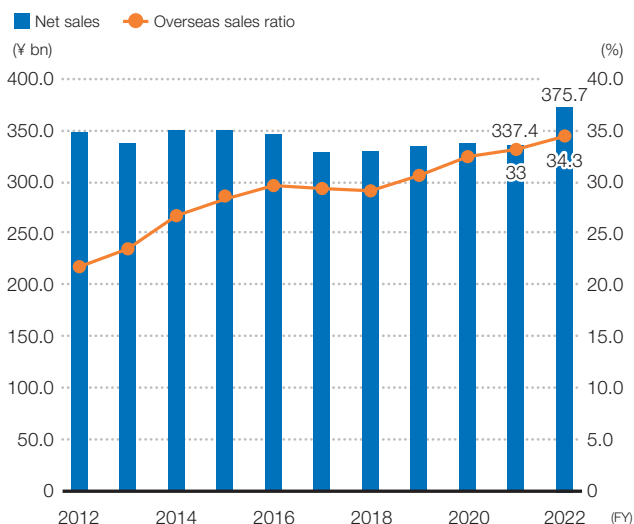


In February 2022, Toyobo was selected, for the first time, as a Supplier Engagement Leader, the highest possible evaluation under the Carbon Disclosure Project (CDP) supplier engagement evaluation framework.

Overview of FY2022

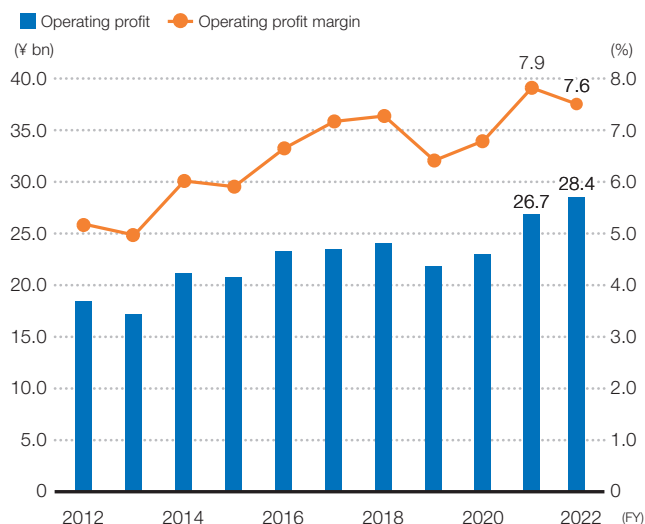
Financial Highlights

Net Sales / Overseas Sales Ratio



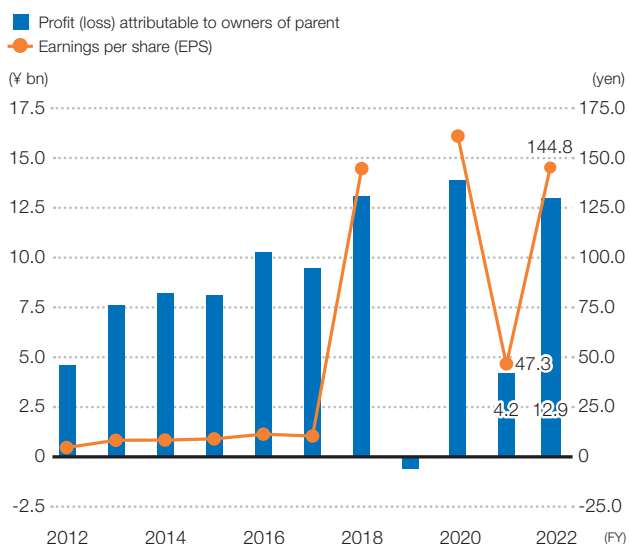
In fiscal 2022, sales of raw materials and reagents for PCR testing expanded in the life science business, and sales prices increased in the film and other businesses in response to rising raw material prices. Net sales resulted in an 11.4% increase compared to the previous fiscal year to ¥375.7 billion. The overseas sales ratio reached 34.3% from sales growth in China and Southeast Asia, and other regions.

Operating Profit / Operating Profit Margin



In fiscal 2022, sales of COSMOSHINE SRF® increased due to the operation of a new line, and sales of raw materials and reagents for PCR testing expanded. Meanwhile, due to the effect of rising raw material prices for items such as packaging film, engineering plastics, airbag fabrics, polyester staple fiber and nonwoven filament fiber spunbond, operating profit only reached ¥28.4 billion, up 6.6% from the previous fiscal year.

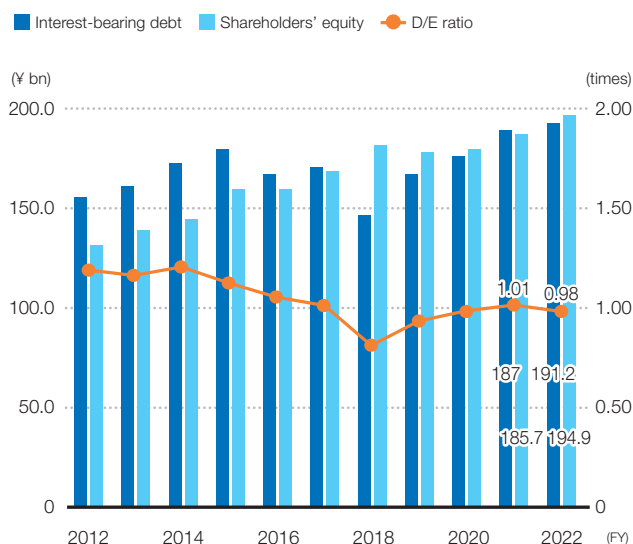
Profit (Loss) Attributable to Owners of Parent / EPS



In fiscal 2022, Toyobo recorded an impairment loss of ¥9.4 billion due to impairments, including its contract manufacturing business of pharmaceuticals, but recorded a gain of ¥6.5 billion from the partial sale of investment securities and an increase in operating profit, resulting in profit attributable to owners of the parent of ¥12.9 billion, roughly three times the profit of the previous fiscal year.

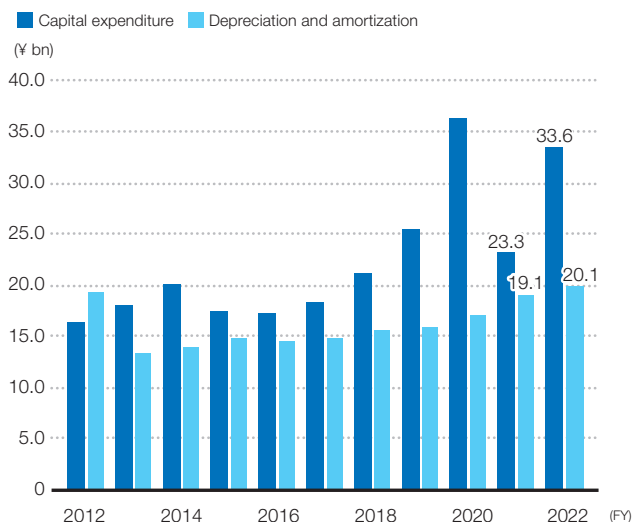
Note: Fiscal 2018: 10-for-1 reverse stock split of common stock.
Fiscal 2019: ¥13.8 billion in losses due to fires.
Fiscal 2021: ¥7.8 billion of impairment losses in acrylic fiber business.

