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Annual Securities Report

166th term

From April 1, 2023
to March 31, 2024

Toyobo Co., Ltd.

E00525

Contents

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[Document title]	Annual Securities Report
[Stipulating clause]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Place of filing]	Director-General of the Kanto Local Finance Bureau
[Filing date]	June 25, 2024
[Fiscal year]	166th term (from April 1, 2023 to March 31, 2024)
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Part I Company Information

I. Overview of the Company

1. Key Financial Data

(1) Key financial data of the Toyobo Group

Fiscal Year		162nd term	163rd term	164th term	165th term	166th term
Fiscal year-end		March 2020	March 2021	March 2022	March 2023	March 2024
Net sales	(Millions of yen)	339,607	337,406	375,720	399,921	414,265
Ordinary profit	(Millions of yen)	18,035	20,706	23,092	6,590	6,962
Profit (loss) attributable to owners of the parent	(Millions of yen)	13,774	4,202	12,865	(655)	2,455
Comprehensive income	(Millions of yen)	4,437	9,471	12,112	(1,232)	12,454
Net assets	(Millions of yen)	182,636	188,635	197,149	221,422	230,087
Total assets	(Millions of yen)	488,874	491,188	517,774	588,906	606,990
Net assets per share	(Yen)	2,003.01	2,090.47	2,192.17	2,146.46	2,236.50
Net profit (loss) per share	(Yen)	155.12	47.30	144.75	(7.37)	27.87
Diluted net profit per share	(Yen)	-	-	-	-	-
Equity ratio	(%)	36.4	37.8	37.6	32.2	32.5
Return on equity	(%)	7.8	2.3	6.8	(0.3)	1.3
Price-earnings ratio	(Times)	7.37	30.11	7.55	-	40.44
Net cash provided by (used in) operating activities	(Millions of yen)	44,255	35,028	17,097	7,798	21,595
Net cash provided by (used in) investing activities	(Millions of yen)	(39,216)	(31,678)	(24,608)	(36,011)	(58,784)
Net cash provided by (used in) financing activities	(Millions of yen)	(1,805)	5,340	(1,729)	61,295	8,260
Cash and cash equivalents at end of period	(Millions of yen)	25,084	34,526	26,433	60,204	33,310
Number of employees [Average number of temporary employees not included in the above numbers]	(People)	10,073 [1,399]	10,149 [1,107]	10,503 [1,326]	10,885 [1,575]	10,668 [1,472]

Notes: 1. Figures for diluted net profit per share are not presented, as there are no potentially dilutive shares.

2. The price-earnings ratio for the 165th term is not presented because the Group recorded a loss attributable to the owners of the parent.

3.The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards effective from the beginning of the 164th term. Key financial data for the terms from the 164th term onward are figures after application of the standards.

(2) Key financial data of the reporting company

Fiscal Year		162nd term	163rd term	164th term	165th term	166th term
Fiscal year-end		March 2020	March 2021	March 2022	March 2023	March 2024
Net sales	(Millions of yen)	199,086	197,251	241,749	253,604	183,625
Ordinary profit	(Millions of yen)	12,728	14,249	16,021	1,940	2,211
Profit (loss)	(Millions of yen)	10,489	(4,750)	6,174	(2,019)	37
Share capital	(Millions of yen)	51,730	51,730	51,730	51,730	51,730
Total number of issued shares	(Thousand shares)	89,048	89,048	89,048	89,048	89,048
Net assets	(Millions of yen)	162,034	155,112	156,273	150,073	146,219
Total assets	(Millions of yen)	421,625	421,593	447,112	489,838	492,805
Net assets per share	(Yen)	1,824.48	1,745.86	1,757.92	1,699.08	1,659.72
Dividend per share [including interim dividend per share]	(Yen)	40.00 (-)	40.00 (-)	40.00 (-)	40.00 (-)	40.00 (-)
Net profit (loss) per share	(Yen)	118.12	(53.47)	69.47	(22.72)	0.42
Diluted net profit per share	(Yen)	-	-	-	-	-
Equity ratio	(%)	38.4	36.8	35.0	30.6	29.7
Return on equity	(%)	6.6	(3.0)	4.0	(1.3)	0.0
Price-earnings ratio	(Times)	9.68	-	15.73	-	2,700.30
Payout ratio	(%)	33.9	-	57.6	-	9,584.0
Number of employees [Average number of temporary employees not included in the above numbers]	(People)	3,181 [353]	3,365 [369]	3,831 [387]	4,015 [392]	3,063 [437]
Total shareholder return	(%)	83.6	106.3	85.7	84.7	93.8
(Reference indicator: TOPIX Total Return Index)	(%)	(90.5)	(128.6)	(131.2)	(138.8)	(196.2)
Highest share price	(Yen)	1,666	1,687	1,505	1,134	1,182
Lowest share price	(Yen)	954	1,033	1,046	979	980

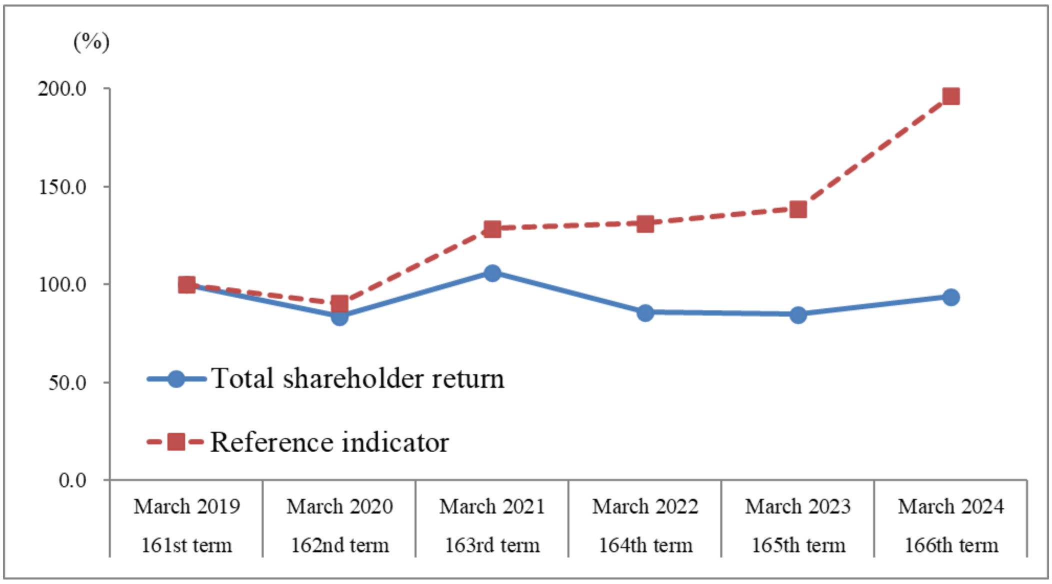
Notes: 1. Figures for diluted net profit per share are not presented, as there are no potentially dilutive shares.

2. The highest and lowest share prices for the period from April 4, 2022 are those recorded on the Prime Market of the Tokyo Stock Exchange, while the highest and lowest share prices for the period before April 4, 2022 are those recorded on the First Section of the Tokyo Stock Exchange.

3. The price-earnings ratios and payout ratios for the 163rd and 165th terms are not presented because the Company recorded a loss for each one.

4. The reporting company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards effective from the beginning of the 164th term. Key financial data for the terms from the 164th term onward are figures after application of the standards.

5. Changes in the total shareholder return and reference indicator over the past five years are as follows:



2. History

May 3, 1882	Osaka Boseki, a predecessor to the Company, is established as the first private spinning company in Japan based on the spinning business plan formulated by Eiichi Shibusawa
July 1883	Osaka Boseki starts operating a cotton-spinning business at the Sangenya Plant (located in what is now Taisho-ku, Osaka)
November 1886	Mie Boseki, a predecessor to the Company, is launched
October 1890	Osaka Boseki purchases a cotton fabrics plant and starts concurrent operation of textile manufacturing business
July 1893	Osaka Boseki transitions to a public limited-liability company
October 1893	Mie Boseki transitions to a public limited-liability company
June 26, 1914	Osaka Boseki and Mie Boseki merge to form Toyobo (the Company, headquartered in Yokkaichi, Mie; share capital: ¥1,425 million; renamed Toyobo Co., Ltd. in October 2012)
November 1918	Miyukikeori Co., Ltd. (currently a consolidated subsidiary), is established
May 1919	Kyoto Some-saisei Co., Ltd. (renamed Toyo Cloth Co., Ltd. in February 1926; currently a consolidated subsidiary), is established
March 1920	Head office moves to Kita-ku, Osaka (relocated to the current site in Kita-ku in April 2022)
December 1927	The Katata Rayon Plant (Otsu, Shiga, where the Research Center is currently situated) starts producing rayon
December 1929	Toyo Iou Kogyo Co., Ltd. (renamed Toyo Kasei Kogyo Co., Ltd. in December 1959, which merged with the Company in March 2010) is established
March 1931	Merged with Osaka Godo Boseki
December 1934	The Tsuruga Plant (Tsuruga, Fukui; currently the Tsuruga Functional Materials Plant) starts operating and produces rayon
July 1937	The Iwakuni Plant (Iwakuni, Yamaguchi; currently the Iwakuni Functional Materials Plant) starts operating and produces rayon
May 1940	The Inuyama Plant (Inuyama, Aichi) starts operating and produces pulp for chemical textiles
October 1948	The Inuyama Plant starts trial production of yeast from pulp fluid waste (inception of the biotechnology business)
January 1949	Brasilana Productos Texteis Ltda. (renamed Toyobo Do Brasil Ltda. in December 2001; currently a consolidated subsidiary) is established
May 1949	Listed on the Tokyo and Osaka Stock Exchanges
April 1955	Toyobo Do Brasil Industria Textil Ltda. (renamed Toyobo Do Brasil Participacoes Ltda. in December 2013; currently a consolidated subsidiary) is established
December 1955	Industrias Unidas, S.A. (currently a consolidated subsidiary) is established
September 1956	Japan Exlan Co., Ltd. (which started producing acrylic fibers in April 1958; currently a consolidated subsidiary) is established
April 1960	Ritto Seni (renamed Kureha Ltd. in July 1989; currently a consolidated subsidiary) is established
February 1963	The Tsuruga Plant starts producing cast polypropylene films (production transferred in January 1981 to Tsuruga Film Co., Ltd., which became Cast Film Japan Co., Ltd. in January 2015; currently an associate accounted for using the equity method)
May 1964	The Iwakuni Plant starts producing polyester (polymerization, spinning)
December 1964	The Tsuruga Plant starts producing biaxially oriented polypropylene films (production transferred to Inuyama Plant in April 1969)
April 1966	Merges with Kureha Boseki and taps into the nylon business (Tsuruga Nylon Plant; currently the Tsuruga Functional Materials Plant)
March 1968	The Inuyama Plant discontinues the pulp business and switches to the film business
June 1970	Makes a full-fledged foray into the plastics business
September 1971	Enters the biochemistry business
October 1971	Toyobo Real Estate Co., Ltd. (currently a consolidated subsidiary) is established
December 1971	The Inuyama Plant starts producing biaxially oriented polyester films
July 1972	Toyobo Engineering Co., Ltd. (currently a consolidated subsidiary) is established
May 1975	Enters the activated carbon fiber business
July 1976	The Inuyama Plant starts producing biaxially oriented nylon films
August 1976	The Tsuruga Plant starts producing polyester spunbond nonwoven fabrics
September 1976	The Katata Research Center and the Takatsuki Research Center are consolidated to form the Research Center

October 1977	Starts producing the **Printight** photosensitive water-washable letterpress plate
November 1978	The Tsuruga Enzyme Plant (currently the Tsuruga Biochemicals Plant) is launched
May 1980	The Iwakuni Plant starts producing the **Hollosep** reverse-osmosis membranes for seawater desalination (currently the Iwakuni Membrane Plant)
November 1983	The Iwakuni Membrane Plant is launched
May 1984	The Iwakuni Membrane Plant starts full-fledged production of hollow fiber membranes for artificial kidneys
October 1985	Enters the pharmaceutical business
December 1985	Starts full-fledged production of engineering plastics
April 1989	Takes over the sales team for the **Exlan** acrylic fiber division from Diafibers Co., Ltd.
May 1990	The Otsu Pharmaceuticals Plant is launched
April 1991	Starts full-fledged production of **Dyneema** ultra-high-strength polyethylene fiber
April 1992	The Tsuruga Biochemicals Research Center is launched
November 1995	The Tsuruga Plant and the Tsuruga Nylon Plant are consolidated under the name of the Tsuruga Plant
October 1998	The Tsuruga Plant starts full-fledged production of Zylon high-performance fibers with high strength and heat resistance
April 2001	Merges with Nippon Magphane through an absorption-type merger to form the Tsuruga Films Plant
February 2002	Toyobo Wool Co., Ltd. (Toyobo Techno Wool Co., Ltd. from April 2003; merged by Miyukikeori Co., Ltd. through an absorption-type merger in April 2018) is established
April 2002	Introduces a production center system in the Tsuruga and Iwakuni areas, and reorganizes into the Tsuruga Research and Production Center (Tsuruga Fibers Plant, Tsuruga Film Plant, Tsuruga Functional Materials Plant, Tsuruga Polymer Plant, Tsuruga Biochemicals Plant and Tsuruga Biochemicals Research Center) and the Iwakuni Production Center (Iwakuni Fibers Plant, Iwakuni Polymers Plant and Iwakuni Functional Membranes Plant)
October 2003	Introduces the production center system in the Toyama area, and reorganizes three cotton processing plants (Nyuzen, Inami, Shogawa) into the Toyama Production Center
April 2006	Consolidates the Tsuruga Textile Plant into the Tsuruga Functional Materials Plant, and renames the Iwakuni Textile Plant as the Iwakuni Functional Materials Plant
April 2008	Spins off development/sales divisions of textiles and trading business of the Company as well as films and functional polymers business, industrial materials business, and textiles and trading business of Shinkoh Sangyo Ltd. to establish Toyobo Specialties Trading Co., Ltd. (renamed Toyobo STC Co., Ltd. in October 2013; currently a consolidated subsidiary) through a joint incorporation-type company split
March 2010	Merges with Toyo Kasei Kogyo Co., Ltd. to launch the Takasago Plant
October 2012	The Company name changes to Toyobo Co., Ltd.
April 2018	Xenomax - Japan Co., Ltd. (currently a consolidated subsidiary), which produces and sells **Xenomax** highly heat-resistant polyimide film, is established
October 2019	Acquires shares in Teijin Film Solutions Limited and PT. Indonesia Teijin Film Solutions and converts them into subsidiaries, with the companies renamed Toyobo Film Solutions Limited and PT. Indonesia Toyobo Film Solutions (currently a consolidated subsidiary), respectively
April 2021	The Company merges with Toyobo Film Solutions Limited through an absorption-type merger to launch the Utsunomiya Plant
April 2022	Toyobo STC Co., Ltd. spins off its textile business to launch Toyobo Textile Co., Ltd. The Company transitions from the First Section of the Tokyo Stock Exchange to the Prime Market of the Tokyo Stock Exchange due to market restructuring by the Exchange
April 2023	The Company merges with Toyobo Information System Create Co., Ltd. through an absorption-type merger. Toyobo MC Corporation succeeds to the Company's functional materials business through an absorption-type company split and starts operating as a joint venture with equity investment from Mitsubishi Corporation through a third-party allocation
March 2024	Revises production functions of the Toyama Production Center and consolidates them in the Shogawa Plant
April 2024	Odate Membrane Plant is launched

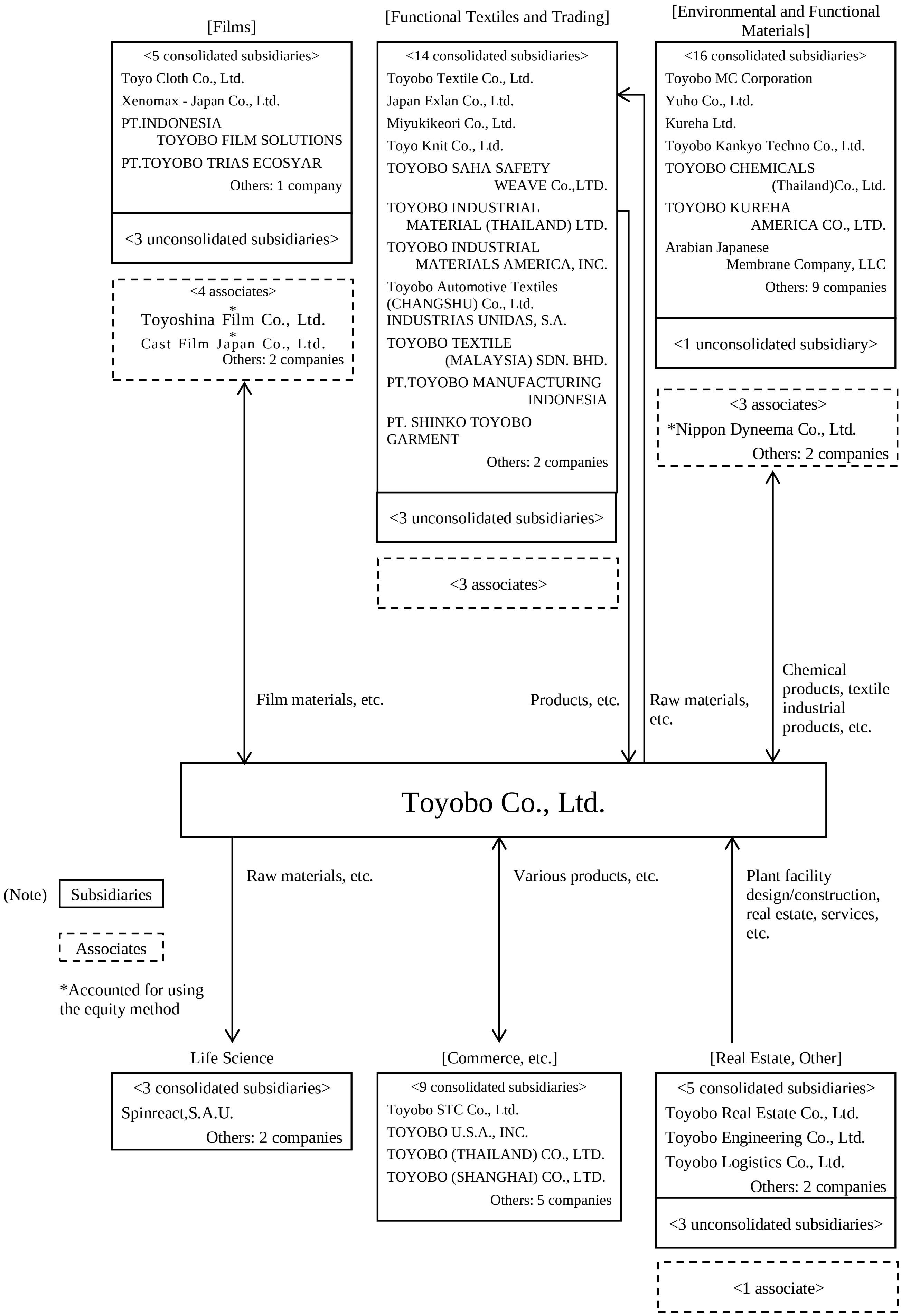
3. Description of Business

The following section describes the principal businesses of the Group (the Company and its affiliates), and how the businesses are positioned and related to segments.

Note that the Group changed its reporting segment classification from the current fiscal year. For details, please see "V. Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements (Segment information, etc.)."

Films :	The Group manufactures, processes and sells packaging films, industrial films, and other products. Five consolidated subsidiaries, including Toyo Cloth Co., Ltd, and seven unconsolidated subsidiaries and associates, manufacture, process, and sell films and other chemical products. These companies sell and purchase materials, etc. to and from the Company as well.
Life Science :	The Group manufactures, processes, and sells enzymes for diagnostic reagents and other bio-products, pharmaceuticals, medical-use membranes, medical devices, and other products. Three consolidated subsidiaries, including Spinreact, S.A.U., manufacture and sell diagnostic reagents and equipment, etc.
Environmental and Functional Materials :	Sixteen consolidated subsidiaries, including Toyobo MC Corporation, as well as four non-consolidated subsidiaries and associates manufacture and sell engineering plastics, industrial adhesives, photo functional materials, functional filters, high performance fibers, water treatment membranes, nonwoven fabrics and other products. These companies sell and purchase materials, etc. to and from the Company as well.
Functional Textiles and Trading :	The Group manufactures and sells airbag fabrics and other products. It also manufactures and sells apparel textiles and apparel fibers. Four consolidated subsidiaries, including Toyobo Industrial Material (Thailand) Ltd., and two associates manufacture and sell airbag fabrics, etc. These companies sell and purchase materials, etc. to and from the Company as well. Ten consolidated subsidiaries, including Toyobo Textile Co., Ltd., and four unconsolidated subsidiaries and associates, engage in textile processing such as spinning, weaving, plaiting, and dyeing, and manufacture and sell synthetic fibers, secondary fiber products, and other products. These companies sell and purchase materials, etc. to and from the Company as well. Nine consolidated subsidiaries, including Toyobo STC Co., Ltd., distribute fibers and other various industrial products.
Real Estate :	Two consolidated subsidiaries, including Toyobo Real Estate Co., Ltd., sell, lease, and manage real estate properties.
Other Businesses :	Toyobo Engineering Co., Ltd. designs and constructs buildings and machinery as well as sells equipment. Toyobo Engineering also engages in contract design/construction of the Company's plant facilities. Two consolidated subsidiaries, including Toyobo Logistics Co., Ltd., as well as four unconsolidated subsidiaries and associates engage in logistics services and other businesses. These companies also provide services, etc. to the Company.

The above details are summarized in a diagram on the following page.


[Films]
<5 consolidated subsidiaries>
Toyo Cloth Co., Ltd.
Xenomax - Japan Co., Ltd.
PT.INDONESIA TOYOBO FILM SOLUTIONS
PT.TOYOBO TRIAS ECOSYAR
Others: 1 company
<3 unconsolidated subsidiaries>
<4 associates>
*Toyoshina Film Co., Ltd.
*Cast Film Japan Co., Ltd.
Others: 2 companies
[Functional Textiles and Trading]
<14 consolidated subsidiaries>
Toyobo Textile Co., Ltd.
Japan Exlan Co., Ltd.
Miyukikeori Co., Ltd.
Toyo Knit Co., Ltd.
TOYOBO SAHA SAFETY WEAVE Co.,LTD.
TOYOBO INDUSTRIAL MATERIAL (THAILAND) LTD.
TOYOBO INDUSTRIAL MATERIALS AMERICA, INC.
Toyobo Automotive Textiles (CHANGSHU) Co., Ltd.
INDUSTRIAS UNIDAS, S.A.
TOYOBO TEXTILE (MALAYSIA) SDN. BHD.
PT.TOYOBO MANUFACTURING INDONESIA
PT. SHINKO TOYOBO GARMENT
Others: 2 companies
<3 unconsolidated subsidiaries>
<3 associates>
[Environmental and Functional Materials]
<16 consolidated subsidiaries>
Toyobo MC Corporation
Yuho Co., Ltd.
Kureha Ltd.
Toyobo Kankyo Techno Co., Ltd.
TOYOBO CHEMICALS (Thailand)Co., Ltd.
TOYOBO KUREHA AMERICA CO., LTD.
Arabian Japanese Membrane Company, LLC
Others: 9 companies
<1 unconsolidated subsidiary>
<3 associates>
*Nippon Dyneema Co., Ltd.
Others: 2 companies
Film materials, etc.
Products, etc.
Raw materials, etc.
Chemical products, textile industrial products, etc.
Toyobo Co., Ltd.
Raw materials, etc.
Various products, etc.
Plant facility design/construction, real estate, services, etc.
(Note) Subsidiaries
Associates
*Accounted for using the equity method
Life Science
<3 consolidated subsidiaries>
Spinreact,S.A.U.
Others: 2 companies
[Commerce, etc.]
<9 consolidated subsidiaries>
Toyobo STC Co., Ltd.
TOYOBO U.S.A., INC.
TOYOBO (THAILAND) CO., LTD.
TOYOBO (SHANGHAI) CO., LTD.
Others: 5 companies
[Real Estate, Other]
<5 consolidated subsidiaries>
Toyobo Real Estate Co., Ltd.
Toyobo Engineering Co., Ltd.
Toyobo Logistics Co., Ltd.
Others: 2 companies
<3 unconsolidated subsidiaries>
<1 associate>

4. Subsidiaries and Other Affiliates

Name	Address	Share capital (Millions of yen)	Description of principal business	Ratio of voting rights held (%)		Relationship
				Direct ownership	Indirect ownership	
(Consolidated subsidiaries)						
Toyobo MC Corporation*1*2	Kita-ku, Osaka	15,100	Environmental and Functional Materials, etc.	51.0	-	Sells and purchases various products to and from the Company. Has land and building lease and rental arrangement with the Company. Concurrent duties, etc. of officers: Yes
Yuho Co., Ltd.	Kita-ku, Osaka	410	Environmental and Functional Materials	-	Toyobo MC Corporation 100.0	Concurrent duties, etc. of officers: Yes
Kureha Ltd.	Ritto, Shiga	400	Environmental and Functional Materials	-	Toyobo MC Corporation 100.0	Concurrent duties, etc. of officers: Yes
Toyobo STC Co., Ltd.	Kita-ku, Osaka	390	Films, Environment and Functional Materials, Functional Textiles and Trading	100.0	-	Purchases various products from the Company. Concurrent duties, etc. of officers: Yes
Toyobo Textile Co., Ltd.	Kita-ku, Osaka	300	Functional Textiles and Trading	100.0	-	Purchases various products from the Company. Concurrent duties, etc. of officers: Yes
Toyobo Engineering Co., Ltd.	Kita-ku, Osaka	120	Other Businesses	100.0	-	Engages in contract design/construction of buildings and machinery for the Company, and supplies machinery parts to the Company. Concurrent duties, etc. of officers: Yes
Japan Exlan Co., Ltd.	Kita-ku, Osaka	100	Functional Textiles and Trading, etc.	100.0	-	Supplies acrylic fiber products to the Company. Leases land from the Company. Concurrent duties, etc. of officers: Yes
Xenomax - Japan Co., Ltd.	Tsuruga, Fukui	100	Films	66.6	-	Leases land from the Company. Concurrent duties, etc. of officers: Yes
Toyobo Real Estate Co., Ltd.	Chuo-ku, Osaka	100	Real Estate	100.0	-	Entrusted with property operation/management from the Company. Concurrent duties, etc. of officers: Yes
Miyukikeori Co., Ltd.	Nishi-ku, Nagoya	100	Functional Textiles and Trading, etc.	100.0	-	Concurrent duties, etc. of officers: Yes
Toyo Cloth Co., Ltd.	Sennan, Osaka	100	Films	100.0	-	Commissioned by the Company to process films. Leases buildings from the Company. Concurrent duties, etc. of officers: Yes
TOYOBO CHEMICALS(Thailand)Co., Ltd.	Chonburi Thailand	303,120 thousand THB	Environmental and Functional Materials	-	Toyobo MC Corporation 93.7	Concurrent duties, etc. of officers: Yes
TOYOBO (THAILAND) CO., LTD.	Bangkok Thailand	31,750 thousand THB	Films, Environmental and Functional Materials, etc.	99.9	Toyobo MC Corporation 0.0	Concurrent duties, etc. of officers: Yes
TOYOBO DO BRASIL LTDA.	Sao Paulo Brazil	92,173 thousand R$	Environmental and Functional Materials, etc.	-	TOYOBO DO BRASIL PARTICIPACOES LTDA. 100.0	Concurrent duties, etc. of officers: Yes
TOYOBO DO BRASIL PARTICIPACOES LTDA.	Sao Paulo Brazil	24,661 thousand R$	Real Estate	100.0	-	Concurrent duties, etc. of officers: Yes

Name	Address	Share capital (Millions of yen)	Description of principal business	Ratio of voting rights held (%)		Relationship
				Direct ownership	Indirect ownership	
INDUSTRIAS UNIDAS, S.A.	San Salvador El Salvador	6,653 thousand US$	Functional Textiles and Trading	92.6	-	Concurrent duties, etc. of officers: Yes
TOYOBO TEXTILE (MALAYSIA) SDN. BHD.	Perak Malaysia	41,000 thousand MYR	Functional Textiles and Trading	100.0	-	Supplies fiber products to the Company. Concurrent duties, etc. of officers: Yes
PT.INDONESIA TOYOBO FILM SOLUTIONS*1	West Java Indonesia	77,400 thousand US$	Films	99.9	PT. TOYOBO INDONESIA 0.0	Concurrent duties, etc. of officers: Yes
PT.TOYOBO TRIAS ECOSYAR	East Java Indonesia	15,200 thousand US$	Films	60.0	-	Supplies film products to the Company. Concurrent duties, etc. of officers: Yes
PT.TOYOBO MANUFACTURING INDONESIA	West Java Indonesia	102,904 million IDR	Functional Textiles and Trading	0.0	Toyobo Textile Co., Ltd. 99.9	Concurrent duties, etc. of officers: Yes
PT. SHINKO TOYOBO GARMENT	West Java Indonesia	5,000 thousand US$	Functional Textiles and Trading	-	Toyobo Textile Co., Ltd. 99.9 PT.TOYOBO MANUFACTURING INDONESIA 0.0	Concurrent duties, etc. of officers: Yes
TOYOBO INDUSTRIAL MATERIAL (THAILAND) LTD.	Bangkok Thailand	100,000 thousand THB	Functional Textiles and Trading	100.0	-	Purchases raw yarns from the Company. Concurrent duties, etc. of officers: Yes
TOYOBO SAHA SAFETY WEAVE CO., LTD.	Samutprakarn Thailand	1,000,000 thousand THB	Functional Textiles and Trading	75.0	-	Concurrent duties, etc. of officers: Yes
TOYOBO INDUSTRIAL MATERIALS AMERICA, INC.	Alabama U.S.A.	28,450 thousand US$	Functional Textiles and Trading	100.0	-	Purchases raw yarns from the Company. Concurrent duties, etc. of officers: Yes
Toyobo Automotive Textiles (CHANGSHU) Co., Ltd.	Jiangsu China	36,427 thousand RMB	Functional Textiles and Trading	70.0	-	Purchases raw yarns from the Company. Concurrent duties, etc. of officers: Yes
Arabian Japanese Membrane Company, LLC	Rabigh Saudi Arabia	23,600 thousand SAR	Environmental and Functional Materials	-	Toyobo MC Corporation 85.1	Concurrent duties, etc. of officers: Yes
Others: 26 companies						
(Associates accounted for using the equity method)						
Others: 5 companies						

Notes: 1. The description of principal business shows segment names.

2. *1: Specified subsidiary

3. *2: The percentage of consolidated net sales accounted for by net sales (excluding internal sales among consolidated subsidiaries) exceeds 10%.

Main profit and loss information, etc.

(1) Net sales	¥87,858 million
(2) Ordinary profit	¥2,491 million
(3) Profit	¥1,936 million
(4) Net assets	¥56,479 million
(5) Total assets	¥82,148 million

5. Employees

(1) Information about the Group

As of March 31, 2024

Segment	Number of employees (People)	
Films	2,126	[196]
Life Science	1,363	[84]
Environmental and Functional Materials	2,095	[156]
Functional Textiles and Trading	3,856	[781]
Real Estate	55	[10]
Other Businesses	563	[118]
Company-wide (common)	610	[127]
Total	10,668	[1,472]

Note: The number of employees means the number of full-time employees. The average number of temporary employees is separately presented in square brackets.

(2) Information about the Reporting Company

As of March 31, 2024

Number of employees (People)	Average age	Average years of service	Average annual salary (Yen)
3,063 [437]	40.1	13.4	6,147,597

Segment	Number of employees (People)	
Films	1,480	[69]
Life Science	726	[79]
Environmental and Functional Materials	72	[11]
Functional Textiles and Trading	157	[151]
Real Estate	2	[-]
Other Businesses	16	[-]
Company-wide (common)	610	[127]
Total	3,063	[437]

Notes: 1. The number of employees means the number of full-time employees. The average number of temporary employees is separately presented in square brackets.
2. The average annual salary includes bonuses and extra wages.
3. The main reason for the considerable decrease in the number of employees over the end of the previous fiscal year is the seconding of employees to Toyobo MC Corporation.

(3) Labor union

The labor union of each of the group companies is mainly a member of UA Zensen, which belongs to the Japanese Trade Union Confederation.

There are no matters to report regarding labor-management relations.

(4) Ratio of female workers in managerial positions, ratio of male workers taking childcare leave, and difference in pay between male and female workers

(i) Reporting company

Current fiscal year				
Ratio of female workers in managerial positions (%) (Note) 1	Ratio of male workers taking childcare leave (%) (Note) 1	Difference in pay between male and female workers (%) (Note) 1, 2		
		All workers	Regular workers among all workers	Part-time and temporary workers among all workers
5.5	97.7 (Note) 3	64.4	66.8	43.6

Notes: 1. Calculated in accordance with the provisions of the Act on Promotion of Women's Participation and Advancement in the Workplace (Act No. 64 of 2015) (hereinafter "the Act of Women's Participation and Advancement").

2. Regarding the differences in pay between male and female workers, there is no difference in pay between those male and female workers who engage in the same work. The differences are due to the difference in the composition of male and female workers by grade as well as to the fact that at manufacturing sites, fewer female workers engage in night-shift work or other types of work for which extra wages are paid.

3. This ratio represents the average value for all workers. As for the breakdown of the ratio by employment category, the ratio for the workers on the managerial career track is 88.4% and that for the workers on the non-managerial career track is 133.3%. None of the employees in the other employment categories (center and plant employees, part-time employees, contract employees, and senior employees) were eligible for childcare leave in the current fiscal year. The reason that the value for workers on the non-managerial career track exceeded 100% is that the fiscal year when the worker took childcare leave is different from the fiscal year when the worker's spouse gave birth.

4. The calculations for seconded workers were made in accordance with the Act of Women's Participation and Advancement, and the number of seconded workers includes the number of workers seconded to Toyobo MC Corporation and Toyobo STC Co., Ltd.

(ii) Consolidated subsidiaries

Current fiscal year								
Name	Ratio of female workers in managerial positions (%) (Note) 1	Ratio of male workers taking childcare leave (%) (Note) 1				Difference in pay between male and female workers (%) (Note) 1, 2		
		All workers	Regular workers	Non-regular workers		All workers	Regular workers among all workers	Part-time and temporary workers among all workers
Yuho Co., Ltd.	-	-	60	0		-	-	-
Kureha Ltd.	-	25	-	-	(Note) 3	-	-	-
Toyobo Engineering Co., Ltd.	1.4	-	50	0		-	-	-
Japan Exlan Co., Ltd.	-	-	-	-		68.6	82.8	55.7
Miyukikeori Co., Ltd.	2.8	- (Note) 4	-	-		69.4	66.3	81.7
Toyo Cloth Co., Ltd.	1.9	-	-	-		68.0	71.6	62.3
Cosmo Electronics Co., Ltd.	11.1	50	-	-	(Note) 5	70.0	69.6	91.6

Notes: 1. Calculated in accordance with the provisions of the Act on the Promotion of Women's Participation and Advancement. Those items for which the subsidiaries do not make the disclosure in accordance with the provisions of the Act of Women's Participation and Advancement and the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991) are indicated by a dash.

2. Regarding the differences in pay between male and female workers, there is no difference in pay between those male and female workers who engage in the same work. The differences are due to the difference in the composition of male and female workers by grade.

3. This ratio represents the average value for all workers. As for the breakdown of the ratio by employment category, the ratio for workers in managerial positions is 0%, that for workers on the managerial career track is 0%, and that for the workers on the non-managerial career track is 33%.

4. As for the breakdown of the ratio by employment category, the ratio for workers on the managerial career track is 100%, that for contract sales staff is 0%, that for part-time workers is 0%, and that for senior employees is 0%.

5. This ratio represents the average value for all workers. As for the breakdown of the ratio by employment category, the ratio for regular workers is 0% and that for contract workers is 100%.

II. Overview of Business

1. Management Policy, Business Environment, and Issues to Address

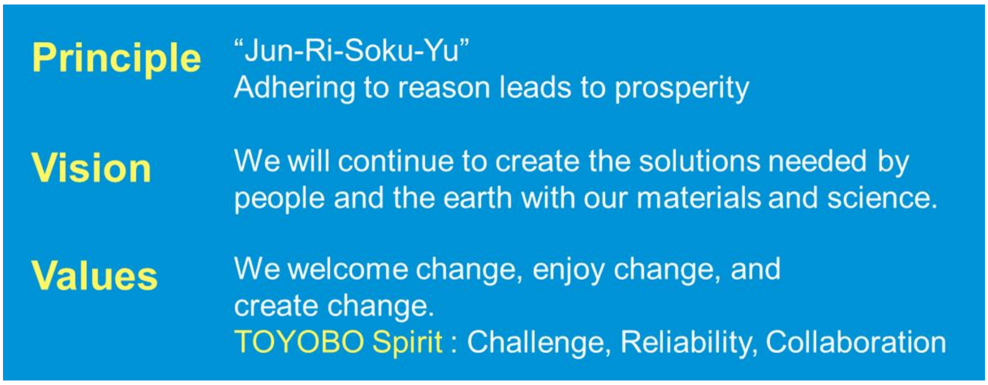
The forward-looking statements contained herein represent the Group's judgment made as of the current fiscal year, and do not offer any guarantee of their achievement

(1) The Group's corporate philosophy

The Group has adopted "Jun-Ri-Soku-Yu (順理則裕)," one of the mottos of its founder Eiichi Shibusawa, as our corporate philosophy. "Jun-Ri-Soku-Yu (順理則裕)" means "Do what must be done, don't do what must not be done." It encompasses the company's founding spirit, i.e., adhering to 'Jun-Ri' leads to a prosperous society while also realizing self-growth. For 140 years since its founding, the Group has maintained this corporate philosophy of "Jun-Ri-Soku-Yu (順理則裕)," which shares its concept with so-called CSV (Creating Shared Value: contributing to solutions for social challenges and working to improve economic value to increase the corporate value).

In 2019, the Group returned to its origins in the spirit of Eiichi Shibusawa and rearranged its "Jun-Ri-Soku-Yu (順理則裕)" as the TOYOBO PVVs corporate philosophy. The aim is to become a company that will continue to plot a path of growth through contributions to society while keeping up with the times.

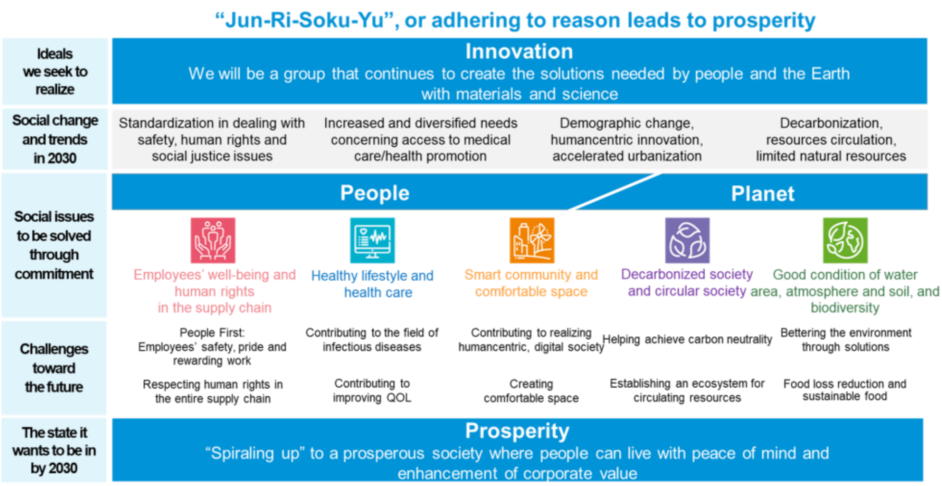
■ The TOYOBO PVVs corporate philosophy framework



(2) Sustainable Vision 2030 (Announced in May 2022)

Based on its TOYOBO PVVs corporate philosophy framework, the Group formulated its long-term vision, "Sustainable Vision 2030." In the vision, we assumed certain changes in the future business environment and social trends, and set five social issues focusing on People and the Planet, sustainability goals, and an action plan. By doing our part to resolve five social issues through innovation drawn from our core technologies, we will move toward realizing where we'd like to be: "Ushering in both a prosperous society where people can live with peace of mind and the enhancement of corporate value."

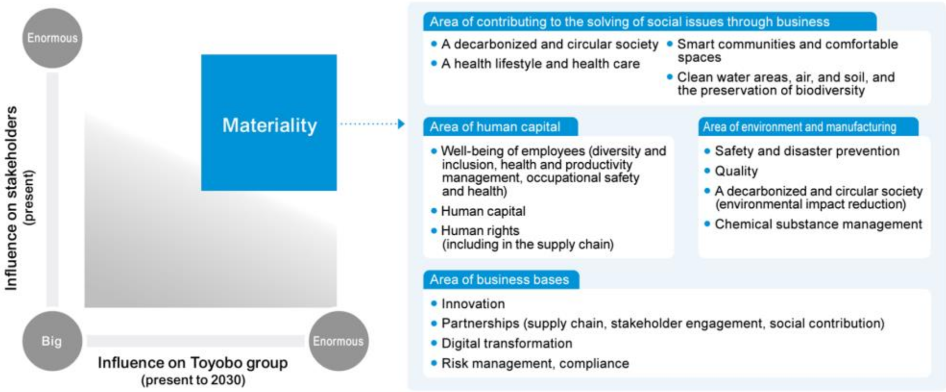
■ Overall Image of Sustainable Vision 2030



(3) Materiality

The Group has identified its material issues—the material issues that the Group must address to be a sustainable company—to meet 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 planet." From the two axes of the impact for stakeholders and for the Group, the highest priority targets were clearly identified and organized into the four areas of "contributing to the social issues through business," "human capital," "environment and manufacturing," and "business bases."

■Materiality Map

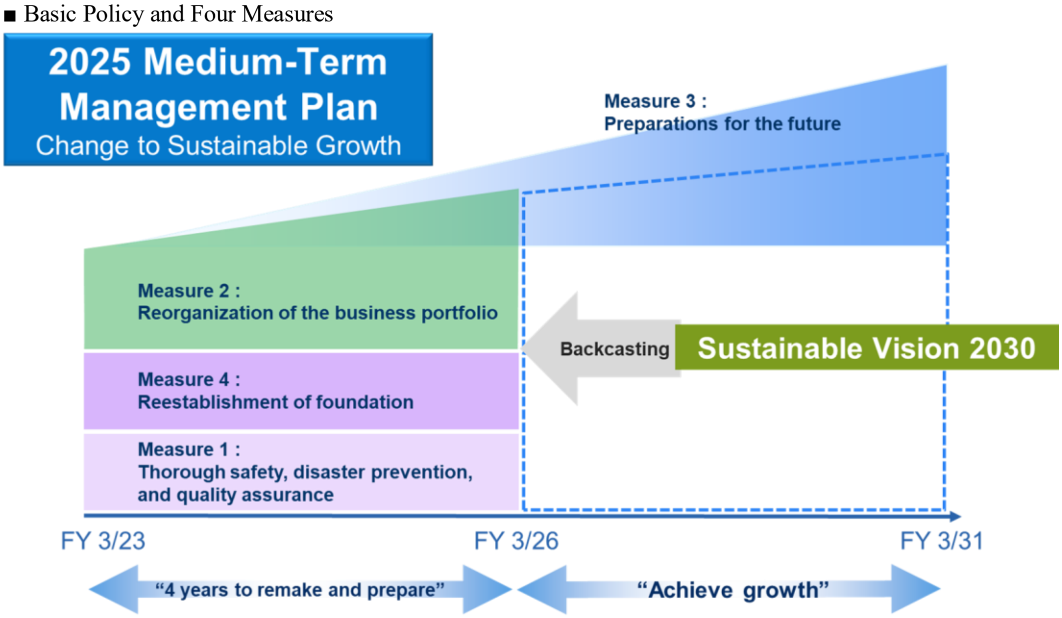


(4) 2025 Medium-Term Management Plan (FY 3/23 - FY 3/26) (Announced in May 2022)

(i) Basic policy

The 2025 Medium-Term Management Plan (FY 3/23 - FY 3/26) establishes 2025 as a milestone for achieving targets set in Sustainable Vision 2030. Under the plan, we position that period as "four years to remake and prepare." Through initiatives for the four measures of "Thorough safety, disaster prevention, and quality assurance," "Reorganization of the business portfolio," "Preparations for the future," and "Reestablishment of foundation," we strive to make changes to sustainable growth.

■ Basic Policy and Four Measures



(ii) Review of first half of 2025 Medium-Term Management Plan (FY 3/23 - FY 3/24)

(a) Business environment

In formulating the 2025 Medium-Term Management Plan, the Group anticipated the business environment surrounding it as follows:

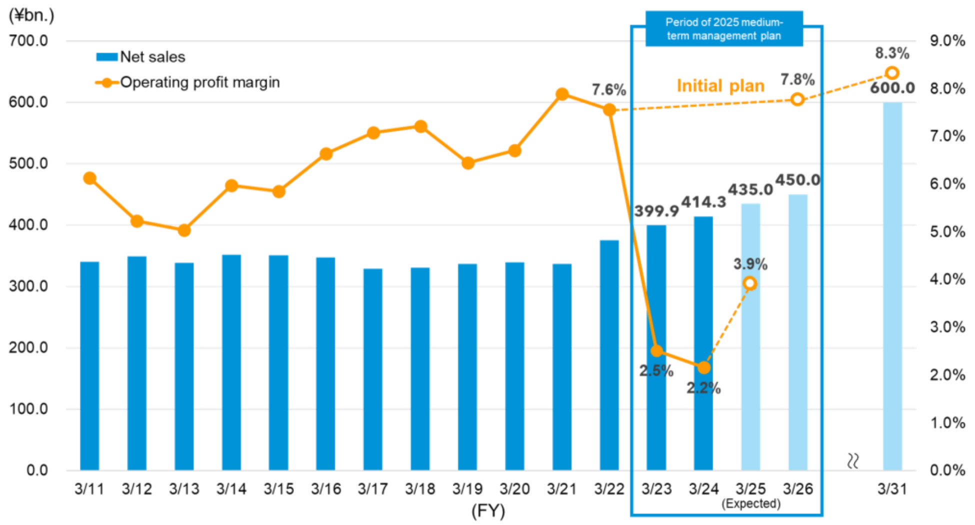
- How a company operates changes under stakeholder capitalism
- Decarbonization, a circular economy, and electrification of vehicles (EVs)
- Technological advances, acceleration in commercializing new technologies (digital transformation (DX), life sciences, etc.)
- Gradual shrinking of the domestic market in Japan, prices of resources remaining high and risks involved in procurement
- Changes in people's awareness, values, and behavior

However, given factors such as heightened geopolitical risk due to the prolonging of the Russia-Ukraine conflict and increasing tension in the Middle East, the plateauing of fuel prices, the progressive depreciation of the Japanese yen and a deceleration in the Chinese economy, the economic environment is changing with a scale and speed far greater than originally anticipated.

(b) Performance in first half of 2025 Medium-Term Management Plan

Amid such a rapidly-changing environment, in the Group's businesses, the earning power of the Group declined significantly due to deteriorated trade conditions resulting from a sharp rise in fuel prices, reductions in quantities resulting from prolonged inventory adjustments in the supply chain, and increases in fixed costs for expanding the Group's businesses and improving its foundation. At the same time, leading efforts were made in major investment in growth businesses, resulting in an increase in interest-bearing debt.

■Decline in earning power



(c) Progress in four measures

i) Measure 1: Thorough safety, disaster prevention, and quality assurance

Regarding safety and disaster prevention, the Group continues initiatives in line with its *roadmap for labor safety & disaster management* that include fostering a culture of safety largely by utilizing the results of safety awareness surveys, conducting comprehensive on-site inspections and comprehensive disaster prevention checks, renovating aging equipment and otherwise investing in safety and disaster prevention, and enhancing safety and disaster prevention training with the aim of achieving *zero accidents*. In FY 3/24, while we were unable to improve on the number of workers' accidents on a year-on-year basis, we continued to achieve zero serious accidents over the fiscal year prior to that. Additionally, we are pursuing the acquisition of conformity certification for the ISO45001 work health and safety management system in order to reduce risks in the work environment. As of March 31, 2024, we have obtained that certification at three sites: the Tsuruga Research and Production Center, the Iwakuni Production Center, and the Utsunomiya Plant, and intend to continue pursuing certification for the Group's other centers and plants.

As for quality, in line with its *quality assurance management structure reconstruction roadmap*, the Group is moving forward with efforts such as implementing rigorous PL/QA assessments, putting quality data online, enhancing product safety and quality assurance training that include core personnel training on quality (Qace seminars*), reinforcing training on quality defects and other compliance training, and preparing its quality assurance manual in multiple languages (to share with overseas sites). By promoting the reform of its organizational culture, creation of culture that puts quality first and manufacturing that prioritizes safety and security above all else, we aim to earn unwavering trust.

*Qace: An amalgam of Qa_assurance, Qc_control and Qe_ensurance.

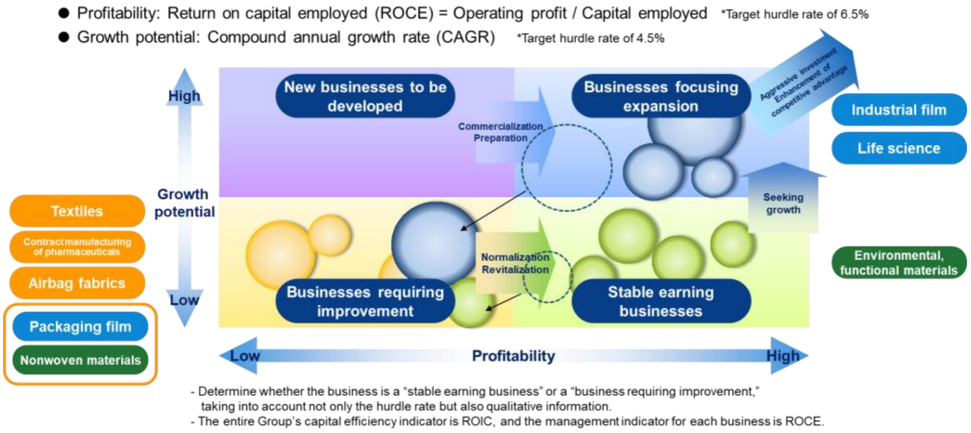
ii) Measure 2: Reorganization of the business portfolio

Based on the two criteria of *profitability* and *growth potential*, we classify our businesses into businesses focusing on expansion, businesses with stable earnings, businesses requiring improvement, and new businesses to be developed, and operate each business according to its classification. We use return on capital employed (ROCE), the ratio of operating profit to employed capital, as an indicator for profitability, and compounded annual growth rate (CAGR) of net sales as an indicator for growth potential. We have set a hurdle rate of 6.5% for profitability, based on cost of capital, and a hurdle rate of 4.5% for growth potential, referring to the CAGR of the industry's sales. While use return on invested capital (ROIC) as an indicator for the entire Group's capital efficiency, we use ROCE for the management of each business.

The film business and the life science business, positioned as businesses focusing on expansion, have advantages and operate in prospective markets with potential for expansion. We are investing proactively in these businesses. We also reassessed the environmental and functional materials business, which had been classified as a stable earnings business, in terms of growth opportunity and potential of each of its products, considering the future of the business environment. We will begin efforts to grow and expand this business through Toyobo MC Corporation, a joint venture with Mitsubishi Corporation, aiming to make it our third pillar.

As for businesses requiring improvement, initially, the three businesses of textiles, airbag fabrics, and contract manufacturing of pharmaceuticals were positioned as those businesses. We have taken measures for normalization and strived to improve the entire Group's capital efficiency. However, due to shifts in the business environment, the Group changed the positioning of its packaging film and nonwoven fabric material businesses, which have suffered a dip in profitability, to businesses requiring improvement.

■Business portfolio (Changes in positioning)



iii) Measure 3: Preparations for the future

The Group fuses its four core technologies of polymer technology, biomedical technology, environmental technology, and analysis and simulation & computer simulation technology to bring forth innovations in three fields: new circular plastics solutions that target 100% renewable polymers, environmental active clean solutions that contribute to purifying water, air and other elements of the environment and the recovery and use of CO_2, and Well-Being solutions that aim to realize a society where people can live out their lives healthily.

Additionally, to respond to climate change, the Group will work towards achieving net zero emissions by FY 3/51 for Scope 1 and 2 emissions as well as reduce greenhouse gases in its entire supply chain in line with the greenhouse gas emission reduction road map that it formulated with a view to carbon neutrality. In addition, the Group will aim to grow its businesses through expanding sales of the likes of materials used in osmotic power generation and wind power generation as well as seawater desalination membranes and volatile organic compound (VOC) recovery equipment, which contribute to preserving high-quality water areas and air.

Furthermore, with a view to the realization of DX, the Group will improve its IT environment and push forward with the establishment of a foundation for accelerating and promoting business innovations. Our initiatives in this regard were recognized as fulfilling the certification criteria of the Ministry of Economy, Trade and Industry, culminating in our acquisition of DX-Certified Operator certification in February 2024.

iv) Measure 4: Reestablishment of foundation

To reestablish its foundation for the purpose of growing sustainably, the Group will push forward with human capital, respect for human rights, workplace capabilities in manufacturing, development of the business base, governance / compliance, and change of the organizational culture.

For human capital, we are executing various measures based on our Human Resource Management Policy, which positions people as our most important form of human capital. To be specific, we believe that pursuing initiatives such as developing next-generation management human resource, promoting diversity, developing on-site leaders to support manufacturing and promoting heath management will like to the happiness of our employees and sustainable growth of the Group as well as to improved employee engagement.

For respect for human rights, in accordance with the Toyobo Group Human Rights Policy that we established in October 2020 (updated in February 2024) and the Toyobo Group Diversity Promotion Policy that we established in February 2024, we are ascertaining the work status of non-Japanese technical intern trainees and verifying at our overseas Group companies in particular that no child or forced labor is taking place. We are also endeavoring to provide our officers and employees with opportunities for training on business and human rights and enlightening them on those subjects.

With respect to workplace capabilities in manufacturing, we will improve our engineer training system and enhance hierarchy-specific training, and will move forward with a company-wide rollout of production reform activities through the utilization of digital technology (smart factories, etc.), on-site exchange for pooling together company-wide knowledge, initiatives for the 3S' of *seiri* (organization), *seiton* (tidiness) and *seiso* (cleanup), and more.

With regard to the development of the business base, we are considering a concept for the entire company and centers and plants while also making renewal investments in aging and outdated infrastructure and upgrading legacy systems.

For governance/compliance, we are improving our risk management structure as a means of reinforcing Group governance. To be specific, the Corporate Business Management Department coordinates with works with departments with intrinsic risk (businesses) and the main departments in charge of risk (staff) to perform risk assessments (the extraction of serious risks and monitoring) and resource allocation for minimizing risks, and expands these efforts to Group companies as well. For compliance, in addition to endeavoring to enhance and thoroughly implement training workshops, we are endeavoring to identify violations and correct them at an early stage through improving the accessibility of a contact point for reporting internal problems. Additionally, the Internal Audit Department plans audits and reports them to the Board of Directors, and ensures the effectiveness of our internal audit functions.

As for the change of the organizational culture, we are conducting initiatives for entrenching the culture of conducting cross-divisional efforts to translate small ideas into improvements and reforms and make ongoing changes with the efforts by KAERU Department to instill our corporate philosophy framework TOYOBO PVVs as our focus. We are also working to improve psychological safety through promoting communication based on serious small talk.

(iii) 2025 Medium-Term Management Plan second half issues (Actions with a view to FY 3/26 and beyond)

In the latter two years of our 2025 Medium-Term Management Plan, we will tackle the following actions for improving corporate value: "Recover earning power," "Reduce capital employed (narrow down investments, etc.)," and "Progress to the next growth stage (Create new businesses and technologies)."

(a) Recover earning power

i) Ensuring pricing commensurate with value

We will thoroughly configure product prices on a value basis rather than a cost basis. In addition, we will also follow up on the implementation of pricing through management.

ii) Measures for businesses requiring improvement

As we work on the reorganization of our business portfolio, the packaging film and nonwoven fabric businesses have been added to the preexisting businesses of textiles, contract manufacturing of pharmaceuticals and airbag fabrics as businesses requiring improvement. We will aim to normalize and make profitable all of these businesses by FY 3/26.

a. In the packaging film business, in addition to conducting a thorough product price revisions and reviewing our production structure, we will proceed to accelerate our transition to environmentally friendly-products, which we have an advantage in, and bolster the development of this business overseas.

b. In the nonwoven materials business, we will move forward with a review our domestic production structure as well as the expansion of outsourced production and reinforcement of developed products.

c. In the textiles business, the integration and realignment of Group companies by Toyobo Textile Co., Ltd. (launched in April 2022) and the consolidation of three sites at the Toyama Production Center wrapped up in March 2024. Furthermore, in addition of a withdrawal from unprofitable commercial products and other business structure reforms, we pushed forward with product price revisions to successfully enter the black in FY 3/24. We will keep on pursuing improvements in asset efficiency.

d. In the contract manufacturing of pharmaceuticals business, with the Warning Letter from the FDA having been lifted in July 2023, we will work towards normalizing this business.

e. In the airbag fabrics business, we are currently working towards normalizing this business. This includes the commercial production at a new plant for airbag yarn in Thailand, which commenced in FY 3/24

iii) Narrowing down of expenses and cost reduction

We will promote business reforms for the entire Group through company-wide projects. We will carry out the reinforcement of the competitiveness of our centers and plants (by reviewing shared division costs and rearranging businesses), indirect material cost reductions, and the improvement of our operational efficiency and productivity (by bringing costs down while improving operational quality).

iv) Definite recouping of growth investments

We have been making aggressive capital expenditures in growth areas such as films, life science, and environmental and functional materials. We will launch these investment projects according to plan, tie them into definite earnings growth, and proceed so that we can recoup our investments. Our major growth investments are as follows

■Major growth investments

Segment	Details	Investment amount (¥bn., round number)	Time to realize investment results			
			FY 3/24	FY 3/25	FY 3/26	FY 3/27~
Films	- OPP film equipment (Inuyama)	7.0				
	- Processing equipment Unit 2 of mold releasing film for MLCC (Tsuruga)	6.0 *1				
	- Equipment of mold releasing film for MLCC (Utsunomiya)	20.0				
Life Science	- Equipment for raw enzymes for biochemical diagnosis (Tsuruga)	7.0				
	- Equipment for reagents for PCR testing and genetic diagnostic reagents (Tsuruga)	6.5				
	- Integrated production plant for artificial kidney hollow fiber (Akita)	5.0				
Environmental and Functional Materials	- Equipment for high performance resin (Takasago) - Equipment for high performance resin (Iwakuni)	8.0 *2				

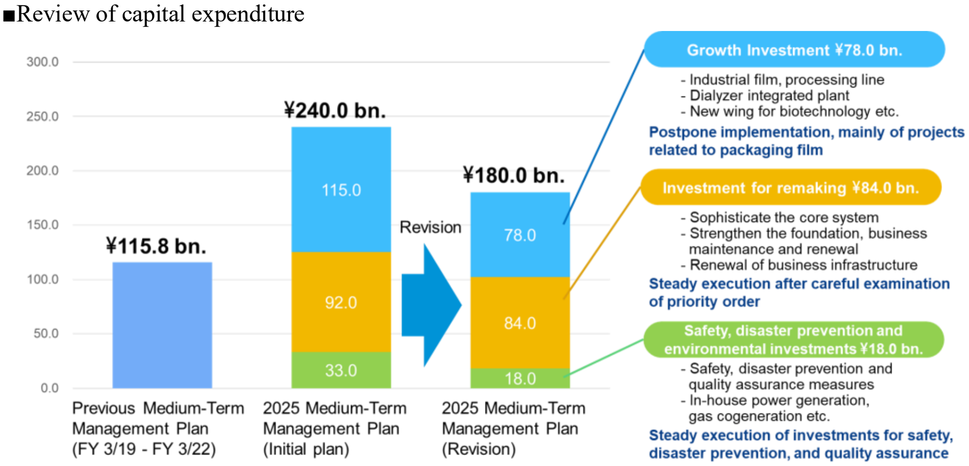
*1: Total with Unit 1 *2: Total investment amount of JV

(b) Reduce capital employed

In order to optimize capital employed with a view to sustainable growth in FY 3/26 and beyond, we will conduct measures to narrow down investments, business portfolio reforms (normalize businesses requiring improvement and carry out stratification and measures based on a hurdle rate ROCE of 6.5%), and the divestment of non-business assets.

In narrowing down investments, upon the formulation of the 2025 Medium-Term Management Plan, we had planned capital expenditures of a cumulative ¥240.0 billion over the four-year period from FY 3/23 to FY 3/26 However, going forward, we will review investment projects to reduce that cumulative amount by a total of ¥60.0 billion to ¥180.0 billion over the four-year period. We will narrow down growth investments from ¥115.0 billion to ¥78.0 billion by postponing mainly investment projects related to the packaging film business, whose business portfolio positioning has changed. We will narrow down investments for remaking from ¥92.0 billion to ¥84.0 billion by carefully examining the order of priority. We will narrow down investments in safety, disaster prevention and environment from ¥33.0 billion to ¥18.0 billion through steady execution without lowering the order of priority of investments in safety, disaster prevention and quality. We will then push forward with management that emphasizes capital efficiency.

■Review of capital expenditure



(c) Progress to the next growth stage (Creating new businesses and technologies)

i) Growth strategies

a. Films

We will expand the sales of polarizer protective films for LCDs and mold releasing film for MLCC, positioning these as people-centric products contributing to the realization of a digital society.

- The polarizer protective films for LCDs are used in LCD televisions. These super retarder polyester films make full use of the Group's proprietary technology. We plan to further boost our existing area share of approximately 60% (Group estimate). Going forward, In addition to efforts to reduce film thickness, we will establish a system for further production increases by modifying our existing production lines.
- The mold releasing film for MLCC are used in the process of manufacturing ceramic condensers. One of the strengths of our products is their outstanding smoothness. As the market is growing, we will build and put into operation a new proprietary manufacturing facility for the films by FY 3/25, which makes high-end mold releasing film for MLCC in one integrated process that covers raw film formation to coating.

Furthermore, as part of our efforts to develop new high-performance films, we will promote endeavors such as the expanded use of PEN film in wind power generation (as insulation) and their expanded use in sealing materials for fuel battery cells.

b. Life Science

In the biotechnology business, taking advantage of our technology for producing high-function proteins, we are currently providing a broad range of products, including enzymes for biochemical diagnostic reagents, enzymes for genetic testing reagents, laboratory reagents, diagnostic reagents, and diagnostic systems. Our expansion plan is as follows:

- For enzymes for biochemical diagnostic reagents, we are currently developing that business globally, with overseas sales accounting for approximately 70% of the total. We will push forward with the further development of that business overseas through the operation of new facilities (with approximately 1.5 times the production capacity) in FY 3/25.
- For enzymes for genetic testing reagents, we aim to expand our infectious disease solutions business through the operation of new facilities (with approximately 3 times the production capacity) in FY 3/25.

Making the most of our membrane formation technology, in the medical materials business, we will expand into the likes of the market for acute blood purification membranes to complement chronic blood purification membranes. Our expansion plan is as follows:

- For hollow fiber membranes for artificial kidneys, starting in FY 3/25, an integrated production plant spanning the processes from hollow fiber membrane production to processing into dialyzers and commercialization (joint endeavor with NIPRO CORPORATION) will enter operations with a view to developing this business overseas.
- We will proceed to develop our businesses in CART membranes (ascites filtration and concentration), virus removal membranes and culture medium filtration membranes as part of expanding their use to acute blood purification membranes and process membranes.
- We will proceed to develop our businesses in the likes of synthetic coating materials (anti-thrombogenic) as part of expanding biomaterials.

c. Environmental and Functional Materials

The Company and Mitsubishi Corporation established Toyobo MC Corporation, a joint venture that plans, develops, manufactures, and sells functional materials, in which the Company has a 51% stake and Mitsubishi Corporation holds the remaining 49%. Toyobo MC Corporation started operation in April 2023. Combining our technological prowess and Mitsubishi Corporation's collective capabilities, Toyobo MC Corporation will aim to achieve further growth in the global market. In particular, the Company will seek to achieve growth in the mobility and electronic materials area, including engineering plastics, that help to reduce automobile weight, and adhesives and raw materials for paints, which contribute to the proliferation of 5G and 6G communication systems, as well as in the environmental solutions area, including seawater desalination membranes, VOC recovery equipment, and ultra-high-strength fibers, which can be used in mooring ropes for floating offshore wind turbines. Our expansion plan is as follows:

- In the mobility and electronic materials area, for engineering plastics, the Company will expand its business to foreign OEMs (finished vehicle manufacturers) to accommodate EVs and by utilizing Mitsubishi Corporation's overseas network. For polyester resins for low-pressure molding, it will expand use in printed circuit boards and electronic component protection. For adhesion promotor for polyolefins, taking advantage of those materials' low dielectric constant performance, the Company will expand use in high-speed, large-capacity 5G and 6G communications. In addition, we aim to commercialize *"Vitrimer," a solvent-free, high heat-resistant adhesive that enables distribution at room temperature, by offering it in the form of electronic material adhesive sheets.
  *"Vitrimer" is a registered trademark of FONDS ESPCI PARIS.
- In the environmental solutions area, the Company will expand VOC recovery equipment and elements for lithium-ion battery separator (LIBS) plants in line with the shift to EVs. For water treatment membranes, in addition to reverse osmosis (RO) membranes for seawater desalination, the Company will expand forward osmosis (FO) membranes used in power-saving seawater desalination and osmotic power generation, as well as brine concentration (BC) membranes used in the likes of wastewater treatment, salt production and the recovery of valuable resources. For ultra-high-strength polyethylene fibers, the Company will proceed to expand their use in mooring measures for floating offshore wind turbines.

Additionally, in April 2024, Toyobo MC Corporation launched the Mobility Business Strategy Unit, a new organization that directly approaches OEM to carry out joint development. The mobility industry is undergoing rapid technological innovation. With new manufacturers from different industries emerging, the industry's business environment is changing dramatically. The new organization will grasp the needs of OEM at the advanced development stage and work together with them on development in order to launch products with higher value-added in the global market.

ii) Creation of innovations

For preparations for the future, one of the measures under its 2025 Medium-Term Management Plan, the Group fuses its four core technologies of polymer technology, biomedical technology, environmental technology and analysis & computer simulation technology, to bring forth innovations in three fields: "new circular plastics solutions" that target 100% renewable polymers, "environmental active clean solutions" that contribute to purifying water, air and other elements of the environment and the recovery and use of CO_2, and "Well-Being solutions" that aim to realize a society where people can live out their lives healthily.

In order to accelerate the creation of innovation, the Group will promote collaboration between corporate research and business division development, open innovation in R&D (such as through investment in an American bio-venture and comprehensive collaboration agreements with Kobe University), and marketing innovation (such as through the Mobility Business Strategy Unit under Toyobo MC Co.) as it aims to create new businesses and technologies. Additionally, the Group's ideal amount of annual research and development investment by the Group (including intellectual property-related expenses) is between 3.6% and 3.8% as a ratio of net sales.

The main creation of new business and technologies in the three fields are as follows:

■Creation of new businesses and technologies in three fields

New Circulation Plastics Solution	**Conversion to renewable polymer** - Highly efficient chemical recycling of used plastics (establishment of R Plus Japan, Ltd., utilization of Anellotech Inc.'s technology) - 100% biomass new plastic such as PEF (Polyethylene furanoate)
Environmental Active Clean Solution	**Providing new eco-conscious materials and services** - Practical use of "vitrimers"* which is eco-friendly, solvent-free and high-heat-resistant adhesive materials - Energy savings in seawater desalination process using FO membranes (forward osmosis) - Expansion into energy conservation, salt making, wastewater treatment, and recovery of valuable substances using BC membranes (treating high-concentration salt water) - Material for organic photovoltaics: Outstanding energy-saving technology. Achieve the world's highest level of conversion efficiency in a dim room
Well-Being Solutions	**Medical materials and devices that meet Unmet Medical Needs** - Acute blood purification membrane: Ascites filtration and concentration membrane (CART), therapeutic devices for sepsis - Biocompatible polymer: Polymer that can provide characteristics such as antithrombogenicity, inflammation prevention, and antibiofouling for plastics, metals, medical devices, etc.
	Providing value to the next-generation medicine - "Catarosev" : Purification kit to recover exosomes with high efficiency, purity and yield
Cross-domains	**Providing petroleum-free and sustainable materials through "biomanufacturing"** - MEL: Providing surfactants produced by microorganisms as agricultural spreading agent, blending agents for feed, coating agent for sanitary materials, etc. ※ Selected for NEDO "Research and Development of Technologies to Promote Biomanufacturing"

* "Vitrimer" is a registered trademark of FONDS ESPCI PARIS.

(iv) Financial targets

Under the 2025 Medium-Term Management Plan, we set net sales, operating profit, ratio of operating profit to net sales, EBITDA, profit, return on equity (ROE), return on invested capital (ROIC), D/E ratio, and Net Debt/EBITDA ratio as key financial indices. To encourage our employees to have a proactive investment mindset for the sake of sustained growth, we have added EBITDA, which is operating profit plus depreciation and amortization, to its key indices. At the same time, we have also added return on invested capital (ROIC) to the indices to promote management that emphasizes capital efficiency, striving to instill optimal allocation of management resources from the perspectives of both growth potential and efficiency.

The Group focuses on the ratio of interest-bearing debt and net assets (D/E ratio) from the perspective of maintaining and improving its bond issuer rating and ensuring stability in financing. Under our 2018-2021 Medium-Term Management Plan, we set and achieved a target of a D/E ratio of less than 1.0. Under our 2025 Medium-Term Management Plan, we have set our D/E ratio to under 1.2 times in order to conduct advance investment aimed at future growth without letting opportunities escape, and to control the balance between cash-flow generating capabilities and interest-bearing debt without fail, we have set the Net Debt/EBITDA ratio as an indicator, with a target of not less than 4 times to less than 5 times, and intend to manage our financial position in a stable manner.

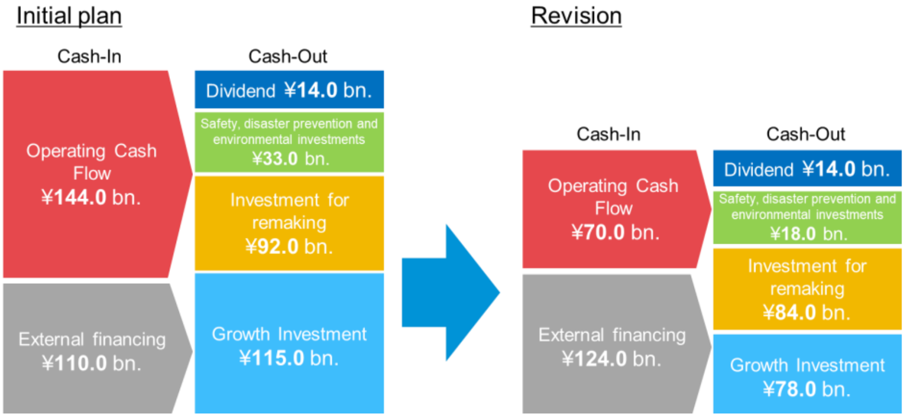
However, the business environment has undergone considerable change from initial assumptions, with a decrease in operating cash flow compounded by an increase in interest-bearing debt due to an increase in investment cash flow resulting from large investments in growth businesses such as films and life sciences as well as by an increase in employed capital employed due to delays in a reorganization of our business portfolio. As of March 31, 2024, our D/E ratio was 1.26 times and Net Debt/EBITDA ratio was 7.5 times, indicating a deterioration in our financial position. Based on the above, we have revised our financial indicators forecast for FY 3/26 in the manner shown below. Simultaneously, we have revised our cash flow allocation based on the reduction of the amount of capital expenditures by a total of ¥60.0 billion, as described above in "Reduce employed capital (narrow down investments, etc.)."

In the latter two years of our 2025 Medium-Term Management Plan, we will tackle the following actions for improving corporate value: "Recover earning power," "Reduce capital employed (narrow down investments, etc.)," and "Progress to the next growth stage (Create new businesses and technologies)."

■Financial indicators (FY 3/26 revision)

	FY 3/22 Results	FY 3/23 Results	FY 3/24 Results	**FY 3/26 Forecasts**	FY 3/26 Initial plan
Net sales (¥bn.)	375.7	399.9	414.3	**450.0**	450.0
Operating profit (¥bn.)	28.4	10.1	9.0	**25.0**	35.0
(Ratio to sales) (%)	7.6	2.5	2.2	**5.6**	7.8
EBITDA (¥bn.) *1	48.5	29.1	28.8	**51.0**	63.0
Profit attributable to owners of parent (¥bn.)	12.9	- 0.7	2.5	**9.0**	15.0
ROE (%) *2	6.8	-	1.3	**≧ 4.5**	≧ 7.0
ROIC (%) *3	5.1	1.7	1.3	**≧ 4.0**	≧ 5.0
D/E ratio	0.98	1.21	1.26	**< 1.40**	< 1.20
Net Debt / EBITDA ratio *4	3.4	5.8	7.5	**< 5.0**	< 5.0
CAPEX (FY 3/23-FY 3/26 cumulative) (¥bn.)				**180.0**	240.0

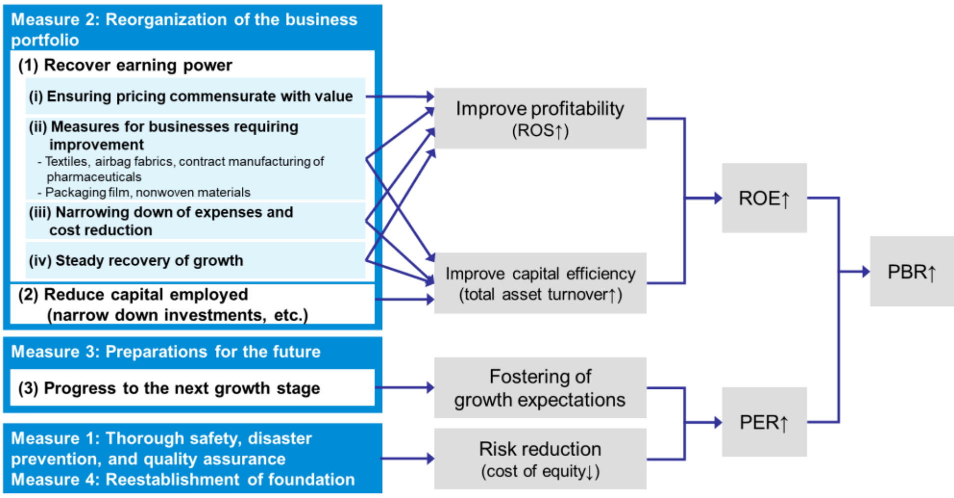
■Cash flow allocation (FY 3/23-FY3/26)



(v) Management mindful of the cost of capital and share price

The Group promotes management mindful of the cost of capital and sets ROE and ROIC as key financial indices under the 2025 Medium-Term Management Plan. We take seriously the fact that our PBR is less than 1.0 time at present and consider that it is a key issue how to raise our ROE and ROIC. By promoting the reorganization of our business portfolio, one of the measures under our 2025 Medium-Term Management Plan, we will improve ROE through improving Group-wide asset efficiency and profitability. Simultaneously, in our preparations for the future, we will proceed to elevate growth expectations by presenting specific growth measures and results as well as promote risk reduction through the enforcement of safety, disaster prevention and quality and the reconstruction of our foundation. Through these endeavors, we will facilitate the improvement of our PBR as we move forward.

■Management mindful of the cost of capital and share price | Improvement of ROE and PBR through various measures



(vi) 2024 Management Policy

Given our issues in the second half of the 2025 Medium-Term Management Plan, we will establish “Recover earning power to create the future” as our FY 3/25 Management Policy, and will carry out the following five actions to that end as we move forward.

- Thorough safety, disaster prevention and quality assurance, and compliance (basic premise)
- Ensured pricing commensurate with value
- Measures for businesses requiring improvement (low-earning / loss-making segments)
- Steady recovery and new creation of growth investments
- Narrowing down of investment and expenses and cost reductions

(vii) Policy on shareholder returns

This policy is as described under “IV. Information about the Reporting Company 3. Dividend Policy.”

2. Approach and Efforts Toward Sustainability

The forward-looking statements made herein are based on certain assumptions that the Group consider reasonable as of the end of the current fiscal year and may significantly differ from actual results due to various factors.

(1) Sustainability strategy

The Group has adopted "Jun-Ri-Soku-Yu (順理則裕)," one of the mottos of its founder Eiichi Shibusawa, as our corporate philosophy. In 2019, the Group returned to its original starting point of the spirit and rearranged the corporate philosophy as the corporate philosophy system TOYOBO PVVs, aiming to become a company that continues to plot a path of growth through contributions to society while responding to the changes of the times. To make this corporate philosophy system more specific, the Group formulated and announced its long-term vision Sustainable Vision 2030 in May 2022.

The Sustainable Vision 2030 projects changes in the future business environment and shows the Group's ideal state to be realized by 2030, sustainability indices, and action plans based on the vision under the corporate philosophy system of continuing to create the solutions needed by people and the earth with materials and science. This long-term vision is aimed at realizing sustainable growth— in other words, becoming a sustainable (growing) company that contributes to social sustainability.

(i) Governance

The Group has established a Sustainability Committee, chaired by the President and Chief Operating Officer and joined by the members of the Board of Managing Executive Officers and Controlling Supervisors (division heads and officers supervising corporate divisions), to promote company-wide sustainability activities. The committee meets six times a year starting with the current fiscal year, setting key performance indicators (KPIs) for the items defined as the Group's material issues based on risks and opportunities and reporting on and verifying progress in those KPI and the effectiveness of measures. Additionally, in FY 3/25 and beyond, the committee also plans on reporting on the status of verification of risks and opportunities accompanying changes in social trends.

The content of the committee's discussions is reported to the Board of Directors as appropriate.

(ii) Strategy

The Sustainable Vision 2030 sets out "Innovation and 3 Ps: People, Planet and Prosperity" as our approaches toward sustainable management. Innovation here means (i) marketing thinking that considers people and planet as our ultimate customers; (ii) science-based innovation achieved thanks to Toyobo's own ingenuity and ideas centering around materials and science; and (iii) value co-creation made mainly through open innovation with diverse partners.

'People' refers to human-centric solutions to solve social issues; 'Planet' means solutions to social issues by considering the entire planet; and 'Prosperity' means realizing a prosperous society by solving social issues and at the same time enhancing its corporate value, based on the company's corporate philosophy. To achieve these, we set five social issues that the Group will contribute to solving through its business and other activities—"employees' well-being and human rights in the supply chain," "healthy lifestyle and health care," and "smart community and comfortable space" as social issues relating to People and "decarbonized society and circular society" and "good condition of water area, atmosphere and soil, and biodiversity" as social issues relating to the Planet—and will strive to solve these issues.

(iii) Risk management

In the Group, based on shifts in social trends, the Sustainability Committee verifies the presence of risks and opportunities in each materiality item and reflects their findings in activities.

The Group has established a Risk Management Committee, chaired by the President and Chief Operating Officer and joined by the members of the Board of Managing Executive Officers and Controlling Supervisors (division heads and officers supervising corporate divisions), to promote company-wide risk management activities. The committee met twice in the current fiscal year. In addition to formulating risk management policies for the entire Group, the Committee is engaged in risk management activities (identification, analysis and evaluation of and response to risks), and endeavors to strengthen the risk management system by establishing and operating effective and sustainable organizations and frameworks. The Committee determines divisions responsible for addressing risks that could have material impacts on the Group, and formulates measures to avoid and reduce those risks. Each division spearheads response to risks, and the status of those activities is verified by the Committee.

We conducted a company-wide risk assessment as the starting point of risk management activities. We identify company-wide material risks that should be prioritized, based on the results of the risk assessment performed in terms of two axes of the severity of impact* and the likelihood of a risk occurring* by using various risk scenarios as the bases. Those risks are as described in "3. Risk Factors."

* Details of the severity of impact and the likelihood of a risk occurring

The severity of impact: assessed in terms of the scope of impact, the duration of suspension of operations, harm to people, reputation, and financial impact and rated on a three-level scale of "equivalent to large-scale damage," "equivalent to medium-scale damage," and "equivalent to small-scale damage"

The likelihood of a risk occurring: rated on a three-level scale of "occurring frequently," "occurring occasionally," and "occurring rarely"

(iv) Indicators and targets

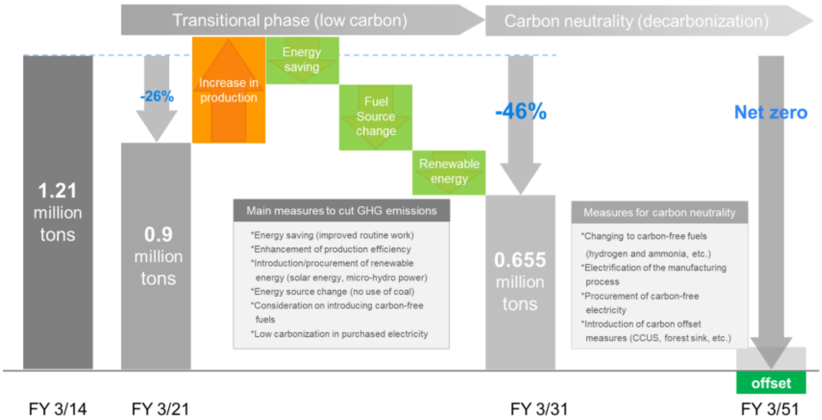
To ensure that the progress of the efforts to address the material issues is duly watched, the Company appoints responsible officers and sets KPIs (and targets) for each of the material issues. We will work out initiatives that will minimize negative impacts from business activities while maximizing their positive impacts. The progress is discussed at the Sustainability Committee, and we review the indicators and targets once a year.

(2) Response to climate change (initiatives following the TCFD recommendations)

The Group recognizes the magnitude of the impact that climate change has on the Group and its stakeholders and has set the sustainability goal of achieving decarbonized and circular society. The Group declared its support for the recommendations by the Task Force on Climate-related Financial Disclosure (TCFD) in January 2020 and began efforts and disclosures in accordance with the recommendations.

In May 2022, the Group announced the Sustainable Vision 2030 that included a plan aimed at transitioning to a decarbonized society and economy (“Roadmap to Carbon Neutrality”). We aim to reduce GHG emissions from our business activities by more than 46% compared with the level of FY 3/14 (27% with FY 3/21) by FY 3/31 (Scope1 and 2 emissions) in line with the level of reduction called for under the Paris Agreement. We have obtained Science Based Targets (SBT) certification for these targets. Furthermore, we aim to achieve net zero emissions by FY 3/51. Moreover, we have set the goal of achieving avoided GHG emissions greater than the emissions from the Toyobo Group’s entire value chain by FY 3/51.

■Roadmap to carbon neutrality



(i) Governance

The Group has established a Sustainability Committee that deliberates on high-level policies toward solving climate change-related issues and target setting. This Committee is chaired by the President and Chief Operating Officer (Director and President), the chief officer of climate change-related issues. The Board of Directors regularly hears reports from the committee, deliberates to approve high-level policies, targets and other material matters, and supervises the progress of sustainability activities.

In FY 3/24, meetings of the Sustainability Committee were held six times, the results of which were reported at meetings of the Board of Directors in the form of both regular and extraordinary reports. As a result, the Board of Directors has resolved the below content, thereby accelerating initiatives to reduce greenhouse gas emissions.

- Revised the committee structure under the Sustainability Committee, establishing a new “Climate Change and Biodiversity Committee”
- Officially joined the “GX League” established by the Ministry of Economy, Trade and Industry and approved and announced voluntary targets aimed at the voluntary emissions transaction scheme under GX League (GX-ETS)

Additionally, a review of officer compensation linked with the status of reduction of greenhouse gas emissions (incentives) has commenced in order to boost the effectiveness of those reduction efforts. The Group aims to introduce these incentives starting with compensation for FY 3/26.

■Organizations

(ii) Strategy

(a) Summary

The Group positions achieving decarbonized society and circular society as one of the material sustainability goals in the Sustainable Vision 2030. In addition, we analyzed and determined our future risks and business opportunities using the climate change scenarios under the Paris Agreement in accordance with the TCFD recommendations. We will determine the implications and financial impacts of these risks and opportunities, and then formulate response measures and set indicators and targets to improve the resilience of our management strategy.

(b) Scenario analysis

While various scenarios could arise depending on the progress in the response to global warming, we referred to the following overview of scenario analysis scenarios as typical ones.

Namely, we assumed the scenario in which the increase in the global average temperature by the end of this century will be limited to one-point-five degrees centigrade and the scenario in which the increase will reach four degrees centigrade and analyzed the impact on our business and new opportunities for the Group by 2050 for each of these scenarios.

Moreover, regarding areas for which we referred to the less than two degrees centigrade scenario until the previous fiscal year, starting in the current fiscal year, we reviewed those areas while referring to the one-point-five degrees centigrade scenario in accordance to global trends. As a result, no difference with the less than two degrees centigrade scenario was found.

■Overview of scenario analysis

Assumed scenarios	1.5°C scenario	4°C scenario
The state of society	Efforts to limit the increase in the global average temperature by the end of this century to 1.5°C are pursued, while bold policy measures and technological innovation are advanced to achieve sustainable development of society. It is a society in which social changes associated with the transition to a decarbonized society are highly likely to impact businesses. <Examples> ● Introduction of carbon taxes and an increase in carbon prices ● Shift to electric vehicles and expanded use of renewable energy	While the intended nationally determined contributions determined in accordance with the Paris Agreement and other national policy measures are implemented, the increase in the global average temperature by the end of this century ends up reaching up to 4°C. It is a society in which climate changes, such as increases in temperatures, are highly likely to impact businesses. <Examples> ● Increased flood damage due to heavy rain
Scenarios referred to	● 「NZE」 (IEA WEO2023) ● 「APS」 (IEA WEO2023) ● 「SDS」 (IEA WEO2021/ETP2020) ● 「SSP1-1.9」 (IPCC AR6) ● 「RCP2.6」 (IPCC AR5) ● 「Global Ambition scenario」 (OECD Global Plastics Outlook)	● 「SSP5-8.5」 (IPCC AR6) ● 「RCP8.5」 (IPCC AR5) ● 「STEPS」 (IEA WEO2023/ETP2020)
Tendency of risks and opportunities	Transition risks and opportunities (social shifts such as stronger regulations) are likely to materialize.	Physical risks and opportunities (climate change, etc.) are likely to materialize.

(c) Identification of risks and opportunities under the assumed scenarios

Based on the 1.5°C scenario and the 4°C scenario, we identified climate change-specific risks and opportunities for the Group. Having compiled the identified risks and opportunities and rearranged them in view of changes in society, we are exploring measures to address each of them (see the following table titled "Risks/opportunities according to scenario and measures therefor"). After the assessment by the two axes of severity of impact and the likelihood of a risk occurring based on Sustainable Vision 2023, we determined highly material risks and opportunities as described below. Additionally, for the periods targeted for review, we established 'short term' as approximately three years, 'medium term' as until FY 3/31 and 'long term' as until FY 3/51.

The Group works on the reduction of GHG emissions across its entire supply chain, including procurement of raw materials, on the two fronts of risk reduction and opportunity development. Specifically, we will reduce our

Scope 1 and 2 emissions in a well-planned way to lessen the burden of carbon prices in the future while also fully preparing for customers' demand for decarbonization.

We will also work to switch our raw materials to recycled materials and biomass-derived materials in order to reduce the dependence on petroleum-derived resources and reduce future business risks and to gain and expand business opportunities.

Furthermore, to address the heightened demand for various advanced water treatment resulting from the progressive scarcity of water resources, we will tie the development and sales of seawater desalination membranes that allow freshwater to be made with limited energy and high-efficiency concentration membranes to promote the recycling of water resources into the expansion of our businesses.

Additionally, we are anticipating that our business in products that contribute to the reduction of greenhouse gasses will expand based on the replacement of preexisting technologies. An example of a leading Group product in this regard is VOC* recovery equipment using an active carbon filter (K filter). Through remove VOC that arise at electric vehicle-related production plants and elsewhere with the use of energy-saving means and making it possible to further recover and reuse organic solvents, we will contribute to greenhouse gas reductions and the mitigation of our environmental footprint.

(*)Volatile Organic Compounds

■Risks/opportunities according to scenario and measures therefor

Social changes and their impacts	Risk/opportunity item			The Group's response measures
	Category	Term	Description	
Impacts associated with the transition to a dicarbon-ized society (Extensive changes in policies, laws and regulations, technology, and market, etc.)	Transition risks	Short term	Introduction of carbon prices	-Implementation of a GHG emissions reduction plan (Energy saving, production efficiency improvement, fuel conversion, introduction of renewable energy, etc.) -Utilization of an internal carbon pricing system
		Medium to long term	Increases in raw material and fuel prices (Carbon prices passed on to raw-material prices, etc.)	- Shift to non-petroleum-derived resources -Supplier engagement and cooperation (Development of low-carbon raw materials, etc.) -Diversification of the means of sourcing raw materials (Expansion of purchases from multiple suppliers and local procurement)
			Increases in costs due to implementation of energy saving measures, introduction of high-efficiency facilities, etc.	-Pursuit of innovation and ultra-high efficiency in manufacturing processes - Utilization of GX economy transition bonds, transition finance, etc. -Implementation of measures to achieve higher manufacturing efficiency across the entire value chain (Integration and strengthening of cooperation with associates, M&As, etc.)
			Increases in costs accompanying response to demands for low-carbon/decarbonized processes for the manufacturing of products	-Introduction and expanded purchases of renewable energy -Implementation of measures to achieve higher efficiency and greater energy saving in manufacturing processes -Passing-on to product prices
			Increased demand for reduction of the use of and replacement of petroleum-derived resources	-Acceleration of the switch of raw materials to recycled materials and biomass-derived materials -Reevaluation of the commodity materials business dependent on petroleum-derived resources
	Transition opportunities	Medium term	Increased demand for low-carbon/decarbonized materials	-Acceleration of the switch of raw materials to recycled materials and biomass-derived materials - Innovation of production processes in our biotechnology business using microbes (yeast) (bio-manufacturing) -Response to issues with the sourcing of raw materials (recycled materials and biomass-derived materials) (supply shortages) -Promotion of product development and planning for low-carbon/decarbonized materials - Acceleration of development of innovative low-carbon/decarbonized materials - Strengthening of the production/quality management systems for low-carbon/decarbonized materials
			Growth in demand of products that lead to contributions to the reduction of greenhouse gas emissions	- Cooperation across supply chain, including customers, from the perspective of contributing to reductions - Acceleration of development and planning* of products that contribute to reductions based on replacement of preexisting technologies *Energy-saving seawater desalination membranes, VOC recovery equipment for LIBS plants that makes it possible to circumvent the burning treatment of solvents to reuse them, water-washable flexo plates that help reduce greenhouse gases originating from the treatment of waste fluid, coating-replacement films to substitute for coating, a process that emits greenhouse gasses in large quantities, etc.
			Expansion of renewable energy and secondary battery-related markets	-Strengthening of product development and planning for renewable energy/secondary battery-related businesses* - Anticipation of mega-trends, overseas business development and enhancement of solutions-providing capability with startup of Toyobo MC Corporation, a joint venture between Toyobo and Mitsubishi Corporation * Membranes for osmotic power generation, high performance fibers and films for floating offshore wind power, VOC recovery equipment for LIBS plants, materials related to hydrogen generators, etc.