Interest-Bearing Debt / Shareholders' Equity / Debt-To-Equity Ratio (D/E ratio)



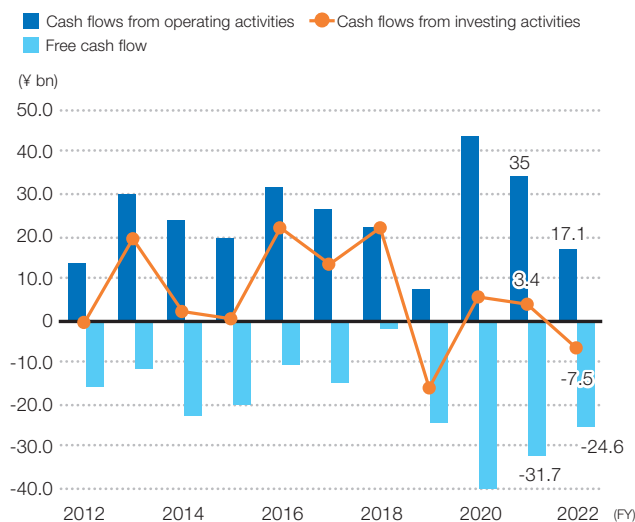
Interest-bearing debt at the end of fiscal 2022 was ¥191.2 billion, up ¥4.2 billion from the previous fiscal year, due to the financing through borrowing for capital expenditure. However, shareholders' equity increased ¥9.2 billion from the previous fiscal year to ¥194.9 billion due to an increase in retained earnings, resulting in a D/E ratio of 0.98.

Capital Expenditure / Depreciation and Amortization



In fiscal 2022, capital expenditures increased by ¥10.3 billion from the previous fiscal year to ¥33.6 billion, and depreciation and amortization was ¥20.1 billion as a result of investments such as in production facilities for packaging films and mold releasing films for MLCC.

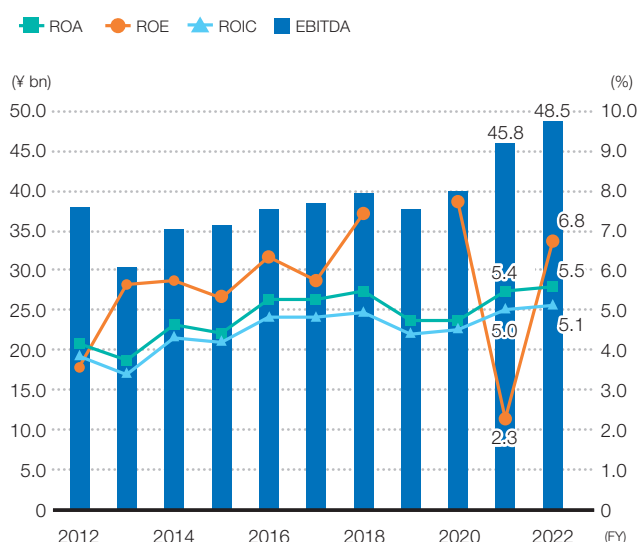
Cash Flow



In fiscal 2022, cash flows from operating activities recorded an inflow of ¥17.1 billion due to factors such as inflows of depreciation and amortization and income before income taxes, and outflows due to an increase in inventories and other factors.

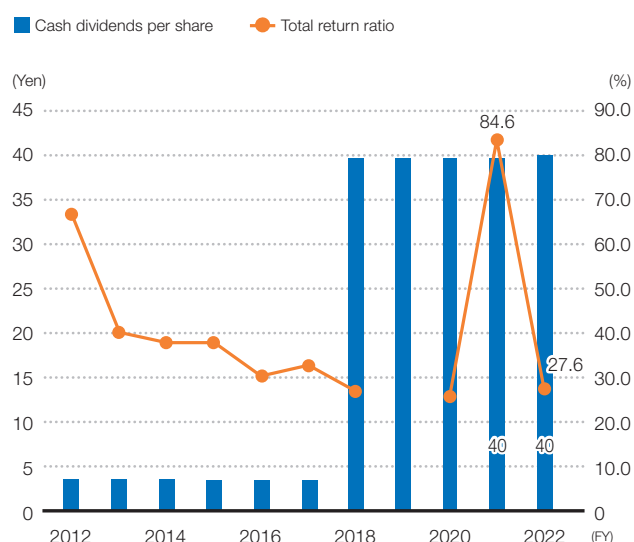
Cash flows from investing activities recorded an outflow of ¥24.6 billion, owing to factors including the purchase of property, plant and equipment and intangible assets. As a result, free cash flow recorded an outflow of ¥7.5 billion, a decrease of ¥10.9 billion from the previous fiscal year.

ROA / ROE / ROIC / EBITDA



ROA was 5.5%, remaining largely unchanged from the previous fiscal year. ROE was 6.8% due to an increase in profit attributable to owners of the parent. ROIC was 5.1% due to an increase in operating profit. EBITDA was ¥48.5 billion due to an increase in operating profit and depreciation and amortization.

Cash Dividends per Share / Total Return Ratio



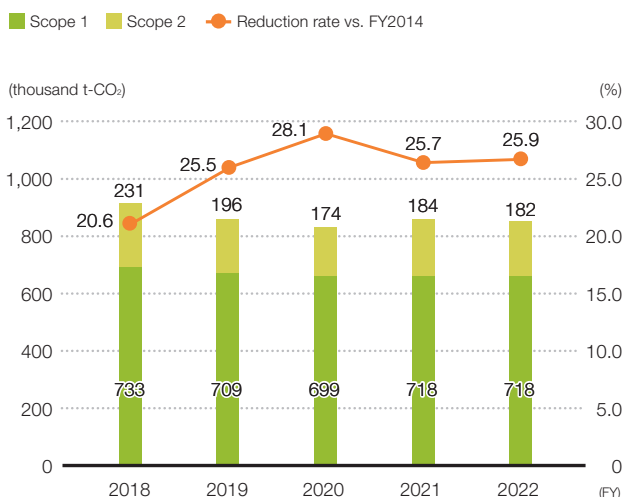
The dividend per share was ¥40, for a total return ratio of 27.6%.

Note: Toyobo conducted a 10-for-1 reverse stock split of common stock on October 1, 2017.

Overview of FY2022

Sustainability Highlights

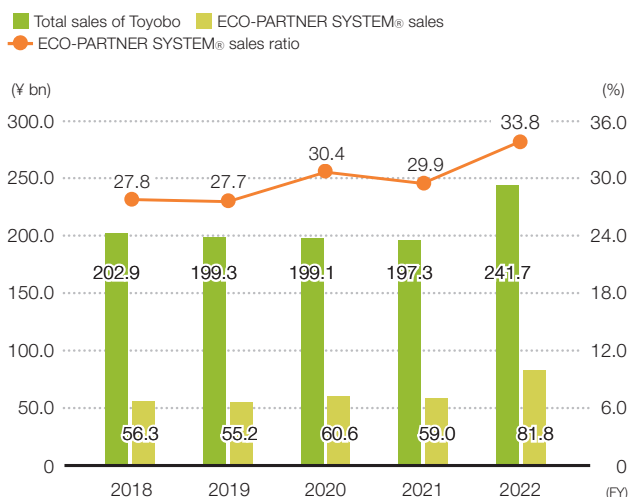
GHG Emissions / Reduction Rate vs. FY2014



Toyobo group has set the goal of achieving carbon neutrality or net zero GHG emissions by fiscal 2051. In addition, in May 2022, we raised the fiscal 2031 target to "46% or more reduction in GHG emissions compared to fiscal 2014." In fiscal 2022, GHG emissions remained at the same level as the previous fiscal year by promoting energy-saving activities and production efficiency improvement measures, despite an 11.4% increase in net sales.

Aggregation scope: Consolidated

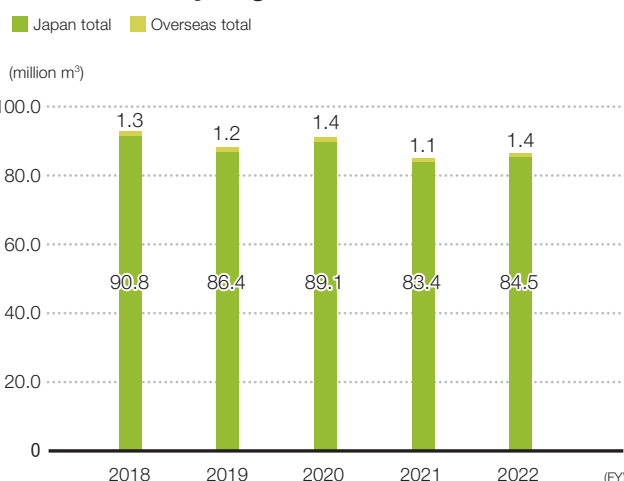
ECO-PARTNER SYSTEM® Sales / Sales Ratio



We have operated the ECO-PARTNER SYSTEM® since fiscal 1999 as a unified brand of products and technologies that contribute to reducing environmental impact. To achieve certification under the ECO-PARTNER SYSTEM® brand, assessments are made for every stage of a product, from raw materials through to disposal, and the product is evaluated in terms of its contribution to reducing environmental impact from five perspectives including resource conservation. Sales in fiscal 2022 totaled ¥81.8 billion, and the ratio to net sales was 33.8%. We are working to create eco-conscious products with targets of reaching a ratio to net sales of 40% by fiscal 2031 and 60% by fiscal 2051.

Aggregation scope: TOYOBO CO., LTD.

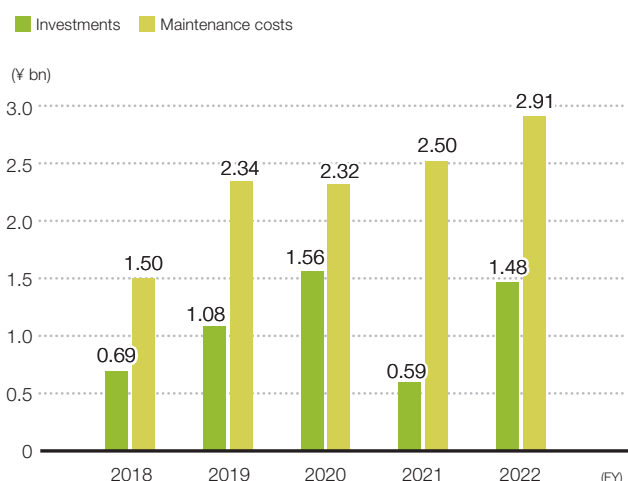
Water Intake by Region



Water is a precious resource that keeps us alive and supports our lifestyles, and conserving water resources is an important global issue. Toyobo group contributes toward enhancing usable freshwater resources, both within and outside Japan, through our seawater desalination products and businesses. We also work to conserve water resources through the recycling of water in our own business activities, and by keeping the amount of water that we use to a minimum. In fiscal 2022, our water intake was 85.9 million m³, with water intake in Japan accounting for more than 90%.

Aggregation scope: Consolidated

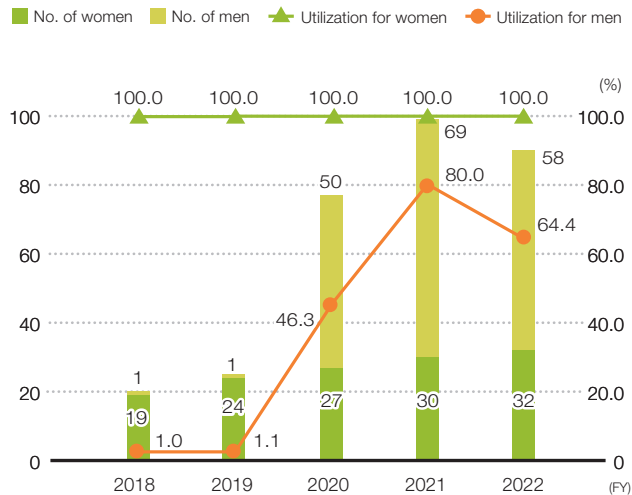
Environmental Protection Costs



As an initiative to quantitatively evaluate our environmental protection activities, we conduct environmental accounting based on the Environmental Accounting Guidelines 2005 issued by the Ministry of the Environment of Japan. In fiscal 2022, capital investment for environmental protection was ¥1.48 billion, and the amount spent for protection and maintenance was ¥2.91 billion. This primarily includes the cost of statutory environmental impact measurements, industrial waste disposal, various inspection, and associated personnel costs.

Aggregation scope: TOYOBO CO., LTD.

Childcare Leave Utilization

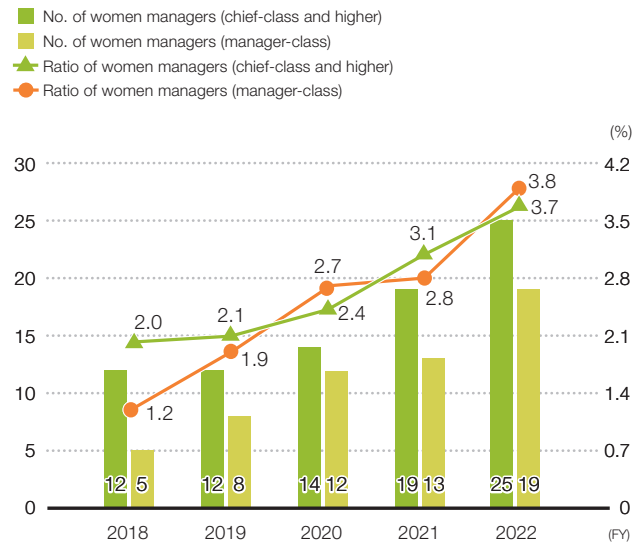


In fiscal 2020, we adopted a new system, offering paid childcare leave for the first five days. In addition, men who had previously taken little childcare leave were encouraged to do so by their managers, and we also provided information about childcare leave to increase utilization. As a result of these efforts, the number of men who took childcare leave increased significantly from fiscal 2020.