Social changes and their impacts	Risk/opportunity item			The Group’s response measures
	Category	Term	Description	
Impacts due to the progress of climate change (Direct damage to assets, indirect impacts due to supply chain disruptions, changes in technology and market, etc.)	Physical risks	Medium to long term	Stop of raw-material supply due to natural disasters	-Review of inventory levels and expansion of purchases from multiple suppliers - Diversification of logistics routes
			Damage to facilities and stoppage of operations due to flood disasters (floods, storm surges, etc.)	- Enhancement of durability of manufacturing and power facilities, relocation of the facilities to higher places, and raising of their bulwarks - Dispersion and relocation of manufacturing sites -Implementation of Business Continuity Plan (BCP) training
	Physical opportunities	Medium term	Increased demand for civil engineering work	-Enhancement of products* for disaster mitigation and restoration work *Anti-sand-shifting sheets, anti-stripping sheets for concrete, materials for improving soft roadbeds, etc.
			Increased demand for seawater desalination due to water scarcity and drought Increased demand for ZLD* of industrial wastewater due to freshwater scarcity (*)Zero Liquid Discharge	-Expansion of sales of membranes for seawater desalination (reverse-osmosis (RO) membranes, forward-osmosis (FO) membranes, etc.)* -Development of RO membranes, FO membranes, etc. that enable greater energy saving and show higher durability - System development for high-efficiency concentration membranes (BC membranes*) - Strengthening of the production and quality management systems for RO membranes, FO membranes, BC membranes, etc. - Reinforcement of sales capability through Toyobo MC Corporation using overseas networks of Mitsubishi Corporation (*)Reverse Osmosis, Forward Osmosis,Brine Concentration
		Long term	Increased demand for response to infectious diseases (prevention and treatment) due to higher temperatures	-Increased demand for food packaging-related products -Promotion of research and development for infectious disease-related products

(d) Risks and opportunities considered highly material

<Material risk 1: Risk of suffering damage to buildings and facilities due to flood disasters (floods, storm surges, etc.)>

We recognize that there are flood disaster risks at the Tsuruga Plant, the Iwakuni Plant, and the Inuyama Plant, the Group’s main plants, due to all of them being located near rivers or coasts and on lowlands. If climate change progresses, we project that the flood disaster risks will increase further due to sea level rise and changes in raining patterns. We calculated the estimate of decreases in assets (damage to buildings, equipment, etc.) due to flood disasters in 2030s using their book values, and the results show that the damage at these three plants can reach a maximum of about ¥60.0 billion. Note that the decrease in assets due to flood damage at the three plants is estimated by multiplying the book value of the buildings, equipment, etc. of the three plants by the rate of flood damage* publicly released by the Ministry of Land, Infrastructure, Transport and Tourism.

* “Manual for Survey of Flood Control Economy (Draft),” the Ministry of Land, Infrastructure, Transport and Tourism (April 2020)

(Measures for reducing risks)

The Group considers flood disaster risks at its plants as climate-related material risks and is stepping up flood disaster response measures, such as relocating manufacturing facilities and power facilities to higher places and raising their bulwarks.

(Main parameters used in scenario analysis)

- Sea level rise in East Asia (RCP8.5, IPCC AR5)

<Material risk 2: Introduction of carbon prices>

In the Business As Usual (BAU) scenario*, in which FY 3/21 is the base year (actual emissions of 900,000 tons-CO_2), Scope 1 and 2 emissions in FY 3/31 will increase to about 1,300,000 tons-CO_2 as our sales will increase. In the BAU scenario, if it is assumed that the carbon price in FY 3/31 will be ¥15,000/ton-CO_2, the annual cost will be about ¥20.0 billion.

*BAU stands for Business As Usual. This refers to a scenario in which no particular measures are taken to reduce

GHG emissions.

(Measures for reducing risks and costs thereof)

The Group considers increases in its Scope 1 and 2 emissions as a climate-related material risk. In FY 3/23, it announced the Sustainable Vision 2030, a plan aimed at transitioning to a decarbonized society and economy, which includes its roadmap to carbon neutrality. In this roadmap, we aim to reduce our Scope 1 and 2 emissions in FY 3/31 to 655,000 tons-CO_2 or less by implementing measures to achieve energy reductions and greater energy saving—including improvement of production efficiency—and to optimize energy sources— including fuel conversion and introduction of renewable energy. In this case, the annual cost of the carbon price will be about ¥10.0 billion, a reduction of about ¥10.0 billion from the BAU scenario.

The aggregate amount of environment-related investments to be made by 2025 in accordance with the roadmap to carbon neutrality will be included in the amount of safety, environment and disaster prevention investments under our 2025 Medium-Term Management Plan. Note that as described under "1. Management Policy, Business Environment, and Issues to Address (4) 2050 Medium-Term Management Plan (iii) 2025 Medium-Term Management Plan second half issues (Actions with a view to FY 3/26 and beyond)," in order to carry out management that emphasizes capital efficiency, we will narrow down that investment amount from ¥33.0 billion to ¥18.0 billion and assign a priority order as we proceed.

(Main parameters used in scenario analysis)

- Carbon prices (Net Zero Emissions by 2050 Scenario, IEA WEO 2023)

<Material risk 3: Increased demands to reduce the use of petroleum-derived resources and replace them with alternatives> and <Material opportunity 1: Increased demand for low-carbon/decarbonized materials and products>

The films business, which is the Group's major business, accounts for more than 40% of the Group's total net sales. About 90% of the current net sales of the films business depends on petroleum-derived resources. As society changes and moves toward decarbonization going forward, it is expected that demands from society, including customers, to reduce the use of petroleum-derived resources and replace them with alternatives will increase, which we recognize as a climate-related material risk. We also consider that demand for low-carbon/decarbonized materials and products will increase, presenting a business opportunity

(Measures for reducing risks/realizing opportunities and costs thereof)

In its Sustainable Vision 2030, the Group defined technologies and initiatives that contribute to reducing the use of petroleum-derived resources as green technologies and initiatives* and set the target of achieving a ratio of green products of 60% by FY 3/31. That ratio came to 13% in FY 3/24. Film products that contribute to reducing the use of petroleum-derived resources are also low-carbon/decarbonized products. We will work to increase the ratio of green film products to reduce risks and gain and expand business opportunities. Of the target net sales of the films business in FY 3/31 of about ¥220.0 billion, about ¥130.0 billion will come from gaining and expanding these business opportunities.

The cost for the current fiscal year to increase the ratio of green film products is amount of research and development investment related to green film. This amount is included in the ¥4.1 billion in research and development expenses under the Films segment.

* Development of films using biomass-derived materials, development of thin films using light-weight materials (high strength films), environment-friendly design that makes recycling of used films easier (using a single material), development of films using recycled materials, and development of recycling technologies

<Material opportunity 2: Increased demand for seawater desalination>

The Group considers that as climate change progresses, the risk of water shortages or droughts will increase. We project that going forward, in a large number of areas people will have difficulty securing not only water for industry but also water for domestic use, so demand for freshwater and freshwater recycling will increase further.

The Group embarked on its seawater desalination business in the 1970s with RO membranes developed using spinning technology. Due to their material properties, RO membranes have superior durability against chloride. They especially demonstrate advantages in desalination of seawater in closed sea areas and other waters where microorganisms can easily proliferate, thereby contributing to a stable supply of freshwater in the Gulf countries of the Middle East.

Additionally, the Group develops and sells BC membranes that concentrate solutions with high efficiency with the application of this technology. The Group anticipates that sales will expand through the likes of the wastewater treatment and recycling of factory wastewater, Zero Liquid Discharge (ZLD), and the recovery of valuable materials such as lithium at battery recycling plants.

(Measures for realizing opportunities and costs thereof)

In its Sustainable Vision 2030, the Group set the target of desalinating seawater using membranes to make tap water for 10 million people in FY 3/31. As of FY 3/24, the amount of that water produced was enough for 5.2 million people. Going forward, the Group will continue endeavoring to acquire and expand upon business opportunities through the resolution social issues by reinforcing its solutions provision capability through the launch of Toyobo MC Corporation, its joint venture with Mitsubishi Corporation.

Expenses for the current fiscal year for the purpose of realizing these targets and acquiring business opportunities are the amount of research and developments related to water treatment membranes. This amount is included in the ¥4.9 billion in research and development expenses under the Environmental and Functional Materials segment.

<Material opportunity 3: Growth in demand of products that lead to contributions to the reduction of greenhouse gas emissions>

The Group has many products, facilities and solutions that contribute to the reduction of greenhouse gases GHG reduction through replacements of preexisting technologies.

One of them is VOC recovery equipment, which apply energy-saving means to remove VOC that arise at electric vehicle-related, semiconductor, pharmaceutical, printing and other plants and make it possible to recover and reuse organic solvents. Since the 1970s, the Group has been developing and selling activated carbon fibers (K-FILTER), a VOC adsorbent, and VOC recovery equipment using those fibers. The latest models of VOC recovery equipment employ a system that desorbs VOC using the likes of heated nitrogen. Further, this makes the recirculation of nitrogen possible. This equipment is extremely compact, requires little energy to run, is capable of recovering high-quality organic solvents with few impurities, and has been recognized as being highly effective in reducing greenhouse gas emissions relative to the conventional combustion method.

Additionally, the K-FILTER also has the advantage of being able to recover methylene chloride and other VOC with low boiling points. The use of this product in the manufacturing process of separators for EV lithium-ion batteries, which generates a considerable amount of methylene chloride, is spreading worldwide, as it capitalizes on that advantage of K-FILTER.

In the future, the Group will push forward with expanding the use of the product at production plants for solid-state batteries, which constitute next-generation batteries, as well as those for semiconductors and the like. Moreover, from the standpoint of realizing a decarbonized society, the Group projects that demand for replacing the incineration method for combustible VOC will increase. and will proceed to proactively offer solutions that contribute to the reduction of greenhouse gases.

(Measures for realizing opportunities and costs thereof)

In FY 3/24, the Group initiated operations at Toyobo MC Corporation, a joint venture between Toyobo and Mitsubishi Corporation in the functional materials field. Taking advantage of Mitsubishi Corporation's overseas bases and contact points with end users, the Group will anticipate mega-trends, develop its associated overseas businesses, and bolster its solutions provision capability.

Under its Sustainable Vision 2030, the Group has adopted a target of 7 billion Nm^3/year for the air volume of VOC to be processed by VOC recovery equipment for LIBS in FY 3/31. As of FY 3/24, the air volume processed by the equipment was 6 billion Nm^3/year. Going forward, the Group will endeavor to acquire and expand business opportunities through the resolution of social issues.

Expenses for the current fiscal year for the purpose of realizing these targets are the amount of research and developments related to VOC recovery equipment. This amount is included in the ¥4.9 billion in research and development expenses under the Environmental and Functional Materials segment.

(iii) Risk management

In FY 3/22, the Group established a Risk Management Committee that uniformly manages Group-wide risks, including climate change issues. The Committee is engaged in risk management activities (identification, analysis and evaluation of and response to risks), formulates risk management policies for the entire Group, and endeavors to establish and operate the organizations and frameworks and strengthen the risk management system by repeating the PDCA cycle.

Based on the results of the company-wide risk assessment described in "(1) Sustainability strategy (iii) Risk management," we manage natural disaster risks, including flood disasters (floods, storm surges, etc.) that are intensified and made more frequent by climate change, as the Group's material risks.

(iv) Indicators and targets

The Group has set climate change-related targets and is taking measures for each of them. Our Scope 1, 2, and 3 emission targets are in line with the levels called for under the Paris Agreement, and were acknowledged by the SBT initiative as science-based targets in December 2022. In FY 3/24, while net sales increased by 3.6% from the previous fiscal year, Scope 1 and 2 emissions were 830,000 tons-CO_2*, (an approximately 7% decrease from the emissions in FY 3/23, 890,000 tons-CO_2). The renovation of the in-house thermal power generation plant at the Iwakuni Production Center in October 2023 and conversion of fuel from coal to the likes of LNG led to a major reduction in Scope 1 emissions.

* Domestic CO_2 emissions originating from city gas combustion included in Scope 1 & 2 emissions for FY 3/24 are estimates calculated using the List of Calculation Methods and Emission Factors in the Calculation, Reporting and Publication System (last updated on December 12, 2023; partially revised on January 16, 2024) published by the Ministry of the Environment.

Category	Indicator		Target	Major measures	FY 3/24 Results
GHG	GHG emissions	Scope1,2	FY 3/31: 27% reduction (SBT) (Base year: FY 3/21) *Equivalent to a 46% reduction from the level of FY 3/14	- Energy reductions, energy saving, production efficiency improvement, fuel conversion, introduction of renewable energy, etc.	From the level of FY 3/21 8% reduction (830,000 tons-CO_2)
			- FY 3/51: Net zero emissions	- Introduction of carbon-free fuels, purchases of renewable energy, manufacturing process innovation, etc.	(Note 1)
		Scope3 (Categories 1 and 11)	FY 3/31: 12.5% reduction (SBT) (Base year: FY 3/21)	- Category 1*: Acceleration of the switch of raw materials to recycled materials and biomass-derived materials *Emissions accompanying activities related to purchased raw materials and services (manufacturing, etc.) - Category 11*: Measures to achieve greater energy saving with VOC recovery equipment, etc. *Emissions accompanying use of sold goods	From the level of FY 3/21 107% increase (480,000 tons-CO_2) (Note 2)
Climate-related opportunities	Ratio of green film products (also serving as an indicator for reducing transition risks)		FY 3/31: 60% or more	- Promotion of material recycling and chemical recycling, development and expanded use of biomass-derived raw materials, film volume reduction, etc.	13%
	Seawater desalination using membranes		FY 3/31: Equivalent to tap water for 10 million people	- Expansion of sales of membranes for seawater desalination (RO membranes, FO membranes, etc.) - Development of RO membranes, FO membranes, etc. that enable greater energy saving and show higher durability - Strengthening of the production and quality management systems for RO membranes, FO membranes, etc. - Reinforcement of sales structure through the Toyobo MC Corporation joint venture	Water for 5.2 million people
	Processed air volume of VOC recovery equipment for LIBS* * Air volume processed by equipment sold and in operation to date		FY 3/31: 7 billion Nm^3/year	- Reinforcement of sales activities from the perspective of contributing to the reduction of greenhouse gases on the customer side (in collaboration with customers) - Reinforcement of sales structure through the Toyobo MC Corporation joint venture - Bolstering of sales to sectors other than the manufacturing process of separators for EV lithium-ion batteries	6 billion Nm^3/year

Category	Major Measures and FY 3/24 Results
Environment-related investments	- Target: Cumulative amount of ¥18 billion for FY 3/23-FY3/26 (total amount of investments in safety, disaster prevention and environment) - Measures: Introduction of low-carbon facilities for in-house thermal power generation, introduction of renewable energy facilities, etc. - FY 3/24 results: Low carbonization of in-house thermal power generation plant at the Iwakuni Production Center and introduction of solar power generation facilities at Inuyama Plant, Utsunomiya Plant and Research Center
Internal carbon pricing	- System introduced in FY 3/23; continued to be in operation in current fiscal year Internal carbon pricing ¥10,000/ton-CO_2 - Proactive decisions on capital investments and investments in facilities for development purposes that cause changes in the volume of CO_2 emissions
Compensation	The Group has begun a review of officer compensation linked with the status of reduction of greenhouse gas emissions (incentives) with the aim of introducing those incentives starting with compensation for FY 3/26

(Notes) 1. We also aim to achieve net zero emissions by FY 3/51. Note that the amount of electricity generated from renewable energy sources in FY 3/24 was 896 MWh.

2. FY 3/23 results. The results for FY 3/24 are scheduled to be announced in the Integrated Report to be available on the Group's website around August 2024.
(https://www.toyobo.co.jp/sustainability/report/)

(3) Policy regarding human resource development, including policy to ensure diversity in the Group's human resources, and policy regarding improvement of the workplace environment

Based on its approach of People First, the Group aims to implement human resource and labor management measures to achieve its management policy and business strategy and improve corporate value in accordance with its Human Resources Management Policy.

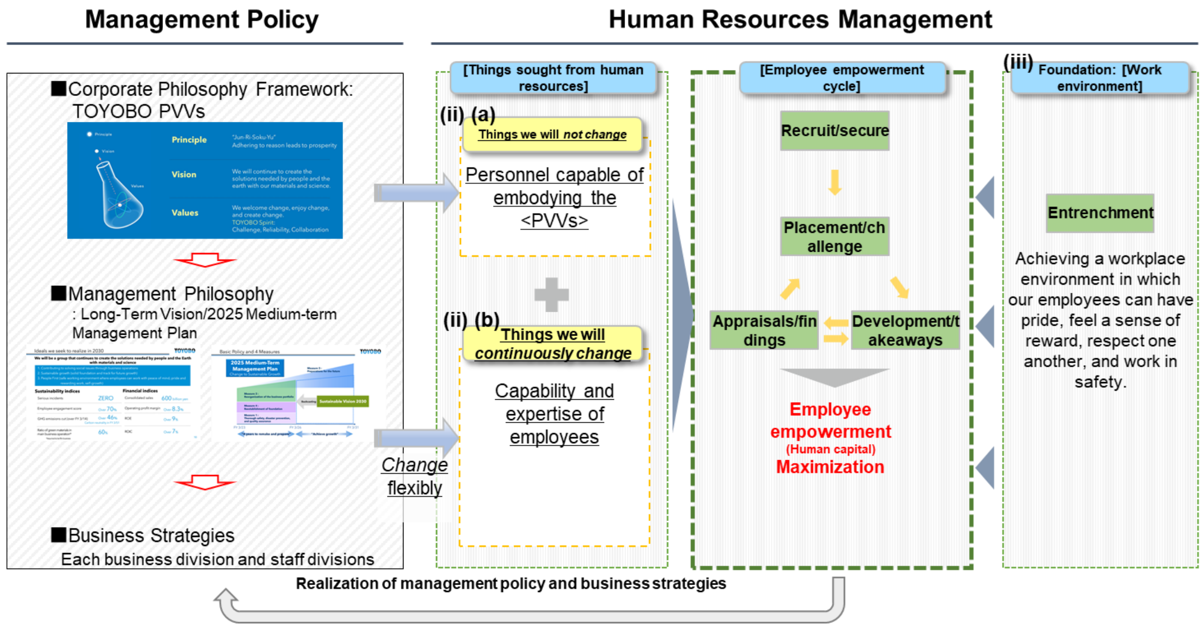
The executive officer supervising the human resource division (Managing Executive Officer) is appointed as the executive in charge of human resource management. At the Company, the Human Resources Department regularly hosts information exchange and discussion sessions with the persons in charge of the human resource division of each center and plant and Group company, and utilizes the results in planning and implementing human resource-related measures.

(i) Human Resources Management Policy

As we strive to achieve our management policy and business strategy, which are built on the TOYOBO PVVs corporate philosophy framework, our people are the most important and valuable management capital, and it is essential to establish a human resource management system that enables our people—our employees—to have pride and a sense of reward and to be successful.

Specifically, we will create an employee empowerment cycle that helps employees to continuously *change or update* their skills and expertise in line with changes in our management policy or business strategy, while at the same time remaining firmly committed to the TOYOBO PVVs regarding what we will *not change*, and putting it into action. We will also build the foundations of an environment where our employees can work with peace of mind.

We believe that achieving these will lead to our employees' happiness and the Group's sustained growth.



(ii) Issues and strategy related to human resource development

(a) Human resource development whose aim is *things we will not change*

<Ideal human resources and development policy>

Together with an accompanying organization, we will develop human resources that are capable of showing "Values" (the act of valuing things), "welcoming change, enjoying change, and creating change," and practicing the TOYOBO Spirit of "Challenge, Reliability and Cooperation" as personnel capable of embodying the TOYOBO PVVs that make up our Corporate Philosophy Framework.

<Issues>

Since the establishment of the Group's Corporate Philosophy Framework in 2019, understanding of that framework continues to see increasing penetration in the Group. Nonetheless, it is necessary for us to continue developing human resources who can put that into action as well as an accompanying organization.

<Strategy>

In order to continue creating human resources and an organization that embody the TOYOBO PVVs, we capitalize on various training opportunities such as new graduate/new employee training, mid-career hire training, Group company manager training, and managerial position promotion training to continue facilitating that penetration through lectures and dialogue on TOYOBO PVVs. Also, by including the TOYOBO Spirit in behavioral evaluations as part of performance appraisals, we promote the modification and entrenchment of employee behavior.

○Indicator: Training investment (training time) per employee

(b) Human resource development whose aim is *things we will continuously change and update*

<Ideal human resources and development policy>

We will go on to enhance measures to elevate capability and expertise in accordance with our management policy and business strategies.

For our next-generation management personnel, in addition to developing personnel who personally take the initiative in *creating change*, we will proceed to develop personnel for the Group to pursue its business activities across the entire globe.

<Issues>

With training frameworks unique to each division, center and plant, the Group has endeavored to pass on techniques to human resources and have them acquire knowledge. However, some of that content was redundant or insufficient.

<Strategy>

■Company-wide universal training

We establish shared knowledge required by the Group according to hierarchy, job type, and purpose, and administer it based on a company-wide training framework.

■Engineer training

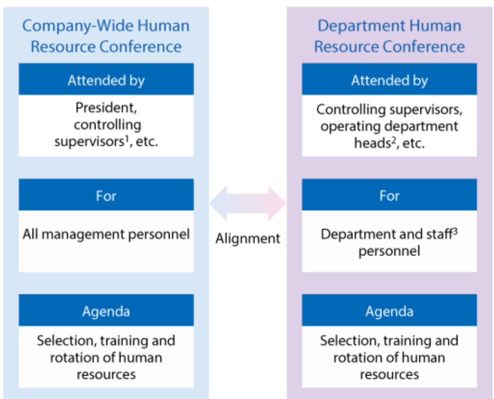
The Technology Department, which handles engineer development, spearheads the verification of the training framework implemented at each center, the establishment of an engineer training framework shared across divisions for studying techniques, and the development of human resources for manufacturing.

■Specialized techniques and knowledge

Training in specialized techniques and knowledge that differs from division to division is administered by the individual division. Furthermore, by linking the acquisition of necessary qualifications to promotion requirements, we are securing and enhancing the capability and expertise required by each department and grade.

■Next-generation management personnel development

We plan internal and external training for handpicked personnel to develop them into management executives. The Group holds Human Resource Meetings to discuss measures to develop next generation executives. We have a Company-Wide Human Resource Conference, which primarily deliberates on successors of management executives, and a Departmental Human Resource Conference, which mainly discusses successors of personnel in highly professional positions. By aligning these two conferences, we will identify competent personnel and train them more effectively.



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

■Global human resource development

The Company offers its employees working in Japan a Short-term Overseas Business Training. This program provides young and mid-level employees with a strong motivation to engage in global businesses and an opportunity for promotion. In addition, we also offer local executive candidates at overseas group companies a National Staff Training Program that gives them an opportunity to receive training in Japan. After suspension due to the COVID-19 pandemic, the Short-term Overseas Business Training resumed in the second half of FY 3/23, while the Training for Local Candidates for Management from Overseas Offices reopened in FY 3/24.

■Capability development support

Under the new human resource system that we commenced in July 2022, in order to link the system to the improvement of individual capability, we clearly indicate expected skills for each grade and, through the preparation of career development sheets and interviews with superiors conducted upon yearly performance appraisals, arrange for opportunities to examine personnel's future career and capability development. Then, to enable personnel to learn the knowledge and skills they need for self-improvement purposes in accordance with the strong and weak points of their career, we ready open training, e-learning, and other programs, and support autonomous study and capability development.

〇Indicator: Number of overseas core personnel who participated in training programs in Japan, training investment (training time) per employee

(iii) Issues and strategy related to internal environment

<Ideal internal environment and development policy>

Our belief is that establishing a safe and secure workplace environment, then realizing a workplace whose employees can work with a sense of growth, pride, and reward (job satisfaction), leads to the happiness of those employees and the sustainable growth of the Group.

- Establishment of a safe and secure workplace

  We aim for our Group to pursue the preservation and promotion of the physical and mental health of our employees and to outfit ourselves with a workplace environment and various systems that diverse human resources find comfortable to work in.

- Diversity, Equity & Inclusion

  Having set forth the Toyobo Group Diversity Promotion Policy, we promote diversity with the three elements of *diversity*, *equity*, and *inclusion* as it pillars.

- Entrenchment of a new human resource system

  Our view is that entrenching our new human resource system, which affords our employees a sense of job satisfaction, and ensuring a functioning cycle of human resource activity ties into the maximization of human capital and contributes to the realizing of the management policy and business strategies of the Group.

<Issues>

The Company has been tackling the promotion of diversity for some time. In April 2021, we established targets with the aim of improving the ratio of women in managerial positions and ratio of men taking childcare leave, and have been implementing associated measures.

Should long working hours caused by the concentration of work be normalized, there is a risk of health problems caused by overwork occurring.

<Strategy>

■Diversity, Equity & Inclusion

The Group is aware that being with people who are different in terms of workstyles, career experience, gender, nationality, race, or beliefs, valuing each other, and working with them toward goals, leads to personal growth and the organization's growth. We consider it important to mutually recognize the value of different views and existence of diverse human resources and strive together to achieve ambitious goals.

To promote the empowerment of women, we established a Diversity Promotion Group in the Human Resources Department, which has been carrying out initiatives to empower women since 2015. We have continued to provide seminars for supervisors, female leader development seminars, briefings on progress report at each center, and other opportunities to change employees' mindset. We have also set a quantitative target for the ratio of women in managerial positions (section chief or higher), and to achieve this target, we are implementing initiatives to increase the ratio of women among new graduate recruits to 40%. In addition, we are actively engaging in initiatives implemented outside the Company. Through these activities, in December 2021, the Company (Toyobo Co., Ltd.) received the Eruboshi certification (stage 2) in recognition of these women's empowerment initiatives.

In addition, as an effort to support childcare, we have established an in-house nursery school "Toyobo Nursery School" within the Company's Research Center (Otsu, Shiga). Not only does this enable employees to return to work from childcare leave early, but also ensure an environment in which employees can have children with peace of mind.

2-star Eruboshi certification

In-house nursery school "Toyobo Nursery School" within the Company's Research Center

Regarding efforts to increase the ratio of employees with disabilities, we are working to identify issues in our work environment to improve that environment. For specific cases of improving the work environment, we have renovated the offices of the Tsuruga Research and Production Center and the Inuyama Plant to make them conform to universal design. At other centers as well, we are successively carrying out similar universal design-minded building renovations and the proactive hiring of persons with disabilities.

To promote the creation of a workplace that diverse human resources, gender minorities included, find comfortable to work in, we set up a LGBTQ+ consultation counter for all our employees. To ensure consultors can use the counter with peace of mind, we guarantee that their name and other information will be kept private and that they will not suffer from any disadvantage from consultation or whistleblowing. We also accept anonymous consultations.

〇Indicator: Ratio of women in managerial positions

■Ratio of women in managerial positions

As part of its efforts to develop a workplace environment in which employees' health is considered and they can work in comfort, the Group has been making efforts to maintain and enhance employees' physical and mental health. We have begun working on health and productivity management, considering and strategically carrying out health management from the perspective of corporate management, and are advancing initiatives that help to maintain and enhance employees' health and to improve productivity and thereby contribute to energizing organizations and improving business performance. We have established a system to promote these efforts in which, under the direction of the executive officer (Managing Executive Officer) serving as Chief Health Officer (CHO) and supervising the Human Resources Division, the Labor Affairs Department, occupation health physicians and nursing professionals, and the health insurance association work together to implement the following priority measures set out under the Toyobo Health & Productivity Management Declaration.

- Initiatives to raise employees' health awareness (enlightenment and education)
- Initiatives to improve employees' lifestyles (including exercise, diet, helping them quit smoking, etc.)
- Initiatives to strengthen mental health improvement measures (improvement measures for highly-stressed employees and workplaces, etc.)

Since FY 3/23, we have been stepping up employee enlightenment efforts, such as seminars about smoking to lecture on passive smoking and nicotine addiction, promotion of an online quit-smoking program, and seminars to promote understanding of women's health issues. We carry out physical checkups that include more items than legally required, covering lifestyle-related diseases and cancers as well. In cooperation with the health insurance association, we offer a cancer checkup to those of employees and their dependents who want to take it, in order to detect and treat any disease in employees and their family members as early as possible. If needed, we advise them to take a checkup and get treatment at clinics or introduce a specialized medical institution. Thus we are working to ensure an effective health consultation system and environment to help employees maintain and enhance their health.

Furthermore, we provide managers with a mental health training program once a year for enlightenment and education. We are taking measures for highly stressed employees based on the results of a stress checkup administered to all employees in addition to the feedback of the results of group analysis to managers of each workplace.

As our globalization efforts accelerate, the number of employees working overseas has increased year after year. We provide those employees with various support measures such as a thorough physical checkup and vaccinations, both of which are mandatory before leaving Japan, as well as assistance to receive local healthcare services and the provision of information about the region where they live.

The Company (Toyobo Co., Ltd.) has been recognized as one of the 2024 White 500 enterprises (in the large enterprise category) under the Certified Health & Productivity Management Outstanding Organizations Recognition Program co-sponsored by the Ministry of Economy, Trade and Industry of Japan and the Nippon Kenko Kaigi, the second straight year it has received that honor. We will keep working to continue receiving the White 500 recognition and will also strive to maintain and enhance employees' health and to further strengthen and advance health and productivity management, thereby aiming to achieve the further improvement of our corporate value.

2023
健康経営優良法人
Health and productivity
ホワイト500

〇Indicator: White 500 Health and Productivity Management recognition

■Establishment of a workplace environment and programs that make it comfortable for diverse human resources to do their jobs

We are engaging in workstyle reform to ensure that our employees can work efficiently with a new mindset and make their professional life and personal life more fulfilling, while also providing programs supporting their childcare and nursing care and implementing flexible working hours and remote work policies. The Company has introduced a shorter working hours policy for childcare and a nursing care leave policy, both of which offer greater benefits than legally required, in addition to a five-day childcare leave policy. To ensure that more male employees take childcare leave, we remind each male employee who has a new baby of the childcare leave policy and have his superior encourage him to take the leave. We will continue the promotion so that it will be a matter of course that a male employee takes childcare leave. Through these activities, for the first time, the Company (Toyobo Co., Ltd.) acquired the Platinum Kurumin certification as a company endeavoring to assist with childcare at a high level in June 2023.

プラチナくるみん
子育てサポートしています

Additionally, to promote employment, we have introduced a senior employee system in which the Company rehires those employees who have retired at the retirement age of 60 but wish to work and are considered able to work regularly. The rehired senior employees are playing an active role in training young employees and passing down skills and expertise.

〇Indicator: Ratio of men taking childcare leave (%), ratio of employees taking annual paid leave

■Elimination of health problems caused by overwork

In order to prevent the normalization of long working hours, which have the potential to cause health problems, the Company set a certain guideline for each center and plant based on agreement between labor and management to keep movements that could lead to long working hours in check and reduce excessively long working hours. Additionally, we set a No Overtime Day at each center and plant based on cooperation between labor and management, encouraging employees to leave the office at closing time and go home to use their time for their families and themselves. Moreover, when overtime work exceeds a certain level for three consecutive months, our policy is to report the situation and countermeasures to management.

○ Indicator: Reduction of the number of employees who worked in excess of statutory working hours (Changed to "Ratio of employees who overwork" starting from FY 3/25 in order to facilitate the prioritization of the prevention of health problems caused by long working hours)

■Entrenchment of a new human resource system

In July 2022, we put a new human resource system into operation, under which we have set and are implementing four policies to ensure that all employees can feel a sense of growth, pride, and reward: promoting and supporting employees' capacity development; treating and evaluating employees according to their job responsibilities; strengthening management skills; and empowering diverse professional human resources.

■Engagement survey

It is the belief of the Company that engaging in the above various strategies and measures will eventually tie into the improvement of employee engagement. We started an organizational culture and sense of reward survey for all officers and employees in FY 3/22. Using this survey, we will grasp the state of employee engagement regularly and develop an environment in which employees can work on their own initiative with pride and a sense of satisfaction.

○Indicator: Ratio of positive responses to questions about the degree of positivity regarding workstyles

* In this document, the descriptions provided without reference to 'the Group' are those about Toyobo Co., Ltd. and its main subsidiaries Toyobo MC Corporation and Toyobo STC Co., Ltd. unless otherwise specified. Due to the differences from country to country in local attributes and business configuration/scale, including laws, regulations, and customs, as well as in human resource systems based thereon, it is difficult to make descriptions on a consolidated company basis. For that reason, the Group implements measures for the main subsidiaries of Toyobo Co., Ltd., which apply human resource systems that are identical to those of the Company.

(iv) Indicators and targets

The contents of the indicators for the above policies, and the targets and the results in the current fiscal year for those targets, are as follows:

Strategy item	Indicator (key performance indicator (KPI))	Target	FY 3/23 Results	FY 3/24 Results
Human resource development	Number of overseas core personnel who participated in training programs in Japan (Note 2)	15 people per year (Note 1)	Cancelled due to the COVID-19 pandemic	7 people
	Training investment (training time) per employee	¥50,000 per year (21 hours) (Note 1)	¥50,000 per year (17.97 hours)	¥50,000 per year (18.22 hours)
Building a better workplace environment (Building the foundations)	Ratio of women in managerial positions	5.0% or higher (Note 1)	4.7%	5.5%
	Ratio of employees taking annual paid leave	75% or higher (Note 1)	80.2%	83.2%
	Reduction of the number of employees who worked in excess of statutory working hours (the number of employees who worked for more than 360 hours of overtime/the number of employees subject to the regulations) (Note 3)	2.0% or less (a 20% reduction from the level of FY 3/20) (Note 1)	4.2%	4.3%
	Ratio of employees who overwork (Number of employees whose overtime work exceeded a certain level for three consecutive months/the number of employees subject to the regulations) (Note 3)	**FY 3/26 Results** Improvement over ratio of previous fiscal year (FY 3/25)	*Applied from FY 3/25	
	Ratio of men taking childcare leave (%)	Ratio: 80% or more; and average days of leave taken: 14 days or more (a 20% increase from the level of FY 3/21) (Note 1)	Ratio: 104.3% Average number of days of leave taken: 14.8 days	Ratio: 97.7% Average number of days of leave taken: 19.3 days
	White 500 Health and Productivity Management recognition	Obtain and maintain the recognition (Note 1)	Recognized as a 2023 White 500 Health & Productivity Management Outstanding enterprise	Recognized as a 2024 White 500 Health & Productivity Management Outstanding enterprise
	Ratio of positive responses to questions about the degree of positivity regarding workstyles (i) "There is no difficulty in doing daily work." (ii) "Each individual's diverse views and way of thinking are respected."	Increase in the ratio of positive responses	① 38% ② 50%	Since FY 3/23 Not implemented due to being implemented every other year.

(Notes) 1. The target for FY 3/26.

2. Targets and actual figures for Toyobo Co., Ltd. and its main subsidiaries Toyobo MC Corporation and Toyobo STC Co. with the exception of the number of overseas core personnel who participated in training programs in Japan. Due to the differences from country to country in local attributes and business configuration/scale, including laws, regulations, and customs, as well as in human resource systems based thereon, it is difficult to make descriptions on a consolidated company basis. For that reason, the Group sets various indicators and targets and implements measures for the main subsidiaries of Toyobo Co., Ltd., which apply human resource systems that are identical to those of the Company.

3. The "Reduction of the number of employees who worked in excess of statutory working hours" was changed to "Ratio of employees who overwork" starting from FY 3/25 in order to facilitate the prioritization of the prevention of health problems caused by long working hours.

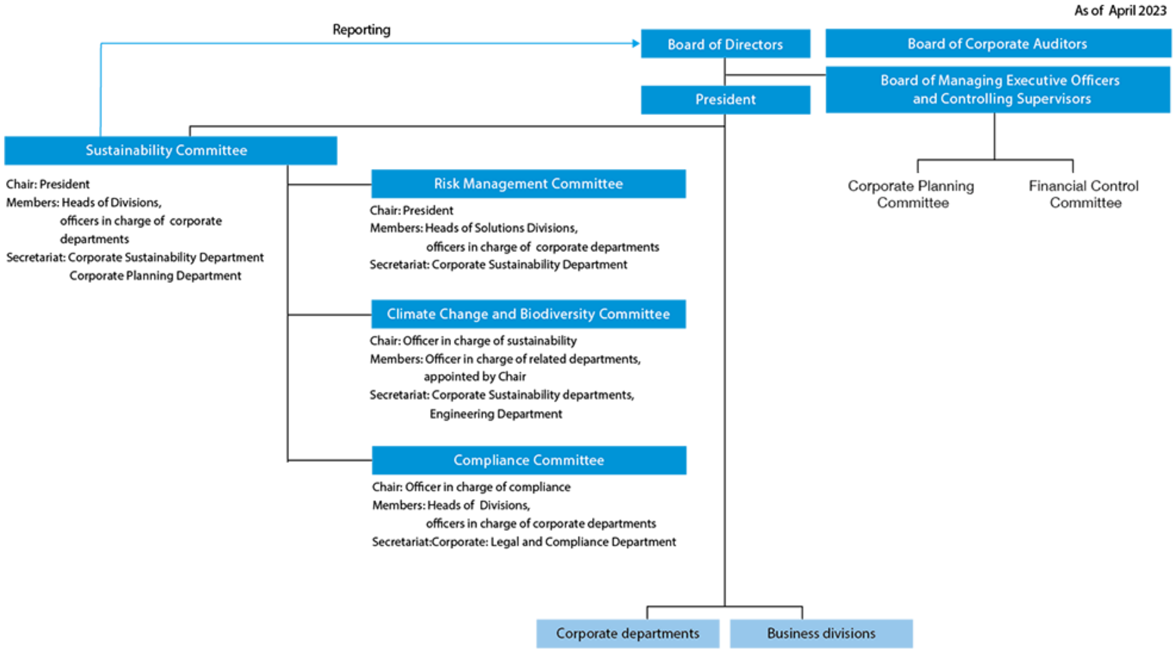
3. Risk Factors

The Group is exposed to the following risks that may affect its operating results and financial status. However, risks described below do not cover all the risks associated with the Group.

The future matters specified in the following are based on the Group's judgments made as of the end of the current fiscal year.

In FY 3/22, the Group established a Risk Management Committee that uniformly manages risks facing the entire Group. The Committee is engaged in risk management activities (identification, analysis and evaluation of and response to risks), formulates risk management policies for the entire Group, and endeavors to establish and operate the organizations and frameworks and strengthen the risk management system by repeating the PDCA cycle.

Sustainability promotion structure



The Group has formulated the 2025 Medium-Term Management Plan, aiming to become a sustainable company that contributes to solving social issues through business operations, offers an environment in which employees can continue to work with pride and a sense of reward, and achieve continued growth. As stated in "1. Management Policy, Business Environment, and Issues to Address," the 2025 Medium-Term Management Plan concludes in FY 3/26 and presents management indices that the Group will emphasize in particular. These targets were set based on information available to the Group at the time of formulation. There, however, are a number of unpredictable factors as to the effects of geopolitical risks originating from growing instability in the political and social climate, and the business environment is expected to remain uncertain due to the plateauing of raw-material and fuel prices and highly volatile foreign exchange rates, among others.

Furthermore, in the case where the external environment changes, including the case where risks in (1) to (16) below or risks other than those described below become apparent and the businesses are affected directly or indirectly, the case where various measures are taken but these measures do not work effectively, the case where unexpected situations arise, and other cases, targets set in the 2025 Medium-Term Management Plan might not be achieved and the Group's operating results, financial status, etc., could be seriously affected.

<Incurred or highly probable risks>

(1) Occurrence of disasters, accidents, and infectious diseases

The Group conducts production and other corporate activities at various locations in Japan and overseas, and strives to prevent accidents and the spread of infectious diseases to the extent possible by replacing aging facilities and enhancing equipment management at each plant and business site, promoting training and education for operators (assuming that accidents may happen), and other means. However, in the case where a natural disaster such as a large earthquake, windstorm and flooding, and snow, an accident such as fire, an infectious disease, or an accident at a nuclear power plant etc. occurs, or the case where any similar disaster happens to a business partner, it could seriously affect the Group's businesses and others.

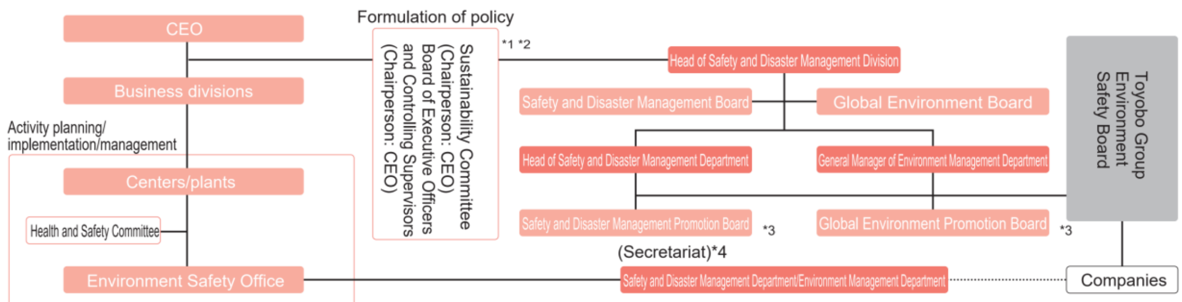
Based on the fire accident that occurred at the Tsuruga Research and Production Center No. 2 in September 2018 and the one that occurred at the Inuyama Plant in September 2020, the Group has enforced anew that ensuring health and safety is a major prerequisite for its corporate activities. Based on its strong determination not to cause major fire accidents again,. the Group is engaged in safety and disaster prevention company-wide.

Since April 2022, the Group has adopted "We will thoroughly implement 'putting safety first,' and we will emphasize labor safety, environmental safety, product safety, and equipment safety" as its Safety Declaration, and has adopted the slogan of "Protect yourself, protect your colleagues, and speak up when noticing something." The Safety and Disaster Management Division has been established as an organization directly under the president to steadily promote various initiatives related to safety, security and disaster prevention, which constitute the highest-priority issues from a management perspective. This organization organizes meetings of a Safety and Disaster Prevention Council whose members consist of experts from various fields as members. This Council evaluates the effectiveness of safety and disaster prevention activities and formulates company-wide policy proposals, with those policies decided on by the Sustainability Committee. Progress is reported to the Board of Directors as appropriate.

The Safety and Disaster Management Division also spearheads efforts to visit each of the Company's centers and plants and Group companies to perform safety and environmental assessments and inspect local activities. In particular, with regard to fire and explosion risks, the local status of management is subject to regular inspections by third-party experts.

The Group is pursuing the acquisition of conformity certification for the ISO45001 work health and safety management system in order to reduce risks in the work environment. As of March 31, 2024, we have obtained that certification at three sites: the Tsuruga Research and Production Center, the Iwakuni Production Center and the Utsunomiya Plant.

Toyobo Group structure pertaining to "safety," "disaster management" and "environment"



*1. Deliberates and determines policy with respect to "safety" and "disaster management" *2. Deliberates and determines policy with respect to "preservation of the global environment"
*3. Deliberates and determines specific matters and manages progress *4. Assists with activities, provides information, and coordinates divisions

(2) Worsening political and economic situations

The Group produces and sells in Japan and overseas a wide range of products in the fields of films, life science, environmental and functional materials, and functional textiles. Due to the outlook for monetary policies in each country implemented against the retraction of inflationary pressure and fluctuations in the geopolitical climate originating from growing instability in the political and social climate, there might occur serious political turmoil or an economic recession in the countries in which the Group and its suppliers have production bases or in major markets where we operate. In such an event, there is a possibility that our production and sales could be reduced. Furthermore, if the impact of any of these events is expected to continue for a long period, the Group's businesses could be seriously affected through recording of impairment losses on non-current assets and reversal of deferred tax assets.