In fiscal 2022, 58 men employees, or 64%, utilized childcare leave. We will continue our initiatives to achieve our childcare leave utilization target of 80% by fiscal 2026.

Aggregation scope: TOYOBO CO., LTD., TOYOBO STC CO., LTD., TOYOBO INFORMATION SYSTEM CREATE CO., LTD.

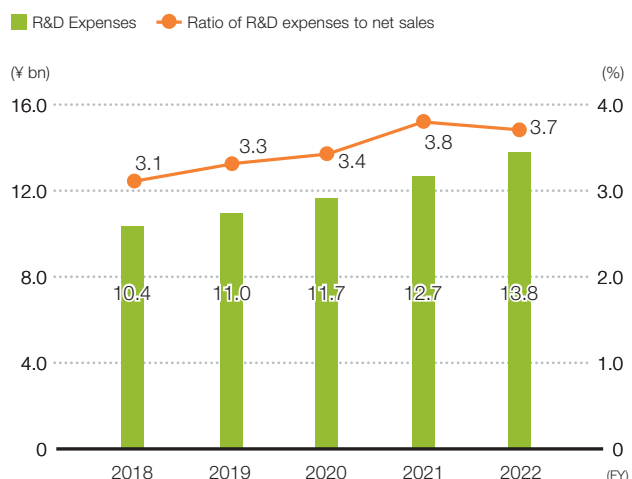
Ratio of Women Managers



Led by the Women Empowerment Promotion Group, which was established in fiscal 2016, we have been promoting various initiatives from the three perspective of recruitment, cultivation, and support for employment continuation. As a result, there were 25 women in chief-class and higher positions in fiscal 2022, and the women manager-class position consisted of 19 people, increasing by 4.8 times from fiscal 2016. We have set achieving a ratio of women managers of at least 5.0% in fiscal 2026 as a KPI for the group, and the entire company is working together to reach this target.

Aggregation scope: TOYOBO CO., LTD., TOYOBO STC CO., LTD., TOYOBO INFORMATION SYSTEM CREATE CO., LTD.

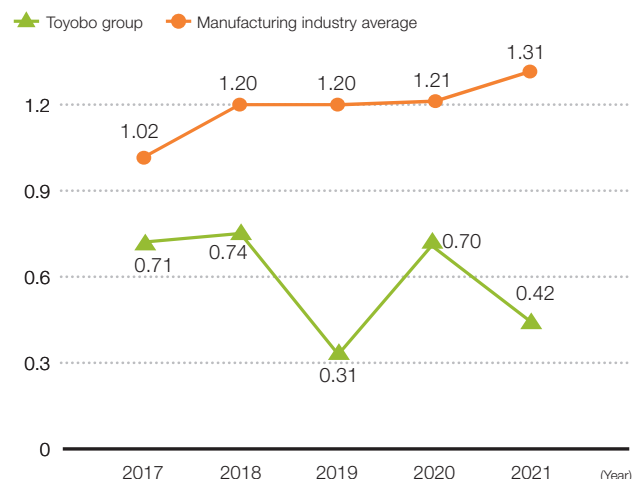
R&D Expenses



We are strengthening our R&D activities in order to generate new value and achieve sustainable growth, and 2025 Medium-Term Management Plan incorporates strategic investment in R&D, including intellectual property. R&D expenses amounted to ¥13.8 billion in fiscal 2022, and the ratio of R&D expenses to net sales was 3.7%.

Aggregation scope: Consolidated

Frequency Rate of Lost Workday Injuries



Toyobo group is striving to achieve zero accidents in accordance with the Toyobo Group Basic Policy on Health & Safety. In 2021, the frequency rate of lost workday injuries was 0.42, inclusive of affiliated businesses at the same business site.

* Frequency rate of lost workday injuries refers to the rate of accidents resulting in lost workday injuries per one million hours worked.

Aggregation scope: TOYOBO CO., LTD. and domestic consolidated subsidiaries

Overview by Solution

Films and Functional Materials Solution

Overview of fiscal 2022

In fiscal 2022, Toyobo's Films and Functional Materials Solutions Division had net sales of ¥170.3 billion, and operating profit of ¥19.9 billion.

In the film business, the packaging film field had a challenging year, due to the impact of rising raw materials prices. Within the industrial film field, COSMOSHINE SRF®, a polarizer protective film for LCDs, achieved a sales revenue increase of approximately 20% as a result of a new production line commencing operation, while mold releasing films for MLCC posted sales revenue increase of approximately 15% for the same reason.

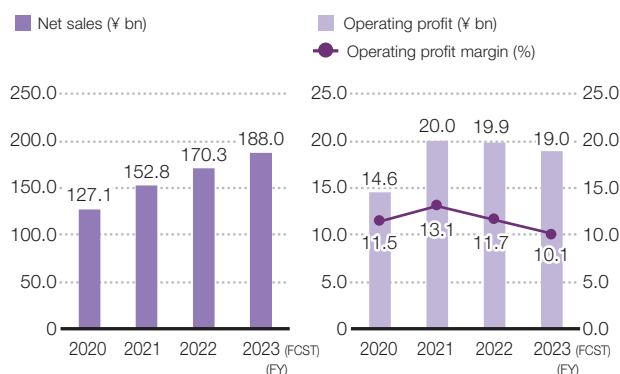
In the functional materials business, our VYLON® industrial adhesive product saw strong sales for electronic applications.

Forecast for fiscal 2023

It is anticipated that persistently high raw materials prices will have a negative impact on performance in fiscal 2023. On the other hand, we will be adding a new production line for manufacturing mold releasing films for MLCC in response to growing demand in the telecommunications

equipment market. We will also be expanding production of COSMOSHINE SRF®, a polarizer protective film for LCDs, through the installation of a new production line, supported by steady demand for use in the manufacturing of large-screen TV sets.

Based on the above, we anticipate net sales of ¥188 billion and operating profit of ¥19 billion in fiscal 2023.



Mobility Solution

Overview of fiscal 2022

In fiscal 2022, Toyobo's Mobility Solutions Division had net sales of ¥44.7 billion and operating loss of ¥1.8 billion.

The engineering plastics business posted strong sales overseas, and was able to adjust prices overseas in response to rising raw materials prices. Within Japan, however, price adjustments failed to keep pace with rising raw materials prices.

The airbag fabrics business saw an increase in sales due to the recovery in automotive sector production volumes. However, inability to adjust prices sufficiently in response to rising raw materials prices caused difficulties.

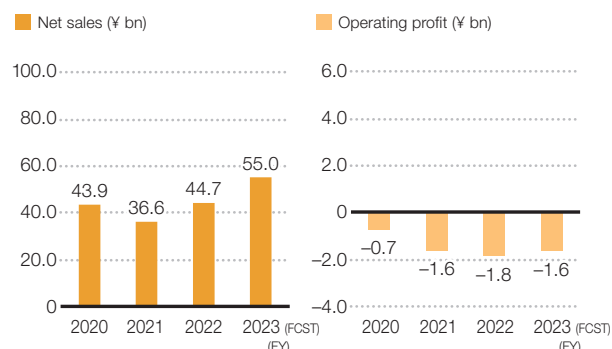
Forecast for fiscal 2023

In the engineering plastics business, raw materials prices are expected to remain high, but we will continue to adjust our sale prices.

We are also proceeding with price adjustments in the airbag fabrics business, and we are striving to improve the revenue structure of this business. Our new yarn plant in Thailand was scheduled to begin operation in 2022,

aiming to start full-scale commercial production in 2023, and we are in the process of obtaining certification from customers.

Based on the above, we anticipate net sales of ¥55 billion and operating loss of ¥1.6 billion in fiscal 2023.



Lifestyle and Environment Solutions

Overview of fiscal 2022

In fiscal 2022, Toyobo's Lifestyle and Environment Solutions Division had net sales of ¥114.3 billion and operating profit of ¥3.5 billion.

In the environmental solutions business, there was a fall in orders for VOC treatment equipment, which is used to recover solvents, resulting from the slowdown in business activity overseas in the previous year.

With regard to the nonwoven fabrics business, sales of spunbond nonwoven filament fiber were negatively affected by the reduction in production volume in the automotive sector and by rising raw materials prices.

In the functional fiber materials business, demand for IZANAS® and ZYLON® super-fibers recovered, leading to increased sales of these products.

As regards the textiles business, while there was strong demand for traditional Arabic fabric, demand for products oriented towards sports applications and uniforms was depressed.

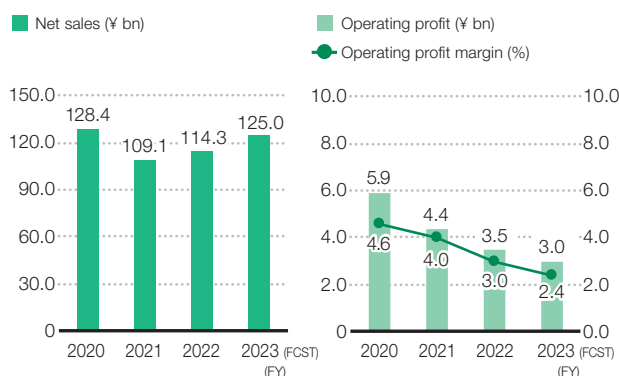
Forecast for fiscal 2023

In the environmental solution business, we will be

responding to the increased demand for VOC treatment equipment that is related to the growth in the number of lithium-ion battery production facilities being established in response to the global trend toward electric vehicle adoption.

We will be enhancing the efficiency of our textiles business through the integration of resources made possible by the restructuring of group companies.

Based on the above, we anticipate sales of ¥125 billion and operating profit of ¥3 billion in fiscal 2023.



Life Science Solution

Overview of fiscal 2022

In fiscal 2022, Toyobo's Life Science Solutions Division had net sales of ¥35 billion and operating profit of ¥8.7 billion.

In the biotechnology business, there was an increase in sales of raw materials and reagents for use in PCR testing, and of genetic screening devices and diagnostic drugs.

The contract manufacturing business of pharmaceuticals was relatively subdued due to reduced capacity utilization relating to the response to FDA requirements.

In the medical products business, sales of artificial kidney hollow fiber membranes and of virus-removing membranes were robust.

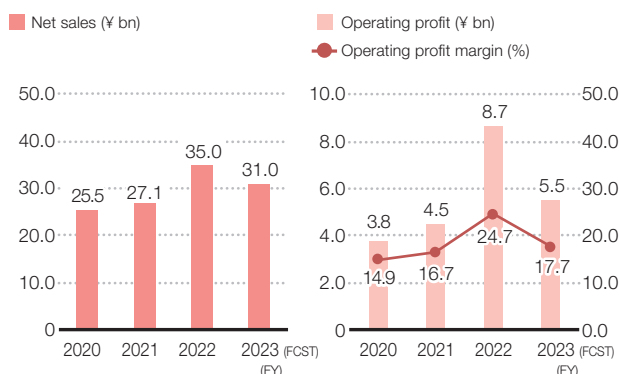
Forecast for fiscal 2023

In the biotechnology business, demand for PCR testing is expected to fall as the COVID-19 pandemic eases.

The main focus in the contract manufacturing business of pharmaceuticals will be on responding to FDA requirements, aiming to get the business back on a normal footing as soon as possible.

In the medical materials business, we will continue to expand sales of artificial kidney hollow fiber membranes and of virus-removing membranes. We are working actively to develop sales of Nerbridge® nerve regeneration conduit in the U.S. market, and striving to grow sales of Bonarc® bone regeneration inducing materials in the Japanese market.

Based on the above, we anticipate sales of ¥31 billion and operating profit of ¥5.5 billion in fiscal 2023.



Overview of FY2022

Key Financial Data (FY2012–FY2022)