For sales and contract manufacturing, the Group conducts credit transactions and accordingly is subject to credit risks due to a customer's or business partner's credit deterioration or business failure, among other factors. To prepare for losses from uncollectible trades receivable, the Group sets maximum allowable transaction amounts for each of its customers and business partners according to their credit standing, and controls transactions with them in compliance with its credit management rules, while also checking its major customers' and business partners' credit standing every fiscal year. We also make allowances for doubtful accounts based on past default ratios, etc. to reduce credit risks. However, in the event of major customers declaring bankruptcy due to an economic recession or other reasons, our businesses could be seriously affected by bad debt loss that substantially exceeds the amount of allowance provided.

(3) Inappropriate conduct in the content of third-party certification registrations, etc.

With regard to some items from among the engineering plastic products that received certification from UL Solutions (UL), a third-party U.S. organization engaged in product safety certification, the Company has confirmed that it submitted for verification tests, samples with a chemical composition different from those actually being sold to its customers, and that manufacturing activities were conducted at a plant that was not registered to manufacture UL-certified products (inappropriate acts). As a result of sending reports, etc., to UL regarding those inappropriate acts, the UL certification registration was rescinded on February 3, 2021 for three products, following the rescission of one UL-certified product on October 28, 2020. We then requested the rescission of UL certification registration regarding some items from among three other products (collectively hereinafter, the nonconforming products for products relevant to the inappropriate acts). As a result, those items were delisted on March 26, 2021. So far, we have not received any reports of incidents, etc., regarding finished product made with the nonconforming products. Currently we are working to acquire UL certification for each of the nonconforming products while consulting with our customers.

In relation to this case, the Company was subject to a special review by LRQA Limited, which is a certification/registration agent for the International Organization for Standardization (ISO). As a result, among ISO 9001 certifications acquired by the Company, the scope of certification associated with the department in charge of the nonconforming products was removed from the certification list as of January 28, 2021. However, the Company reacquired ISO9001 certification on May 3, 2024.

The Company takes these inappropriate incidents seriously, and based on investigations that have already been conducted by third parties, we have formulated effective measures to prevent recurrence and have been steadily implementing them. As announced in the Report on investigations into possible incidents similar to misconduct over quality published on March 17, 2022, we conducted an anonymous survey between February and March 2021 and another survey that required the respondents to write their name down between July 2021 and January 2022. The surveys were aimed at investigating whether there were instances of misconduct over quality and answered by executives and employees of the Group (including contract and dispatch employees) in Japan and abroad. No instance of misconduct over quality was found in these surveys. Furthermore, from November 2023 up through February 2024, we distributed a survey on quality anew to executives and employees of the Group (including contract and dispatch employees) in Japan that required the respondents to write their name. These questionnaires were collected in full. As of the end of the current fiscal year, no instances of misconduct with regard to quality have been found. We will make every effort to recover trust by rebuilding appropriate quality control systems and improving governance.

(4) Litigation, etc.

As of the end of the current fiscal year, no major lawsuit that clearly has a material effect on the performance of the Company was filed against the Group. The Group has been notified that some of its products may infringe on patent rights, and had been negotiating a license arrangement that resulted in it reaching agreement on the cross-licensing of its patent rights.

Additionally, the Group conducts production and other corporate activities in various domestic and overseas locations. In this process, there is a possibility that lawsuits may be brought against us in connection with product liability, the environment, labor, intellectual property, or other areas. In cases where the Group's claims are not eventually recognized in lawsuits or other proceedings, the businesses, etc. of the Group may be materially affected.

<Medium- to long-term risk>

(5) Purchase of raw materials

The Group’s various products in the areas of films, life science, environmental and functional materials, functional textiles and so forth use petrochemical products such as polyester, nylon, and polyolefin as major raw materials. As described in “(1) Occurrence of disasters, accidents and infectious diseases” and “(2) Worsening political and economic situations,” any of our customers or business partners experiencing a natural disaster, an accident, the spread of an infectious disease, business failure, withdrawal, or downsizing, or a serious supply chain disruption, could make it impossible for us to purchase a sufficient volume of raw materials. In addition, purchase prices of raw materials could rise due to fluctuations in crude oil prices and exchange rates, drastic changes in the demand and supply balance of those raw materials, and other factors and affect the Group’s manufacturing and sales.

To address these risks, the Group strives to pass costs on to sales prices and reduce manufacturing costs, and has also established an appropriate trading policy whereby it works to purchase from multiple suppliers to diversify its sources of raw materials while conducting procurement and logistics responsibly so as to support the development of a sustainable society by means such as working to increase the use of green materials in our products, using more plant-derived raw materials as well as recycled raw materials. Moreover, we have established CSR Procurement Guidelines to address the likes of legal compliance, fair trading and respect for human rights as well as Green Procurement Guidelines to address consideration for the environment.

(6) Product defects

The Group manufactures a variety of products such as films, life science products, environmental and functional materials, functional fibers, etc. in compliance with its quality management rules to prevent product defects and other related risks. However, we cannot guarantee that all of our current products are free from defects or that there will be no flaws in the future. In particular, there is a risk that concerns arising about the safety or quality of products for some reason in association with products related to safety of automobiles, such as airbag fabrics, and the contract manufacturing of pharmaceuticals business among others might threaten customers’ lives and lead to compensation for customers and concerned parties due partly to recall of the products. Although the Group is covered by product liability insurance, there is a risk that insurance payments may not fully cover ultimate compensatory payments. Therefore, if material product defects do occur, our group businesses, etc., could be seriously affected by large amounts of compensation for damage or loss of trust.

The Group has established a Product Liability Prevention / Quality Assurance Committee that oversees product liability (PL) and quality assurance (QA). The committee comprises the executive officer supervising quality management as well as General Manager and staff of Quality Assurance Management Department in charge of each business division, and meets once a month. In addition, a PL/QA Promotion Committee, which consists of General Managers and people in equivalent positions of each business division, meets six times a year and met six times in FY 3/24.

For each department and group company, PL / QA assessments are carried out by the Quality Assurance Division and people in charge of quality assurance from other departments, who are independent of business promotion, to verify objectively and provide an opportunity to improve Product Safety (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. By addressing risk in advance, we work to mitigate risks pertaining to customers and other stakeholders.

(7) Securing of human resources

The Group considers people to be our most important asset. We support the growth of each and every one of our employees, who have diverse characteristics and opinions. We believe that the continuation and development of the Group as a whole can be achieved by building an environment in which they can flourish within the company and realize their career development. On the other hand, if the Group cannot secure and develop personnel who have a high level of expertise or who have the leadership qualities to be future executives due to shrinkage of the labor force resulting from the falling birthrate and the aging population, changes in employment conditions, and other reasons, the organization’s competitiveness could decline, which might cause business activities to stagnate.

The Group is putting its effort into nurturing the next generation of managers who will help to realize its growth strategy as well as the creation of a workplace that allows them to independently learn and grow. At the same time, the Group is actively engaged in initiatives to train mid-career hires and promote the participation of women in the workforce, the employment of disabled persons and implement measures geared towards LGBTQ＋ with a focus on encouraging diversity.

The Group’s policy regarding human resource development, including securing the diversity of human resources, and policy regarding the improvement of a workplace environment are as described in “2. Approach and Efforts Toward Sustainability.”

(8) Climate change

The impact of climate change-associated global warming has become apparent with an increase of natural disasters such as typhoons and localized torrential rainfall, as well as changes in the ecosystem due to the subtropicalization of the climate, and is also profoundly affecting the society (physical risk). Meanwhile, with respect to transition risk, the Group anticipates that changes in society associated with the transition to a decarbonized society and events such as stricter regulations on greenhouse gas emissions and introduction of a carbon tax could increase raw-material prices and render it difficult to use fossil fuels. The Group declared its support for the recommendations by the Task Force on Climate-related Financial Disclosure (TCFD) in January 2020 and began efforts and disclosures in accordance with the recommendations. In addition, we analyzed and determined our future risks and business opportunities using the climate change scenarios under the Paris Agreement in accordance with the TCFD recommendations. We will determine the implications and financial impacts of these risks and opportunities, and then formulate response measures and set indicators and targets for those measures to improve the resilience of our management strategy. These risks are as described in “2. Approach and Efforts Toward Sustainability.”

(9) Environmental burden

The Group is subject to laws and regulations concerning water pollution, air pollution, soil contamination and chemical substance management. Further reinforcement of these laws and regulations could materially impact the businesses, etc. of the Group, resulting in the likes of higher response costs and lower Group net sales due to reduced profit opportunities.

The Group is proactively developing products and technologies that mitigate environmental burdens, aiming to achieve a circular society in which resources are used sustainably. Regarding plastic products, we are striving to promote the use of biomass-derived (plant-derived) raw materials and recycled materials and the reduction of volume while also working on the commercialization of biomass plastics that retain high functionality.

Additionally, as an initiative to conserve water resources, for the likes of cooling water used in manufacturing processes, we promote the reduction of water consumption and recycled use of water through means such as reusing water that has been used once out of recognition that securing water resources is an important issue in business continuity.

As an initiative to conserve biodiversity, we discharge toxic substances in wastewater and exhaust gas from centers and plant only after subjecting them to adequate treatment. Moreover, to ensure none of these chemical substances are accidentally released, in addition to installing monitoring equipment, we are also endeavoring to improve our manufacturing processes to minimize the use and emission of those substances. Additionally, we do our part for the reduction of the impact on the environment on the customer side through the likes of VOC recovery equipment and other products sold by the Group.

As an initiative to manage chemical substances, we perform chemical substance management covering all stages from procurement to use and disposal, and apply these efforts towards investigations such as those on the status of the use of legally-controlled substances. Additionally, we have set forth the Toyobo Chemical Substance Management Classification in which we classify the chemical substances that we handle into three ranks, then establish how we will manage them for each rank. In doing so, we promote efficient use and substitution.

(10) Information security

The Group is tackling the acceleration and promotion of business innovation through DX and the utilization of data. It manages a high volume of important information in connection with the execution of its business, including customer and confidential information. Additionally, laws and regulations for the protection of personal information and data are being reinforced around the world. The Group has put in place various security measures for these information assets. However, in the event of communication failure due to natural disasters, etc., unauthorized access to systems, and being targeted in an unforeseen cyberattack, employee errors, among others, the Group could suffer a drop in social credibility and incur a sizable cost burden and its businesses, etc. could be seriously affected through suspension of its business activities resulting from system failure, leakage of customer information and confidential information, and damage from fraud, etc.

The Group has established an Information Security Policy and various regulations to properly manage, protect, and utilize all information assets.

In addition, we have established the Toyobo Computer Security Incident Response Team (Toyobo-CSIRT), led by the Chief Information Security Officer (CISO) appointed by President & Representative Director, and are working to continuously improve technical measures, increase the level of employees' awareness through training, and develop information security human resources, while also strengthening our incident response system.

(11) Laws, regulations and compliance

The Group is subject to various statutory regulations on product manufacturing, quality, safety, environment, competitiveness, import/export, information, labor, accounting, and others in each country in which it operates. If water restrictions or other regulations related to the environment tighten in areas where our major business sites are located, substances currently being used become prohibited, or regulations regarding usage levels are implemented, substantial restrictions could be imposed on our production activities or other corporate activities, or the Group could be forced to make large capital investments, tax payments or other expenditures in order to comply with the regulations. Tariff hikes or import regulations on quantity limits might be imposed under anti-dumping laws in major overseas markets and could seriously affect the Group's businesses, etc., as such events might restrict export transactions and reduce the Group's sales. Furthermore, if any non-compliance or illegal act occurs at the Group or business partners in association with these regulations, a considerable amount of damage could arise, including loss of trust in the Group and administrative penalties.

The Group has stated its corporate philosophy of "Jun-Ri-Soku-Yu (順理則裕)" (Adhering to reason leads to prosperity), as the core of its compliance activities, and is promoting management that emphasizes compliance. At the same time, it may be difficult for the Group to completely avoid compliance-based risk in its products or services, labor or safety, or in its entire supply chain. In the event of a compliance violation, such as violation of laws and regulations, etc. in Japan and overseas, a considerable amount of damage could rise from loss of trust in the Group, administrative penalties, and liability for damage, among others.

Given such risks, in addition to the early detection, correction and prevention of instances of misconduct through an internal reporting system and compliance questionnaires, the Group is carrying out various specific initiatives to promote compliance. For example, the Group distributes the commentaries on the Toyobo Group Charter of Corporate Behavior, and the Toyobo Group Employee Conduct Standards, which are the codes of conduct, as well as a compliance manual that compiles cases of violation, to employees of the Company and other group companies. We encourage them to read through the texts together at each workplace to ensure thorough familiarization with the rules. In addition, we conduct a compliance workshop targeted for managerial personnel from Group companies in Japan and overseas, and publish *Compliance Mini Study* every month that highlight compliance violations and other case studies to raise awareness of compliance.

(12) Overseas business activities

The Group is expanding its business activities globally to the U.S., Europe, China, Southeast Asia, Latin America, and other regions. Accordingly, in addition to trends throughout the global economy, if any country in which we operate experiences unforeseen events, including unexpected changes in laws, regulations or policies or social unrest as a result of terrorism, war, political upheaval, an epidemic or any other cause, this could have a material effect on the Group's businesses, etc.

In response to these risks, the Group has developed a Risk Management Manual for each country, and strives to improve the overseas risk management structure to identify the risks early through each Group company's information collection, information from external consultants in addition to that from public agencies and deal with them specifically and appropriately before they become apparent. In the current fiscal year, we enlarged our overseas emergency evacuation manual.

In addition, the Group complies with the tax laws of each country and pays taxes as appropriate. Furthermore, the Group adequately handles international tax risks such as transfer pricing taxation in each country. However, differences of views with tax authorities could result in additional tax levies.

<Financial risk>

(13) Foreign exchange rate fluctuation

The Company imports certain raw materials from overseas and exports certain products manufactured in Japan to overseas. Because the difference between the volume of exported products and volume of imported raw materials is not large, the effect of exchange fluctuations on operating results is not significant in the medium term. Short-time volatility, however, may impact products for which the manufacturing lead time is relatively long, and consequently affect operating results. While the Company strives to minimize such risks using forward foreign exchange contracts, etc., the risks cannot be completely avoided.

Furthermore, since operating results of overseas consolidated subsidiaries and associates accounted for using the equity method are converted into yen when the consolidated financial statements are prepared, exchange rates at the time of conversion affect the consolidated financial statements. In addition, appreciation of the yen could seriously affect the Group's operating results, etc., including a decrease in own capital through currency translation differences of foreign subsidiaries and others.

(14) Substantial increase in interest rates

The Group raises funds by borrowing from financial institutions and issuing bonds, among other means. Of these interest-bearing debts, for borrowings exposed to the risk of interest rate fluctuation, derivatives (mainly interest rate swaps) are used as hedging instruments to avoid the risk of changes in interest payments. In addition, the Group focuses on a ratio of interest-bearing debt and net assets (excluding non-controlling interests) (D/E Ratio) and a ratio of net debt to EBITDA (a sum of operating profit and depreciation expenses) (Net Debt/EBITDA ratio). At the end of the current fiscal year, the D/E ratio was 1.26 and the Net Debt/EBITDA ratio was 7.5.

(15) Substantial decline in stock prices

The Group holds stocks that are traded on exchange markets and bears the risk of fluctuations in stock prices. If the prices of these stocks decline by a large margin, valuation differences in available-for-sale securities may decrease and losses may be recorded when these stocks are sold. For the Company's corporate pension, since certain pension assets are managed with stocks that are traded on exchange markets, there is a risk of pension assets decreasing in value due to a decline in stock prices. With respect to investment stocks held for purposes other than pure investment, the Company individually verifies whether the stock contributes to its sustained growth and medium- to long-term improvement in corporate value, in light of future business strategy, business relations, and other factors at the Board of Directors meetings each year to judge whether to continue holding the stock. The Company and its subsidiaries sold a portion of their investment securities, and posted a gain on sale in the amount of ¥3.3 billion.

(16) Impairment loss of non-current assets

The Group holds non-current assets for business use such as land for plants, buildings and manufacturing facilities to conduct production and sales activities. As products manufactured with these manufacturing facilities are affected by changes in the relevant operating environment, including markets and technological development, earnings could decrease significantly. In addition, there is also the risk of a significant decrease in appraisal value of held assets due to a drop in market value of land, among others. A decline in profitability or a significant decrease in value of held assets could seriously affect the Group's operating results, etc., including the required recording of impairment losses on the asset.

Note that in the current fiscal year, total impairment losses of ¥0.8 billion were recorded on assets to be suspended and business assets included in the non-current assets held by the Company and some of its subsidiaries.

4. Management's Analysis of the Financial Status, Operating Results, and Cash Flow

(1) Analysis of Operating Results

The business environment surrounding the Group in the fiscal year ended March 31, 2024 (the current fiscal year) saw the economic expansion in the United States thanks to economic activities driven by strong consumer spending, amid the unchanged policy interest rate. However, in China, the economic slowed due to the prolonged real estate recession and weak consumption. In Japan, the economy picked up moderately due to a recovery in automobile production and inbound tourism demand.

Under this business environment, sales of polarizer protective films for LCDs, COSMOSHINE SRF, and VOC recovery equipment used in the manufacturing process for LIBS increased, driven by strong demand. On the other hand, adjustments of inventories on the market for packaging film became prolonged due to delays in demand recovery. Demand for reagents for PCR testing dropped sharply due to the winding down of COVID-19 infections.

As a result, consolidated net sales in the current fiscal year increased 3.6% from the previous fiscal year to ¥414.3 billion, operating profit decreased 10.6% from the previous fiscal year to ¥9.0 billion, ordinary profit increased 5.6% from the previous fiscal year to ¥7.0 billion, profit attributable to owners of parent of ¥2.5 billion. (Compared with loss of attributable to owners of parent of ¥0.7 billion for the previous fiscal year.)

Note that the Group established Toyobo MC Corporation with Mitsubishi Corporation (headquartered in Chiyoda-ku, Tokyo) as a joint venture which is engaged in planning, development, manufacturing and sales of functional materials, and the said company started business on April 1, 2023. The company combines the Group's product and technological development capabilities and the extensive industrial knowledge and managerial ability of Mitsubishi Corporation to realize a sustainable society and expand the growth of the joint venture.

Results by business segment were as follows:

Note that he Group changed its reporting segment classification from the current fiscal year. Accordingly, in the following segment information, the figures for the previous fiscal year, have been restated in accordance with the classification existing after the aforesaid change for the purpose of comparing them with those of the fiscal year.

Films

In the packaging film business, while we worked on product price revisions in response to soaring raw material and fuel prices, slowed cargo movement continued due to delays in demand recovery, in addition to start-up cost for new production equipment increased.

In the industrial film business, sales of polarizer protective films for LCDs, COSMOSHINE SRF, increased significantly, driven by strong demand. Sales of mold releasing film for multilayer ceramic capacitors (MLCC) struggled as a full-fledged recovery in demand failed to materialize, affected by inventory adjustments throughout the supply chain.

As a result, sales in this segment increased ¥10.5 billion (7.2%) from the previous fiscal year to ¥156.5 billion, and operating profit increased ¥1.1 billion (65.6%) to ¥2.7 billion.

Life Science

In the biotechnology business, demand for reagents for PCR testing declined significantly due to the winding down of COVID-19 infections.

In the medical materials business, sales of hollow fiber membranes for artificial kidneys trended strong.

In the contract manufacturing business of pharmaceuticals, profitability improved due to a decrease in costs for supporting good manufacturing practice (GMP) (including manufacturing and quality control standards for pharmaceuticals, etc.) as a result of the lifting of the Warning Letter by the FDA.

As a result, sales in this segment decreased ¥3.6 billion (9.4%) from the previous fiscal year to ¥34.6 billion, with an operating profit decreased ¥4.8 billion (51.8%) from the previous fiscal year to ¥4.4 billion.

Environmental and Functional Materials

In the resin and chemicals business, engineering plastics sales increased with the recovery in automobile production, and product price revisions proceeded. Sales of industrial adhesives Vylon declined for electronic materials applications for the Chinese market.

In the environment and fiber business, sales of VOC recovery equipment used in the manufacturing process for LIBS significantly increased. In the high performance fibers business, sales of IZANAS for use in fishing line were weak. Nonwoven materials were affected by both reduced sales for hygiene products, and civil engineering and building materials, as well as soaring raw material and fuel prices.

As a result, sales in this segment increased ¥4.5 billion (4.1%) from the previous fiscal year to ¥115.3 billion, and operating profit increased ¥0.6 billion (15.3%) to ¥4.7 billion.

Functional Textiles and Trading

In the textile business, profitability improved as a result of progress in price pass-through in addition to reforms of business structure such as the consolidation of production bases in Japan and withdrawal of unprofitable products.

In the airbag fabrics business, profitability improved as product price revisions proceeded, in addition to sales volume increased with the recovery of automobile production.

As a result, sales in this segment increased ¥3.3 billion (3.6%) from the previous fiscal year to ¥95.7 billion, and operating loss of ¥1.0 billion. (Compared with operating loss of ¥2.5 billion for the previous fiscal year.)

Real Estate and Other Businesses

This segment includes infrastructure-related businesses such as real estate, engineering, information processing services, and logistics services. Outcomes for these businesses were generally in line with plans.

As a result, sales in this segment decreased ¥0.4 billion (3.1%) from the previous fiscal year to ¥12.2 billion, and operating profit increased ¥0.8 billion (37.8%) to ¥3.0 billion.

(ii) Analysis of cash flows

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥21.6 billion at the end of the current fiscal year, an increase in income of ¥13.8 billion (176.9%) over the previous fiscal year. This was mainly due to a cash increase from depreciation of ¥19.8 billion and profit before income taxes 5.6 billion, and a cash decrease from an increase in working capital of ¥4.3 billion.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥58.8 billion, an increase in expenditure of ¥22.8 billion (63.2%) over the previous fiscal year. This was mainly due to purchase of property, plant and equipment and intangible assets of ¥56.6 billion and proceeds from sales of investment securities of ¥3.8 billion.

Cash flows from financing activities

Net cash provided by financing activities amounted to ¥8.3 billion, a decrease in income of ¥53.0 billion (86.5%) over the previous fiscal year. This was mainly due to proceeds from long-term borrowings of ¥50.1 billion and proceeds from issuance of bonds of ¥10.0 billion, and repayments of long-term borrowings of ¥30.4 billion and redemption of bonds of ¥10.0, net decrease in short term borrowings of ¥3.6 billion and dividends paid of ¥3.5 billion.

As a result, the balance of cash and cash equivalents at the end of the current fiscal year (March 31, 2024) stood at ¥33.3 billion, a decrease of ¥26.9 billion from the end of the previous fiscal year (March 31, 2023).

(iii) Results for production, orders received, and sales

(a) Production results

Production results by segment for the fiscal year ended March 31, 2024 are as follows:

Segment	Amount (Millions of yen)	YoY change (%)
Films	155,378	3.5
Life Science	31,473	(24.5)
Environmental and Functional Materials	123,011	3.4
Functional Textiles and Trading	96,237	(0.9)
Real Estate	-	-
Other Businesses (of which, manufacturing)	22,017	(3.9)
Total	428,117	(0.6)

Notes: 1. The figures shown above are based on the average sales prices prior to inter-segment transfers.

2. Includes outsourced production.

3. There are no production results for Real Estate.

4. As the Group changed its reporting segment classification from the current fiscal year, for "YoY change (%)," the figures for the previous fiscal year, have been restated in accordance with the classification existing after the aforesaid change for the purpose of comparing them with those of the fiscal year.

(b) Results of orders received

The Group adopts the make-to-stock approach for production, except for some make-to-order products.

(c) Sales results

Sales results by segment for the fiscal year ended March 31, 2024 are as follows:

Segment	Amount (Millions of yen)	YoY change (%)
Films	156,531	7.2
Life Science	34,564	(9.4)
Environmental and Functional Materials	115,327	4.1
Functional Textiles and Trading	95,665	3.6
Real Estate	4,070	0.4
Other Businesses	8,108	(4.8)
Total	414,265	3.6

Notes: 1. There are no customers for which sales results account for 10% or more of the total sales results.

2. Inter-segment transactions are eliminated.

3. As the Group changed its reporting segment classification from the current fiscal year, for "YoY change (%)," the figures for the previous fiscal year, have been restated in accordance with the classification existing after the aforesaid change for the purpose of comparing them with those of the fiscal year.

(2) Views and Issues Analyzed and Discussed with regard to Operating Results from the Management's Perspective

The following are the views and issues analyzed and discussed with regard to the Group's operating results from the management's perspective.

The forward-looking statements contained herein represent the Group's judgments made as of the end of the current fiscal year.

(i) Significant accounting estimates and assumptions used for the estimates

Significant accounting estimates and assumptions used for the estimates in preparing the consolidated financial statements are as described in "V. Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements (Significant accounting estimates)."

(ii) Recognition as well as views and issues analyzed and discussed with regard to operating results for the current fiscal year

(a) Analysis of financial position

Total assets increased ¥18.1 billion (3.1%) from the end of the previous fiscal year to ¥607.0 billion. This was mainly due to an increase in property, plant and equipment due to capital investment, despite a decrease in cash and deposits.

Total liabilities increased ¥9.4 billion (2.6%) from the end of the previous fiscal year to ¥376.9 billion. This was mainly due to an increase in borrowings, despite a decrease in retirement benefit liability.

Net assets increased ¥8.7 billion (3.9%) from the end of the previous fiscal year to ¥230.1 billion mainly due to an increase in foreign currency translation adjustment and remeasurements of defined benefit plans.

Indicators related to financial position (consolidated basis) are as follows:

Fiscal Year		162nd term	163rd term	164th term	165th term	166th term
Fiscal year-end		March 2020	March 2021	March 2022	March 2023	March 2024
Equity ratio	(%)	36.4	37.8	37.6	32.2	32.5
Equity ratio, based on market value	(%)	20.8	25.8	18.8	15.6	16.4
Return on equity	(%)	7.8	2.3	6.8	(0.3)	1.3
Interest-bearing debt to cash flow ratio	(Years)	4.0	5.3	11.2	29.4	11.5
Interest coverage ratio	(Times)	32.2	28.0	14.0	5.9	16.2
Ratio of interest-bearing debt to equity (D/E ratio)	(Times)	0.98	1.01	0.98	1.21	1.26

Equity ratio: shareholders' equity / total assets

Market-based rate of equity ratio: total market capitalization / total assets

Return on equity: profit attributable to owners of the parent / average balance of net assets at beginning and end of fiscal year excluding non-controlling interests

Interest-bearing debt to cash flow ratio : interest-bearing debt / operating cash flows

Interest coverage ratio : operating cash flows / interest paid (on the consolidated statements of cash flows)

D/E ratio: interest-bearing debt / net assets excluding non-controlling interests

The Group places particular emphasis on the ratio of interest-bearing debt and net assets (D/E ratio) as an indicator of financial soundness. At the end of the current fiscal year, the D/E ratio was 1.26.

(b) Analysis of operating results

In the current fiscal year, the second year of the 2025 Medium-Term Management Plan period, the Group set a plan at the beginning of the fiscal year to achieve net sales of ¥430.0 billion and operating profit of ¥15.0 billion and conducted business operations toward the targets. The Group, however, could not achieve the planned net sales and operating profit due to reductions in quantities in packaging film, a drop in demand for PCR testing reagent, and other factors.

Net sales fell short of the plan set at the beginning of this fiscal year due to the prolonged period of rebalancing of the inventory of packaging film and other factors, although the Group increased sales of polarizer protective films for LCDs and strived to revise product prices in response to a major increase in raw-material and fuel prices.

With regard to operating profit, expenses for responding to the FDA decreased after the Warning Letter from the FDA under the contract manufacturing of pharmaceuticals business was lifted. However, operating profit fell short of initial targets due to an increase in expenses related to business expansion, such the startup of new packaging film equipment and the commencement of operations at Toyobo MC Corporation, as well as due to an increase in expenses related to consolidating the foundation for research and development and other activities.

Profit attributable to owners of the parent came to ¥2.5 billion mainly due to the booking of foreign exchange gains and gains on sales of investment securities despite operating profit falling short of initial targets. As a result, return on equity (ROE) was 1.3%.

(Billions of yen)

	FY 3/24: (Plan*)	FY 3/24: (Results)	Change (Results - Plan)
Net sales	4,300	4,143	(157)
Operating profit	150	90	(60)
Profit attributable to owners of the parent	40	25	(15)

*Planned values at the beginning of the fiscal year

Business environment in FY 3/24 (Differences with initial assumptions)

Segment	Business	Initial assumptions	Differences with initial assumptions
Films	Packaging	Adjustments to distribution inventory gradually eliminated	Recovery in demand delayed due to prolonged inventory adjustments
	Industrial	Strong demand for polarizer protective films for LCDs	Presence of strong demand
		Demand for mold releasing film for MLCC will recover in earnest from the second half	Failure to achieve a full-fledged recovery in demand
Life Science	Biotechnology	Sizable decrease in demand for PCR test reagents	Reclassification of COVID-19 as Class 5 infectious disease led to a sharp decline in demand
	Medical products	Steady demand for hollow fiber membranes for artificial kidneys	Steady performance
Environmental and Functional Materials	Resin and Chemical	Recovery in automobile production (Elimination of semiconductor shortage)	(In line with initial assumptions)
		Recovery in demand for use in electronic materials (China and rest of Asia)	Slow recovery in demand
	Environment and fiber	Strong demand for VOC recovery equipment	Orders are steady
		Intensified competition surrounding nonwoven materials	Intensified competition in business environment (Hygienic materials and civil engineering)
Functional Textiles and Trading	Airbags	Recovery in automobile production (Elimination of semiconductor shortage)	(In line with initial assumptions)

Based on its performance in the immediate term, the Group will tackle the improvement of its corporate value during the two years that make up the second half of the 2025 Medium-Term Management Plan. Specific actions are as described in “1. Management Policy, Business Environment, and Issues to Address (4) 2050 Medium-Term Management Plan (iii) 2025 Medium-Term Management Plan second half issues (Actions with a view to FY 3/26 and beyond).”

(c) Factors that have a significant impact on operating results

The factors that significantly affect the Group's operating results are as described in "II. Overview of Business, 3. Risk Factors." Additionally, the Group closely watches when the market for packaging film will begin to recover.

(d) Sources of the Group's capital and fund liquidity

i) Cash flows

Analysis of cash flows for the current fiscal year is as presented in "(1) Analysis of Operating Results, (ii) Analysis of cash flows."

ii) Contract liabilities

The overview of contract liabilities as of March 31, 2024 is as follows:

	Payment due (Millions of yen)				
Contract liabilities	Total	Within 1 year	Over 1 year and within 3 years	Over 3 years and within 5 years	Over 5 years
Short-term borrowings	68,385	68,385	-	-	-
Long-term borrowings	98,706	13,069	21,604	27,422	36,611
Lease obligations	7,154	1,136	1,490	883	3,645

In the above table, long-term borrowings include the current portion of long-term borrowings.

The Group's guarantees for third parties are loan guarantees for borrowings, etc. of affiliates. In the event of a default on guaranteed borrowings, etc. during the guarantee period, the Group is obliged to repay the debt. The amount of loan guarantees was ¥7,375 million as of March 31, 2024.

iii) Fiscal policy

To achieve the forecast in the 2025 Medium-Term Management Plan review, the Group will continue to place top priority on safety, disaster prevention, and environmental responses and at the same time will invest aggressively in growing businesses. Necessary funds will be sourced internally or externally. Both direct and indirect finance will be used for external financing, which will be managed with a target D/E ratio of less than 1.4 times and a target Net Debt/EBITDA ratio of not less than 4 times to less than 5 times.

In addition, the Group had committed credit lines worth ¥17,500 million with several financial institutions as of the end of the current fiscal year to secure liquidity in the event of unpredictable situations, such as temporary changes in the market environment (Unexecuted loan balance: ¥17,500 million).

5. Material Contracts, etc.

Not applicable

(Note) With regard to “Provision of technical support related to equipment for VOC emission treatment using K-FILTER,” which had originally been stated, the contract has been succeeded from the Company, the original licensor, to Toyobo MC Corporation as of April 1, 2023. Following a determination of the contract’s materiality, it has been omitted here.

6. Research and Development Activities

The Group holds a vision that states, “We will continue to create the solutions needed by people and the Earth with our materials and science.” Staying true to the concept of materials and science, we focused on expanding the range of new products and creating new businesses based on the idea of proactive open innovation, in addition to evolving our own core technologies.

The Group’s R&D is broadly classified into the departmental research and development division, which is directly operated by a responsible department in each segment, and the company-wide corporate research division, which endeavors to create new businesses, products and technologies that will carry the next generation from the medium- to long-term perspective. The Innovation Strategy Department took charge of managing the research and development based on the Innovation Promotion Committee’s policy, and promoted research and development activities that demonstrated the Group’s collective capabilities while facilitating collaboration between departments.

Films

In the packaging film field as well, needs for environmentally-friendly products are increasing, and the adoption of various applicable polyester, nylon and sealant film products is also growing in the form of BIOPRANA, which contains biomass-derived raw materials. In its thickness reduction (plastic volume reduction) efforts, the Group commenced test sales for an F&G type and ultra-high heat resistant type of PYLEN EXTOP, a high heat resistance and high rigidity polypropylene films that the Group has been developing alongside the launch of new manufacturing equipment. In addition, the Group is engaged in thickness reduction development for nylon and sealant films as well, and will promote the lower volume and mono-materiality of packaging film products and work towards enabling it to contribute to a circular economy.

In terms of industrial film, we are actively developing a recycling system with low environmental load in addition to development, improvement and sales promotion of the Crisper, KAMISHINE, and RESHINE films that use environmentally friendly recycled materials. In addition, we are promoting the development of polyester films using biomass-derived materials. We are also focusing on environmental response through efforts to reduce volume by reducing film thickness and increase recyclability for the COSMOPEEL mold releasing film for MLCC, which is expanding in the electronic information and communication and automotive fields. Moreover, regarding the COSMOSHINE SRF super retarder film that is optimal for LCDs, we are actively developing new products by examining production increases through the modification of existing equipment and by using biomass-derived materials. Furthermore, we are also developing the TEONEX polyethylene naphthalate film, which has excellent dynamic and thermal properties, aiming to apply it to the automobile and energy fields.

The research and development expenses for the Films segment were ¥4.1 billion.

Life Science

In the field of infectious disease diagnosis, we have successfully developed a simplified antigen test kit that can detect SARS-CoV-2, influenza and RSV infections simultaneously with a single device, and started sales of the kit. Additionally, in the research reagent domain, we have successfully developed a kit that allows more detailed gene expression analysis using a next-generation sequencer, and have started sales of the sequencer.

In the medical equipment field, the completion of a medical research center for promoting the development of medical devices was completed in February 2024. Operation of this center commenced in April. For Bonarc, bone regeneration-inducing material, in addition to offering it in the dentistry domain, we applied to have cleft lip and cleft palate, a congenital disease in the area of oral surgery, newly covered by insurance.

The Group obtained approval to manufacture and sell REMCYTO, a product in the blood purification domain, from the Ministry of Health, Labour and Welfare. The Group is pursuing its product development efforts in order to further enhance its blood purification product lineup.

The research and development expenses for the Life Science segment were ¥1.6 billion.

Environmental and Functional Materials

In the mobility field, Toyobo MC Corporation launched the Mobility Business Strategy Unit, a new organization that directly approaches OEM (finished vehicle manufacturers) to carry out joint development. The organization will grasp the needs of those manufacturers at the advanced development stage and work together with them on development in order to launch products with higher value-added in the global market. This new organization is directly under the president of Toyobo MC Corporation and has its sales and development functions centralized. It consists of a Presales Group made up of sales members and an Advanced Development Group made up of development engineers. For its priority themes, the organization has adopted: (i) Substitution of metals with reduced mass (lightweightness), (ii) Next-generation interiors and exteriors (resinification and functionality), (iii) Next-generation environmental response (recycling), (iv) New materials and technologies (deepening of processing technologies), and (v) Substitution of fluorine (to accommodate regulations). Rather than provide materials at the mass-production development stage, the organization will work together with OEM from the planning and conception stage for next-generation automobiles to carry out joint development.

In the resin and chemicals field, the Group developed new environmentally-friendly polyester-based high heat-resistant adhesive sheets that are solvent-free and enable distribution at room temperature (for transport and storage purposes) by applying a new crosslinked resin, called "Vitrimer,"* for use with adhesives for electronic materials. By applying the characteristics of Vitrimer, which is capable of responding to the likes of pressure and heat similar to a thermoplastic resin as it preserves the crosslink between polymers, to VYLON, a copolymer polyester resin released for uses such as an adhesive for electronic materials, the Group successfully realized this adhesive sheet as a product, and began providing samples of it to electronic material manufacturers. The Group believes that taking advantage of the characteristics of Vitrimer will make it possible to realize highly-functional polymers with remolding, self-adhering self-repairing and other properties., and will go beyond adhesive sheets to proactively conduct associated research and development.

*"Vitrimer" is a registered trademark of FONDS ESPCI PARIS.

In the environment and fiber fields, the group joined Circular Partners, an industry-government-academia consultative body started up by the Ministry of Economy, Trade and Industry with a view to realizing a circular economy. In addition to tackling the improvement of the performance of equipment that recovers and reuses VOC gas at plants, the body is developing two new products for BREATHAIR, an environmentally-considerate three-dimensional cushion material. The first of these products is BREATHAIRMEBIUS, a horizontal recycled three-dimensional cushion material. The other is TELLUSECHO, which uses biodegradable resin. The original BREATHAIR product was lightweight and highly resilient, and featured superior durability. As such, since being released to the market in 1996, it has been adopted for a wide range of uses, including standard and commercial bedding, seats on train cars such as the Shinkansen bullet train and on ships, motorcycles, and baby carriages. Both of the new products will inherit those properties. Going forward, through its participation in Circular Partners, the Group will promote endeavors in the form of the further utilization of recycled materials and advancement of recycling technology as well as reinforce its cooperation with other members to accelerate the formation of and participation in an ecosystem aimed at resource circulation. In doing so, it will endeavor towards contributing to the early realization of a circular economy. With the IZANAS high performance fiber, the Group is pushing forward with the development of a yarn with high creep resistance for use in mooring cables for offshore wind turbines, and is preparing to conduct demonstration tests for its adoption. Hollow-fiber forward osmosis (FO) membranes have been adopted by SaltPower, a venture company based in Denmark, for use in the world's first practical osmotic power plant. That plant is now in operation. Additionally, In seawater desalination as well, the FO membrane method, which utilizes osmotic pressure difference as a driving force, can be used to extract freshwater from seawater with less power than the conventional evaporation and RO membrane methods. Trevi Systems Inc, which has adopted FO membranes by the Group, completed a seawater desalination demonstration test in Hawaii, U.S.A., successfully producing 500 m^3 of freshwater per day from seawater. The fresh water recovery rate from seawater exceeded 65%. Through its capital investment in Trevi, the Group will contribute to the resolution of water shortages and other global environmental issues.

The research and development expenses for the Environment and Functional Materials segment were ¥4.9 billion.

Functional Textiles and Trading

In the textile field, the Group is in the process of expanding its looplon product series. These products are made through material recycling in which waste produced at nylon mills is reused as a form of sustainable product development as well as through the chemical recycling of industrial waste to make it approach virgin raw materials.

Additionally In the polyester field as well, the Group has developed T2T, through which waste materials and waste products generated in the manufacturing process are decolorized, returned to polyester raw materials, then turned into fibers once more. This serves to contribute to the reduction of both CO_2 emissions from waste incineration and fossil raw material consumption.

In the industrial materials field, the Group is expanding sales of heat-insulating sheet products, improving cheesecloth, developing FRP-type protective materials and new energy element technologies, and examining waterproofing coatings and road surface greening as materials for accommodating safety, disaster prevention and the environment.

In the functional materials field, we have obtained a second-class marketing license for medical devices, a marketing license for cosmetics, and a marketing license for quasi-pharmaceutical products, and going forward, we will actively expand the scope of our products accordingly.

In the functional resins field, we launched the ECONEO safety cone using recycled PET.

In the airbag fabrics business, as a carbon neutral initiative, the Group will tackle the development of new woven fabrics using polyethylene terephthalate (PET) fibers made from plant-derived bio-based materials and recycled materials. Additionally, the Group will install a solar power generation system at a textile factory in Thailand with the aim of reducing CO_2 emissions in the manufacturing process. Regarding nylon airbag fabric, which now dominates the market, we are to build a stable global fabric supply system for yarn produced at the nylon yarn plant in Thailand that went online last year.

The research and development expenses for the Functional Textiles and Trading segment were ¥4.0 billion.

Company total

In the Innovation Division, we determined value-provision domains and key themes based on company-wide growth strategies (solution-oriented) and strived to accelerate the progress on our efforts to advance the themes.

The Corporate Research Center, which is a company-wide research and development organization, developed new products and technologies that will carry the future of the Group. It also functions as company-wide infrastructure that supports research and development in general and the Company's manufacturing and sales activities through various analysis/evaluation work, as well as analysis work using computer simulations and other digital technologies. As for the activities of the Digital Strategy Office established at the Research Center, we are promoting the application of materials informatics (MI) technology throughout the Research Center and are promoting the enhancement of the MI technological prowess of researchers as well as the application of that technology in development work.

Simultaneously, the Research Center, which serves as the central base for research and development, has been pushing forward with renovations of its in-house infrastructure. The Pilot Plant Building, which was completed in January 2023 as the first phase of this construction, has entered operation.

A specific example of research and development includes the development of environmentally-friendly polyester-based high heat-resistant adhesive sheets for use as an adhesive for electronic materials, which were jointly developed with Toyobo MC Corporation, as well as the development of microfiltration membranes that purify exosomes, which are secreted by cells and have been shown to play a key role in cell-to-cell communication and cell repair. Going forward, the Group will accelerate research and development aimed at bringing products to market early on in order to resolve social issues.

In planning and developing new businesses, we continue to stick to the idea of open innovation, and are proactively participating in national projects and collaborating with companies, universities, and research institutions in and outside Japan. Additionally, we concluded comprehensive collaboration agreements with Kobe University in April 2022 and with Osaka Metropolitan University in June 2022. With each of these universities, we are promoting projects in order to socially implement results of joint research in the environment and life science fields and to make a contribution from Osaka to the development of local communities and the resolution of social issues.

The research and development expenses for these businesses were ¥4.3 billion.

III. Information about Facilities

1. Overview of Capital Expenditures

The Group made capital expenditures of ¥61.6 billion in total (including intangible assets) during the current fiscal year, such as by reinforcing enzyme production facilities and investing in productivity enhancement. Primary purpose, details, and investment amount by segment are as follows:

Films

The Films segment spent a total of ¥18.6 billion on capital expenditures, including ¥17.7 billion used for reinforcing the Company’s film production facilities.

Life Science

The Life Science segment spent a total of ¥20.7 billion on capital expenditures, including ¥20.2 billion used for reinforcing the Company’s enzyme fabric production facilities.

Environmental and Functional Materials

The Environmental and Functional Materials segment spent a total of ¥10.9 billion on capital expenditures, including ¥6.2 billion used to improve polymer manufacturing facilities at Toyobo MC Corporation, a consolidated subsidiary of the Company.

Functional Textiles and Trading

The Functional Textiles and Trading segment spent a total of ¥6.1 billion on capital expenditures, including ¥3.4 billion used for the Company’s consolidation of facilities at the Toyama Production Center.

Real Estate

The Real Estate segment spent a total of ¥1.4 billion on capital expenditures.

Other Businesses

The Real Estate segment spent a total of ¥0.2 billion on capital expenditures.

2. Major Facilities

Major facilities of the Group are as follows:

(1) Reporting company

As of March 31, 2024

Production center name (Location)	Segment	Facility details	Book value (Millions of yen)						Number of employees (People)
			Buildings and structures	Machinery, equipment, and vehicles	Land (Area)	Leased assets	Other Businesses	Total	
[Tsuruga Research and Production Center] Tsuruga Polymers Plant, etc. (Tsuruga, Fukui)	Films	Production facilities for functional resins and other facilities (Note 3)	6,508	3,693	23,397 (674,000 m^2)	1	870	34,470	240 [13]
Inuyama Plant (Inuyama, Aichi)	Films	Film production facility	10,694	18,644	8,878 (227,000 m^2)	6	1,632	39,854	420 [11]
[Tsuruga Research and Production Center] Tsuruga Films Plant (Tsuruga, Fukui)	Films	Film production facility	4,290	7,229	491 (18,000 m^2)	18	194	12,222	250 [2]
[Tsuruga Research and Production Center] Tsuruga Biochemicals Plant (Tsuruga, Fukui)	Life Science	Enzyme production facility	1,643	1,946	195 (7,000 m^2)	-	11,396	15,180	235 [26]
[Iwakuni Production Center] Iwakuni Functional Membranes Plant, etc. (Iwakuni, Yamaguchi)	Life Science	Production facilities for functional membranes, etc. and other facilities	5,239	4,007	8,611 (345,000 m^2)	4,989	1,087	16,063	177 [10]
Shogawa Plant (Imizu, Toyama)	Functional Textiles and Trading	Yarn and fabric production facilities and facilities for dyeing and sorting	1,842	1,039	4,311 (183,000 m^2)	-	4,248	11,440	83 [108]
Utsunomiya Plant (Utsunomiya, Tochigi)	Films	Film production facility	2,954	2,088	- (-)	-	18,378	23,420	273 [18]
Fujita Toyobo Building Kita-ku, Osaka Two other facilities	Real Estate, sales business	Rental buildings and other facilities	974	11	2,049 (2,000 m^2)	-	-	3,034	23 [5]
Research Center (Otsu, Shiga)	Company-wide research and development business	Research and development facilities, etc.	5,514	1,375	5 (213,000 m^2)	35	6,964	13,893	420 [63]

(2) Domestic subsidiaries

As of March 31, 2024

Company name	Production center name (Location)	Segment	Facility details	Book value (Millions of yen)						Number of employees (People)
				Buildings and structures	Machinery, equipment, and vehicles	Land (Area)	Leased assets	Other Businesses	Total	
Toyobo MC Corporation	[Tsuruga Site] Tsuruga Environment and Fiber Plant (Tsuruga, Fukui)	Environmental and Functional Materials	Production facilities for nonwoven fabrics and chemical synthetic fibers (Note 4)	1,395	1,482	1,820 (53,000 m^2)	-	147	4,844	152 [6]
	[Iwakuni Site] Iwakuni Resin and Chemical Plant Iwakuni Environment and Fiber Plant (Iwakuni, Yamaguchi)	Environmental and Functional Materials	Production facilities for functional resins, nonwoven fabrics and chemical synthetic fibers (Notes 2, 4)	1,564	2,565	3,631 (146,000 m^2)	-	3,695	19,326	249 [5]
	Takasago Plant (Takasago, Hyogo)	Environmental and Functional Materials	Chemical production facility (Note 4)	1,982	3,516	224 (67,000 m^2)	-	719	6,441	165 [10]
	[Katata Site] (Otsu, Shiga)	Research and development business	Research and development facilities, etc. (Note 4)	232	528	0 (13,000 m^2)	14	321	1,095	157 [8]
Toyo Cloth Co., Ltd.	Head office, Tarui Production Center (Sennan, Osaka)	Films	Cloth and film production facilities	989	701	1,159 (36,000 m^2)	-	301	3,150	226 [50]
Kureha Ltd.	Head office (Ritto, Shiga)	Environmental and Functional Materials	Nonwoven fabric production facilities (Note 5)	573	157	240 (42,000 m^2)	-	12	983	209 [10]
Japan Exlan Co., Ltd.	Saidaiji Plant (Higashi-ku, Okayama)	Functional Textiles and Trading	Chemical production facility (Note 4)	438	488	3,879 (299,000 m^2)	-	137	4,942	272 [19]
Miyukikeori Co., Ltd.	Head office (Nishi-ku, Nagoya)	Real Estate, sales business	Rental buildings and other facilities	818	-	2,031 (26,000 m^2)	-	50	2,899	38 [19]
	Miyuki Mall (Nishi-ku, Nagoya)	Real Estate	Rental stores and rental housing	1,321	-	1,221 (11,000 m^2)	1	13	2,556	- [-]

(3) Foreign subsidiaries

As of March 31, 2024

Company name	Production center name (Location)	Segment	Facility details	Book value (Millions of yen)						Number of employees (People)
				Buildings and structures	Machinery, equipment, and vehicles	Land (Area)	Leased assets	Other Businesses	Total	
TOYOBO SAHA SAFETY WEAVE CO., LTD.	Head office plant (Samutprakarn Thailand)	Functional Textiles and Trading	Airbag fabric production facilities	2,369	1,676	- (-)	-	710	4,756	255 [-]
PT. TOYOBO TRIAS ECOSYAR	Head office plant (Sidoarjo Indonesia)	Films	Film processing facility	397	2,674	- (-)	87	74	3,232	63 [-]

(Notes) 1. 'Other' in the book value represents the total of tools, furniture and fixtures, construction in progress, etc.

2. Because these are joint production centers, the figures are presented in aggregate.

3. Includes land worth ¥118 million (6,000 m^2) leased to Hokuriku Air Chemicals, Inc., an associate.

4, Includes land leased from the reporting company (book value for lessors).

5. Includes facilities leased from other consolidated subsidiaries (book value for lessors).

6. The square brackets in the number of employees field indicate the separate number of temporary employees.

3. Planned Addition, Retirement, and Other Changes of Facilities

Major planned addition, retirement, and other changes to Group facilities as of the end of the current fiscal year are as follows:

Major planned addition

Company name Production center name	Location	Segment	Facility details	Planned investment amount		Financing method	Scheduled year and month for starting and completing work		Increased capacity after completion
				Total amount (Millions of yen)	Amount already paid (Millions of yen)		Commencement	Completion	
The Company Utsunomiya Plant	Utsunomiya, Tochigi	Films	Industrial film production facilities	20,000	13,903	Own funds, borrowings and bond issuance funds	October 2021	April 2025	20,000 tons/year
The Company Tsuruga Biochemicals Plant	Tsuruga, Fukui	Life Science	Enzyme production facility	6,500	2,974	Own funds, borrowings and bond issuance funds	March 2023	November 2024	An increase of about 200%

IV. Information about the Reporting Company

1. Company’s Shares, etc.

(1) Total Number of Shares

(i) Total number of shares

Class	Total number of authorized shares (Shares)
Common shares	200,000,000
Total	200,000,000

(ii) Issued shares

Class	Number of issued shares at the fiscal year-end (Shares) (March 31, 2024)	Number of issued shares at the filing date (Shares) (June 25, 2024)	Name of stock exchange on which the Company is listed or names of authorized financial instruments trade associations	Description
Common shares	89,048,792	89,048,792	Tokyo Stock Exchange Prime Market	The number of shares per unit of shares is 100 shares.
Total	89,048,792	89,048,792	-	-

(2) Share Acquisition Rights

(i) Content of stock option systems

Not applicable

(ii) Content of rights plans

Not applicable

(iii) Other share acquisition rights

Not applicable

(3) Exercises of Moving Strike Convertible Bonds, etc.

Not applicable

(4) Changes in Total Number of Issued Shares, Share Capital, etc.

Date	Change in total number of issued shares (Thousand shares)	Balance of total issued shares (Thousand shares)	Change in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Change in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
October 1, 2017 (Note)	(801,439)	89,048	-	51,730	-	19,224

(Note) Due to the 1-for-10 share consolidation.

(5) Shareholdings by Shareholder Category

As of March 31, 2024

Category	Status of shares (One unit equals 100 shares)								Status of shares in amounts of less than one unit (Shares)
	Government and municipalities	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations, etc.		Other individuals	Total	
					Other than individuals	Individuals			
Number of shareholders (People)	2	44	44	572	175	76	52,245	53,158	-
Number of shares held (Units)	14	296,792	19,438	43,320	190,648	553	336,048	886,813	367,492
Ratio of shares held (%)	0.00	33.47	2.19	4.88	21.50	0.06	37.89	100.00	-

(Notes) 1. Of the Company's 949,992 treasury shares, 9,499 units are presented in "Other individuals" and 92 shares are presented in "Status of shares in amounts less than one unit."

2. The above "Other corporations" and "Status of shares in amounts less than one unit" include 21 units and 50 shares under the name of Japan Securities Depository Center, Incorporated, respectively.

(6) Major Shareholders

As of March 31, 2024

Name	Address	Number of shares held (Thousand shares)	Ratio of shares held to total number of issued shares (excluding treasury shares) (%)
The Master Trust Bank of Japan, Ltd.	1-8-1 Akasaka, Minato-ku, Tokyo	13,494	15.32
Custody Bank of Japan, Ltd.	1-8-12, Harumi, Chuo-ku, Tokyo	10,287	11.68
Toyobo Employees Stockholders' Association	1-13-1 Umeda, Kita-ku, Osaka, Japan	2,400	2.72
GOVERNMENT OF NORWAY (Standing proxy: Citibank, N.A., Tokyo Branch)	BANKPLASSEN 2,0107 OSLO 1 OSLO 0107 NO (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	2,302	2.61
Toyukai	1-13-1 Umeda, Kita-ku, Osaka, Japan	2,016	2.29
NIPPON LIFE INSURANCE COMPANY	1-6-6, Marunouchi, Chiyoda-ku, Tokyo	1,750	1.99
Meiji Yasuda Life Insurance Company	2-1-1, Marunouchi, Chiyoda-ku, Tokyo	1,402	1.59
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank, N.A., Tokyo Branch)	PALISADES WEST 6300, BEE CAVE ROAD BUILDING ONE AUSTIN TX 78746 US (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	1,309	1.49
JP MORGAN CHASE BANK 385781 (Standing proxy: Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (2-15-1, Konan, Minato-ku, Tokyo)	1,280	1.45
STATE STREET BANK WEST CLIENT-TREATY 505234 (Standing proxy: Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	1,092	1.24
Total	-	37,336	42.38

(Notes) 1. Shares held by the Master Trust Bank of Japan, Ltd. (trust account) and the Custody Bank of Japan, Ltd. (trust account) are those related to the trust business.

2. Asset Management One Co., Ltd. submitted a Report of Possession of Large Volume (Change Report) on October 20, 2023, with Asset Management One Co., Ltd. and two other shareholders being joint shareholders. The Company has not confirmed the actual number of shares held by the shareholders as of March 31, 2024, and therefore has not reflected the information in the above list of Major Shareholders. The content of the Report of Possession of Large Volume (Change Report) is as follows:

Name	Address	Number of shares, etc. (Thousand shares)	Shareholding ratio (%)
Asset Management One Co., Ltd. and two other shareholders	1-8-2 Marunouchi, Chiyoda-ku, Tokyo, etc.	4,041	4.54

Sumitomo Mitsui Trust Bank, Limited submitted a Report of Possession of Large Volume (Change Report) on April 4, 2024, with Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other shareholder being joint shareholders. The Company has not confirmed the actual number of shares held by the shareholders as of March 31, 2024, and therefore has not reflected the information in the above list of Major Shareholders. The content of the Report of Possession of Large Volume (Change Report) is as follows:

Name	Address	Number of shares, etc. (Thousand shares)	Shareholding ratio (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other shareholder	1-1-1, Shibakouen, Minato-ku, Tokyo, etc.	5,689	6.39

(7) Voting Rights

(i) Issued shares

As of March 31, 2024

Category	Number of shares (Shares)	Number of voting rights	Description
Shares with no voting rights	-	-	-
Shares with limited voting rights (treasury shares, etc.)	-	-	-
Shares with limited voting rights (other)	-	-	-
Shares with full voting rights (treasury shares, etc.)	Common shares 949,900	-	-
Shares with full voting rights (other)	Common shares 87,731,400	877,314	-
Shares less than one unit	Common shares 367,492	-	-
Total number of issued shares	89,048,792	-	-
Voting rights of all shareholders	-	877,314	-

(Note) “Shares with full voting rights (other)” include 2,100 shares (21 voting rights) under the name of Japan Securities Depository Center, Incorporated. “Shares totaling less than one unit” include 50 shares under the name of Japan Securities Depository Center, Incorporated and 92 treasury shares of the Company

(ii) Treasury shares

As of March 31, 2024

Owner’s name	Owner’s address	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total owned shares (Shares)	Ratio of shares held to total number of issued shares (%)
Toyobo Co., Ltd.	1-13-1 Umeda, Kita-ku, Osaka, Japan	949,900	-	949,900	1.07
Total	-	949,900	-	949,900	1.07

2. Acquisition, etc. of Treasury Shares

[Class of shares, etc.] Acquisition of common shares that fall under Article 155, items (iii), (vii), and (xiii) of the Companies Act

(1) Acquisition by resolution of the General Meeting of Shareholders

Not applicable

(2) Acquisition by resolution of the Board of Directors

Acquisition pursuant to the provisions of Article 156 of the Companies Act applied pursuant to the provisions of Article 165, paragraph 3, of the Companies Act following the deemed replacement of terms

Category	Number of shares (Shares)	Total amount (Yen)
Resolution of the Board of Directors at its meeting held on February 8, 2023 (Acquisition period: from February 9, 2023, to April 30, 2023)	1,300,000	1,000,000,000
Treasury shares acquired prior to the current fiscal year	653,900	681,965,387
Treasury shares acquired during the current fiscal year	311,300	318,027,194
Total number and total amount of common shares to be acquired	334,800	7,419
Percentage of common shares yet to be acquired at the end of the current fiscal year (%)	25.8	0.0
Treasury shares acquired during the current period	-	-
Percentage of common shares yet to be acquired as of the filing date (%)	25.8	0.0

(3) Acquisition not based on a resolution of the General Meeting of Shareholders or the Board of Directors

Acquisition pursuant to Article 155, item (vii) of the Companies Act

Category	Number of shares (Shares)	Total amount (Yen)
Treasury shares acquired during the current fiscal year	2,515	2,626,369
Treasury shares acquired during the current period	257	287,397

(Note) Treasury shares acquired during the current period exclude shares in amounts less than one unit purchased from June 1, 2024 to the date of filing the Annual Securities Report.

Acquisition pursuant to Article 155, item (xiii) of the Companies Act

Category	Number of shares (Shares)	Total amount (Yen)
Treasury shares acquired during the current fiscal year	3,164	-
Treasury shares acquired during the current period	2,343	-

(Notes) 1. The Company acquired a portion of the common shares allotted as restricted share compensation at no cost.

2. Treasury shares acquired during the current period exclude shares acquired without consideration from June 1, 2024 to the date of filing the Annual Securities Report.

(4) Disposal of acquired treasury shares and number of treasury shares held

Category	Current fiscal year		Current period	
	Number of shares (Shares)	Total disposal amount (Yen)	Number of shares (Shares)	Total disposal amount (Yen)
Acquired treasury shares subject to offering for subscription	-	-	-	-
Acquired treasury shares canceled	-	-	-	-
Acquired treasury shares transferred due to merger, share exchange, share issuance, and company split	-	-	-	-
Other (Disposal in the form of restricted share compensation)	90,027	95,320,588	-	-
Other (Sale of shares in amounts less than one unit)	-	-	-	-
Number of treasury shares held	949,992	-	952,592	-

(Notes) 1. Treasury shares disposed of during the current period exclude shares in amounts less than one unit sold from June 1, 2024 to the date of filing the Annual Securities Report.

2. The number of treasury shares held during the current period exclude shares in amounts less than one unit purchased or sold from June 1, 2024 to the date of filing the Annual Securities Report.

3. Dividend Policy

The Company considers providing returns to shareholders to be one of its highest priorities. Its basic policy is to continually provide a stable dividend, in comprehensive consideration of such factors as sustainable profit levels, retention of earnings for future investment, and improving the financial position to provide shareholders returns, including the acquisition of treasury shares, with a target total return ratio* of 30%.

The Company has a basic policy to pay year-end dividends (once a year), and stipulates in its Articles of Incorporation that interim dividends may be paid. The decision-making bodies for year-end and interim dividends are the General Meeting of Shareholders and the Board of Directors, respectively.

Dividends of surplus for the current fiscal year are as follows:

Resolution date	Total dividend (Millions of yen)	Dividend per share (Yen)
June 25, 2024 Resolution by the Annual General Meeting of Shareholders	3,524	40

*Total return ratio = (Total dividends paid + Total amount of treasury shares acquired) / Profit attributable to owners of the parent

4. Corporate Governance

(1) Overview of Corporate Governance

(i) Basic views on corporate governance

Based on the corporate philosophy "Jun-Ri-Soku-Yu (順理則裕)" (Adhering to reason leads to prosperity), the Company believes that its purpose is to help solve social issues through its proprietary technologies after ascertaining these issues from a long-term perspective.

The Company, to respond to the changing times and enhance sustainable corporate value in the future as well, has established the policies of: (1) ensuring timeliness and accuracy in decision-making; (2) ensuring transparency in management; and (3) emphasizing fairness. It will work to collaborate appropriately with all stakeholders, such as shareholders. Furthermore, by carrying out its fiduciary responsibility and accountability to shareholders, the Company will ensure the effectiveness of its corporate governance and continually work to improve it.

(ii) Overview of the corporate governance system and reasons for its adoption

The Company is an organization with a Board of Corporate Auditors, and under this governance system, has elected five Outside Directors and adopted the executive officer system. The Company has established a governance system that allows for timely decision-making and efficient business execution by clearly separating the roles of decision-making/oversight by the Board of Directors and execution by the Executive Officers. Outside Directors bear a role of advising and supervising the Company's management from objective and professional viewpoints by utilizing their extensive experience and wide-ranging knowledge. The Company strives to further ensure transparency and fairness by establishing a voluntary committee (Nomination and Compensation Advisory Committee). In view of the diverse and specialized nature of the Company's businesses, the Company considers this current governance system to be the most suitable.

(a) Board of Directors

The Board of Directors has ten Directors, including five Outside Directors. The term of office for a Director is set at one year to ensure a timely response to changes in the business environment and to clarify the responsibilities of the Directors. The Board of Directors ensures a balanced system as a whole, maintaining the expertise and skills required for appropriate choices of a strategic course and important decisions on the execution of business and the independence required to strengthen management supervision, while securing diversity in terms of career history, gender, and age, etc. The ratio of Outside Directors is one-third or greater, and the number of members is prescribed in the Articles of Incorporation as 14 or less. The Board of Directors makes decisions and reports on matters such as management policy and management planning, as well as oversees the business execution of each Director and Executive Officer. Regular Board of Directors meetings are held once a month, with extraordinary meetings being held as necessary.

In the current fiscal year, the Board of Directors held its regular meeting once a month and held five extraordinary meetings, deciding matters stipulated in laws and regulations as well as revising the Company's human rights policy, formulating its diversity promotion policy, determining important management matters such as the 2025 Medium-Term Management Plan review, hearing reports on the state of business execution, and deliberating on medium- to long-term themes.

Attendance at the Board of Directors meetings held in the current fiscal year

Title	Name	Attendance	Remarks
Chair of the Board & Director	Seiji Narahara	17/17 (100%)	
President & Representative Director, CEO & Co-COO	Ikuo Takeuchi	17/17 (100%)	
Representative Director	Chikao Morishige	17/17 (100%)	
Representative Director	Hiroshi Otsuki	17/17 (100%)	
Director	Taichi Sakai	13/13 (100%)	Assumed the office of Director on June 28, 2023
Outside Director	Takafumi Isogai	17/17 (100%)	
Outside Director	Kimie Sakuragi	17/17 (100%)	
Outside Director	Masaaki Harima	17/17 (100%)	
Outside Director	Hiroshi Fukushi	17/17 (100%)	
Outside Director	Shoko Takase	13/13 (100%)	Assumed the office of Director on June 28, 2023
Director	Yutaka Ouchi	4/4 (100%)	Retired on June 28, 2023
Outside Director	Masaru Nakamura	4/4 (100%)	Retired on June 28, 2023

At the Annual General Meeting of Shareholders held on June 25, 2024, Mr. Chikao Morishige and Mr. Hiroshi Otsuki both retired as Director, and Mr. Takahito Sagara and Mr. Takehiko Inada both assumed the office of Director.

(b) Business execution

There are 24 Executive Officers, including some who serve concurrently as Directors. The President and Representative Director serves currently as CEO and Co-COO, and efficiently executes businesses. The Board of Management, which consists of Executive Officers supervising divisions, deliberates in advance on matters to be resolved by the Board of Directors, and determines matters related to business execution that have been entrusted by the Board of Directors. The Corporate Planning Committee and the Financial Control Committee are established under the Board of Management. They deliberate on important investment and financing projects, etc. from their respective expert standpoints, thereby managing business risk. The Board of Executive Officers discusses management issues and communicates management policies. Through this system, the Company strives to carry out business efficiently.

(c) Board of Corporate Auditors

There are two full-time Corporate Auditors and two part-time Corporate Auditors (Outside Corporate Auditors). They execute their duties by utilizing their knowledge and extensive experience related to finance and accounting.

(d) Voluntary committee (Nomination and Compensation Advisory Committee)

To ensure transparency in the election and dismissal of Directors, etc. and decisions on compensation, the Company has established a Nomination and Compensation Advisory Committee as an advisory body to the Board of Directors. A majority of members of the Committee are Outside Directors. The Nomination and Compensation Advisory Committee objectively and impartially deliberates and reports on the basic policy for nominating Directors and nomination proposals for individual Directors as well as the systems, standards, and calculation methods and other factors for compensation. The Board of Directors makes decisions based on the reports.

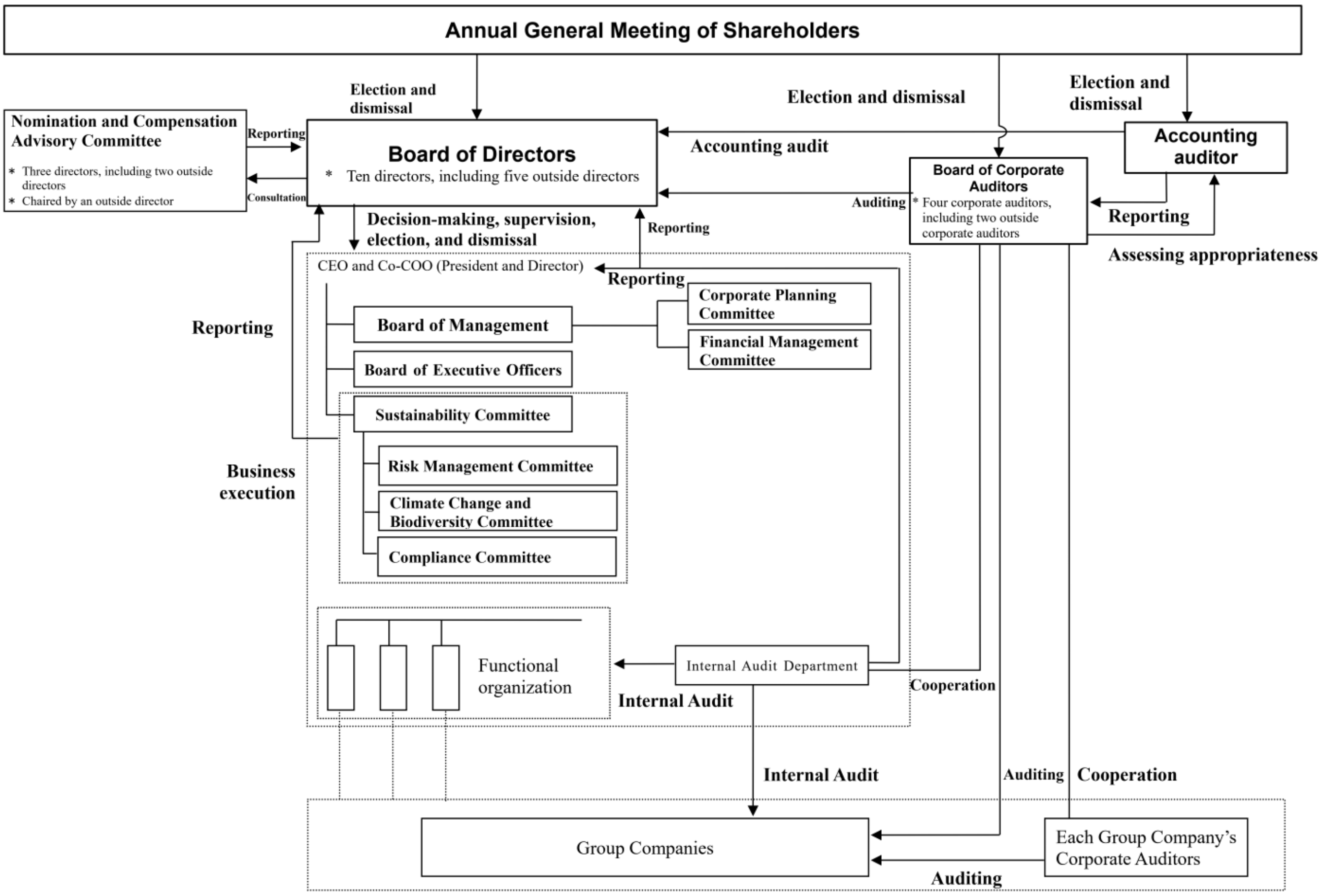
In the current fiscal year, the committee held five meetings, deliberating on proposals on Director candidates and setting of the Company's overall performance target to determine Directors and Officers compensation as well deliberating on a revision of the officers compensation system.

Attendance at the Nomination and Compensation Advisory Committee meetings held in the current fiscal year

	Name	Attendance	Remarks
Chairperson	Hiroshi Fukushi, Outside Director	3/3 (100%)	Assumed the office of Committee Member on June 28, 2023
Committee Member	Kimie Sakuragi, Outside Director	5/5 (100%)	
Committee Member	Seiji Narahara, Chair of the Board & Director	5/5 (100%)	
Observer	Wakyu Shinmen, Outside Corporate Auditor	3/3 (100%)	Assumed the office of Observer on June 28, 2023
Chairperson	Masaru Nakamura, Outside Director	2/2 (100%)	Retired from the office of Committee Member on June 28, 2023
Observer	Hiroyuki Sugimoto, Outside Corporate Auditor	2/2 (100%)	Retired from the office of Observer on June 28, 2023

(iii) Schematic diagram illustrating the Company's corporate governance system

The schematic diagram illustrating the Company's corporate governance system is as follows. (As of the filing date)



(iv) Development of the internal control system

(a) Framework to ensure that execution of duties by Directors and employees complies with laws and regulations and the Articles of Incorporation

The Company adopts an executive officer system in order to improve the transparency and fairness of management by clearly separating decision-making/oversight and business execution. Under the executive officer system, which is clearly defined by the Articles of Incorporation, the Board of Directors oversees the business execution of Executive Officers. The Executive Officer Regulations also clearly define that Executive Officers have an obligation to comply with laws and regulations, and the Articles of Incorporation.

The Company establishes a Compliance Committee which is chaired by the Executive Officer in charge of compliance, and the Legal and Compliance Department promotes compliance throughout the Group. Furthermore, the Company establishes compliance consultation centers as a contact point for reporting internal problems.

The Company formulates the Toyobo Group Charter of Corporate Behavior and the Toyobo Groups Staff Code of Conduct, which will be distributed to the Group's officers and employees to ensure thorough compliance with laws and regulations, as well as corporate ethics.

(b) Framework to ensure efficiency of execution of duties by Directors

The executive officer system enables timely decision-making and oversight by the Board of Directors and efficient business execution by the Executive Officers.

The Board of Directors is in charge of decision-making/oversight and the Chairman serves as Chair of the Board of Directors. In addition, to increase the effectiveness of the Board of Directors, the secretariat office has dedicated staff members.

For business execution, the President leads business execution and serves as Chair of the Board of Management and Chair of the Board of Executive Officers. The Board of Management deliberates in advance on matters to be resolved by the Board of Directors, and determines matters related to business execution that has been entrusted by the Board of Directors. The Board of Executive Officers discusses management issues and communicates management policies. Through this system, the Company strives for efficient business execution.

The Sustainability Committee, chaired by the President, determines policies, measures, and goals regarding medium- to long-term material issues and manages and reports to the Board of Directors the progress on these matters.

(c) Framework for storing and managing information related to execution of duties by Directors

Directors and Executive Officers shall appropriately store and manage documents related to the execution of their duties and other information, in accordance with the Company's Document and Information Management Rules.

(d) Rules and framework for managing risks of loss

The Corporate Planning Committee and the Financial Control Committee are established under the Board of Management. They deliberate on important investments and new projects, important investment and financing projects, etc. from their respective expert standpoints, thereby managing business risk.

The Risk Management Committee, chaired by the President, identifies major risks and manages the progress on the efforts to avoid and reduce those risks.

(e) Framework ensuring the propriety of business operations of the corporate group, comprising the Company and its subsidiaries

Business operations are managed by a responsible department or the Corporate Business Management Department of the Company, depending on the business content of the group company.

Regarding governance, the Corporate Business Management Department collaborates with responsible departments and the corporate divisions to offer support for developing a risk management system.

The Company ensures the propriety of operations by clarifying the scope in which it can be involved in the important decision-making matters of group companies in accordance with the Companies Act based on the Board of Directors Regulations, the Board of Management Regulations, the Subsidiaries and Associates Management Rules, and other regulations.

The Company promotes compliance with laws and regulations across the entire group.

To ensure the reliability of financial reports, the Company constructs an internal control system that includes group companies, and effectively manages and evaluates the system.

(f) Framework ensuring the effectiveness of auditing by Corporate Auditors

i) Matters related to employees who assist in the duties of the Corporate Auditors, matters related to the independence of such employees from Directors, and matters related to securing the effectiveness of instructions to such employees

In order to assist in the duties of Corporate Auditors, Corporate Auditor staff will be assigned. Corporate Auditors maintain the authority to provide directions and orders to the staff. The consent of the Board of Corporate Auditors is required for human resource operations, such as the appointment and dismissal of such staff, employee performance evaluation, performance evaluation for bonuses, etc. The opinion of the Board of Corporate Auditors must also be requested in order to apply provisions related to rewards and punishments.

ii) Systems for Directors and employees, etc. of the Company and its subsidiaries to report to Corporate Auditors; Other systems related to reporting to Corporate Auditors; Systems to ensure that employees will not receive disadvantageous treatment due to reporting

The Company and group companies regularly undergo audits by Corporate Auditors and report the status of their business operations. Furthermore, when Corporate Auditors of the Company request a report of officers and employees of the Group, they must issue that report promptly and appropriately.

The Company establishes a dedicated e-mail address to enable officers and employees of the Group to directly consult with or report to Corporate Auditors of the Company.

The Company thoroughly communicates that people who consult with or report to Corporate Auditors of the Company cannot be dismissed or receive other disadvantageous treatment in the Company or group companies due to the reason that they conducted this consultation or report.

iii) Policy on procedures for advance payment or reimbursement of expenses incurred in the execution of duties by Corporate Auditors, and other expenses incurred in the said execution of duties, or handling of debts

When there is a request from the Board of Corporate Auditors or an individual Corporate Auditor for expenses required to seek the advice of legal or accounting specialists, this amount is paid based on the request, excluding cases when that request is acknowledged as unnecessary to their execution of duties.

iv) Other framework ensuring the effectiveness of auditing by Corporate Auditors

It shall be clearly stated in the internal regulations that Corporate Auditors attend important meetings related to group management such as the Board of Management and the Board of Executive Officers, and provide their opinions. The same rules are clearly stated for the Sustainability Committee and other committees.

Corporate Auditors regularly hold Group auditor liaison meetings targeting major group companies, where they aim to enhance auditing related to the construction of an appropriate internal control.

Corporate Auditors receive reports on the results of internal audits from the Internal Audit Department, receive reports on the status of evaluations of internal control related to financial report, and exchange information.

(g) Basic views on eliminating anti-social forces and progress of related efforts

In the Toyobo Group Charter of Corporate Behavior, the Company aims for the elimination of anti-social forces by standing firmly against antisocial forces and organizations that pose a threat to the order and safety of civil life, and takes efforts to thoroughly block any kind of relationship with these forces.

(v) Outline of limited liability agreements with Outside Directors and Outside Corporate Auditors

Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into agreements with all Outside Directors and Outside Corporate Auditors to limit their liability for damages. The maximum amount of liability under these agreements is the minimum liability amount provided for under laws and regulations.

(vi) Outline of the directors' and officers' liability insurance policy

The Company has entered into a directors' and officers' liability insurance policy with an insurance company as stipulated in Article 430-3, paragraph (1) of the Companies Act. The insurance policy covers the damages incurred by the insured as a result of claims against the insured during the insurance period, as well as damages due to litigation expenses. The Company pays all the insurance premiums.

To prevent the propriety of execution of duties by the insured from being impaired due to the above insurance policy, the Company has stipulated that the insurance policy does not cover damages arising from certain situations, such as a criminal act by the insured.

The scope of the insured is as follows:

Insured companies	The Company, all of its subsidiaries and Toyoshina Film Co., Ltd. (the Company's associate accounted for using the equity method)
Insured people	Officers (including retired officers) and employees in managerial/oversight positions

(Note) 'Officers' in relation to the insured people include Directors and Corporate Auditors as well as Executive Officers.

(vii) Number of Directors

The Articles of Incorporation stipulate that the number of Directors shall be not more than 14.

(viii) Resolution requirements for election of Directors

The Company stipulates in its Articles of Incorporation that a resolution for the election of Directors of a General Meeting of Shareholders shall be passed by a majority vote of the shareholders present whose voting rights represent one-third or more of the voting rights of all shareholders entitled to exercise voting rights. The Articles of Incorporation also stipulate that cumulative voting shall not be used in a resolution for the election of Directors.

(ix) Organization that decides on interim dividends

The Company stipulates in its Articles of Incorporation that pursuant to Article 454, paragraph (5) of the Companies Act, it may pay interim dividends by a resolution of the Board of Directors, with September 30 each year as a record date.

(x) Organization that decides on acquisition of treasury shares

To enable flexible execution of capital policies, the Company stipulates in its Articles of Incorporation that pursuant to Article 165, paragraph (2) of the Companies Act, it may acquire its treasury shares through market trading etc. by a resolution of the Board of Directors.

(xi) Requirements for a special resolution of the General Meeting of Shareholders

The Company stipulates in its Articles of Incorporation that a special resolution of a General Meeting of Shareholders, provided for in Article 309, paragraph (2) of the Companies Act, shall be passed by two-thirds of the votes of the shareholders present whose voting rights represent one-third or more of the voting rights of all shareholders entitled to exercise voting rights. This provision aims to ensure smooth operation of the General Meeting of Shareholders by relaxing the quorum for a special resolution of the General Meeting of Shareholders.

(Basic policy regarding company control)

(1) Basic policy on ideal persons who have control over decisions on the Company's financial and business policies

The Company believes that since the Company allows the Company shares to be freely traded as a listed company, the decision on whether to accept a large-scale purchase of the Company's shares that entails transfer of control over the Company should be left ultimately to the shareholders.

However, there could be large-scale purchases that threaten to impair the corporate value of the target company and the common interests of shareholders. In some cases, a large-scale purchaser may pursue profits at the cost of the target company, while in other cases, the purchaser may basically force shareholders to sell their shares in the Company.

People who purchase a large quantity of shares and commit similar acts to the extent that, as described above, such acts could impair the corporate value of the Company and the common interests of shareholders, are inappropriate for having control over decisions on the Company's financial and business policies. The Company regards appropriate people as those who have a sufficient understanding of the Company's finances, basic philosophy, business activities and core technologies, and who aim to increase its corporate value and the common interests of shareholders from a long-term perspective.

(2) Special efforts for realization of the basic policy

(i) Efforts to improve corporate value by promoting the medium-term management plan

The Company was founded as a cotton spinning business, and thereinafter expanded its business to chemical textiles and synthetic fibers. The Company later entered into the markets for films, functional polymers, ultrahigh-strength polyethylene fiber, functional membranes, and enzymes for diagnostic reagents, and has continued to expand its specialty businesses as represented by these products. Over the course of its long history, the Company has nurtured and developed its core technologies, namely, Polymerization, Modification, Processing, and Biotechnology. The Company has established a business model that responds to the meticulous demands of customers with an integrated marketing, development, and production segment. Under this business model, the Company has been steadily executing medium-term management plans, aiming to maintain and expand its businesses in order to keep the Company on the path to growth.

(ii) Efforts to improve corporate value by strengthening corporate governance

Under our corporate philosophy of "Jun-Ri-Soku-Yu (順理則裕)" (Adhering to reason leads to prosperity), the Company has established an appropriate corporate governance system in accordance with its position, and through various measures such as the medium-term management plan, we will address social issues. In addition to helping to solve social issues, we will strive to improve economic value and enhance corporate value.

(3) Measures to prevent decisions on the Company's financial and business policies from being controlled by people deemed inappropriate under the basic policy

In the event of a large-scale purchase, the Company will make efforts to secure sufficient information and time for consideration so that shareholders can properly judge the pros and cons of the large-scale purchase. The Company will take appropriate measures within the range permitted by the Financial Instruments and Exchange Act, the Companies Act, and other related laws and regulations.

(4) The reasons why the specific efforts described in (2) and (3) above are in line with the basic policy, do not impair the common interests of the shareholders of the Company, and are not intended to maintain the position of the Company's officers

The specific efforts described in (2) above are based on the medium- to long-term management strategy for continuously improving the corporate value of the Company and, in turn, the common interests of shareholders, and are in line with the basic policy of (1) above.

In addition, the specific efforts described in (3) above are to take measures for shareholders to appropriately judge the propriety of a large-scale purchase of the Company's shares when a large amount of the Company's shares are to be purchased. It is intended to maintain and improve the corporate value of the Company and, in turn, the common interests of shareholders, and is in line with the basic policy of (1) above.

Therefore, we believe that these efforts do not impair the common interests of the Company's shareholders, nor are they intended to maintain the position of the Company's officers.

(2) Directors (and Other Officers)

(i) List of officers

12 men, 2 women (ratio of female officers: 14.3%)

Title	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundred shares)
Chair of the Board & Director	Seiji Narahara	October 17, 1956	January 1988 Joined the Company April 2009 Deputy Director, General Manager, Finance Department April 2010 Executive Officer June 2011 Director and Executive Officer April 2014 Director, President and Chief Operating Officer April 2021 Chair of the Board & Director (current position) June 2023 Director (Outside) Member of the Board, SCREEN Holdings Co., Ltd. (current position) June 2024 Outside Director, OSAKA INTERNATIONAL CONVENTION CENTER CORP. (current position)	(Note) 3	529
President & Director, CEO and Co-COO (Representative Director) Controlling Supervisor, Internal Audit Department	Ikuo Takeuchi	October 15, 1962	April 1985 Joined the Company October 2015 Deputy Director, General Manager, Corporate Planning Office April 2018 Executive Officer April 2020 Managing Executive Officer June 2020 Director and Managing Executive Officer April 2021 President and Director, CEO and Co-COO (current position)	(Note) 3	371
Director and Senior Managing Executive Officer (Representative Director) Head of Safety and Disaster Management Division CTO of Production Technology Division and Controlling Supervisor, Procurement and Logistics Department	Taichi Sakai	November 26, 1962	April 1986 Joined the Company April 2016 Deputy Director, Senior General Manager of the Production Technology Division and Global Business Planning Division Officer December 2020 Executive Officer April 2023 Managing Executive Officer June 2023 Director and Managing Executive Officer April 2024 Director and Senior Managing Executive Officer (current position)	(Note) 3	131
Director and Managing Executive Officer Head of Life Science Division	Takahito Sagara	January 6, 1967	April 1990 Joined the Company January 2015 Head of Functional Membranes Research Center and General Manager, Medical Membranes Development Department, Iwakuni Functional Membranes Plant April 2016 General Manager of the Medical Membranes Department, Functional Membranes Operating Department October 2019 Deputy Director, General Manager, Medical Membranes Department, Functional Membranes Operating Department and Corporate Planning Officer (special project under President) April 2020 Deputy Director, General Manager, Medical Membranes Department, Medical Products Operating Department, Technological Innovation Officer and Corporate Planning Officer (special project under President) April 2021 Executive Officer April 2023 Managing Executive Officer June 2024 Director and Managing Executive Officer (current position)	(Note) 3	104
Director and Managing Executive Officer, HR, Administration and Legal Division	Takehiko Inada	March 20, 1965	April 1988 Joined the Company May 2017 General Manager, Human Resources Department April 2019 Deputy Director, General Manager, Human Resources Department and KAERU Project Planning Division Officer April 2020 Deputy Director, General Manager, Finance Department and KAERU Project Planning Division Officer April 2022 Deputy Director, General Manager in charge of Board of Directors, Corporate Planning Department April 2023 Executive Officer April 2024 Managing Executive Officer June 2024 Director and Managing Executive Officer (current position)	(Note) 3	43

Title	Name	Date of birth	Career summary		Term of office	Number of shares held (Hundred shares)
Director (Outside Director)	Takafumi Isogai	April 4, 1949	January 1987 April 1996 April 2002 October 2003 April 2013 April 2018 June 2018	Assistant Professor, Faculty of Liberal Arts, Osaka University Assistant Professor, Graduate School of Engineering Science, Osaka University Professor, Faculty of Mercantile Marine, Kobe University of Mercantile Marine Professor, Faculty of Maritime Sciences, Kobe University Professor, School of Commerce, University of Marketing and Distribution Sciences Part Time Lecturer, University of Marketing and Distribution Sciences Director, the Company (current position)	(Note) 3	-
Director (Outside Director)	Kimie Sakuragi	September 6, 1958	March 1981 January 2003 June 2003 April 2007 June 2019 June 2021 June 2021	Joined Fukutake Publishing Co., Ltd. (currently Benesse Holdings, Inc.) Manager, Business Ethics and Compliance Office Standing Audit & Supervisory Board member (Resigned in June 2019) Adjunct Professor, the University of Aizu Graduate School (current position) Director, the Company (current position) Outside Director of the Board (Audit and Supervisory Committee Member), Isuzu Motors Limited (current position) Outside Director, Kumagai Gumi Co., Ltd. (current position)	(Note) 3	-
Director (Outside Director)	Masaaki Harima	December 9, 1950	April 1977 April 1980 May 1981 September 1987 April 2010 June 2011 March 2014 June 2014 November 2018 October 2019 June 2020 April 2021	Assistant Judge, Osaka District Court Fukushima District / Family Court Assistant Judge, Fukushima Summary Court Judge Registered as an attorney at law (Osaka Bar Association) Founded Harima Law Office (currently Fushimimachi Lawyer's Office) Chairman, Osaka City Fair Work Committee Outside Corporate Auditor, Ishihara Sangyo Kaisha, Ltd. Chairman, Osaka Prefecture Labor Relations Board Independence Committee, the Company Member, Osaka Prefecture Pollution Examination Committee Sakai City Audit Committee Member Director, the Company (current position) Chairperson, Osaka Prefecture Pollution Examination Committee (current position)	(Note) 3	-

Title	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundred shares)
Director (Outside Director)	Hiroshi Fukushi	April 25, 1958	April 1984 Joined Ajinomoto Co., Inc. June 2011 Corporate Executive Officer June 2013 Member of the Board & Corporate Vice President June 2013 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 June 2019 Chief Digital Officer May 2021 Chairman, Japan Food Additives Association (current position) May 2021 Vice Chairman, Japan Food Hygiene Association (current position) June 2021 Representative Executive Officer & Executive Vice President, Ajinomoto Co., Ltd. April 2022 Director and Executive Officer June 2022 Senior Corporate Advisor (current position) June 2022 Director, the Company (current position) June 2022 Outside Director of MEGMILK SNOW BRAND Co., Ltd. (current position)	(Note) 3	11
Director (Outside Director)	Shoko Takase	January 4, 1965	April 1987 Joined IBM Japan Ltd. January 2005 Seconded to IBM Corporation (IBM Corporation USA Headquarters) January 2007 Manager of Strategy and Marketing, Global Technology Services, IBM Japan Ltd. January 2010 Brand Executive of Tivoli, Software Group July 2015 Mobile County Leader, Growth Initiatives July 2016 Brand Executive of Resiliency Services, Global Technology Services July 2018 Director, Head of the IBM Cloud Solutions Center, IBM Japan, Ltd. April 2019 Managing Director for Enterprise Sector, Cisco Systems G.K. July 2021 Advisor of TechnoPro Holdings, Inc. September 2021 Outside Director of TechnoPro Holdings, Inc. (current position) June 2023 Director, the Company (current position) June 2023 Outside Director of GLOBERIDE, Inc. (current position)	(Note) 3	4
Corporate Auditor (Full-time)	Takayuki Tabo	February 5, 1961	April 1983 Joined the Company March 2010 General Manager, Accounting Department October 2013 Deputy Director, General Manager, Accounting Department April 2017 Executive Officer April 2020 President and Chief Operating Officer, Toyobo STC Co., Ltd. June 2021 Corporate Auditor (current position)	(Note) 4	57

Title	Name	Date of birth	Career summary		Term of office	Number of shares held (Hundred shares)
Corporate Auditor (Full-time)	Yasuo Ota	December 3, 1959	April 1984	Joined the Company	(Note) 4	138
			April 2007	Head of the Research Center and Head of the Corporate Research Center, and Deputy General Manager of the Business Development Planning Office		
			October 2009	Deputy Director, General Manager of the Biochemical Department		
			April 2013	Deputy Director, General Manager of the North America Business Operating Department and seconded to Toyobo U.S.A., Inc.		
			April 2015	Executive Officer		
			April 2019	Managing Executive Officer		
			April 2023	Officer in charge of Special Mission by the President, Innovation Division		
			June 2023	Corporate Auditor (current position)		
Corporate Auditor (Outside Corporate Auditor)	Akihiko Irie	September 18, 1956	April 1980	Joined Osaka Gas Co., Ltd.	(Note) 4	18
			June 2009	Corporate Officer		
			April 2012	Corporate Executive Officer		
			April 2015	Deputy Director		
			June 2015	Audit & Supervisory Board Member		
			June 2019	Outside Audit & Supervisory Board Member, Osaka Gas Urban Development Co., Ltd.		
			June 2021	Corporate Auditor, the Company (current position)		
Corporate Auditor (Outside Corporate Auditor)	Wakyu Shinmen	January 14, 1957	October 1982	Joined Tohmatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC)	(Note) 4	-
			March 1983	Registered as a certified public accountant		
			August 1997	Appointed as a Designated Engagement Partner (currently Partner) at Deloitte Touche Tohmatsu LLC		
			October 2013	General Manager of the Kansai Business Department, Audit Business Division at Deloitte Touche Tohmatsu LLC		
			September 2021	Retired from Deloitte Touche Tohmatsu LLC		
			September 2022	Established Shinmen Certified Public Accountant Office		
			June 2023	Corporate Auditor, the Company (current position)		
			June 2023	Outside Audit & Supervisory Board Member, SEKISUI CHEMICAL CO., LTD. (current position)		
Total						1,411

(Notes) 1. Directors Takafumi Isogai, Kimie Sakuragi, Masaaki Harima, Hiroshi Fukushi, and Shoko Takase are Outside Directors.
2. Corporate Auditors Akihiko Irie and Wakyu Shinmen are Outside Corporate Auditors.
3. The term of office of Directors expires at the conclusion of the Annual General Meeting of Shareholders for the last fiscal year ending within one year after election.
4. The term of office of Corporate Auditors expires at the conclusion of the Annual General Meeting of Shareholders for the last fiscal year ending within four years after election.
5. The Company has elected one Substitute Corporate Auditor as stipulated in Article 329, paragraph (3) of the Companies Act to be ready to fill a vacant position should the number of Corporate Auditors fall below the number required by laws and regulations. Career summary for the Substitute Corporate Auditor (Outside Corporate Auditor) is as follows:

Name	Date of birth	Career summary		Number of shares held (Hundred shares)
Yoshinori Satoi	December 10, 1962	April 1996	Registered as an attorney at law	-
			Joined Takagi Motaichi Law Office	
		February 2006	Outside Corporate Auditor, Zojirushi Corporation	
		June 2015	Outside Corporate Auditor, NCS&A Co., Ltd.	
			Outside Corporate Auditor, the Company	
		December 2016	Joined Yasaka Law Office	
		June 2019	Substitute Corporate Auditor, the Company (current position)	

(Executive Officers)

The Company has introduced the executive officer system to invigorate the Board of Directors by separating decision-making/oversight and business execution. There are 24 Executive Officers. Executive Officers who do not serve concurrently as Directors. They are as follows:

Title	Name
Co-COO Executive Assistant to President, and Head, Environmental and Functional Materials Division	Chikao Morishige
Senior Managing Executive Officer Planning Division	Ichiro Takai
Managing Executive Officer Head, Films Division	Muneo Hirooka
Managing Executive Officer Head, Functional Textiles and Trading Division	Eiichi Shimizu
Executive Officer Management Division	Taizo Ono
Executive Officer General Manager, IT and DX Planning Department	Tetsuro Yabuki
Executive Officer General Manager, Corporate Business Management Department	Seiji Yamazoe
Executive Officer Deputy Head, Films Division, and General Manager, Films New Business Development Operating Department, Officer in Charge of Special Mission by the President (GX Strategy Planning)	Yoshihiro Nomi
Executive Officer Assistant to Environmental and Functional Materials Division and to Group Management Operating Department	Kazuyuki Kawata
Executive Officer General Manager, Internal Audit Department	Kenji Fujihashi
Executive Officer General Manager, Packaging Operating Department, and Tokyo Branch	Nobuyuki Hoshino
Executive Officer General Manager, Industrial Films Operating Department	Masanao Kudo
Executive Officer General Manager, Biotechnology Operating Department	Atsushi Sogabe
Executive Officer General Manager, Airbag Operating Department	Tadao Kuroki
Executive Officer Head, Quality Assurance Division and General Manager, Quality Assurance Management Department	Masakazu Iwasaki
Executive Officer General Manger, Corporate Communication Department, Officer in charge of KAERU Department	Sonoko Ishimaru
Executive Officer Innovation Division	Katsuya Ito
Executive Officer Head, Iwakuni Production Center	Hisashi Arimoto
Executive Officer Environmental and Functional Materials Division	Kazuhito Ikeda
Executive Officer Head, Tsuruga Research and Production Center	Katsuya Toita

(ii) Outside officers

The Company has five Outside Directors and two Outside Corporate Auditors. There are no special interests between any of the outside officers and the Company.