Fiscal year	FY2012	FY2013	FY2014	FY2015	FY2016	
Items of consolidated statements of income (¥ mn)						
Net sales	349,505	339,009	351,577	351,279	347,763	
Operating profit	18,305	17,081	21,006	20,580	23,123	
Ordinary profit	15,730	15,522	18,426	16,257	20,393	
Extraordinary income	364	2,673	595	1,160	702	
Extraordinary losses	5,231	5,420	5,151	5,101	4,871	
Profit (loss) attributable to owners of parent	4,587	7,639	8,154	8,117	10,150	
Comprehensive income	9,065	11,097	12,988	18,182	2,147	
Items of consolidated balance sheets (¥ mn) ¹						
Current assets	177,735	184,739	184,630	196,607	186,633	
Non-current assets	260,105	262,707	271,625	269,202	257,954	
Current liabilities	162,850	164,831	160,582	146,250	130,690	
Non-current liabilities	127,267	127,093	150,558	158,472	153,795	
Net assets	147,724	155,522	145,115	161,087	160,101	
Shareholders' equity	130,572	138,024	142,310	157,988	156,915	
Total assets	437,841	447,445	456,256	465,809	444,587	
Interest-bearing debt	154,888	159,430	170,721	177,085	165,358	
Cash flow (¥ mn)						
Cash flows from operating activities	14,192	30,354	23,927	20,107	32,337	
Cash flows from investing activities	(15,061)	(11,294)	(22,218)	(20,089)	(10,636)	
Cash flows from financing activities	(11,531)	(2,636)	(10,839)	797	(21,384)	
Free cash flow	(869)	19,060	1,709	17	21,701	
Cash and cash equivalents at end of period	9,481	26,467	19,177	20,389	20,101	
Capital expenditure, depreciation and amortization, R&D expenses (¥ mn)						
Capital expenditure	16,517	18,041	20,074	17,491	17,336	
Depreciation and amortization	19,473	13,246	14,038	14,916	14,434	
R&D expenses	10,819	9,966	10,474	10,819	11,266	
Per share information (¥) ²						
Net assets per share	147.26	155.35	160.28	177.95	176.75	
Earnings per share (EPS)	5.17	8.61	9.18	9.14	11.43	
Dividends per share	3.50	3.50	3.50	3.50	3.50	
Financial indicators						
Overseas sales ratio (%)	21.8	23.4	26.6	28.5	29.5	
Operating profit margin(%)	5.2	5.0	6.0	5.9	6.6	
Return on equity ³ (%)	3.6	5.7	5.8	5.4	6.4	
Return on assets ⁴ (%)	4.2	3.8	4.6	4.4	5.2	
Return on invested capital ⁵ (%)	3.8	3.4	4.3	4.2	4.8	
Price earnings ratio(%)	22.81	18.58	17.65	17.72	14.78	
Dividend on equity(%)	2.4	2.3	2.2	2.1	2.0	
Total shareholder return ⁶ (%)	101.3	139.2	143.8	146.7	155.4	
Equity ratio(%)	29.8	30.8	31.2	33.9	35.3	
EBITDA ⁷ (¥ mn)	37,778	30,328	35,044	35,496	37,557	
D/E ratio	1.19	1.16	1.20	1.12	1.05	
Results by business segment (¥ mn) ^{8, 9}						
Net sales	Films and Functional Polymers	138,437	137,394	148,000	146,029	143,398
	Industrial Materials	71,221	71,891	71,704	71,520	70,522
	Healthcare	26,580	24,839	27,344	28,777	27,723
	Textiles and Trading	87,999	79,211	79,089	85,093	85,486
	Real Estate and Other Business	25,267	25,673	25,440	19,860	20,634
Operating profit	Films and Functional Polymers	8,574	7,634	7,794	6,988	9,920
	Industrial Materials	5,342	5,453	5,501	6,601	6,288
	Healthcare	4,133	4,170	5,140	5,042	4,726
	Textiles and Trading	1,058	213	2,952	2,334	2,500
	Real Estate and Other Business	2,478	2,740	2,732	2,630	2,841
	Adjustment	(3,280)	(3,128)	(3,113)	(3,016)	(3,152)

1. The company applied Partial Amendments to Accounting Standard for Tax Effect Accounting in the fiscal year ended March 31, 2019.
2. By resolution of the 159th Annual General Meeting of Shareholders held on June 28, 2017, the company carried out a 10:1 consolidation of shares, effective October 1, 2017. On the same date, the company changed the number of shares constituting a trading unit from 1,000 shares to 100 shares.

3. ROE: Profit attributable to owners of parent / Average shareholders' equity at beginning/end of fiscal period
4. ROA: Operating profit / Total assets
5. ROIC: NOPAT / Average invested capital at beginning/end of fiscal period Invested capital: Net assets + Interest-bearing debt
6. Base year is fiscal 2011 (fiscal year ended March 31, 2011).
7. EBITDA: Operating profit + Depreciation and amortization (including goodwill)

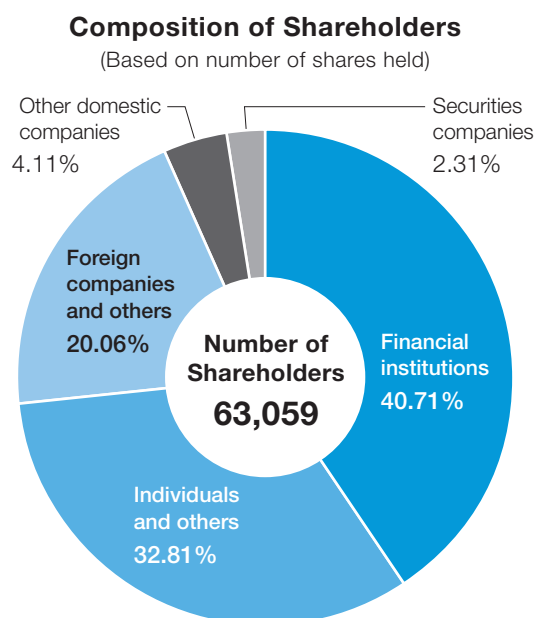
8. From the fiscal year ended March 31, 2015, the AP (acrylate fiber) business was moved from Films and Functional Polymers to Industrial Materials. From the fiscal year ended March 31, 2017, the AC (activated carbon fiber) business was moved from Industrial Materials to Healthcare, and the AP business was moved from Industrial Materials to Textiles and Trading.
9. Starting from fiscal 2021, the company revised its business segments. The figures for fiscal 2020 have been reclassified for the purpose of comparison.

FY2017	FY2018	FY2019		FY2020	FY2021	FY2022
329,487	331,148	336,698		339,607	337,406	375,720
23,332	23,923	21,727		22,794	26,657	28,430
20,650	20,415	17,788		18,035	20,706	23,092
469	11,492	1,519		11,206	629	6,529
7,179	13,683	19,204		9,525	15,753	14,825
9,444	13,044	(603)		13,774	4,202	12,865
13,519	15,611	(467)		4,437	9,471	12,112
196,293	186,571	193,125		206,416	212,963	239,314
254,497	258,924	267,922		282,458	278,225	278,460
136,865	125,110	131,768		122,321	131,444	146,750
143,016	135,870	148,053		183,916	171,109	173,876
170,910	184,515	181,226		182,636	188,635	197,149
167,773	180,561	176,585		177,890	185,729	194,876
450,790	445,495	461,047		488,874	491,188	517,774
169,230	145,594	164,769		175,139	186,958	191,249
26,872	22,353	7,838		44,255	35,028	17,097
(14,132)	(1,174)	(24,286)		(39,216)	(31,678)	(24,608)
(324)	(27,831)	12,608		(1,805)	5,340	(1,729)
12,740	21,178	(16,448)		5,040	3,350	(7,511)
32,179	25,857	22,167		25,084	34,526	26,433
18,360	21,259	25,512		36,445	23,253	33,640
14,939	15,666	15,823		17,005	19,095	20,080
11,114	10,402	11,022		11,690	12,656	13,792
188.98	2,034.04	1,989.29		2,003.01	2,090.47	2,192.17
10.64	146.93	(6.80)		155.12	47.30	144.75
3.50	40.00	40.00		40.00	40.00	40.00
29.2	29.0	30.5		32.3	33.0	34.3
7.1	7.2	6.5		6.7	7.9	7.6
5.8	7.5	(0.3)		7.8	2.3	6.8
5.2	5.4	4.7		4.7	5.4	5.5
4.8	4.9	4.4		4.5	5.0	5.1
18.14	14.29	—		7.37	30.11	7.55
1.9	2.0	2.0		2.0	2.0	1.9
178.3	195.8	142.1		122.8	149.5	125.3
37.2	40.5	38.3		36.4	37.8	37.6
38,272	39,589	37,550		39,799	45,752	48,509
1.01	0.81	0.93		0.98	1.01	0.98
138,574	148,667	156,241	Films and Functional Materials	127,127	152,842	170,326
59,925	63,454	66,540	Mobility	43,905	36,573	44,721
36,423	35,723	34,675	Lifestyle and Environment	128,409	109,148	114,295
77,552	68,317	64,585	Life Science	25,538	27,087	35,003
17,013	14,987	14,657	Real Estate and Other Business	14,629	11,757	11,375
12,747	13,713	13,727	Films and Functional Materials	14,582	20,028	19,897
3,875	4,262	2,620	Mobility	(701)	(1,572)	(1,753)
5,242	5,179	5,170	Lifestyle and Environment	5,936	4,376	3,453
1,066	645	914	Life Science	3,798	4,517	8,655
3,344	2,820	2,233	Real Estate and Other Business	2,623	2,302	2,218
(2,941)	(2,694)	(2,936)	Adjustment	(3,444)	(2,993)	(4,041)