Reasons for the election and independence of each outside officer, as well as the independence standards for outside officers stipulated by the Company, are as follows. The Company has deemed that all of the outside officers satisfy the standards and there are no concerns about conflicts of interest with general shareholders, and notified the Tokyo Stock Exchange of the outside officers' appointments as independent officers as provided for by the aforementioned exchange.

(a) Reasons for the election of outside officers and their independence

Outside Director Takafumi Isogai	The Company elected Takafumi Isogai so that his expertise and wide-ranging knowledge as an academic specializing in the quality control field can be leveraged to provide advice and supervision to the Company's management.
Outside Director Kimie Sakuragi	The Company elected Kimie Sakuragi so that her extensive experience and wide-ranging knowledge in the fields of corporate ethics, compliance, sustainability, etc. can be leveraged to provide advice and supervision to the Company's management.
Outside Director Masaaki Harima	The Company elected Masaaki Harima so that his expertise and wide-ranging knowledge as an attorney at law can be leveraged to provide advice and supervision to the Company's management.
Outside Director Hiroshi Fukushi	The Company elected Hiroshi Fukushi so that his extensive experience and wide-ranging knowledge as a manager and high level of expertise in the biotechnology field and digital field can be leveraged to provide advice and supervision to the Company's management. Hiroshi Fukushi worked for Ajinomoto Co., Ltd., a business partner of the Company. Sales from transactions with Ajinomoto make up less than 1% of the Company's sales on average for the past three years.
Outside Director Shoko Takase	The Company elected Shoko Takase so that her extensive experience and wide-ranging knowledge as a manager and high level of expertise in the IT and digital fields can be leveraged to provide advice and supervision to the Company's management. Shoko Takase worked for IBM Japan Ltd., a business partner of the Company. Purchases from IBM Japan make up less than 1% of IBM Japan's sales on average for the past three years.
Outside Corporate Auditor Akihiko Irie	The Company elected Akihiko Irie so that his extensive experience and wide-ranging knowledge in audits gained as an auditor of listed companies are reflected in audits of the Company. Akihiko Irie worked for Osaka Gas Co., Ltd., a business partner of the Company. Purchases from Osaka Gas make up less than 1% of IBM Japan's sales on average for the past three years.
Outside Corporate Auditor Wakyu Shinmen	The Company elected Wakyu Shinmen so that his extensive experience and wide-ranging knowledge in audits gained as a Certified Public Accountant are reflected in audits of the Company.

(b) Independence standards for outside officers

The Company deems that if none of the attributes in the following items apply, the Outside Director or Outside Corporate Auditor (or the candidate for Outside Director or Outside Corporate Auditor) has a high degree of independence from the Company, and there are no concerns about conflicts of interest with general shareholders.

i) A major shareholder in the Company (refers to a shareholder with a voting rights ownership ratio of 10% or more; the same applies below) or an individual who executes business for that shareholder

ii) An individual who executes business for a company of which the Company is a major shareholder

iii) A business partner of the Company for which the Company is a major partner (refers to a party that provides products or services to the Company for which the average annual transaction amount for the past three fiscal years exceeds 2% of that business partner's annual gross sales) or an individual who executes business for that company

iv) A major business partner of the Company (refers to a party that the Company provides products or services to for which the average annual transaction amount for the past three fiscal years exceeds 2% of the Company's annual gross sales) or an individual who executes business for that company

v) An individual who executes business as an employee of a financial institution that is a major lender to the Company (refers to a lender for which the loan balance amount is equivalent to more than 2% of the Company's total assets)

vi) An individual who obtains more than ¥10 million per year in cash or other assets in profit from the Company as a specialist, such as a consultant, accountant, or attorney at law, other than officers' compensation (or an individual who belongs to a corporation, etc., that obtains more than ¥100 million per year in this matter)

vii) An individual to whom any item in a. to f. above has applied within the past three years

viii) A relation within the second degree of an individual to whom any item in a. to g. above applies

(Note) Even if none of the attributes above apply, in some cases it may be deemed that there is no independence in consideration of matters such as transaction volumes at a Group company of the Company or a Group company of a business partner.

(iii) Mutual cooperation between supervision or audit by Outside Directors or Outside Corporate Auditors and internal audits, Corporate Auditors' audits and accounting audits, as well as relationships with internal control divisions

Corporate Auditors, including Outside Corporate Auditors, receive explanations on the status of activities, including internal audit plans, from the Internal Audit Department, exchange opinions, and receive reports on the results of internal audits and reports on the status of internal control evaluations related to financial reports. Corporate Auditors also hold regular meetings to exchange information, in addition to receiving reports on the audit plans and results from the Accounting Auditor.

(3) Audits

(i) Corporate Auditors' audit

(a) Organization, personnel

The Board of Corporate Auditors of the Company consists of four members - two full-time Corporate Auditors and two part-time Corporate Auditors (Outside Corporate Auditors). In addition, in order to assist with the duties of the Corporate Auditors, we have assigned two staff members for Corporate Auditors.

Full-time Corporate Auditor Takayuki Tabo has extensive experience in the finance and accounting division, and Outside Corporate Auditor Wakyu Shinmen has long years of experience as a certified public accountant and has considerable knowledge of finance and accounting.

Corporate Auditors attend Board of Directors meetings and other important meetings to express their opinions based on the Company's regulations, and investigate the business and property status of the Company by verifying the content of reports received from Directors, etc., and reading important documents such as approval requests, etc. They request explanations as necessary and express their opinions from an independent and objective standpoint.

(b) Status of activities of Corporate Auditors and the Board of Corporate Auditors

i) Attendance at meetings of the Board of Corporate Auditors and the Board of Directors held during the current fiscal year

Title	Name	Attendance at meetings of the Board of Corporate Auditors	Attendance at meetings of the Board of Directors	Remarks
Full-time Corporate Auditor	Takayuki Tabo	15/15 (100%)	17/17 (100%)	
Full-time Corporate Auditor	Yasuo Ota	10/10 (100%)	13/13 (100%)	Assumed the office of Corporate Auditor on June 28, 2023
Part-time Corporate Auditor (Outside)	Akihiko Irie	15/15 (100%)	17/17 (100%)	
Part-time Corporate Auditor (Outside)	Wakyu Shinmen	10/10 (100%)	13/13 (100%)	Assumed the office of Corporate Auditor on June 28, 2023
Full-time Corporate Auditor	Yasuhiro Iizuka	5/5 (100%)	4/4 (100%)	Retired on June 28, 2023
Part-time Corporate Auditor (Outside)	Hiroyuki Sugimoto	5/5 (100%)	4/4 (100%)	Retired on June 28, 2023

The Board of Corporate Auditors holds a regular monthly meeting prior to a meeting of the Board of Directors, and an extraordinary meeting as necessary. The average duration of regular meetings is approximately 60 minutes.

ii) Specific matters for consideration at the Board of Corporate Auditors

Specific matters for consideration at the Board of Corporate Auditors include preparing audit reports, selecting and dismissing Full-time Corporate Auditors, determining audit policies and audit plans, deciding on auditing methods and division of work, making decisions on the election of the Accounting Auditor and consenting to fees for the Accounting Auditor. The Board of Corporate Auditors also checks matters to be discussed at or reported to the Board of Directors in advance, and confirms operational audit activity reports, important items for approval and details of donations.

iii) Priority audit items

In the current fiscal year, the Corporate Auditors performed operational audits focused on the progress on the implementation of the 2025 Medium-Term Management Plan, the state of the initiatives for risk management, and the state of the initiatives for group governance.

iv) Main activities of Corporate Auditors

Corporate Auditors mainly conducted the following activies, which were spearheaded by Full-time Corporate Auditors and conducted in cooperation with Outside Corporate Auditors.

Operational audit: Corporate Auditors divide audit tasks between them and perform audits on operating departments and committees of the head office, branches, production centers and plants as well as subsidiaries in Japan and overseas, in accordance with the audit plan. Then, they share information and exchange opinions at the Board of Corporate Auditors meetings.

Accounting audit: Corporate Auditors are briefed by the Accounting Auditor on the audit plan at the beginning of the fiscal year, receive review reports during the fiscal year and annual audit reports, and hold regular sessions for exchange of opinions, thereby closely collaborating with the Accounting Auditor. In the sessions, Corporate Auditors and the Accounting Auditor exchanged opinions on key audit matters (KAM) and held repeated discussions.

Collaboration with Corporate Auditors of subsidiaries: Corporate Auditors regularly hold Group auditor liaison meetings attended by Corporate Auditors of major group companies to share information and exchange opinions.

Gathering with Directors: Corporate Auditors hold a regular gathering with the Chairman & Director, President and Director, Outside Directors, and Directors and Executive Officers in charge of divisions. In the gathering, Corporate Auditors make recommendations based on audit findings, and receives reports and exchange opinions as necessary.

Collaboration with Internal Audit Department: Corporate Auditors strengthen collaboration with the Internal Audit Department by receiving reports on audit results and exchange information and opinions as necessary. The Company regularly held three-way audit meetings, where Corporate Auditors, the Accounting Auditor and the Internal Audit Department reported on the status of their respective audits and exchanged information, in an effort to enhance the effectiveness and efficiency of respective audits and developing an audit environment.

(ii) Internal audits

The Company has established the Internal Audit Department as an organization placed under the direct control of President & Representative Director. With its 15 members, the Internal Audit Department conducts internal audits of the Company and group companies based on audit plans, etc. and conducts monitoring activities to evaluate the effectiveness of internal controls. The Internal Audit Department conducts general audits to audit matters regarding the operations that the audited organization is responsible for, audits of the risk management system that addresses major risks related to safety, disaster prevention, quality, and other matters, and thematic audits to audit matters on specified themes. If any item is found in the audits that requires improvement, the Internal Audit Department asks the audited organization to submit an improvement plan and a report on implementing improvement measures in order to check how the improvement plan is being carried out and managed, thereby strengthening internal control.

The Internal Audit Department reports to the President & Representative Director, the Board of Directors, and Corporate Auditors on audit results and internal control evaluation status related to financial reports, explaining its audit plans and activities and exchanging opinions. It also regularly exchanges opinions with the Accounting Auditor.

(iii) Accounting audits

(a) Name of audit corporation

KPMG AZSA LLC

(b) Continuous audit period

55 years

The above duration refers to the period after Asahi & Co., which is a predecessor to the incumbent Accounting Auditor, KPMG AZSA LLC, became an audit firm, because the period before that was extremely difficult to investigate. The actual duration of audit engagement may exceed the above period.

(c) Certified public accountants who executed business

Yoshihide Takehisa
Tetsuo Yamada
Seiko Ohashi

(d) Composition of assistants relating to audit work

The total number of assistants related to the accounting audit of the Company was 35, including 11 certified public accountants and 24 others.

(e) Policy for selecting an audit firm and reasons for the selection

The Company selected KPMG AZSA LLC as the certified public accountants, etc. for audits because the Company judged that the audit firm's audit was expected to enhance reliability of the Company's financial information, as the audit firm has the competence and independence necessary for an Accounting Auditor, the audit quality management system, and the system to audit the Group's global business activities in an integrated manner.

(f) Assessment of the audit firm by Corporate Auditors and the Board of Corporate Auditors

The Board of Corporate Auditors of the Company judges the reasonableness of the Accounting Auditor based on the Company's assessment items by collecting information from operating departments and observing inventory counts. As a result, the Company confirmed that the Accounting Auditor has the necessary independence and competence, develops an audit system, and performs audit based on an audit plan suited to the scale and business of the Company, after which the Company comprehensively assessed and selected the Accounting Auditor.

(iv) Details of audit fees, etc.

(a) Fees for certified public accountants, etc. for audits

(Millions of yen)

Category	Previous fiscal year		Current fiscal year	
	Fees for audit and attestation services	Fees for non-audit services	Fees for audit and attestation services	Fees for non-audit services
Reporting company	88	2	76	6
Consolidated subsidiaries	23	8	50	16
Total	111	10	126	22

Fees for non-audit services paid by the Company to certified public accountants, etc. for audits during the previous fiscal year are related to preparation of a comfort letter.

In addition, fees for non-audit services with respect to consolidated subsidiaries are related to accounting guidance and advisory services.

Fees for non-audit services paid by the Company to certified public accountants, etc. for audits during the current fiscal year are related to preparation of a comfort letter and other services.

In addition, fees for non-audit services with respect to consolidated subsidiaries are related to referred work, which falls outside services under Article 2, paragraph (1) of the Certified Public Accountants Act.

(b) Fees paid to the same network as the certified public accountants, etc. for audits (KPMG Group) (excluding a.)

(Millions of yen)

Category	Previous fiscal year		Current fiscal year	
	Fees for audit and attestation services	Fees for non-audit services	Fees for audit and attestation services	Fees for non-audit services
Reporting company	-	28	-	20
Consolidated subsidiaries	33	2	39	5
Total	33	30	39	24

Fees for non-audit services paid by the Company to the same network as the certified public accountants, etc. for audits during the previous fiscal year are related to tax advisory and various consulting services, etc.

In addition, fees for non-audit services with respect to consolidated subsidiaries are related to tax advisory services, etc.

Fees for non-audit services paid by the Company to the same network as the certified public accountants, etc. for audits during the current fiscal year are related to tax advisory and various consulting services, etc.

In addition, fees for non-audit services with respect to consolidated subsidiaries are related to tax advisory services, etc.

(c) Fees for other significant audit and attestation services

Not applicable

(d) Determination policy for audit fees

Not applicable

(e) Reasons for the agreement by the Board of Corporate Auditors on the fees, etc. for the Accounting Auditor

The Board of Corporate Auditors has agreed at its meeting to the audit fees paid to the Accounting Auditor after examining the validity of estimates calculated based on the audit plan.

(4) Compensation

(i) Matters concerning amounts of compensation, etc. or the determination of the calculation method thereof

(Method for deciding on the determination policy for the content of individual compensation, etc.)

The Board of Directors proposes a draft of the determination policy for the content of individual compensation, etc. (hereinafter the “Determination Policy”) to the Nomination and Compensation Advisory Committee for consultation, and decides on the policy based on reports from the Committee.

The current Determination Policy was decided by a resolution of the Board of Directors on April 25, 2022.

(Content of the Determination Policy (Summary))

(a) Basic policy

i) The Company’s system of compensation is designed as follows, in line with basic policy, within the monetary amount resolved at the Annual General Meeting of Shareholders.

a. Provide incentives that lead to the Group’s sustained growth and enhance corporate value over the longer term

b. Secure highly talented management personnel

c. Set determination procedures that are objective and highly transparent

ii) The 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.

(b) Policy concerning the amount of individual monetary compensation (including performance-based amounts)

i) Composition of monetary compensation

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

a. Basic component based on position (basic compensation)

b. Variable component based on performance in the previous fiscal year (short-term incentive compensation)

ii) The short-term incentive compensation is determined as follows:

a. The short-term incentive compensation is determined by adjusting the baseline amount, which is defined for each position, by factoring in the assessment of the Company’s overall performance and the performance of the division that each Director is responsible for, applying the following ratios according to position:

For Representative Directors and Directors with titles Factor in the Company’s overall performance only

For Directors	Factor in the Company’s overall performance and the division’s performance at the ratio of 2 to 1
For Executive Officers (full-time)	Factor in the Company’s overall performance and the division’s performance at the ratio of 1 to 2

b. The short-term incentive compensation for each Director and officer, calculated by taking into account the Company’s overall performance and the division’s performance as describe above, is approved by the Board of Directors.

c. In the assessment of the Company’s overall performance, EBITDA, one of the major management indices, is used as a KPI, and the rating ranges from 0% to 200%, depending on the level of achievement determined by comparing the result with the target value.

d. The target value is proposed to the Nomination and Compensation Advisory Committee for consultation and determined by the Board of Directors based on the committee’s report.

e. In the assessment of the performance of the division that each Director and officer is responsible for, its level of achievement in terms of operating profit, as well as its ROA and level of improvement in terms of EBITDA, among others, are considered as a whole, and the rating is given on a five-level scale, ranging from 50% to 200%.

(c) Details of non-monetary compensation, etc. or the policy concerning the method of calculating the amount or the number

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).

(d) Policy for determining the ratio of amounts of monetary compensation, performance-based compensation or non-monetary compensation to the total amount of compensation for individual Directors

Compensation for Directors is so designed as to appropriately raise incentives to increase corporate value. The ratio of the basic compensation, the short-term incentive compensation, and the non-monetary compensation is 6:3:1 (when the amount of the short-term incentive compensation is equal to the baseline amount).

<Reference> Comparison ratio of compensation for Directors (excluding Outside Directors)

Monetary compensation		Non-monetary compensation
Basic compensation	Performance-based compensation, etc. (Short-term incentive compensation)	Restricted share compensation
60%	30%	10%

(e) Other matters related to deciding on the determination policy for content of individual compensation, etc.

i) Compensation for Outside Directors is to be fixed monetary compensation in view of their role and independence.

ii) 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.

iii) The Nomination and Compensation Advisory Committee, in which Outside Directors account for a majority of the members, has been established as an advisory body to the Board of Directors to ensure the transparency and objectivity of decisions on compensation. The Nomination and Compensation Advisory Committee is chaired by an Outside Director. The Nomination and Compensation Advisory Committee receives a request for advice from the Board of Directors and deliberates on the system, level, and method of calculating the compensation, in addition to the target value set for the evaluation of the Company's overall performance that forms 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.

<Reference>

Based on discussions about social trends surrounding executive compensation, appropriate incentives for performance improvement, and other matters, on April 25, 2024, the Board of Directors decided through a resolution to partially revise the compensation system and to reflect the changes starting with compensation for July 2024.

The major changes are as follows:

(1) Composition and ratio of short-term incentive compensation

Before the change:

For Representative Directors and Directors with titles	Factor in the Company's overall performance only
For Directors	Factor in the Company's overall performance and the division's performance at the ratio of 2 to 1
For Executive Officers (full-time)	Factor in the Company's overall performance and the division's performance at the ratio of 1 to 2

After the change:

For the Chair of the Board & Director	Factor in the Company's overall performance only
For Representative Director (concurrently serving as Executive Officers)	Factor in the Company's overall performance and the individual's performance at the ratio of 2 to 1
For Directors (concurrently serving as Executive Officers)	Factor in the Company's overall performance and the individual's performance at the ratio of 1 to 1
For Executive Officers (full-time)	Factor in the Company's overall performance and the individual's performance at the ratio of 1 to 2

(2) Assessment items for determining short-term incentive compensation

(i) Change the existing "division's performance" to "individual's performance."

(ii) For individual performance, in addition to the performance of the division that each Director and officer is responsible for, set new individual targets and assess the level of achievement.

(iii) Add non-financial indicators to assessment items for individual performance. Set non-financial indicators to targets that will be shared by all Executive Officers based on the annual management policy.

(Reasons for the Board of Directors' judgment that the content of individual compensation, etc. aligned with the Determination Policy)

The Nomination and Compensation Advisory Committee, an advisory body to the Board of Directors, deliberated on the consistency of the content of individual compensation, etc. for the current fiscal year with the Determination Policy, and reported to the Board of Directors that the content was reasonable. Based on the report, the Board of Directors judged that the content of individual compensation, etc. aligned with the Determination Policy.

(ii) Total amount of compensation, etc. by officer category, total amount of compensation, etc. by type and number of eligible officers

Officer category	Total amount of compensation, etc. (Millions of yen)	Total amount of compensation, etc. by type (Millions of yen)			Number of eligible officers (People)
		Basic compensation	Performance-based compensation, etc.	Non-monetary compensation, etc. (Restricted share compensation)	
Directors (excluding Outside Directors)	255	192	30	32	6
Corporate Auditors (excluding Outside Corporate Auditors)	53	53	-	-	3
Outside officers	71	71	-	-	9

(Notes) 1. The amount of compensation, etc. for Directors was approved at the 147th Annual General Meeting of Shareholders held on June 29, 2005 to be ¥41 million or less per month. Separately, the amount of monetary compensation paid to grant restricted shares to Directors (excluding Outside Directors) was approved at the 161st Annual General Meeting of Shareholders held on June 25, 2019 to be ¥45 million or less per year. Compensation for Corporate Auditors was approved at the 145th Annual General Meeting of Shareholders held on June 27, 2003 to be ¥7 million or less per month.

2. Matters related to performance-based compensation, etc.

(i) Certain compensation is designed to incorporate company-wide performance and the performance of the divisions that each Director is in charge of for the previous fiscal year in order to adequately motivate Directors (excluding Outside Directors).

(ii) For compensation between April and June 2023, KPI for company-wide performance was consolidated operating profit, a primary management indicator that was also a KPI under the 2018 Medium-Term Management Plan. This figure in FY 3/22 was ¥28.4 billion. For compensation from July 2023, KPI for company-wide performance was EBITDA, a KPI under the 2025 Medium-Term Management Plan. This figure in FY 3/23 was ¥29.1 billion.

(5) Shareholdings

(i) Criteria for equity investment category and approach

The Company distinguishes between equity investments held for pure investment purposes and equity investments held for purposes other than pure investment: Equity investments held solely for the purpose of earning profits through fluctuations in the value of stocks or dividends related to stocks are classified as equity investments held for pure investment purposes, and the other equity investments as equity investments held for purposes other than pure investment.

(ii) Equity investments held for purposes other than pure investment

(a) Shareholding policy, method for verifying reasonableness of shareholdings, and details on verification by the Board of Directors, etc. of whether it is appropriate to keep holding individual stocks

The Company periodically verifies equity investments held for purposes other than pure investment in terms of their effects on medium- to long-term improvement of corporate value and economic rationality, among other factors. Under the Company's policy, stocks deemed to have become insignificant to hold will be sold in an appropriate and timely manner. Meanwhile, when the Company judges that maintaining and strengthening stable business relationships with key customers will contribute to the Company's sustained growth and medium- to long-term improvement of corporate value, it may hold shares in the customers.

Each year, the Board of Directors examines each equity investment held for purposes other than pure investment with respect to the investee's future business strategies and business relationships, and determines whether to continue holding the equity investment. The Board of Directors discussed the status of shareholdings as of the end of March 2024 at its meeting held on April 25, 2024, and confirmed that some stocks will be sold.

(b) Number of stocks and carrying amounts

	Number of stocks (Stock)	Total carrying amount (Millions of yen)
Unlisted shares	49	1,491
Shares other than unlisted shares	5	1,018

(Stocks that increased during the current fiscal year)

	Number of stocks (Stock)	Total acquisition costs for the increase in stocks (Millions of yen)	Reason for the increase in stocks
Unlisted shares	2	89	The issuer is mainly a key customer of the Company's packaging films business, and the Company has increased its shares to maintain a stable relationship.
Shares other than unlisted shares	1	3	The issuer is a key customer of the Company's packaging films business, and the Company holds its shares to maintain a stable relationship. The increase in shares held is due to the Shareholding Association.

(Stocks that decreased during the current fiscal year)

	Number of stocks (Stock)	Total selling prices for the decrease in stocks (Millions of yen)
Unlisted shares	4	55
Shares other than unlisted shares	5	660

(c) Information on the numbers and carrying amounts of specified equity investments and deemed shareholdings by stock

Specified equity investments

Stocks	Current fiscal year Number of shares (Shares) Carrying amount (Millions of yen)	Previous fiscal year Number of shares (Shares) Carrying amount (Millions of yen)	Purpose of holding, outline of business alliance, quantitative effects from holdings, and reason for share increase	Shares held in the Company
Mitsubishi Gas Chemical Company, Inc.	225,600	225,600	The Company holds its shares to maintain and strengthen the relationship with the issuer as a strategic partner for supplying raw materials for high-performance products.	Yes
	584	442		
Taisei Lamick Co., Ltd.	109,386	108,267	The issuer is a key customer of the Company's packaging films business, and the Company holds its shares to maintain a stable relationship. The increase in shares held is due to the Shareholding Association.	No
	326	311		
Hisamitsu Pharmaceutical Co., Inc.	20,000	20,000	The issuer is a key customer of the Company's industrial films business, and the Company holds its shares to maintain a stable relationship.	No
	79	75		
Sun A Kaken Co., Ltd.	35,000	35,000	The issuer is a key customer of the Company's industrial films and packaging films businesses, and the Company holds its shares to maintain a stable relationship.	No
	18	16		
Maruto Sangyo Co., Ltd.	4,575	4,575	The issuer is a key customer of the Company's packaging films business, and the Company holds its shares to maintain a stable relationship.	No
	9	8		
Stanley Electric Co., Ltd.	-	100,000	The issuer is a key customer of the Company's engineering plastics business, and the Company held its shares to maintain a stable relationship because it operates the business globally.	No
	-	293		
TOPPAN Holdings Inc. (Note 3)	-	90,000	The issuer is a key customer of the Company's industrial films and packaging films businesses, and the Company held its shares to maintain a stable relationship.	No
	-	239		
Yagi & Co., Ltd.	-	142,900	The issuer is a key customer of the Company's high performance fibers business, and the Company held its shares to maintain a stable relationship because it operates the business globally.	Yes
	-	182		
France Bed Holdings Co., Ltd.	-	99,600	The issuer is a key customer of the Company's nonwoven materials business, and the Company held its shares to maintain a stable relationship.	Yes
	-	105		
Kaneka Corporation	-	2,000	The issuer is a key customer of the Company's environmental solutions business, and the Company held its shares to maintain a stable relationship.	No
	-	6		

(Notes) 1. Quantitative impacts are difficult to present. Each year, the Board of Directors examines the rationality of each shareholding with respect to the investee's future business strategies and business relationships, and determines whether to continue holding the equity investment.

2. "-" indicates that the Company has no shares of the stock.

3. Toppan Inc. changed its trade name to TOPPAN Holdings Inc. on October 1, 2023.

(iii) Equity investments held for pure investment purposes

Not applicable

V. Financial Information

1. Preparation methods for the consolidated and non-consolidated financial statements

(1) The consolidated financial statements of the Company are prepared based on the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Ordinance No. 28 of 1976).

(2) The non-consolidated financial statements of the Company are prepared based on the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Ordinance No. 59 of 1963; hereinafter the “Financial Statements Regulations”).

As the Company falls under the category of “special company submitting financial statements,” the non-consolidated financial statements of the Company are prepared pursuant to the provisions of Article 127 of the Financial Statements Regulations.

2. Audit and attestation

The consolidated and non-consolidated financial statements of the Company for the current fiscal year (from April 1, 2023 to March 31, 2024) are audited by KPMG AZSA LLC, in accordance with the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

3. Special measures to ensure the appropriateness of the consolidated financial statements, etc.

The Company implements special measures to ensure the appropriateness of the consolidated financial statements, etc. Specifically, the Company is a member of the Financial Accounting Standards Foundation, and the accounting and control department takes the lead in collecting information as appropriate.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

(i) Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Assets		
Current assets		
Cash and deposits	*2 60,703	*2 33,796
Notes receivable - trade	5,873	*5 3,775
Accounts receivable - trade	82,553	*5 83,968
Contract assets	407	140
Electronically recorded monetary claims - operating	12,295	*5 14,921
Merchandise and finished goods	75,343	69,996
Work in process	16,556	20,566
Raw materials and supplies	30,002	31,421
Other	15,672	15,488
Allowance for doubtful accounts	(271)	(337)
Total current assets	299,133	273,733
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	*8 54,515	*8 64,575
Machinery, equipment and vehicles, net	*8 46,907	*8 59,855
Land	*7 90,816	*7 91,049
Construction in progress	39,829	53,025
Other, net	8,166	12,972
Total property, plant and equipment	*1, *2 240,234	*1, *2 281,475
Intangible assets		
Other	4,633	4,670
Total intangible assets	4,633	4,670
Investments and other assets		
Investment securities	*4 13,951	*4 11,072
Retirement benefit asset	702	3,196
Deferred tax assets	21,527	21,400
Other	*4 9,857	*4 12,712
Allowance for doubtful accounts	(1,131)	(1,268)
Total investments and other assets	44,906	47,112
Total non-current assets	289,773	333,257
Total assets	588,906	606,990

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	53,436	*5 49,782
Electronically recorded obligations - operating	5,156	*5 4,229
Short-term borrowings	71,595	68,385
Current portion of bonds payable	10,000	15,000
Current portion of long-term borrowings	29,472	13,069
Provision for bonuses	4,776	5,253
Other	*2, *6 28,064	*2, *5, *6 28,430
Total current liabilities	202,500	184,148
Non-current liabilities		
Bonds payable	65,000	60,000
Long-term borrowings	49,099	85,637
Deferred tax liabilities for land revaluation	19,641	18,762
Provision for retirement benefits for directors (and other officers)	239	274
Provision for environmental measures	12	11
Retirement benefit liability	22,427	15,901
Other	8,566	12,171
Total non-current liabilities	164,984	192,755
Total liabilities	367,484	376,903
Net assets		
Shareholders' equity		
Share capital	51,730	51,730
Capital surplus	32,402	33,187
Retained earnings	70,490	70,315
Treasury shares	(781)	(1,006)
Total shareholders' equity	153,840	154,227
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,434	1,801
Deferred gains or losses on hedges	67	(1)
Revaluation reserve for land	*7 41,435	*7 40,603
Foreign currency translation adjustment	(4,556)	(548)
Remeasurements of defined benefit plans	(4,632)	951
Total accumulated other comprehensive income	35,748	42,806
Non-controlling interests	31,834	33,054
Total net assets	221,422	230,087
Total liabilities and net assets	588,906	606,990

(ii) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

(Consolidated Statements of Income)	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Net sales	*1 399,921	*1 414,265
Cost of sales	*2 314,915	*2 326,267
Gross profit	85,006	87,998
Selling, general and administrative expenses	*3, *4 74,943	*3, *4 79,003
Operating profit	10,063	8,995
Non-operating income		
Dividend income	323	323
Share of profit of entities accounted for using equity method	342	-
Foreign exchange gains	443	1,333
Insurance claim income	250	219
Subsidy income	101	583
Other	986	1,244
Total non-operating income	2,446	3,702
Non-operating expenses		
Interest expenses	1,328	1,355
Salaries paid to dispatched employees	699	793
Other	3,891	3,587
Total non-operating expenses	5,919	5,735
Ordinary profit	6,590	6,962
Extraordinary income		
Gain on sale of non-current assets	*5 1,200	-
Gain on sale of investment securities	*6 2,946	*6 3,312
Insurance claim income	*7 5,607	-
Total extraordinary income	9,753	3,312
Extraordinary losses		
Impairment losses	*9 9,794	*9 799
Loss on disposal of non-current assets	*8 3,851	*8 3,511
Other	2,086	377
Total extraordinary losses	15,731	4,687
Profit before income taxes	612	5,587
Income taxes - current	3,202	5,303
Income taxes - deferred	(1,783)	(3,295)
Total income taxes	1,419	2,007
Profit (loss)	(807)	3,580
Profit (loss) attributable to non-controlling interests	(152)	1,125
Profit (loss) attributable to owners of parent	(655)	2,455

Consolidated Statements of Comprehensive Income

(Millions of yen)

(Consolidated Statements of Comprehensive Income)	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Profit (loss)	(807)	3,580
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,428)	(1,623)
Deferred gains or losses on hedges	60	(25)
Revaluation reserve for land	-	72
Foreign currency translation adjustment	2,815	4,505
Remeasurements of defined benefit plans, net of tax	(2,311)	5,583
Share of other comprehensive income of entities accounted for using equity method	439	362
Total other comprehensive income	* (425)	* 8,873
Comprehensive income	(1,232)	12,454
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,254)	10,872
Comprehensive income attributable to non-controlling interests	21	1,581

(iii) Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	51,730	32,193	74,700	(221)	158,402
Changes during period					
Dividends of surplus			(3,556)		(3,556)
Profit attributable to owners of parent			(655)		(655)
Purchase of treasury shares				(684)	(684)
Disposal of treasury shares		(37)		124	87
Purchase of shares of consolidated subsidiaries		246			246
Net changes in items other than shareholders' equity					
Total changes during period	-	209	(4,211)	(560)	(4,562)
Balance at end of period	51,730	32,402	70,490	(781)	153,840

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	4,882	7	41,562	(7,656)	(2,321)	36,474	2,273	197,149
Changes during period								
Dividends of surplus								(3,556)
Profit attributable to owners of parent								(655)
Purchase of treasury shares								(684)
Disposal of treasury shares								87
Purchase of shares of consolidated subsidiaries								246
Net changes in items other than shareholders' equity	(1,447)	60	(127)	3,099	(2,311)	(726)	29,561	28,835
Total changes during period	(1,447)	60	(127)	3,099	(2,311)	(726)	29,561	24,273
Balance at end of period	3,434	67	41,435	(4,556)	(4,632)	35,748	31,834	221,422

For the fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	51,730	32,402	70,490	(781)	153,840
Changes during period					
Dividends of surplus			(3,533)		(3,533)
Profit attributable to owners of parent			2,455		2,455
Reversal of revaluation reserve for land			904		904
Purchase of treasury shares				(321)	(321)
Disposal of treasury shares		(4)		95	92
Capital increase of consolidated subsidiaries		790			790
Net changes in items other than shareholders' equity					
Total changes during period	-	786	(174)	(225)	386
Balance at end of period	51,730	33,187	70,315	(1,006)	154,227

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	3,434	67	41,435	(4,556)	(4,632)	35,748	31,834	221,422
Changes during period								
Dividends of surplus								(3,533)
Profit attributable to owners of parent								2,455
Reversal of revaluation reserve for land								904
Purchase of treasury shares								(321)
Disposal of treasury shares								92
Capital increase of consolidated subsidiaries								790
Net changes in items other than shareholders' equity	(1,633)	(68)	(832)	4,008	5,583	7,058	1,220	8,278
Total changes during period	(1,633)	(68)	(832)	4,008	5,583	7,058	1,220	8,665
Balance at end of period	1,801	(1)	40,603	(548)	951	42,806	33,054	230,087

(iv) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Cash flows from operating activities		
Profit before income taxes	612	5,587
Depreciation	19,050	19,806
Impairment losses	9,794	799
Increase (decrease) in allowance for doubtful accounts	98	171
Increase (decrease) in retirement benefit liability	461	(34)
Decrease (increase) in retirement benefit asset	(1,456)	(1,005)
Interest and dividend income	(448)	(612)
Interest expenses	1,328	1,355
Share of loss (profit) of entities accounted for using equity method	(342)	60
Loss (gain) on sales and disposal of property, plant and equipment, net	2,651	3,511
Loss (gain) on sale and valuation of investment securities	(2,067)	(3,147)
Loss (gain) on sale of shares of subsidiaries and associates	289	-
Insurance claim income	(5,607)	-
Decrease (increase) in trade receivables	2,322	60
Decrease (increase) in inventories	(24,551)	2,033
Increase (decrease) in trade payables	4,557	(6,357)
Other, net	1,001	3,451
Subtotal	7,693	25,681
Income taxes refund (paid)	(5,502)	(4,085)
Proceeds from insurance income	5,607	-
Net cash provided by (used in) operating activities	7,798	21,595
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(39,158)	(56,629)
Proceeds from sale of property, plant and equipment and intangible assets	2,345	113
Proceeds from sale of shares of subsidiaries and associates	2,194	-
Proceeds from sale of investment securities	3,652	3,834
Long-term loan advances	(88)	(68)
Proceeds from collection of long-term loans receivable	38	36
Interest and dividends received	507	628
Other, net	(5,501)	(6,698)
Net cash provided by (used in) investing activities	(36,011)	(58,784)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	30,606	(3,594)
Proceeds from long-term borrowings	23,087	50,143
Repayments of long-term borrowings	(37,018)	(30,422)
Proceeds from issuance of bonds	20,000	10,000
Redemption of bonds	-	(10,000)
Purchase of treasury shares	(682)	(321)
Interest paid	(1,324)	(1,330)
Dividends paid	(3,555)	(3,531)
Dividends paid to non-controlling interests	(14)	(14)
Proceeds from share issuance to non-controlling shareholders	30,000	-
Other, net	194	(2,670)
Net cash provided by (used in) financing activities	61,295	8,260
Effect of exchange rate change on cash and cash equivalents	688	2,034
Net increase (decrease) in cash and cash equivalents	33,771	(26,894)
Cash and cash equivalents at beginning of period	26,433	60,204
Cash and cash equivalents at end of period	60,204	33,310

Notes to Consolidated Financial Statements

(Significant accounting policies for preparation of consolidated financial statements)

1. Disclosure of scope of consolidation

(1) Number of consolidated subsidiaries: 52

Main consolidated subsidiaries are described in "4. Subsidiaries and Other Affiliates" of "I. Overview of the Company," and therefore have been omitted.

AS TOYOBO MC (SHANGHAI) CO., LTD. was newly established, it is included in the scope of consolidation starting from the current fiscal year. As Toyobo Information System Create Co., Ltd. merged with the Company, it is excluded from the scope of consolidation starting from the current fiscal year. Additionally, TOYOBO MEXICO, S.A.DE C.V. changed its trade name to TOYOBO MC MEXICO, S.A.DE C.V.

(2) Unconsolidated subsidiaries (Toho Kako Co., Ltd., etc.) have been excluded from the scope of consolidation because they are small in terms of total assets, net sales, profit/loss (equivalent to equity interests) and retained earnings (equivalent to equity interests), and do not have a significant impact on the consolidated financial statements as a whole.

2. Disclosure about application of the equity method

(1) Associates accounted for using the equity method: 5

Main associates accounted for using the equity method include Toyoshina Film Co., Ltd.

(2) Unconsolidated subsidiaries other than those in the preceding item (1) (Toho Kako Co., Ltd., etc.) and associates (Kureha (Thailand) Co., Ltd., etc.) have been excluded from the scope of the equity method because they are small in terms of profit/loss (equivalent to equity interests) and retained earnings (equivalent to equity interests), and do not have a significant impact on the consolidated financial statements as a whole.

(3) There are two companies accounted for using the equity method whose fiscal year-end is different from the consolidated fiscal year-end, and their fiscal year ends on December 31.

In preparing the consolidated financial statements, the Company uses the financial statements of the two companies pertaining to the current fiscal year.

3. Disclosure about fiscal years, etc. of consolidated subsidiaries

At all the consolidated subsidiaries, the fiscal year-end is the same as the consolidated fiscal year-end.

4. Disclosure of accounting policies

(1) Evaluation standards and methods for significant assets

Securities

Held-to-maturity securities

Stated at amortized cost (straight-line method).

Available-for-sale securities

(i) Other than shares, etc. with no market price

Stated at fair value (Unrealized gains and losses on valuation are reported, net of applicable income taxes, as a separate component of net assets; cost of sales is calculated using the moving-average method).

(ii) Shares, etc. with no market price

Stated at cost using the moving-average method.

Inventories

Mainly stated at cost using the weighted-average method (with carrying amounts recorded at the lower of cost or market).

(2) Depreciation and amortization methods for significant depreciable assets

Property, plant and equipment (excluding lease assets)

Depreciated using the straight-line method.

Intangible assets (excluding lease assets)

Amortized using the straight-line method. Software for internal use is amortized using the straight-line method over the useful life (five years).

Leased assets

Leased assets concerning finance lease transactions that transfer ownership

Depreciated using the same method as that applied to the Company's own non-current assets.

Leased assets concerning finance lease transactions that do not transfer ownership

Depreciated using the straight-line method over the lease term with no residual value.

(3) Standards for recording significant provisions

Allowance for doubtful accounts

To prepare for credit losses on receivables, allowances for general receivables are recorded based on the historical rate of credit losses, and allowances for doubtful receivables and other specific receivables are recorded by examining the recoverability of individual receivables.

Provision for bonuses

Estimated payment amounts are recorded to prepare for bonus payment to employees.

Provision for retirement benefits for directors (and other officers)

To prepare for payment of retirement benefits for directors and other officers, some consolidated subsidiaries record estimated amounts as of the end of the current fiscal year based on their internal regulations.

Provision for environmental measures

Amounts estimated to be incurred in the future are recorded to prepare for expenditures with regard to environmental measures, including the treatment of harmful substances based on laws and regulations.

(4) Significant accounting policies for retirement benefits

(i) Attribution method for estimated amounts of retirement benefits

The benefit formula basis is used for attributing the estimated amount of retirement benefits to the periods until the end of the current period in calculating projected retirement benefit obligations.

(ii) Amortization of actuarial differences and prior service costs

Prior service costs are amortized using the straight-line method over a certain period within the average remaining years of service of the eligible employees (ten years) at the time of recognition.

Actuarial differences are amortized using the straight-line method over a certain period within the average remaining years of service of the eligible employees (ten years) at the time of recognition and allocated proportionately from the fiscal year following the fiscal year of recognition.

(iii) Accounting for unrecognized actuarial differences and unrecognized prior service costs

Unrecognized actuarial differences and unrecognized prior service costs are reported as remeasurements of defined benefit plans within other comprehensive income in net assets, after adjusting for tax effects.

(5) Standards for recognizing significant revenue and expenses

The Group adopts the following five steps in recognizing revenue, except for rental income recorded pursuant to the accounting standards related to lease transactions. The revenue is recognized in the amount that the Group expects to be entitled to in exchange for the transfer of control of goods or services to a customer.

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the separate performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group is primarily engaged in the manufacture and sale of products in the segments of Films, Life Science, Environmental and Functional Materials, Functional Textiles and Trading, Real Estate and Other. Performance obligations for domestic sales are deemed to be satisfied when the product is delivered to the customer, unless otherwise specified in the contract, while those for export sales are deemed to be satisfied when the customer is deemed to have gained control of the product based on trade terms and conditions. Revenue is recognized at the time such performance obligations are satisfied. However, when the period between shipment and delivery for domestic sales is a normal period, the Group applies an alternative treatment and recognizes revenue at the time of product shipment. Revenue is calculated by subtracting sales returns, discounts, rebates, etc. from a promised consideration under the contract with the customer. Considerations for product sale contracts are generally collected within one year from when the control of the product is transferred to the customer, and contain no significant financial components.