Reference Material

Investor Information (As of March 31, 2022)

Stock Listings	The Prime market of the Tokyo Stock Exchange
Stock Code	3101
Transfer Agent	Sumitomo Mitsui Trust Bank, Ltd. 1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan
Independent Auditors	KPMG AZSA LLC 3-6-5, Kawara-machi, Chuo-ku, Osaka 541-0048, Japan
Common Stock	Authorized: 200,000,000 shares Issued: 89,048,792 shares
Paid-in Capital	¥51,730 million
Number of Shareholders	63,059
General Shareholders' Meeting	Held in June every year
Number of Shares Constituting One Unit	100



Major Shareholders

Name of shareholder	Number of shares held (thousands)	Percentage of voting rights (%)
The Master Trust Bank of Japan, Ltd.	15,613	17.56
Custody Bank of Japan, Ltd.	7,401	8.33
National Mutual Insurance Federation of Agricultural Cooperatives	3,558	4.00
Toyobo Employees Stockholders' Association	2,049	2.31
Toyukai	1,861	2.09
NIPPON LIFE INSURANCE COMPANY	1,750	1.97
DFA INTL SMALL CAP VALUE PORTFOLIO	1,436	1.62
Meiji Yasuda Life Insurance Company	1,402	1.58
JP MORGAN CHASE BANK 385781	1,203	1.35
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS- UNITED KINGDOM	1,115	1.26

Note: The percentage of voting rights is calculated based on the number of shares remaining after deducting treasury stock (which totaled 152,550 shares)

Stock Prices

Highest / lowest stock prices for the past five years					
FY	2018	2019	2020	2021	2022
Highest (¥)	2,249(218)	2,164	1,684	1,687	1,505
Lowest (¥)	1,900(184)	1,386	903	1,033	1,046

1. Stock price quotations are from the Tokyo Stock Exchange (First Section).

2. The highest and lowest stock prices shown for fiscal 2018 are figures following the share consolidation. Figures in parentheses show pre-share consolidation amounts.

Corporate Data (As of March 31, 2022)

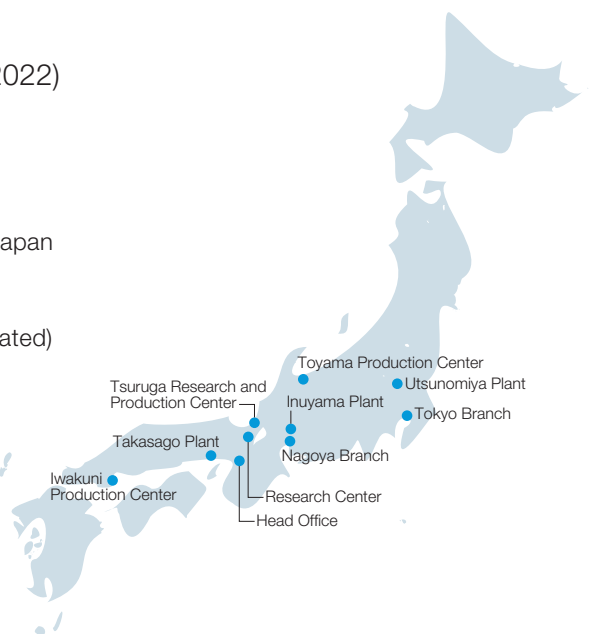
Head Office Osaka Umeda Twin Towers South,
1-13-1 Umeda, Kita-ku, Osaka 530-0001, Japan
Telephone: +81-6-6348-3111

Established May 3, 1882

Number of Employees 10,503 (Consolidated) / 3,831 (Nonconsolidated)

Main Business Sites in Japan

- Tokyo Branch
- Nagoya Branch
- Tsuruga Research and Production Center
- Iwakuni Production Center
- Toyama Production Center
- Research Center
- Utsunomiya Plant
- Takasago Plant
- Inuyama Plant



Main Business Sites Outside Japan

- TOYOBO (SHANGHAI) CO., LTD. (China)
- TOYOBO (THAILAND) CO., LTD.
- TOYOBO INDUSTRIAL MATERIAL (THAILAND) LTD.
- PT. TOYOBO TRIAS ECOSYAR (Indonesia)
- TOYOBO TEXTILE (MALAYSIA) SDN. BHD.
- ARABIAN JAPANESE MEMBRANE COMPANY, LLC (Saudi Arabia)
- TOYOBO U.S.A., INC.
- TOYOBO DO BRASIL PARTICIPACOES LTDA.
- TOYOBO CHEMICALS EUROPE GMBH (Germany)
- SPINREACT, S.A.U. (Spain)

External Recognition (ESG related)

Inclusion in ESG indexes

Toyobo was selected for inclusion as a component stock in the FTSE Blossom Japan Index, an international ESG investment stock index, in June 2021, as a component stock in the MSCI Japan ESG Select Leaders Index in December 2021, and as a component stock in the FTSE Blossom Japan Sector Relative Index in March 2022.

Toyobo has also been selected for inclusion as a component stock in the MSCI Japan Empowering Women Index (WIN).



2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

THE INCLUSION OF TOYOBO CO., LTD. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF TOYOBO CO., LTD. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

Other Recognition

Toyobo's initiatives have received the following external recognition:



Company History

We have developed our business while responding to the needs and issues of the times through technology

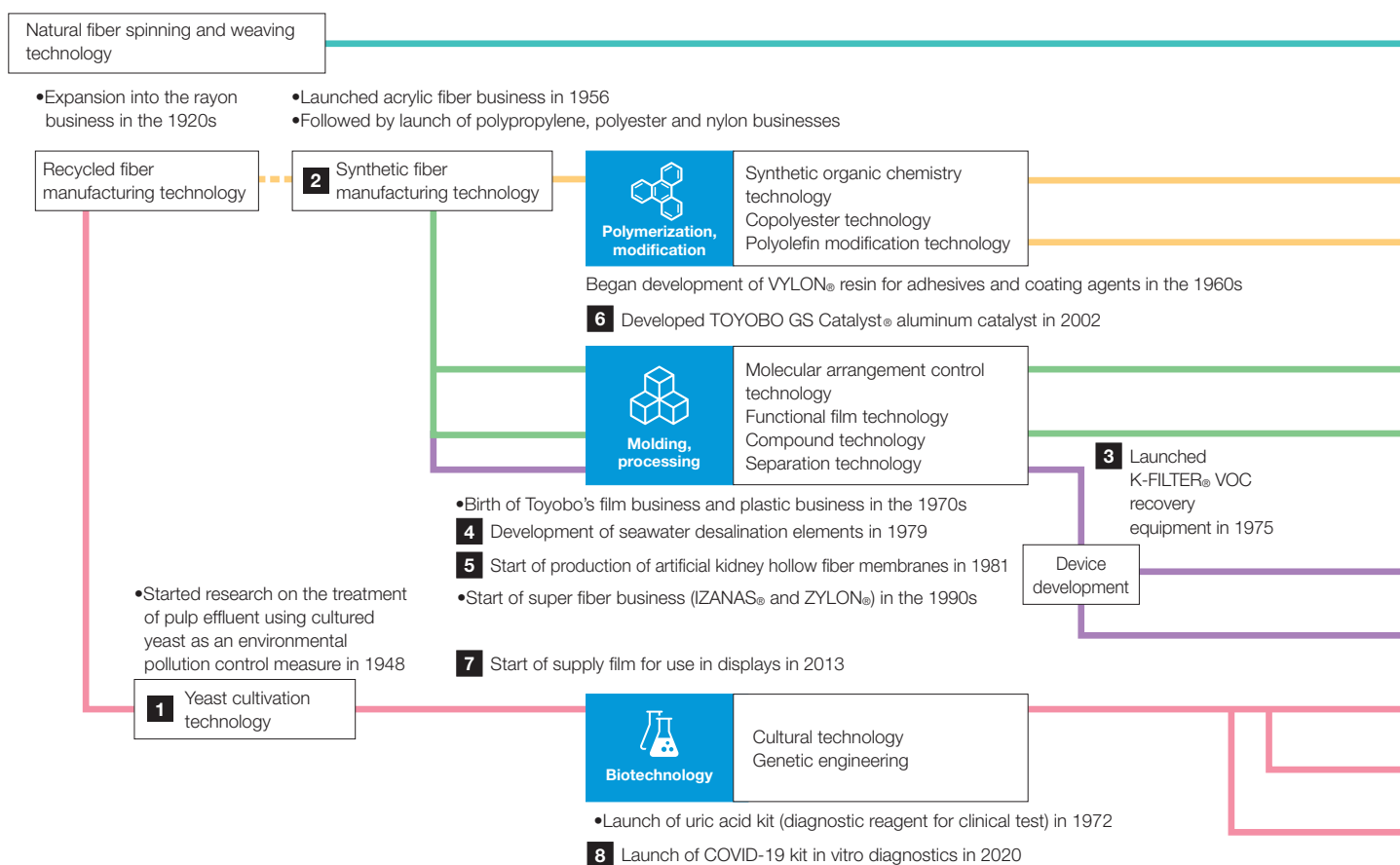
Ever since its founding, Toyobo group has attached great importance to technology development. Toyobo's technology achievements can be grouped into three core technology areas.

By making effective use of these technologies, we have been able to create products and services that meet the expectations of the market and of society.

Relationship between Technology and Products

Key technologies

Establishment of Osaka Boseki in 1882, and Mie Boseki in 1886, adopting production equipment and technology from the U.K.



1 1948

Preserving the water environment



Achievement of liquid waste treatment by breaking down and eliminating sugars using yeast

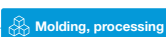


2 1956

Providing comfortable clothing



Development into a manufacturer of highly functional textiles, from cotton and wool to synthetic fibers

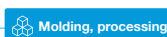


3 1975 onwards

Achieving clean and healthy air



Providing equipment that realizes efficient VOC recovery, and which can facilitate reuse



4 1979 onwards

Realizing effective use of seawater



Supplying membranes used in seawater desalination equipment



Core technologies

Polymerization,
modificationMolding,
processing

Biotechnology

Evaluation technology

Key products and solutions

Markets

Physical and
structural analysis

Composite fiber apparel products

Highly functional resins

Engineering plastics

Chemical analysis

Films

Computational
mechanics

Synthetic fibers

Computational
science

Separation membrane

Filter adsorbent

Comfort evaluation

Enzymes and diagnostic reagents

Contract manufacturing business of
pharmaceuticals

Medical equipment

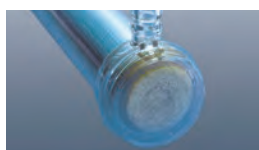
Films and Functional
Materials

Mobility

Lifestyle and
Environment

Life Science

5 1981 onwards

Enhancing dialysis patients'
quality of lifeProviding membranes with
outstanding filtering performance for
artificial kidneys

Molding, processing

6 2002 onwards

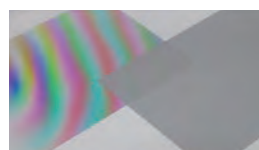
Working on resource recycling

Providing eco-conscious aluminum
catalysts that do not contain
heavy metals

Polymerization, modification

7 2013 onwards

Improving the digital environment

Providing films for monitor
screens that excel in water
resistance and durability

Molding, processing

8 2020 onwards

Working to make diagnosis of
infectious diseases more convenientProviding COVID-19 kit in vitro
diagnostics

Biotechnology

TOYOBO CO., LTD.

Osaka Umeda Twin Towers South,
1-13-1 Umeda, Kita-ku, Osaka 530-0001, Japan
Telephone: +81-6-6348-3111
URL: <https://www.toyobo-global.com/>

■ Corporate Sustainability Department

Telephone: +81-6-6348-3046
E-mail: sustainability@toyobo.jp

Disclaimer

This report contains forward-looking statements regarding the Toyobo group's plans, outlook, strategies, and performance. These forward-looking statements are based on judgments derived from currently available information. Accordingly, please be aware that actual results may differ from these forward-looking statements due to various risks and uncertainties. Factors that may affect our future outlook include the economic environment in which we conduct our business, competitive pressures, relevant laws and regulations, changes in product development, and exchange rate fluctuations. However, the factors that could affect our forecasts include, but are not limited to the above.

TOYOBO REPORT 2022

▼ Full page PDF



Access
QR code

UD
FONT