Royalty income from a licensing contract, where the Group authorizes a third-party to manufacture and sell products and to use technologies, is measured on the basis of sales, etc. of the licensee, and revenue is recognized in consideration of the timing of accrual.

Furthermore, revenue in the Environmental and Functional Materials and Other segments includes contract design/construction of buildings, machines, etc., and such revenue is recognized over a certain period of time as performance obligations are satisfied. The progress of the satisfaction of performance obligations is estimated primarily by the input method based on costs incurred. However, for construction contracts in which the period between the commencement date under the contract and the point of time when the performance obligations are estimated to be fully satisfied is extremely short, revenue is not recognized over a certain period of time. Instead, the performance obligations are deemed to be satisfied at the time of delivery, and revenue is recognized at that point of time.

(6) Method of significant hedge accounting

Method of hedge accounting

Deferral hedge accounting is applied. However, the designation treatment is applied to foreign exchange contracts that meet the designation treatment requirements, and the special treatment is applied to interest rate swaps that meet the special treatment requirements.

Hedging instruments and hedged items

The Group uses forward foreign exchange contracts, interest rate swaps and other methods to hedge the risks of foreign exchange fluctuations and interest rate fluctuations.

Hedging policy

The Group enters into derivative transactions within the scope of actual demand in accordance with relevant internal regulations.

Method for evaluating hedging effectiveness

Hedging effectiveness is evaluated by comparing the requirements for applying the special treatment to interest rate swaps and hedged items with total market fluctuations or cash flows of respective hedging instruments. However, the evaluation of effectiveness of interest rate swaps to which the special treatment is applied, is omitted if the application requirements are satisfied.

(7) Method for goodwill amortization and amortization period

Goodwill is amortized over five years.

(8) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents consist of cash at hand, deposits that can be withdrawn at any time, and deposits with the deposit period of three months or less that are readily convertible to cash with negligible risk of price fluctuations.

(9) Other significant matters for the preparation of consolidated financial statements

Accounting treatment for deferred assets

Charged to expenses in full at the time of payment.

(Significant accounting estimates)

1. Amounts recorded on the consolidated financial statements in the current fiscal year

(Millions of yen)

	Previous fiscal year	Current fiscal year
Property, plant and equipment	240,234	281,475
Retirement benefit asset	702	3,196
Retirement benefit liability	22,427	15,901
Deferred tax assets	21,527	21,400

2. Information on the nature of significant accounting estimates for identified items

The Group's consolidated financial statements are prepared by performing judgments, estimates, and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, revenue, and expenses using a reasonable approach that takes into account past results, etc. The uncertainty of these estimates, etc., may grow, depending on trends in the markets affecting the Group and economic conditions, which could cause a discrepancy between those estimates and future results. The estimates and underlying assumptions are reviewed on an ongoing basis. The effects from changes in accounting estimates, if any, are recognized in the fiscal year in which the changes were made and in future fiscal years.

The estimates and underlying assumptions thereof used by the Group in its accounting for the current fiscal year that may have a significant effect on the consolidated financial statements of the following fiscal year are outlined below.

(1) Property, plant and equipment

In cases where there are indications of impairment in the current fiscal year among property, plant and equipment in any asset groups, which are classified according to administrative accounting, the Group makes a judgment as to whether an impairment loss is recognized based on a comparison between the undiscounted future cash flow and the carrying amount. If the undiscounted future cash flow is below the carrying amount, the carrying amount is reduced to the recoverable amount, and the amount of that reduction is recognized as an impairment loss.

Regarding the Company's packaging film business, the Company has determined whether impairment losses need to be recognized because signs of impairment were recognized due to ongoing negative operating profit. However, the measurement of impairment losses was determined to be unnecessary due to undiscounted cash flow exceeding the book value of property, plant and equipment excluding assets to be suspended by ¥15,163 million. Note that the future business plan used to calculate undiscounted future cash flows includes estimates of future demand recovery and costs related to the startup of new equipment. Should these estimates and assumptions change, they could adversely affect this assessment and materially impact the determination of whether impairment losses need to be recognized and on the amount of impairment losses.

(2) Retirement benefit asset and liability

The Group has defined benefit and defined contribution retirement benefit plans for employees and retirees. Plan assets and retirement benefit liability are determined based on actuarial calculation, and the assumptions for actuarial calculation include estimates of discount rate, retirement rate, mortality rate, rate of salary increase, expected long-term rate of return on plan assets and other data. These assumptions are determined by comprehensively assessing available information such as the market trends in interest rate fluctuations.

The following illustrates the amount of impact in a case where there is a change in the discount rate (a discount rate of 1.5% is primarily used for the end of the current fiscal year) used for accounting estimates to measure retirement benefit liability.

(Millions of yen)

	Amount of impact on retirement benefit liability at the end of the current fiscal year
Discount rates: decrease of 0.5 percentage points	3,058
Discount rates: increase of 0.5 percentage points	(2,832)

(3) Deferred tax assets

The Company and some of its domestic consolidated subsidiaries will transition from the non-consolidated taxation system to the group tax sharing system from the next fiscal year ended March 31, 2025. The collectability of deferred tax assets is determined based on the schedule for reversing deductible temporary differences, future taxable income, tax planning, and other factors for the tax-sharing group as a whole.

(Changes in presentation method)

(Consolidated statements of income)

Subsidy income, which was included in ‘other’ under non-operating income in the previous fiscal year, is presented separately in the current fiscal year because the item now accounts for 10% or less of total non-operating income. To reflect this change in presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, for the consolidated statement of income for the previous fiscal year, ¥1,088 million that was previously presented as ‘other’ under non-operating expenses has been reclassified into subsidy income of ¥101 million and ‘other’ of ¥986 million.

(Consolidated balance sheets)

*1. Accumulated depreciation directly deducted from property, plant, and equipment was ¥435,047 million for the previous fiscal year and ¥447,077 million for the current fiscal year.

*2. Assets pledged as collateral and collateralized debt obligations

Assets pledged as collateral are as follows:

	As of March 31, 2023	As of March 31, 2024
Cash and deposits	¥2 million	¥2 million
Property, plant and equipment	209	193
Total	¥211 million	¥195 million

Collateralized debt obligations are as follows:

	As of March 31, 2023	As of March 31, 2024
Other current liabilities (deposits received)	¥106 million	¥106 million
Total	¥106 million	¥106 million

3. Guarantee obligations

The guarantee amounts for obligations for borrowings from financial institutions by companies other than consolidated companies are as follows:

As of March 31, 2023		As of March 31, 2024	
Toyobo Indorama Advanced Fibers Co.,Ltd.	¥3,502 million	Toyobo Indorama Advanced Fibers Co.,Ltd.	¥3,850 million
PT.TRIAS TOYOBO ASTRIA	1,665	PT.TRIAS TOYOBO ASTRIA	1,713
Indorama Ventures Mobility Obernburg GmbH	962	Indorama Ventures Mobility Obernburg GmbH	1,012
Cast Film Japan Co., Ltd.	675	Cast Film Japan Co., Ltd.	800
Nippon Dyneema Co., Ltd.	86		
Employee housing loans (1 case)	0		
Total	¥6,889 million	Total	¥7,375 million

*4. Assets related to unconsolidated subsidiaries and associates are as follows:

	As of March 31, 2023	As of March 31, 2024
Investment securities (shares)	¥5,689 million	¥5,545 million
[of which, the amount on the right is the amount of investment in companies under common control]	(2,471)	(2,340)
“Other” under investments and other assets (investments)	2,428	2,484

*5. Regarding the accounting treatment of bills matured on the last day of the current fiscal year and cash payments on the determination date (method in which cash is paid on the bill maturity date with the same condition as bills), although the last day of the current fiscal year was a holiday for financial institutions, the Company treated payment as if it was conducted on the maturity date. Amounts of bills matured on the last day of the current fiscal year, etc. are as follows:

	As of March 31, 2023	As of March 31, 2024
Notes receivable - trade	¥- million	¥605 million
Accounts receivable - trade	-	4,413
Electronically recorded monetary claims – operating	-	1,129
Notes and accounts payable - trade	-	5,404
Electronically recorded monetary obligations - operating	-	916
‘Other’ under current liabilities.	-	974

*6. Contract liabilities

Contract liabilities are recorded in 'other' under current liabilities. The amount of contract liabilities is presented in "(Revenue recognition), 3. Relationship between the satisfaction of performance obligations based on contracts with customers and cash flows generated from the contracts, and amounts and timing of revenue expected to be recognized in the following fiscal year or later from contracts with customers that existed as of the end of the current fiscal year, (1) Balances, etc. of contract assets and contract liabilities."

*7. Revaluation reserve for land

In accordance with the Act on Revaluation of Land (Act No. 34 published on March 31, 1998), the Company and two consolidated subsidiaries (in the previous fiscal year, the Company and two consolidated subsidiaries) revaluated land for business purposes, and recorded the revaluation reserve for land in net assets.

(1) The Company and one consolidated subsidiary

- Method for land revaluation: Calculated by making reasonable adjustments to the roadside land price as prescribed in Article 2, paragraph 4 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119 published on March 31, 1998)
- Land revaluation date: March 31, 2002

	As of March 31, 2023	As of March 31, 2024
Difference between the year-end fair value of land subject to revaluation and the carrying amount after the revaluation	¥31,620 million	¥29,851 million

(2) One consolidated subsidiary

- Method for land revaluation: Calculated by making reasonable adjustments to the roadside land price as prescribed in Article 2, paragraph 4 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119 published on March 31, 1998)
- Land revaluation date: March 31, 2000

The difference is not presented as the fair value of land subject to revaluation exceeded the carrying amount after the revaluation as of the end of the previous fiscal year and as of the end of the current fiscal year.

*8. Amount of accelerated depreciation for tax purposes

The following are the amount of accelerated depreciation for tax purposes deducted from the acquisition price of property, plant and equipment due to government subsidies and the breakdown thereof.

	As of March 31, 2023	As of March 31, 2024
Amount of accelerated depreciation for tax purposes	¥607 million	¥607 million
[Of which, the amount on the right is the amount of buildings and structures]	(281)	(281)
[Of which, the amount on the right is the amount of machinery, equipment, and vehicles]	(327)	(327)

9. Others

The Company has concluded committed lines of credit with three partner banks to finance working capital efficiently. Unexecuted loan balances, etc. concerning the committed lines of credit as of the end of the current fiscal year are as follows:

	As of March 31, 2023	As of March 31, 2024
Total amount of committed lines of credit	¥17,500 million	¥17,500 million
Executed loan balance	-	-
Unexecuted loan balance	¥17,500 million	¥17,500 million

(Consolidated statements of income)

*1. Revenue from contracts with customers

Net sales do not distinguish between revenue from contracts with customers and the other revenue. The amount of revenue from contracts with customers is presented in "(Revenue recognition), 1. Disaggregation of revenue from contracts with customers."

*2. The balance of inventories at the end of the fiscal year represents the amount after devaluation in association with a decline in profitability. Loss on valuation of inventories included in cost of sales is as follows:

For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
¥3,307 million	¥2,350 million

*3. Major items and amounts of selling, general, and administrative expenses are as follows:

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Transport and storage costs	¥13,754 million	¥13,207 million
Salaries and bonuses	18,067	18,634
Provision for bonuses	2,338	1,974
Retirement benefit expenses	1,196	1,489
Research and development expenses	14,011	15,392

*4. Total research and development expenses included in general and administrative expenses and manufacturing cost for the period are as follows:

For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
¥14,112 million	¥15,310 million

*5. Details of gain on sale of non-current assets are as follows:

For the fiscal year ended March 31, 2023		For the fiscal year ended March 31, 2024	
Buildings and structures	¥547 million	Buildings and structures	¥- million
Land	645	Land	-
'Other' under property, plant, and equipment	8	'Other' under property, plant, and equipment	-
Total	¥1,200 million	Total	¥- million

*6. Gain on sale of investment securities

For the fiscal year ended March 31, 2023

All are related to available-for-sale securities.

For the fiscal year ended March 31, 2024

All are related to available-for-sale securities.

*7. Insurance claim income

For the fiscal year ended March 31, 2023

The insurance claim income is the receipt of insurance claims related to the fire accident that occurred at the Inuyama Plant in September 2020.

*8. Details of loss on disposal of non-current assets are as follows:

For the fiscal year ended March 31, 2023		For the fiscal year ended March 31, 2024	
Buildings and structures	¥2,332 million	Buildings and structures	¥1,571 million
Machinery, equipment, and vehicles	1,454	Machinery, equipment, and vehicles	1,568
'Other' under property, plant, and equipment	65	'Other' under property, plant, and equipment	372
Total	¥3,851 million	Total	¥3,511 million

*9. Impairment losses

For the fiscal year ended March 31, 2023

The following is the breakdown of major asset groups for which impairment losses were recognized in the current fiscal year.

Location	Use	Main type
Toyobo Co., Ltd. Iwakuni Production Center, Tsuruga Research and Production Center, and others (Iwakuni, Yamaguchi; Tsuruga, Fukui)	Business assets (Nonwoven fabric material production facility)	Buildings and structures Machinery, equipment, and vehicles Construction in progress and others
Toyobo Co., Ltd. Iwakuni Production Center, Research Center, and others (Iwakuni, Yamaguchi; Otsu, Shiga)	Business assets (Engineering plastic production facility)	Buildings and structures Machinery, equipment, and vehicles Construction in progress and others
Toyobo Co., Ltd. Iwakuni Production Center (Iwakuni, Yamaguchi)	Assets to be suspended	Buildings and structures Machinery, equipment, and vehicles and others
Toyobo Co., Ltd. Otsu Pharmaceuticals Plant (Otsu, Shiga)	Business assets (Facility for contract manufacturing of pharmaceuticals)	Buildings and structures Machinery, equipment, and vehicles Construction in progress and others
TOYOBO KUREHA AMERICA CO., LTD. (Ohio, U.S.A.)	Business assets (Automotive filter production facility)	Buildings and structures Machinery, equipment, and vehicles and others
Xenomax - Japan Co., Ltd. Head office plant (Tsuruga, Fukui)	Business assets (Film production facility)	Machinery, equipment, and vehicles and others

The Group’s business assets are classified by administrative accounting categories, and assets scheduled for disposal and idle assets are grouped together on an individual basis. The recoverable amount of the business assets fell below their carrying amount in the current fiscal year due to changes in the business environment, etc. Therefore, the carrying amount of these assets has been reduced to the recoverable amount, and the reduction was recognized as an impairment loss of ¥9,794 million.

The breakdown is as follows:

Buildings and structures	¥2,463 million
Machinery, equipment, and vehicles	¥5,701 million
Construction in progress	¥690 million
Other Businesses	¥941 million
Total	¥9,794 million

Undiscounted future cash flows for the aforementioned asset groups are estimated using cash flow estimates based on the business plan that primarily factors in market trends, historical information, and present and projected economic situations.

Regarding the recoverable amount of the aforementioned asset groups, the Group used the value in use, for which the undiscounted future cash flow, calculated using rational estimates, was discounted by a discount rate of 5.0%.

For the fiscal year ended March 31, 2024

The following is the breakdown of major asset groups for which impairment losses were recognized in the current fiscal year.

Location	Use	Main type
TOYOBO INDUSTRIAL MATERIALS AMERICA,INC. (Alabama, U.S.A.)	Business assets (Airbag fabric manufacturing facilities)	Buildings and structures Machinery, equipment, and vehicles Construction in progress and others
Xenomax - Japan Co., Ltd. Head office plant (Tsuruga, Fukui)	Business assets (Film production facility)	Machinery, equipment, and vehicles
Toyobo Co., Ltd. Inuyama Plant and others (Inuyama, Aichi and others)	Assets to be suspended	Buildings and structures Machinery, equipment, and vehicles and others

The Group’s business assets are classified by administrative accounting categories, and assets scheduled for disposal and idle assets are grouped together on an individual basis. The recoverable amount of the business assets fell below their carrying amount in the current fiscal year due to changes in the business environment, etc. Therefore, the carrying amount of these assets has been reduced to the recoverable amount, and the reduction was recognized as an impairment loss of ¥799 million.

The breakdown is as follows:

Buildings and structures	¥116 million
Machinery, equipment, and vehicles	¥580 million
Construction in progress	¥53 million
Other Businesses	¥50 million
Total	¥799 million

Regarding the recoverable amount of the aforementioned asset groups, the Group used the estimated net selling price based on third-party appraisals and other values.

(Consolidated statements of comprehensive income)

* Reclassification adjustments and tax effects relating to other comprehensive income

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Valuation difference on available-for-sale securities:		
Amount arising during the period	¥862 million	¥916 million
Reclassification adjustment	(2,946)	(3,312)
Amount before the effect of tax	(2,083)	(2,396)
Tax effect	655	773
Valuation difference on available-for-sale securities	(1,428)	(1,623)
Deferred gains or losses on hedges:		
Amount arising during the period	96	(20)
Reclassification adjustment	(7)	(18)
Amount before the effect of tax	89	(38)
Tax effect	(29)	13
Deferred gains or losses on hedges	60	(25)
Revaluation reserve for land		
Tax effect	-	72
Revaluation reserve for land	-	72
Foreign currency translation adjustment:		
Amount arising during the period	2,399	4,530
Reclassification adjustment	475	-
Amount before the effect of tax	2,874	4,530
Tax effect	(59)	(26)
Foreign currency translation adjustment	2,815	4,505
Adjustment of defined benefit plans:		
Amount arising during the period	(3,371)	7,341
Reclassification adjustment	23	751
Amount before the effect of tax	(3,348)	8,091
Tax effect	1,037	(2,509)
Adjustment for defined benefit plans, net of tax	(2,311)	5,583
Share of other comprehensive income of entities accounted for using the equity method:		
Amount arising during the period	439	362
Reclassification adjustment	-	-
Share of other comprehensive income of entities accounted for using the equity method	439	362
Total other comprehensive income	(425)	8,873

(Consolidated statements of changes in net assets)

For the fiscal year ended March 31, 2023

1. Class and total number of issued shares, and class and number of treasury shares

	Number of shares at the beginning of the current fiscal year (Thousand shares)	Increase during the current fiscal year (Thousand shares)	Decrease during the current fiscal year (Thousand shares)	Number of shares at the end of the current fiscal year (Thousand shares)
Issued shares Common shares	89,048	-	-	89,048
Total	89,048	-	-	89,048
Treasury shares Common shares (Notes) 1, 2	152	656	86	723
Total	152	656	86	723

(Notes) 1. The increase of 656,000 shares in common shares of treasury shares consists of an increase of 653,000 shares due to purchases of treasury shares based on a resolution of the Board of Directors, an increase of 1,000 shares due to purchases of shares in amounts less than one unit, and an increase of 1,000 shares due to acquisition without consideration of common shares allotted as restricted share compensation.

2. The decrease of 86,000 shares in common shares of treasury stock consists of a decrease of 86,000 shares due to disposal of treasury shares as restricted share compensation and a decrease of 0 thousand shares due to requests for sale of shares in amounts less than one unit.

2. Share acquisition rights and own-share acquisition rights

Not applicable

3. Dividends

(1) Dividends paid

(Resolution)	Share class	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on June 24, 2022	Common shares	3,556	40	March 31, 2022	June 27, 2022

(2) Dividends whose record date falls in the current fiscal year but whose effective date falls in the following fiscal year

(Resolution)	Share class	Total dividend (Millions of yen)	Source of dividend	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on June 28, 2023	Common shares	3,533	Retained earnings	40	March 31, 2023	June 29, 2023

For the fiscal year ended March 31, 2024

1. Class and total number of issued shares, and class and number of treasury shares

	Number of shares at the beginning of the current fiscal year (Thousand shares)	Increase during the current fiscal year (Thousand shares)	Decrease during the current fiscal year (Thousand shares)	Number of shares at the end of the current fiscal year (Thousand shares)
Issued shares Common shares	89,048	-	-	89,048
Total	89,048	-	-	89,048
Treasury shares Common shares (Notes) 1, 2	723	316	90	949
Total	723	316	90	949

(Notes) 1. The increase of 316,000 shares in common shares of treasury shares consists of an increase of 311,000 shares due to purchases of treasury shares based on a resolution of the Board of Directors, an increase of 2,000 shares due to purchases of shares in amounts less than one unit, and an increase of 3,000 shares due to acquisition without consideration of common shares allotted as restricted share compensation.

2. The decrease of 90,000 common shares in treasury stock consists of a decrease due to disposal of treasury shares as restricted shares.

2. Share acquisition rights and own-share acquisition rights

Not applicable

3. Dividends

(1) Dividends paid

(Resolution)	Share class	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on June 28, 2023	Common shares	3,533	40	March 31, 2023	June 29, 2023

(2) Dividends whose record date falls in the current fiscal year but whose effective date falls in the following fiscal year

(Resolution)	Share class	Total dividend (Millions of yen)	Source of dividend	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on June 25, 2024	Common shares	3,524	Retained earnings	40	March 31, 2024	June 26, 2024

(Consolidated statements of cash flows)

*The relationship between the ending balance of cash and cash equivalents and the amounts of items on the consolidated balance sheets is as follows:

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Cash and deposits	¥60,703million	¥33,796million
Time deposits maturing after three months	(499)	(486)
Cash and cash equivalents	¥60,204million	¥33,310million

(Leases)

1. Finance leases (lessee)

(1) Finance lease transactions that transfer ownership

(i) Type of leased asset

Property, plant and equipment

Mainly production facilities (Machinery, equipment, and vehicles)

(ii) Method of depreciating lease assets

As described in "(Significant accounting policies for preparation of consolidated financial statements), 4. Disclosure of accounting policies, (2) Depreciation and amortization methods for significant depreciable assets."

(2) Finance lease transactions that do not transfer ownership

(i) Type of leased asset

(a) Property, plant, and equipment

Mainly OA devices (other property, plant and equipment)

(b) Intangible assets

Software (other intangible assets)

(ii) Method of depreciating lease assets

As described in "(Significant accounting policies for preparation of consolidated financial statements), 4. Disclosure of accounting policies, (2) Depreciation and amortization methods for significant depreciable assets."

2. Operating leases (lessor)

Lease receivables for non-cancelable operating leases

	As of March 31, 2023	As of March 31, 2024
Lease receivables at end of period		
Within 1 year	¥604 million	¥588 million
Over 1 year	4,011	4,596
Total	¥4,615 million	¥5,184 million

(Financial instruments)

1. Overall status of financial instruments

(1) Policy on the use of financial instruments

In the Toyobo Group, cash is managed using only short-term financial instruments after ensuring the collectability of the principal and sufficient liquidity. Funds are raised both through direct access to capital markets, such as through the issuance of bonds, and through indirect financing in the form of borrowings from banks. The Group's policy is to use derivative financial instruments only for the purpose of hedging the risk of exchange rate and interest rate fluctuation in the normal course of the Group's business, and not to engage in highly leveraged transactions or speculative transactions using these instruments.

(2) Type and risk of financial instruments and related risk management system

Notes and accounts receivable - trade arising in the normal course of the Company's business, as well as electronically recorded monetary claims - operating are exposed to the credit risk of customers. This risk is managed through the monitoring of due dates and balances by customer and by examining the credit standing of major customers in each fiscal period in accordance with the credit management rules of the Company.

Most notes and accounts payable - trade arising in the normal course of the Company's business, as well as electronically recorded obligations - operating, are due in less than one year.

Trade receivables and payables denominated in foreign currencies are exposed to the risk of exchange rate fluctuation. In principle, the receivables and payables are hedged for the net position risk remaining after cross-currency netting by using derivative instruments such as foreign exchange forward contracts.

Investment securities consist mainly of stocks of our customers and suppliers held in connection with our ongoing business relationships, and are exposed to the risk of market price fluctuation. The Company reviews the status of holdings by regularly checking the fair value and grasping the financial status of issuers (customers and suppliers), and periodically verifying the significance of continued holdings from multifaceted perspectives including the medium- to long-term corporate value enhancement and economic rationality.

Short-term borrowings are used mainly to finance operating transactions. Long-term borrowings and corporate bonds are used mainly to finance capital improvements, other investments, and lending. Regarding borrowings exposed to the risk of interest rate fluctuation, derivatives (mainly interest rate swaps) are used as hedging instruments on an individual contract basis to avoid the risk of changes in interest payments. The hedging instruments, hedged items, hedging policy, and the method used to assess hedge effectiveness in relation to hedge accounting are described in "(Significant accounting policies for preparation of consolidated financial statements), 4. Disclosure of accounting policies, (6) Method of significant hedge accounting."

In accordance with the internal rules of the Toyobo Group, derivative transactions are executed and managed under a system that segregates functions and promotes mutual checking, including (i) the establishment of risk management policies by the Director in charge of finance, (ii) the execution of transactions and management of positions by the Finance Department and (iii) the valuation of and accounting for financial instruments by the Accounting and Control Department. Overall derivative positions across the Toyobo Group are managed by the Finance Department and reported appropriately to the Director in charge of finance. The Group deals with highly rated financial institutions as counterparties to these transactions, and no counterparty default is expected.

Trade payables and interest-bearing debt such as borrowings create exposure to liquidity risk. The liquidity risk arising from these liabilities is managed at the individual company level based on cash flow projections prepared by each group company. In addition, the liquidity risk of the domestic subsidiaries is managed centrally by the Company using a cash management system.

(3) Supplementary explanation on disclosure about fair value of financial instruments

Certain assumptions used for fair value determination are subject to change. Accordingly, the results of the valuations could change if different assumptions were used. Furthermore, the contractual and other amounts of derivative transactions included in "(Derivatives and hedge accounting)" do not reflect the market risk associated with the derivative transactions themselves.

2. Disclosure regarding fair value, etc., of financial instruments

The following table summarizes the carrying amounts and the estimated fair values of financial instruments as of March 31, 2023 and 2024.

As of March 31, 2023

(Millions of yen)

	Book value	Fair value	Difference
(1) Investment securities (*2)			
Available-for-sale securities	6,049	6,049	-
Total assets	6,049	6,049	-
(2) Bonds payable	75,000	74,901	(99)
(3) Long-term borrowings	78,571	78,533	(38)
Total liabilities	153,571	153,434	(137)
Derivatives (*4)			
(i) Derivatives to which hedge accounting is not applied	(51)	(51)	-
(ii) Derivatives to which hedge accounting is applied	97	97	-
Total derivatives	46	46	-

As of March 31, 2024

(Millions of yen)

	Book value	Fair value	Difference
(1) Investment securities (*2)			
Available-for-sale securities	3,067	3,067	-
Total assets	3,067	3,067	-
(2) Bonds payable	75,000	74,664	(336)
(3) Long-term borrowings	98,706	98,340	(365)
Total liabilities	173,706	173,004	(702)
Derivatives (*4)			
(i) Derivatives to which hedge accounting is not applied	(115)	(115)	-
(ii) Derivatives to which hedge accounting is applied	61	61	-
Total derivatives	(55)	(55)	-

(*1) “Cash and deposits,” “notes receivable - trade,” “accounts receivable - trade,” “notes and accounts payable - trade” and “short-term borrowings” are omitted here as they are cash and are settled in a short period of time, and therefore their fair values approximate the carrying amounts.

(*2) Shares, etc. with no market price are not included in “(1) Investment securities.” Carrying amounts of the financial instruments are as follows:

(Millions of yen)

Category	As of March 31, 2023	As of March 31, 2024
Unlisted shares	7,389	7,457

(*3) The Company adopts the treatment that does not require notes on fair value of investments in partnerships for which equity interests are recorded on a net basis or in any other similar entities, and therefore has omitted the notes on fair value. The carrying amounts of these financial instruments were ¥513 million at the end of the previous fiscal year and ¥548 million at the end of the current fiscal year.

(*4) Derivative assets and liabilities are presented on a net basis, and an amount enclosed in parentheses ( ) indicates a net liability position.

(Note 1) Scheduled redemption amounts of monetary claims after the consolidated fiscal year-end

As of March 31, 2023

(Millions of yen)

	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years	Over 10 years
Cash and deposits	60,703	-	-	-
Notes receivable - trade	5,873	-	-	-
Accounts receivable - trade	82,553	-	-	-
Total	149,130	-	-	-

As of March 31, 2024

(Millions of yen)

	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years	Over 10 years
Cash and deposits	33,796	-	-	-
Notes receivable - trade	3,775	-	-	-
Accounts receivable - trade	83,968	-	-	-
Total	121,539	-	-	-

(Note 2) Scheduled repayment amounts of short-term borrowings, bonds payable, and long-term borrowings after the consolidated fiscal year-end

As of March 31, 2023

(Millions of yen)

	Within 1 year	Over 1 year and within 2 years	More than 2 years but within 3 years	More than 3 years but within 4 years	Over 4 years and within 5 years	Over 5 years
Short-term borrowings	71,595	-	-	-	-	-
Bonds payable	10,000	15,000	10,000	10,000	20,000	10,000
Long-term borrowings	29,472	9,799	6,639	9,191	12,972	10,499
Total	111,068	24,799	16,639	19,191	32,972	20,499

As of March 31, 2024

(Millions of yen)

	Within 1 year	Over 1 year and within 2 years	More than 2 years but within 3 years	More than 3 years but within 4 years	Over 4 years and within 5 years	Over 5 years
Short-term borrowings	68,385	-	-	-	-	-
Bonds payable	15,000	10,000	10,000	20,000	20,000	-
Long-term borrowings	13,069	10,666	10,939	14,716	12,706	36,611
Total	96,453	20,666	20,939	34,716	32,706	36,611

3. Breakdown of financial instruments according to the level of the fair value hierarchy

Fair value of financial instruments has been classified into the following three levels according to the observability and importance of inputs used for measuring fair value. If multiple inputs that are significant to the fair value measurement are used, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs

Level 3 fair value: Fair value measured using unobservable inputs

(1) Financial instruments carried at fair value on the consolidated balance sheets

As of March 31, 2023

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities Available-for-sale securities Shares	6,049	-	-	6,049
Total assets	6,049	-	-	6,049
Derivatives Currency-related	-	46	-	46
Total derivatives	-	46	-	46

As of March 31, 2024

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities Available-for-sale securities Shares	3,067	-	-	3,067
Total assets	3,067	-	-	3,067
Derivatives Currency-related	-	(55)	-	(55)
Total derivatives	-	(55)	-	(55)

(2) Financial instruments not carried at fair value on the consolidated balance sheets

As of March 31, 2023

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Bonds payable	-	74,901	-	74,901
Long-term borrowings	-	78,533	-	78,533
Total liabilities	-	153,434	-	153,434

As of March 31, 2024

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Bonds payable	-	74,664	-	74,664
Long-term borrowings	-	98,340	-	98,340
Total liabilities	-	173,004	-	173,004

(Notes) Description of the valuation techniques and inputs used to measure fair value

Investment securities

The fair value of shares categorized as available-for-sale securities is calculated using quoted prices at a stock exchange, and the shares are traded in active markets. Therefore, they are classified as Level 1 fair value.

Derivatives

The fair value of foreign exchange forward contracts is calculated using the present-value method and other valuation techniques that apply observable inputs based on market data that are available to market participants, such as forward exchange rates, and is classified as Level 2 fair value.

Bonds payable

The fair value of bonds payable is calculated using the present-value method by which the total principal and interest amount is discounted using an interest rate that reflects the remaining maturity of the bonds payable and credit risk, and is classified as Level 2 fair value.

Long-term borrowings

The fair value of long-term borrowings is calculated using the present-value method by which the total principal and interest amount is discounted using an interest rate expected to be applied when similar new borrowings are arranged, and is classified as Level 2 fair value.

(Securities)

As of March 31, 2023

1. Available-for-sale securities

(Securities for which the carrying amount exceeds the acquisition cost)

(Millions of yen)

	Book value	Acquisition cost	Difference
(1) Shares	5,587	1,069	4,518
(2) Bonds			
(i) Government bonds, local government bonds, etc.	-	-	-
(ii) Corporate bonds	-	-	-
(iii) Others	-	-	-
(3) Others	-	-	-
Total	5,587	1,069	4,518

(Securities for which the carrying amount does not exceed the acquisition cost)

(Millions of yen)

	Book value	Acquisition cost	Difference
(1) Shares	462	509	(47)
(2) Bonds			
(i) Government bonds, local government bonds, etc.	-	-	-
(ii) Corporate bonds	-	-	-
(iii) Others	-	-	-
(3) Others	513	535	(22)
Total	975	1,044	(69)

(Note) Shares, etc. with no market price (carrying amount of ¥7,389 million) are not included in "available-for-sale securities" in the above table.

2. Available-for-sale securities sold during the fiscal year ended March 31, 2023

(Millions of yen)

Class	Sales proceeds	Total gain on sale	Total loss on sale
(1) Shares	3,652	2,946	-
(2) Bonds			
(i) Government bonds, local government bonds, etc.	-	-	-
(ii) Corporate bonds	-	-	-
(iii) Others	-	-	-
(3) Others	-	-	-
Total	3,652	2,946	-

As of March 31, 2024

1. Available-for-sale securities

(Securities for which the carrying amount exceeds the acquisition cost)

(Millions of yen)

	Book value	Acquisition cost	Difference
(1) Shares	2,970	948	2,022
(2) Bonds			
(i) Government bonds, local government bonds, etc.	-	-	-
(ii) Corporate bonds	-	-	-
(iii) Others	-	-	-
(3) Others	-	-	-
Total	2,970	948	2,022

(Securities for which the carrying amount does not exceed the acquisition cost)

(Millions of yen)

	Book value	Acquisition cost	Difference
(1) Shares	97	121	(24)
(2) Bonds			
(i) Government bonds, local government bonds, etc.	-	-	-
(ii) Corporate bonds	-	-	-
(iii) Others	-	-	-
(3) Others	548	548	-
Total	645	669	(24)

(Note) Shares, etc. with no market price (carrying amount of ¥7,457 million) are not included in "available-for-sale securities" in the above table.

2. Available-for-sale securities sold during the fiscal year ended March 31, 2024

(Millions of yen)

Class	Sales proceeds	Total gain on sale	Total loss on sale
(1) Shares	3,834	3,312	-
(2) Bonds			
(i) Government bonds, local government bonds, etc.	-	-	-
(ii) Corporate bonds	-	-	-
(iii) Others	-	-	-
(3) Others	-	-	-
Total	3,834	3,312	-

(Derivatives)

As of March 31, 2023

1. Derivatives to which hedge accounting is not applied

(1) Currency-related

(Millions of yen)

Category	Type of transactions	Contract amount, etc.	Contract amount, etc. excluding a current portion	Fair value	Gain or loss on valuation
Transactions other than market transactions	Foreign exchange forward transactions				
	Short position				
	U.S. dollars	1,410	-	(16)	(16)
	Euro	297	-	(5)	(5)
	Thai baht	1,043	-	(15)	(15)
	Long position				
	U.S. dollars	683	-	(15)	(15)
	Thai baht	41	-	1	1
	Chinese yuan	23	-	(1)	(1)
Total		3,497	-	(51)	(51)

2. Derivatives to which hedge accounting is applied

(1) Currency-related

(Millions of yen)

Method of hedge accounting	Type of transactions	Main hedged item	Contract amount, etc.	Contract amount, etc. excluding a current portion	Fair value
General treatment	Foreign exchange forward transactions	Accounts payable - trade			
	Long position				
	U.S. dollars		1,251	-	(17)
	Euro		1,551	-	115
	Chinese yuan		34	-	(0)
Designation treatment of foreign exchange forward contracts	Foreign exchange forward transactions	Accounts payable - trade			(Note)
	Long position				
	U.S. dollars		377	-	
Total			3,214	-	97

(Note) Derivatives subject to designation treatment are accounted for together with hedged items, which are accounts payable - trade. The accounts payable - trade that incorporate the fair value are settled in a short period of time, and the fair value approximates the carrying amount. Therefore, notes on the accounts payable - trade have been omitted.

(2) Interest rate-related

Not applicable

As of March 31, 2024

1. Derivatives to which hedge accounting is not applied

(1) Currency-related

(Millions of yen)

Category	Type of transactions	Contract amount, etc.	Contract amount, etc. excluding a current portion	Fair value	Gain or loss on valuation
Transactions other than market transactions	Foreign exchange forward transactions				
	Short position				
	U.S. dollars	4,382	-	(102)	(102)
	Euro	415	-	(8)	(8)
	Thai baht	5,969	-	(16)	(16)
	Long position				
	U.S. dollars	290	-	8	8
	Euro	115	-	2	2
	Thai baht	48	-	0	0
	Chinese yuan	23	-	1	1
Total		11,242	-	(115)	(115)

2. Derivatives to which hedge accounting is applied

(1) Currency-related

(Millions of yen)

Method of hedge accounting	Type of transactions	Main hedged item	Contract amount, etc.	Contract amount, etc. excluding a current portion	Fair value
General treatment	Foreign exchange forward transactions	Accounts payable - trade			
	Long position				
	U.S. dollars		1,044	-	25
	Euro		168	-	36
	Chinese yuan		31	-	(0)
Designation treatment of foreign exchange forward contracts	Foreign exchange forward transactions	Accounts payable - trade			
	Long position				
	U.S. dollars		271	-	(Note)
	Chinese yuan		5	-	
Total			1,519	-	61

(Note) Derivatives subject to designation treatment are accounted for together with hedged items, which are accounts payable - trade. The accounts payable - trade that incorporate the fair value are settled in a short period of time, and the fair value approximates the carrying amount. Therefore, notes on the accounts payable - trade have been omitted.

(2) Interest rate-related

Not applicable

(Retirement benefits)

1. Overview of defined benefit plans

The Company and certain consolidated subsidiaries have established funded and unfunded defined benefit plans and defined contribution plans.

Under the defined benefit corporate pension plan and lump-sum severance payment plan, a lump-sum payment or pension payment based on the employee's salary at the time of retirement or termination and length of service is provided.

In certain cases, the Company pays employees who are retiring additional retirement benefits that are not considered to be retirement benefit obligations as calculated under actuarial methods according to retirement benefit accounting principles.

Although one consolidated subsidiary subscribes to a corporate pension plan under a multi-employer type employee pension fund plans, as it is unable to rationally calculate amounts of pension assets corresponding to the Company's contribution for this plan, the Group adopts an accounting procedure that treats the plan as being equivalent to a defined contribution plan.

2. Defined benefit plans

(1) Reconciliation of the opening balance and the closing balance of retirement benefit obligations

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Retirement benefit obligations at beginning of year	65,489	66,727
Service cost	2,645	2,836
Interest cost	392	408
Actuarial differences incurred	2,046	(4,945)
Retirement benefits paid	(3,915)	(4,039)
Other Businesses	69	75
Retirement benefit obligations at end of year	66,727	61,062

(Note) The service cost in the above table includes increases in retirement benefit obligations of the consolidated subsidiaries applying the simplified method.

(2) Reconciliation of the opening balance and the closing balance of plan assets

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Plan assets at beginning of year	46,210	45,001
Expected return on plan assets	861	859
Actuarial differences incurred	(1,325)	2,396
Employer's contribution	2,802	2,876
Retirement benefits paid	(3,547)	(2,775)
Other Businesses	(0)	1
Plan assets at end of year	45,001	48,357

(3) Reconciliation between the balance of retirement benefit obligations and plan assets at the end of the fiscal year, and retirement benefit liability and retirement benefit asset recorded on the consolidated balance sheets

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Funded retirement benefit obligations	64,030	46,942
Plan assets	(45,001)	(48,357)
	19,028	(1,415)
Unfunded retirement benefit obligations	2,697	14,120
Net liability and asset recorded on the consolidated balance sheets	21,725	12,705
Retirement benefit liability	22,427	15,901
Retirement benefit asset	(702)	(3,196)
Net liability and asset recorded on the consolidated balance sheets	21,725	12,705

(4) Retirement benefit expenses and their components

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Service cost	2,645	2,836
Interest cost	392	408
Expected return on plan assets	(861)	(859)
Amortization of actuarial differences	163	891
Amortization of prior service cost	(140)	(140)
Additional retirement benefits	159	130
Retirement benefit expenses for defined benefit plans	2,358	3,266

(Note) The service cost in the above table includes profit or loss related to retirement benefits of the consolidated subsidiaries, applying the simplified method.

(5) Adjustment of defined benefit plans

Components of adjustment of defined benefit plans (before the effect of tax) are as follows:

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Actuarial differences	(3,208)	8,231
Prior service cost	(140)	(140)
Total	(3,348)	8,091

(6) Accumulated adjustment of defined benefit plans

Components of accumulated adjustment of defined benefit plans (before the effect of tax) are as follows:

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Unrecognized actuarial differences	7,249	(982)
Unrecognized prior service cost	(536)	(396)
Total	6,713	(1,378)

(7) Plan assets

(i) Main components of plan assets

The ratio of main components to the total plan assets was as follows:

	As of March 31, 2023	As of March 31, 2024
Bonds	27%	29%
Shares	20	22
General accounts	38	38
Cash and deposits	1	0
Other Businesses	14	11
Total	100%	100%

(Note) The ratio of plan assets used to fund a retirement benefit trust established for corporate pension plans was 1% and 0% for the years ended March 31, 2023 and 2024, respectively.

(ii) Method used to determine the expected long-term rate of return on plan assets

The expected long-term rate of return on plan assets is based on the current and expected allocation of plan assets and the current and expected long-term rate of return on the various plan assets.

(8) Assumptions used for actuarial calculation

The major assumptions used for the actuarial calculation were as follows:

	As of March 31, 2023	As of March 31, 2024
Discount rate	0.6%	1.5%
Expected long-term rate of return on plan assets	2.0%	2.0%

3. Defined contribution plans

The amount contributed to defined contribution plans by the Company and certain consolidated subsidiaries was ¥476 million and ¥523 million for the fiscal years ended March 31, 2023 and 2024, respectively.

4. Multi-employer-type employee pension fund plans

The total amount contributed to multi-employer type employee pension fund plans, which are calculated in the same way as defined contribution plans, was ¥3 million and ¥3 million for both the years ended March 31, 2023 and 2024.

(1) Recent funds for multi-employer type employee pension fund plans

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Plan assets	13,367	12,983
Total amount of actuarial liabilities in calculation of pension finance and minimum actuarial reserve	13,534	13,836
Difference	(167)	(853)

(2) The ratio of contribution by the Group to the total contribution of multi-employer-type employee pension fund plans

FY 3/23: 0.5% (as of March 31, 2023)

FY 3/24: 0.5% (as of March 31, 2024)

(3) Supplementary explanation

The above item (1) represents funds for corporate pension plans.

The ratio indicated in the above item (2) does not match the actual ratio of contribution by the Group.

(Tax-effect accounting)

1. Breakdown of major factors that resulted in deferred tax assets and liabilities

	As of March 31, 2023	As of March 31, 2024
Deferred tax assets		
Provision for bonuses	¥1,679 million	¥1,918 million
Write-off of inventories	1,211	1,734
Retirement benefit liability	7,554	4,892
Allowance for doubtful accounts	340	426
Impairment losses	8,150	7,696
Write-off of investment securities	685	725
Tax loss carry-forwards (Note)	6,757	11,143
Unrealized gain eliminated as inter-company transactions	9,389	9,504
Loss on fire	167	-
Other	2,574	2,194
Subtotal deferred tax assets	38,506	40,232
Valuation allowance pertaining to tax loss carry-forwards (Note)	(6,109)	(5,442)
Valuation allowance pertaining to total future deductible temporary difference	(5,757)	(7,548)
Valuation allowance subtotal	(11,866)	(12,990)
Total deferred tax assets	26,640	27,242
Deferred tax liabilities		
Adjustments to allowance for doubtful accounts due to consolidation	(0)	(1)
Reserve for tax purpose reduction entry	(577)	(529)
Retained earnings of foreign subsidiaries	(2,080)	(1,848)
Valuation difference on subsidiary assets	(1,542)	(2,416)
Qualified post-formation acquisition	(1,335)	(1,335)
Qualified company split	(497)	(497)
Valuation difference on available-for-sale securities	(1,364)	(592)
Total deferred tax liabilities	(7,395)	(7,218)
Net deferred tax assets	¥19,244 million	¥20,024 million

In addition to the above, deferred tax liabilities for land revaluation were recorded under non-current liabilities in the amount of ¥19,641 million for the fiscal year ended March 31, 2023 and ¥18,762 million for the fiscal year ended March 31, 2024.

(Note) Amounts classified by the deadline for retention of tax loss carry-forwards and related deferred tax assets

As of March 31, 2023 (Millions of yen)

	Within 1 year	Over 1 year Within 2 years	Over 2 years Within 3 years	Over 3 years Within 4 years	Over 4 years Within 5 years	Over 5 years	Total
Tax loss carry-forwards (*)	208	278	542	392	140	5,196	6,757
Valuation allowance	(161)	(184)	(363)	(332)	(140)	(4,928)	(6,109)
Deferred tax assets	47	94	179	60	-	268	648

(*) Tax loss carry-forwards are the amount multiplied by the effective tax rate.

As of March 31, 2024 (Millions of yen)

	Within 1 year	Over 1 year Within 2 years	Over 2 years Within 3 years	Over 3 years Within 4 years	Over 4 years Within 5 years	Over 5 years	Total
Tax loss carry-forwards (*)	220	647	371	54	622	9,230	11,143
Valuation allowance	(220)	(532)	(313)	(33)	(603)	(5,847)	(7,548)
Deferred tax assets	-	114	58	20	19	3,383	3,595

(*) Tax loss carry-forwards are the amount multiplied by the effective tax rate.

2. Breakdown of items which caused the difference, if any, between the normal statutory tax rate and the effective tax rate after adoption of tax-effect accounting

	As of March 31, 2023	As of March 31, 2024
Effective tax rate	31.0%	31.0%
(Reconciliation)		
Entertainment and other expenses excluded from deductible expenses	10.8	1.2
Dividend and other income excluded from taxable income	(8.3)	(0.9)
Tax credit	(25.2)	(4.4)
Valuation allowance	180.8	5.2
Equity in earnings (loss) of associates	(16.8)	1.5
Retained earnings of foreign subsidiaries	(5.3)	(4.2)
Tax rate difference from parent company	(34.7)	(9.3)
Unrealized gains or losses	5.3	14.0
Income taxes for prior periods	(65.7)	1.4
Resident tax on a per-capita basis	16.2	2.1
Consolidated adjustment of gain or loss on sale of shares of subsidiaries and associates	116.9	-
Effects of exclusion from scope of consolidation	16.3	-
Reversal of revaluation reserve for land	-	(14.5)
Foreign taxes	5.2	10.0
Other	5.3	2.7
Actual effective tax rate	231.9%	4.9%

3. Accounting treatment for national and local corporate taxes and accounting tax effect accounting therefor

The Company and some of its domestic consolidated subsidiaries will transition from the non-consolidated taxation system to the group tax sharing system from the next fiscal year ended March 31, 2025. Additionally, with regard to the accounting treatment and disclosure of tax effect accounting for national and local corporate taxes, the Company has adopted “the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Practical Solution No. 42, August 12, 2021)” from the end of the current fiscal year.

(Business combinations)

Transactions under common control, etc.

(Company split with Toyobo MC Corporation related to the Company's functional materials business)

At its meeting held on January 25, 2023, the Company's Board of Directors resolved to have the Company's functional materials business succeeded by Toyobo MC Corporation (TMC), which is a wholly-owned subsidiary established on September 5, 2022, through an absorption-type company split (the Split), and the Company concluded an absorption-type company split agreement effective as of January 25, 2023 and implemented the Split effective as of April 1, 2023. Note that the Split was implemented without approval of the Company's General Meeting of Shareholders because it is a simple absorption-type company split provided for in the provisions of Article 784, paragraph (2), of the Companies Act.

The details of the Split are as follows:

1. Outline of transaction

(1) Name of target business and description thereof

Name of business	Businesses related to development, manufacturing, and sale of functional materials in Japan and overseas
Description of business	Businesses related to polymerization development, VYLON and HARDLEN, photo functional materials, fine chemicals, engineering plastics, water treatment membranes, environmental solution equipment, AC products, AC materials, spunbond, lifestyle goods and high-performance fibers as well as businesses incidental to or related to these businesses

(2) Date of business combination

April 1, 2023

(3) Legal form of business combination

Absorption-type company split (simple absorption-type company split) with the Company as the splitting company and TMC as the succeeding company

(4) Name of company after the merger

Toyobo MC Corporation

(5) Other matters related to overview of transaction

(i) Purpose of the Split

The Company reached an agreement with Mitsubishi Corporation (head office: located in Chiyoda-ku, Tokyo; Representative Director and President: Katsuya Nakanishi) regarding a company split involving the establishment and spin-off of TMC in order to establish a new joint venture as well as the investment Mitsubishi Corporation will make in TMC (the Investment), with the aim of sharpening the competitive edge of Toyobo's functional materials business and enabling the company to continue to provide solutions globally, and continued to deliberate on the implementation of the Split and the Investment. The Split was implemented as part of the procedures toward the conclusion of a shareholders agreement and the commencement of a joint venture by and between the Company and Mitsubishi Corporation.

(ii) Outline of Investment

After the Split, the Company's and Mitsubishi Corporation's shareholdings in TMC have become 51% and 49%, respectively, as a result of the third-party allocation of TMC's shares to Mitsubishi Corporation associated with the Investment. The details of the Investment are as follows:

(i) Payment date	April 1, 2023
(ii) Issued shares	49,000 shares of common stock
(iii) Issue price	The issue price per share was ¥30,000,000,000 divided by 49,000 shares.
(iv) Amount of capital raised	¥30,000,000,000
(v) Method of offering or allocation	Third-party allocation 49,000 shares allocated to Mitsubishi Corporation

2. Overview of accounting procedures implemented

The Merger was accounted for as a transaction under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Guidance on Accounting Standard for

Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

3. Matters regarding changes in the Company's shareholding related to a transactions with a non-controlling shareholder

(1) Major factor contributing to changes in capital surplus

Changes in the Company's shareholding due to the third-party allocation implemented by TMC in association with the Investment

(2) Increase in capital surplus due to a transaction with a non-controlling shareholder

¥790 million

(Merger with Toyobo Information System Create Co., Ltd.)

At its meeting held on December 26, 2022, the Company's Board of Directors resolved to approve the merger of the Company with Toyobo Information System Create Co., Ltd. (hereinafter "TISC"), a consolidated subsidiary, through an absorption-type merger effective as of December 26, 2022, and the Company implemented the absorption-type merger as of April 1, 2023. The merger was implemented without holding a General Meeting of Shareholders of the Company, or a General Meeting of Shareholders of TISC, for the approval of the merger agreement pursuant to Article 796, paragraph (2), and Article 784, paragraph (1), of the Companies Act, respectively.

The details of the Merger are as follows:

1. Outline of transaction

(1) Name and business of merged company

Name of merged company:	Toyobo Information System Create Co., Ltd.
Description of business	IT systems consulting, development, operation, and maintenance of IT systems, ERP solutions (GRANDIT, OracleEBS, and others), and network solutions

(2) Date of business combination

April 1, 2023

(3) Legal form of business combination

Absorption-type merger with the Company as the surviving company and TISC as the disappearing company

(4) Name of company after the merger

Toyobo Co., Ltd.

(5) Other matters related to overview of transaction

(i) Purpose of Merger

In business activities, digital technology has grown increasingly important year by year and has become an essential element. In this situation, in order to integrate the Group's IT resources, establish a system that is able to respond swiftly to changes in the business environment associated with the development and spread of digital technology, and make it conducive to the transformation and growth of its businesses, the Company decided to merge with TISC through an absorption-type merger.

(ii) Allotment of shares related to Merger

There was no issuance of new shares or payment of money with respect to the absorption-type merger.

(iii) Financial position and operating results of the merged company for the most recent fiscal years (the fiscal year ended March 31, 2023)

Assets	¥2,568 million
Liabilities	¥1,969 million
Net assets	¥599 million
Net sales	¥4,864 million
Loss	(¥11 million)

2. Overview of accounting procedures implemented

The Merger was accounted for as a transaction under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

(Investment and rental property)

The Company and some of its consolidated subsidiaries hold rental office buildings (including land) located in Osaka (Japan) and other areas.

For the previous fiscal year, rental income (principal rental revenue is recorded in net sales, and principal rental expenses are recorded in cost of sales) on these real estate properties was ¥2,148 million.

For the current fiscal year, rental income (principal rental revenue is recorded in net sales, and principal rental expenses are recorded in cost of sales) on these real estate properties was ¥2,112 million.

The following table summarizes the carrying amount, the change during the fiscal year and the estimated fair value of investment and rental property.

(Millions of yen)

		For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Book value			
	Opening balance	30,323	29,331
	Changes during period	(993)	267
	Closing balance	29,331	29,598
Fair value at end of period		36,745	36,845

(Notes) 1. Carrying amounts are acquisition costs less accumulated depreciation.

2. The change during the previous fiscal year was mainly attributable to a decrease due to sale (¥544 million). The change during the current fiscal year was mainly attributable to an increase due to acquisition (¥784 million and) decrease due to depreciation (¥440 million).

3. The fair value at March 31, 2023 and 2024 was based on the amounts calculated by external real estate appraisers based on real estate appraisal standards for major properties. In cases where the fair value of properties fluctuates only slightly, the fair value is the appraisal value at the time of the most recent appraisal. The fair value of the other properties is based on an index considered to reflect the current market price.

4. Of the difference between the fair value and carrying amount of revaluated land presented in "(Consolidated balance sheets), *6. Revaluation reserve for land," the difference due to investment and rental property was ¥2,749 million and ¥2,692 million as of March 31, 2023 and 2024, respectively.

(Revenue recognition)

1. Disaggregation of revenue from contracts with customers

For the fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segments						Other Businesses	Total
	Films	Life Science	Environmental and Functional Materials	Functional Textiles and Trading	Real Estate	Total		
Japan	113,069	21,665	58,619	48,365	679	242,396	7,556	249,952
China	13,619	3,756	16,360	8,802	-	42,537	107	42,644
Southeast Asia	16,297	1,318	14,455	19,624	-	51,693	246	51,939
Other regions	3,080	11,395	21,363	15,570	-	51,408	606	52,013
Revenue from contracts with customers	146,064	38,134	110,796	92,361	679	388,034	8,514	396,548
Other revenue	-	-	-	-	3,373	3,373	-	3,373
Net sales to outside customers	146,064	38,134	110,796	92,361	4,053	391,407	8,514	399,921

(Notes) 1. Other include design/construction of buildings, machinery, etc., information processing services, and logistics services.

2. Other revenue include rental revenue based on accounting standards for lease transactions.

For the fiscal year ended March 31, 2024

(Millions of yen)

	Reportable segments						Other Businesses	Total
	Films	Life Science	Environmental and Functional Materials	Functional Textiles and Trading	Real Estate	Total		
Japan	115,192	16,863	58,354	47,630	678	238,717	7,115	245,832
China	15,544	3,708	18,947	9,025	-	47,223	38	47,261
Southeast Asia	23,034	1,587	15,560	21,658	-	61,839	179	62,018
Other regions	2,762	12,406	22,465	17,353	-	54,986	776	55,762
Revenue from contracts with customers	156,531	34,564	115,327	95,665	678	402,765	8,108	410,873
Other revenue	-	-	-	-	3,392	3,392	-	3,392
Net sales to outside customers	156,531	34,564	115,327	95,665	4,070	406,157	8,108	414,265

(Notes) 1. The Group changed its reporting segment classification from the current fiscal year. Details are as described in "(Segment information, etc.)." In accordance with this change the figures for the previous fiscal year have been restated.

2. Other includes design/construction of buildings, machinery, etc., information processing services, and logistics services.

3. Other revenue include rental revenue based on accounting standards for lease transactions.

2. Information useful for understanding revenue from contracts with customers

The information useful for understanding revenue from contracts with customers is as described in "(Significant accounting policies for preparation of consolidated financial statements), 4. Disclosure of accounting policies, (5) Standards for recognizing significant revenue and expenses."

3. Relationship between the satisfaction of performance obligations based on contracts with customers and cash flows generated from the contracts, and amounts and timing of revenue expected to be recognized in the following fiscal year or later from contracts with customers that existed as of the end of the current fiscal year

(1) Balances, etc. of contract assets and contract liabilities

For the fiscal year ended March 31, 2023

(Millions of yen)

	As of April 1, 2022	As of March 31, 2023
Receivables from contracts with customers	101,829	100,722
Contract assets	421	407
Contract liabilities	1,739	1,469

Contract liabilities are included in 'other' under current liabilities. There was no material revenue recognized during the previous fiscal year that was included in contract liabilities at the beginning of the previous fiscal year. Further, the amount of revenue recognized during the previous fiscal year from performance obligations satisfied (or partially satisfied) in prior periods was immaterial. There are no major changes in contract assets and contract liabilities.

For the fiscal year ended March 31, 2024

(Millions of yen)

	As of April 1, 2023	As of March 31, 2024
Receivables from contracts with customers	100,722	102,664
Contract assets	407	140
Contract liabilities	1,469	1,556

Contract liabilities are included in 'other' under current liabilities. There was no material revenue recognized during the current fiscal year that was included in contract liabilities at the beginning of the current fiscal year. Further, the amount of revenue recognized during the current fiscal year from performance obligations satisfied (or partially satisfied) in prior periods was immaterial. There are no major changes in contract assets and contract liabilities.

(2) Transaction price allocated to remaining performance obligations

The Group had no material transactions whose estimated contract period exceeds one year. There were no material considerations from contracts with customers that were not included in transaction prices.

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

The Company's reportable segments are its components for which separate financial information is available, and which are subject to periodic review by the highest decision-making body to determine the allocation of management resources and evaluate earnings performance.

The Company's basic organization comprises business headquarters and business divisions within the head office, separated by the type, nature and market region for products and services. Each business headquarters and business division formulates comprehensive strategies for its domestic and overseas operations and conducts business activities.

Accordingly, the Company comprises segments by market region. Its five reportable segments are: Films, Life Science, Environmental and Functional Materials, Functional Textiles and Trading and Real Estate.

The Films segment manufactures and sells packaging film, industrial film and other products. The Life Science segment manufactures and sells bio-products such as enzymes for diagnostics, pharmaceuticals, medical membranes, medical devices and other products. The Environmental and Functional Materials segment manufactures and sells engineering plastics, industrial adhesives, photo functional materials, water treatment membranes, functional filters, high performance fibers, nonwoven fabrics and other products. The Functional Textiles and Trading segment manufactures and sells airbag fabrics, functional textiles, apparel products, apparel textiles, apparel fibers and other products. The Real Estate segment mainly leases and manages real estate properties and others.

(Matters concerning changes to reporting segments)

From the fiscal year ending March 31, 2024, the Group changed its organization structure in order to position films, life science and the environment as business fields on which to particularly focus and carry out business operations in accordance with each positioning while evaluating and categorizing each business in accordance with their "profitability" and "growth potential." Accordingly, the Group reviewed the reportable segment classification, and changed them from the previous "Films and Functional Materials," "Mobility" and "Lifestyle and Environment" to "Films," "Environmental and Functional Materials" and "Functional Textiles and Trading."

Segment information for the previous fiscal year ended March 31, 2023 was prepared in accordance with the classifications after the change.

2. Methods of calculating net sales, profit or loss, assets, and other items by reportable segment

The methods of accounting for business segments are the same as those stated in "Significant accounting policies for preparation of consolidated financial statements."

Profit of the reportable segments is based on operating profit.

Inter-segment revenue and transfers are based on prevailing market prices.

3. Net sales, profit or loss, assets and other items by reportable segment
For the fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segments						Other (Note 1)	Total	Adjust-ment (Note 2)	Carrying amount (Note 3)
	Films	Life Science	Environmental and Functional Materials	Functional Textiles and Trading	Real Estate	Total				
Net sales										
(1) Outside customers	146,064	38,134	110,796	92,361	4,053	391,407	8,514	399,921	―	399,921
(2) Inter-segment sales and transfers	126	41	3,792	700	429	5,089	15,652	20,741	(20,741)	―
Total	146,190	38,175	114,588	93,062	4,481	396,496	24,166	420,662	(20,741)	399,921
Segment profit (loss)	1,623	9,212	4,048	(2,514)	1,439	13,807	748	14,555	(4,492)	10,063
Assets	180,321	41,332	127,361	108,121	45,468	502,603	16,699	519,302	69,604	588,906
Others										
Depreciation and amortization	7,787	2,211	4,334	2,415	514	17,262	416	17,679	1,371	19,050
Capital expenditure	18,280	7,551	7,314	3,599	488	37,232	666	37,898	4,836	42,734

(Notes) 1. Other include design/construction of buildings, machinery, etc., information processing services, and logistics services.
2. (1) Segment profit or loss adjustment of ¥(4,492) million includes elimination of inter-segment transactions of ¥(271) million and company-wide expenses that are not allocated across reportable segments of ¥(4,220) million. The principal components of company-wide expenses are those related to basic research and development.
(2) The adjustment of segment assets of ¥69,604 million includes corporate assets of ¥84,551 million that are not allocated to the reportable segments.
(3) The adjustment of increases in property, plant, and equipment and intangible assets of ¥4,836 million represents the amount of capital investment related to research and development expenses.
3. Segment profit or loss has been adjusted with an operating profit in the consolidated financial statements.

For the fiscal year ended March 31, 2024

(Millions of yen)

	Reportable segments						Other (Note) 1	Total	Adjustment (Note) 2	Carrying amount (Note) 3
	Films	Life Science	Environmental and Functional Materials	Functional Textiles and Trading	Real Estate	Total				
Net sales										
(1) Outside customers	156,531	34,564	115,327	95,665	4,070	406,157	8,108	414,265	―	414,265
(2) Inter-segment sales and transfers	2,185	118	8,848	1,238	1,151	13,540	17,383	30,923	(30,923)	―
Total	158,716	34,682	124,175	96,903	5,221	419,697	25,491	445,188	(30,923)	414,265
Segment profit (loss)	2,688	4,438	4,668	(1,044)	2,018	12,768	995	13,763	(4,768)	8,995
Assets	203,361	71,315	139,730	108,425	49,113	571,945	14,578	586,523	20,467	606,990
Others										
Depreciation and amortization	8,946	2,135	3,770	2,541	498	17,891	114	18,005	1,802	19,806
Capital expenditure	18,621	20,710	10,933	6,072	1,409	57,746	152	57,897	3,672	61,569

(Notes) 1. Other include design/construction of buildings, machinery, etc., information processing services, and logistics services.
2. (1) Segment profit or loss adjustment of ¥(4,768) million includes elimination of inter-segment transactions of ¥(516) million and company-wide expenses that are not allocated across reportable segments of ¥(4,252) million. The principal components of company-wide expenses are those related to basic research and development.
(2) The adjustment of segment assets of ¥20,467 million includes corporate assets of ¥58,806 million that are not allocated to the reportable segments.
(3) The adjustment of increases in property, plant, and equipment and intangible assets of ¥3,672 million represents the amount of capital investment related to research and development expenses.
3. Segment profit or loss has been adjusted with an operating profit in the consolidated financial statements.

[Related information]

For the fiscal year ended March 31, 2023

1. Information by product and type

The information has been omitted because it is the same as the reportable segments.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	China	Southeast Asia	Other regions	Total
252,850	42,644	51,939	52,489	399,921

(Notes) 1. Net sales are based on customers' locations and categorized by country or region.
2. Main countries and regions included in each category
Southeast Asia: South Korea, Taiwan, Malaysia, Indonesia, Thailand, etc.
Other regions: U.S.A., Germany, Spain, Brazil, Saudi Arabia, etc.

(2) Property, plant and equipment

The information has been omitted because the balance of non-current assets in Japan accounts for over 90% of the total non-current assets.

3. Information by major customer

The information has been omitted because no single customer accounts for 10% or more of net sales in the consolidated statements of income.

For the fiscal year ended March 31, 2024

1. Information by product and type

The information has been omitted because it is the same as the reportable segments.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	China	Southeast Asia	Other regions	Total
248,769	47,261	62,018	56,216	414,265

(Notes) 1. Net sales are based on customers' locations and categorized by country or region.
2. Main countries and regions included in each category
Southeast Asia: South Korea, Taiwan, Malaysia, Indonesia, Thailand, etc.
Other regions: U.S.A., Germany, Spain, Brazil, Saudi Arabia, etc.

(2) Property, plant and equipment

The information has been omitted because the balance of non-current assets in Japan accounts for over 90% of the total non-current assets.

3. Information by major customer

The information has been omitted because no single customer accounts for 10% or more of net sales in the consolidated statements of income.

[Information on impairment loss on non-current assets by reportable segment]

For the fiscal year ended March 31, 2023

(Millions of yen)

	Films	Life Science	Environmen-tal and Functional Materials	Functional Textiles and Trading	Real Estate	Other Businesses	Total	Adjustment	Total
Impairment losses	201	741	8,852	-	-	-	9,794	-	9,794

For the fiscal year ended March 31, 2024

(Millions of yen)

	Films	Life Science	Environmen-tal and Functional Materials	Functional Textiles and Trading	Real Estate	Other Businesses	Total	Adjustment	Total
Impairment losses	50	30	4	715	-	-	799	-	799

[Information on amortization of goodwill and unamortized balances]

For the fiscal year ended March 31, 2023

Not applicable

For the fiscal year ended March 31, 2024

Not applicable

[Information on gain on negative goodwill by reportable segment]

For the fiscal year ended March 31, 2023

Not applicable

For the fiscal year ended March 31, 2024

Not applicable

[Related-party information]

For the fiscal year ended March 31, 2023

The information has been omitted because there have been no transactions with major related parties.

For the fiscal year ended March 31, 2024

The information has been omitted because there have been no transactions with major related parties.

(Special-purpose companies subject to disclosure)

1. Overview of special-purpose companies subject to disclosure and overview of transactions using special-purpose companies subject to disclosure

   Not applicable

2. Transaction amounts, etc. with special-purpose companies

   Not applicable

(Per-share information)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Net assets per share	¥2,146.46	¥2,236.50
Net profit (loss) per share	¥(7.37)	¥27.87

(Notes) 1. Diluted net profit per share for the previous fiscal year is net loss per share, and is not presented as there are no potentially dilutive shares. Figures for diluted net profit per share for the current fiscal year are not presented, as there are no potentially dilutive shares.

2. Basis for calculating net assets per share is as follows:

		For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Net assets per share			
Total net assets	(Millions of yen)	221,422	230,087
Deduction from total net assets	(Millions of yen)	31,834	33,054
[Non-controlling interests]	(Millions of yen)	(31,834)	(33,054)
Net assets at end of period pertaining to common shares	(Millions of yen)	189,588	197,033
Number of common shares at end of period used for calculating net assets per share	(Thousand shares)	88,325	88,098

3. The basis for calculating net profit per share or net loss per share is as follows:

		For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Net profit (loss) per share			
Profit (loss) attributable to owners of the parent	(Millions of yen)	(655)	2,455
Amount not attributable to common shareholders	(Millions of yen)	-	-
Profit (loss) attributable to owners of the parent pertaining to common shares	(Millions of yen)	(655)	2,455
Average number of common shares during the period	(Thousand shares)	88,885	88,096

(Significant subsequent events)

(Issuance of unsecured straight bonds in the Japanese market)

At the meeting of the Board of Directors held on April 25, 2024, a comprehensive resolution regarding the issuance of unsecured straight bonds on the Japanese market was passed. The details of this resolution are as follows:

(1) Issue amount	¥20,000 million or less. However, multiple issues within the scope of this amount have not been ruled out.
(2) Issue price	¥100 for each bond with a par value of ¥100.
(3) Interest rate	Market yield of Japanese government bonds with the same maturities plus 1.5% or less.
(4) Payment date	From April 26, 2024 to March 31, 2025. However, if the bonds are offered during this period, payments after this period will be accepted.
(5) Term of redemption	3 years or more, to 10 years.
(6) Method of redemption	Full amount on maturity. However, a retirement-by-purchase clause may be included.
(7) Uses of funds	For repayment of borrowings, redemption of bonds, purchases of securities (includes acquisition of stock through mergers and acquisitions), working capital, and capital investment.
(8) Special provisions	These bonds will include a negative pledge clause.
(9) Other	Decisions regarding matters covered in Article 676 of the Companies Act and all other items related to the issuance of bonds will be made within the scope stated above at the discretion of the Director in charge of the Finance Division.

(v) Consolidated supplementary schedules

[Schedule of bonds]

Company name	Stocks	Date of issuance	Balance at the beginning of the current fiscal year (Millions of yen)	Balance at the end of the current fiscal year (Millions of yen)	Interest rate (%)	Collateral	Maturity
Toyobo Co., Ltd. (The Company)	39th unsecured straight bonds	September 14, 2016	10,000 (10,000)	-	0.31	None	September 14, 2023
Toyobo Co., Ltd. (The Company)	40th unsecured straight bonds	August 30, 2018	10,000	10,000	0.29	None	August 29, 2025
Toyobo Co., Ltd. (The Company)	41st unsecured straight bonds	June 20, 2019	15,000	15,000 (15,000)	0.18	None	June 20, 2024
Toyobo Co., Ltd. (The Company)	42nd unsecured straight bonds	December 12, 2019	10,000	10,000	0.23	None	December 11, 2026
Toyobo Co., Ltd. (The Company)	43rd unsecured straight bonds	December 7, 2021	10,000	10,000	0.25	None	December 7, 2028
Toyobo Co., Ltd. (The Company)	44th unsecured straight bonds	March 9, 2023	20,000	20,000	0.63	None	March 9, 2028
Toyobo Co., Ltd. (The Company)	45th unsecured straight bonds	December 7, 2023	-	10,000	0.80	None	December 7, 2028
Total	-	-	75,000 (10,000)	75,000 (15,000)	-	-	-

(Notes) 1. The figures in parentheses represent the amounts of bonds to be redeemed within one year.

2. The redemption schedule of bonds for five years subsequent to the end of the current fiscal year is as follows:

(Millions of yen)

Within 1 year	Over 1 year and within 2 years	More than 2 years but within 3 years	More than 3 years but within 4 years	Over 4 years and within 5 years
15,000	10,000	10,000	20,000	20,000

[Schedule of borrowings]

Category	Balance at the beginning of the current fiscal year (Millions of yen)	Balance at the end of the current fiscal year (Millions of yen)	Average interest rate (%)	Maturity
Short-term borrowings	71,595	68,385	0.66	-
Current portion of long-term borrowings	29,472	13,069	0.72	-
Current portion of lease obligations	766	1,136	-	-
Long-term borrowings (excluding current portion)	49,099	85,637	0.59	2025-2031
Lease obligations (excluding current portion)	2,043	6,018	-	2025-2040
Other interest-bearing debt Deposits received (scheduled to be repaid within one year)	1,430	-	-	-
Total	154,405	174,244	-	-

(Notes) 1. The interest rate shows the weighted-average interest rate to the balance of borrowings at the end of the current fiscal year.

2. The average interest rate for lease obligations has been omitted. This is because lease obligations are recorded on the consolidated balance sheets in the amount of total leasing fees including the interest amount.

3, Scheduled repayment amounts of long-term borrowings and lease obligations (excluding current portion) within five years after the consolidated fiscal year-end are as follows:

(Millions of yen)

	Over 1 year and within 2 years	More than 2 years but within 3 years	More than 3 years but within 4 years	Over 4 years and within 5 years
Long-term borrowings	10,666	10,939	14,716	12,706
Lease obligations	862	628	483	400

[Schedule of asset retirement obligations]

The schedule of asset retirement obligations has been omitted pursuant to Article 92-2 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements, because the amounts of asset retirement obligations at the beginning and end of the current fiscal year account for 1% or less of the total of liabilities and net assets as of the beginning and end of the current fiscal year.

(2) Others

(i) Quarterly financial information for the current fiscal year

(Cumulative period)	Three months ended June 30, 2023	Six months ended September 30, 2023	Nine months ended December 31, 2023	Current fiscal year
Net sales (Millions of yen)	97,058	199,419	307,323	414,265
Profit before income taxes (Millions of yen)	(843)	3,086	3,628	5,587
Profit (loss) attributable to owners of the parent (Millions of yen)	(508)	2,011	1,573	2,455
Net profit (loss) per share (Yen)	(5.77)	22.82	17.85	27.87

(Cumulative period)	Three months ended June 30, 2023	Three months ended September 30, 2023	Three months ended December 31, 2023	Three months ended March 31, 2024
Net profit (loss) per share (Yen)	(5.77)	28.60	(4.97)	10.01

(ii) Status after the fiscal year-end

There are no matters to note.

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated Financial Statements

(i) Non-consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Assets		
Current assets		
Cash and deposits	*1 8,642	*1 10,427
Notes receivable - trade	2,243	*4 586
Accounts receivable - trade	*3 62,879	*3,*4 48,651
Electronically recorded monetary claims - operating	*3 4,788	*4 3,469
Finished goods	58,173	36,725
Work in process	8,891	7,122
Raw materials and supplies	19,026	13,295
Prepaid expenses	154	1,400
Short-term loans receivable	*3 17,062	*3 16,141
Other Businesses	*3 10,154	*3 14,081
Total current assets	192,012	151,895
Non-current assets		
Property, plant and equipment		
Buildings	33,739	36,523
Structures	5,847	6,229
Machinery and equipment	36,493	40,311
Vehicles	135	120
Tools, furniture, and fixtures	4,154	3,373
Land	80,629	79,530
Leased assets	96	5,419
Construction in progress	37,629	46,877
Total property, plant, and equipment	198,722	218,383
Intangible assets		
Software	1,740	1,618
Other Businesses	1,289	1,897
Total intangible assets	3,029	3,515
Investments and other assets		
Investment securities	3,529	3,058
Shares of subsidiaries and associates	60,082	76,458
Capital investments by subsidiaries and associates	11,474	10,919
Long-term loans receivable	*3 6,231	*3 10,916
Deferred tax assets	9,775	11,075
Other Businesses	*3 5,601	*3 8,350
Allowance for doubtful accounts	(616)	(1,764)
Total investments and other assets	96,075	119,013
Total non-current assets	297,826	340,910
Total assets	489,838	492,805

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	*3 36,849	*3,*4 24,758
Electronically recorded monetary obligations - operating	*3 935	*3,*4 1,375
Short-term borrowings	65,710	53,200
Current portion of bonds payable	10,000	15,000
Current portion of long-term borrowings	25,840	11,807
Lease obligations	63	607
Accounts payable - other	*3 13,570	*3,*4 21,053
Accrued expenses	*3 2,620	*3 2,221
Income taxes payable	459	247
Advances received	654	303
Deposits received	*3 32,609	*3 30,318
Provision for bonuses	2,943	2,622
Other Businesses	1,814	*4 1,950
Total current liabilities	194,066	165,461
Non-current liabilities		
Bonds payable	65,000	60,000
Long-term borrowings	47,600	82,575
Lease obligations	63	4,804
Deferred tax liabilities for land revaluation	18,140	18,140
Provision for retirement benefits	12,865	12,642
Provision for loss on guarantees	972	1,179
Other Businesses	*3 1,058	*3 1,785
Total non-current liabilities	145,699	181,125
Total liabilities	339,765	346,586
Net assets		
Shareholders' equity		
Share capital	51,730	51,730
Capital surplus		
Legal capital surplus	19,224	19,224
Other capital surplus	13,301	13,297
Total capital surplus	32,525	32,521
Retained earnings		
Other retained earnings		
Retained earnings brought forward	27,352	23,856
Total retained earnings	27,352	23,856
Treasury shares	(781)	(1,006)
Total shareholders' equity	110,827	107,101
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	672	585
Deferred gains or losses on hedges	67	25
Revaluation reserve for land	38,508	38,508
Total valuation and translation adjustments	39,246	39,118
Total net assets	150,073	146,219
Total liabilities and net assets	489,838	492,805

(ii) Non-consolidated Statements of Income

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Current fiscal year (From April 1, 2023 to March 31, 2024)
Net sales	*4 253,604	*4 183,625
Cost of sales	*4 197,128	*4 146,553
Gross profit	56,476	37,072
Selling, general and administrative expenses	*1 51,955	*1 38,071
Operating profit (loss)	4,521	(999)
Non-operating income		
Interest and dividend income	*4 2,508	*4 8,281
Other Businesses	*4 981	*4 1,361
Total non-operating income	3,489	9,642
Non-operating expenses		
Interest expenses	*4 928	*4 798
Other Businesses	*4 5,142	*4 5,634
Total non-operating expenses	6,070	6,433
Ordinary profit	1,940	2,211
Extraordinary income		
Gain on sale of investment securities	224	183
Gain on sale of shares of subsidiaries and associates	2,019	-
Gain on extinguishment of tie-in shares	-	549
Insurance claim income	*2 5,607	-
Other Businesses	791	-
Total extraordinary income	8,641	731
Extraordinary losses		
Impairment losses	9,296	72
Loss on disposal of non-current assets	*3 3,433	*3 3,056
Loss on valuation of shares of subsidiaries and associates	1,004	227
Other Businesses	668	-
Total extraordinary losses	14,401	3,356
Profit (loss) before income taxes	(3,821)	(413)
Income taxes - current	211	845
Income taxes - deferred	(2,012)	(1,295)
Total income taxes	(1,801)	(450)
Profit (loss)	(2,019)	37

(iii) Non-consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus			Retained earnings	Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		
					Retained earnings brought forward		
Balance at the beginning of the current fiscal year	51,730	19,224	13,338	32,562	32,927	(221)	116,999
Changes during period							
Dividends of surplus					(3,556)		(3,556)
Loss					(2,019)		(2,019)
Purchase of treasury shares						(684)	(684)
Disposal of treasury shares			(37)	(37)		124	87
Net changes in items other than shareholders' equity							
Total changes during period	-	-	(37)	(37)	(5,575)	(560)	(6,172)
Balance at the end of the current fiscal year	51,730	19,224	13,301	32,525	27,352	(781)	110,827

	Valuation and translation adjustments				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at the beginning of the current fiscal year	780	(13)	38,508	39,274	156,273
Changes during period					
Dividends of surplus					(3,556)
Loss					(2,019)
Purchase of treasury shares					(684)
Disposal of treasury shares					87
Net changes in items other than shareholders' equity	(107)	80		(28)	(28)
Total changes during period	(107)	80	-	(28)	(6,200)
Balance at the end of the current fiscal year	672	67	38,508	39,246	150,073

For the fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus			Retained earnings	Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		
					Retained earnings brought forward		
Balance at the beginning of the current fiscal year	51,730	19,224	13,301	32,525	27,352	(781)	110,827
Changes during period							
Dividends of surplus					(3,533)		(3,533)
Profit					37		37
Purchase of treasury shares						(321)	(321)
Disposal of treasury shares			(4)	(4)		95	92
Net changes in items other than shareholders' equity							
Total changes during period	-	-	(4)	(4)	(3,496)	(225)	(3,725)
Balance at the end of the current fiscal year	51,730	19,224	13,297	32,521	23,856	(1,006)	107,101

	Valuation and translation adjustments				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at the beginning of the current fiscal year	672	67	38,508	39,246	150,073
Changes during period					
Dividends of surplus					(3,533)
Profit					37
Purchase of treasury shares					(321)
Disposal of treasury shares					92
Net changes in items other than shareholders' equity	(87)	(42)	-	(129)	(129)
Total changes during period	(87)	(42)	-	(129)	(3,854)
Balance at the end of the current fiscal year	585	25	38,508	39,118	146,219

Notes to Consolidated Financial Statements

(Significant accounting policies)

1. Evaluation standards and methods for assets

(1) Evaluation standards and methods for securities

Held-to-maturity securities:	Stated at amortized cost (straight-line method).
Shares of subsidiaries and associates:	Stated at cost using the moving-average method.
Available-for-sale securities	
Other than shares, etc. with no market price:	Stated at fair value (Unrealized gains and losses on valuation are reported, net of applicable income taxes, as a separate component of net assets; cost of sales is calculated using the moving-average method).
Shares, etc. with no market price:	Stated at cost using the moving-average method.

(2) Evaluation standards and methods for inventories

Mainly stated at cost using the weighted-average method (with balance sheet amounts recorded at the lower of cost or market).

2. Method of depreciating non-current assets

(1) Property, plant and equipment (excluding lease assets)

Depreciated using the straight-line method.

(2) Intangible assets (excluding lease assets)

Amortized using the straight-line method. Software for internal use is amortized using the straight-line method over the useful life (five years).

(3) Lease assets

Leased assets concerning finance lease transactions that transfer ownership

Depreciated using the same method as that applied to the Company's own non-current assets.

Leased assets concerning finance lease transactions that do not transfer ownership

Depreciated using the straight-line method over the lease term with no residual value.

3. Standards for recording provisions

(1) Allowance for doubtful accounts

To prepare for credit losses on receivables, allowances for general receivables are recorded based on the historical rate of credit losses, and allowances for doubtful receivables and other specific receivables are recorded by examining the recoverability of individual receivables.

(2) Provision for bonuses

Estimated payment amounts are recorded to prepare for bonus payment to employees.

(3) Provision for retirement benefits

To prepare for retirement benefits for employees, provision for retirement benefits is recorded based on estimated amounts of retirement benefit obligations and plan assets at the end of the current fiscal year. However, under the corporate pension plan of the Company, provision for retirement benefits is recorded as prepaid pension costs because estimated plan assets exceed the estimated amount of retirement benefit obligations after reflecting unrecognized prior service cost and unrecognized actuarial differences.

(i) Attribution method for estimated amounts of retirement benefits

The benefit formula basis is used for attributing the estimated amount of retirement benefits to the periods until the end of the current period in calculating projected retirement benefit obligations.

(ii) Amortization of actuarial differences and prior service costs

Prior service costs are amortized using the straight-line method over a certain period within the average remaining years of service of the eligible employees (ten years) at the time of recognition.

Actuarial differences are amortized using the straight-line method over a certain period within the average remaining years of service of the eligible employees (ten years) at the time of recognition, and allocated proportionately from the fiscal year following the fiscal year of recognition.

(4) Provision for environmental measures

Amounts estimated to be incurred in the future are recorded to prepare for expenditures with regard to environmental measures, including the treatment of harmful substances based on laws and regulations.

(5) Provision for loss on guarantees

To prepare for a loss related to guarantee of obligations for subsidiaries, etc., provision for loss on guarantees is recorded in the necessary amount in consideration for the financial position, etc. of the subsidiaries.

4. Standards for recognizing revenue and expenses

The Company adopts the following five steps in recognizing revenue, except for rental income recorded pursuant to the accounting standards related to lease transactions. The revenue is recognized in the amount that the Company expects to be entitled to in exchange for the transfer of control of goods or services to a customer.

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the separate performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Company is primarily engaged in the manufacture and sale of products in the segments of Films, Life Science, Environmental and Functional Materials, Functional Textiles and Trading, Real Estate and Other. Performance obligations for domestic sales are deemed to be satisfied when the product is delivered to the customer, unless otherwise specified in the contract, while those for export sales are deemed to be satisfied when the customer is deemed to have gained control of the product based on trade terms and conditions. Revenue is recognized at the time such performance obligations are satisfied. However, when the period between shipment and delivery for domestic sales is a normal period, the Company applies an alternative treatment and recognizes revenue at the time of product shipment. Revenue is calculated by subtracting sales returns, discounts, rebates, etc. from a promised consideration under the contract with the customer. Considerations for product sale contracts are generally collected within one year from when the control of the product is transferred to the customer, and contain no significant financial components.

Royalty income from a licensing contract where the Company authorizes a third party to manufacture and sell products and to use technologies, is measured on the basis of sales, etc. of the licensee, and revenue is recognized in consideration of the timing of accrual.

5. Other significant matters for the preparation of non-consolidated financial statements

(1) Accounting treatment for deferred assets

Charged to expenses in full at the time of payment.

(2) Treatment of hedge accounting

(i) Method of hedge accounting

Deferral hedge accounting is applied. However, the designation treatment is applied to foreign exchange contracts that meet the designation treatment requirements, and the special treatment is applied to interest rate swaps that meet the special treatment requirements.

(ii) Hedging instruments and hedged items

The Group uses forward foreign exchange contracts, interest rate swaps and other methods to hedge the risks of foreign exchange fluctuations and interest rate fluctuations.

(iii) Hedging policy

The Group enters into derivative transactions within the scope of actual demand in accordance with relevant internal regulations.

(iv) Method for evaluating hedging effectiveness

Hedging effectiveness is evaluated by comparing the requirements for applying the special treatment to interest rate swaps and hedged items with total market fluctuations or cash flows of respective hedging instruments. However, the evaluation of effectiveness of interest rate swaps to which the special treatment is applied, is omitted if the application requirements are satisfied.

(3) Accounting treatment of defined benefit plans

The accounting treatment of unrecognized prior-service cost and unrecognized actuarial differences is different from that in the consolidated financial statements.

(Significant accounting estimates)

1. Amounts recorded in the non-consolidated financial statements in the current fiscal year

(Millions of yen)

	Previous fiscal year	Current fiscal year
Property, plant and equipment	198,722	218,383
Deferred tax assets	9,775	11,075

2. Information on the nature of significant accounting estimates for identified items

The method of calculating accounting estimates is the same as that described in "1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, (Significant accounting estimates), 2. Information on the nature of significant accounting estimates for identified items."

(Non-consolidated balance sheets)

*1. Assets pledged as collateral and collateralized debt obligations

Assets pledged as collateral are as follows:

	As of March 31, 2023	As of March 31, 2024
Cash and deposits	¥2 million	¥2 million
Total	¥2 million	¥2 million

2. Guarantee obligations

The amounts of guarantee of obligations for borrowings from financial institutions by subsidiaries and associates are as follows:

As of March 31, 2023		As of March 31, 2024	
Toyobo Indorama Advanced Fibers Co.,Ltd.	¥3,502 million	Toyobo MC Corporation	¥4,590 million
TOYOBO SAHA SAFETY WEAVE Co.,LTD.	2,585	Toyobo Indorama Advanced Fibers Co.,Ltd.	3,850
PT. TRIAS TOYOBO ASTRIA	1,665	TOYOBO SAHA SAFETY WEAVE Co.,LTD.	2,035
PT. TOYOBO TRIAS ECOSYAR	1,481	PT. TRIAS TOYOBO ASTRIA	1,713
Indorama Ventures Mobility Obernburg GmbH	962	PT. TOYOBO TRIAS ECOSYAR	1,341
TOYOBO CHEMICALS(Thailand) Co., Ltd.	927	Indorama Ventures Mobility Obernburg GmbH	1,012
Toyobo Automotive Textiles (CHANGSHU) CO., LTD.	871	Cast Film Japan Co., Ltd.	800
Cast Film Japan Co., Ltd.	675	Toyobo Automotive Textiles (CHANGSHU) CO., LTD.	617
Arabian Japanese Membrane Company,LLC	338	PT. INDONESIA TOYOBO FILM SOLUTIONS	333
PT. INDONESIA TOYOBO FILM SOLUTIONS	134	Xenomax - Japan Co., Ltd.	46
Nippon Dyneema Co., Ltd.	86		
Employee housing loans (1 case)	0		
Total	¥13,224 million	Total	¥16,336 million

*3. Monetary claims and obligations related to subsidiaries and associates are as follows:

	As of March 31, 2023	As of March 31, 2024
Short-term monetary claims	¥37,365 million	¥40,925 million
Long-term monetary claims	6,226	10,920
Short-term monetary obligations	40,665	45,211
Long-term monetary obligations	82	283

*4. Regarding the accounting treatment of bills matured on the last day of the fiscal year and cash payments on the determination date (method in which cash is paid on the bill maturity date with the same condition as bills), although the last day of the current fiscal year was a holiday for financial institutions, the Company treated payment as if it was conducted on the maturity date. Amounts of bills matured on the last day of the current fiscal year, etc. are as follows:

	As of March 31, 2023	As of March 31, 2024
Notes receivable - trade	¥- million	¥303 million
Accounts receivable - trade	-	4,848
Electronically recorded monetary claims - operating	-	233
Accounts payable - trade	-	4,150
Electronically recorded monetary obligations - operating	-	868
Accounts payable - other	-	1,878
‘Other’ under current liabilities.	-	277

5. Other

The Company has concluded committed lines of credit with three partner banks to finance working capital efficiently.

Unexecuted loan balances, etc. concerning the committed lines of credit as of the end of the current fiscal year are as follows:

	As of March 31, 2023	As of March 31, 2024
Total amount of committed lines of credit	¥17,500 million	¥17,500 million
Executed loan balance	-	-
Unexecuted loan balance	¥17,500 million	¥17,500 million

(Non-consolidated statements of income)

*1. Major items and amounts of selling, general, and administrative expenses are as follows:

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Transport and storage costs	¥10,185 million	¥7,704 million
Salaries and bonuses	8,222	6,949
Provision for bonuses	1,357	819
Retirement benefit expenses	516	645
Depreciation	974	1,113
Research and development expenses	13,970	9,508
Outsourcing expenses	5,732	2,347

Selling expenses accounted for approximately 51% for both the fiscal years ended March 31, 2023 and 2024, while general and administrative expenses accounted for approximately 49% for both the fiscal years ended March 31, 2023 and 2024.

*2. Insurance claim income

For the fiscal year ended March 31, 2023

The insurance claim income is the receipt of insurance claims related to the fire accident that occurred at the Inuyama Plant in September 2020.

*3. Main details of loss on disposal of non-current assets are as follows:

For the fiscal year ended March 31, 2023		For the fiscal year ended March 31, 2024	
Buildings	¥1,550 million	Buildings	¥1,009 million
Structures	573	Structures	418
Machinery and equipment	1,275	Machinery and equipment	1,354

*4: Transactions with subsidiaries and associates

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Transaction amounts through sales transactions		
Net sales	¥59,568 million	¥52,992 million
Purchases	38,820	32,729
Transaction amounts through transactions other than sales transactions	14,610	13,083

(Securities)

Shares of subsidiaries and associates

As of March 31, 2023

Shares, etc. with no market price

	Carrying amount (Millions of yen)
Shares of subsidiaries	56,825
Shares of associates	3,257
Total	60,082

As of March 31, 2024

Shares, etc. with no market price

	Carrying amount (Millions of yen)
Shares of subsidiaries	73,407
Shares of associates	3,051
Total	76,458

(Tax-effect accounting)

1. Breakdown of major factors that resulted in deferred tax assets and liabilities

	As of March 31, 2023	As of March 31, 2024
Deferred tax assets		
Provision for bonuses	¥1,127 million	¥1,013 million
Write-off of inventories	865	942
Provision for retirement benefits	4,383	4,088
Allowance for doubtful accounts	492	912
Impairment losses	4,921	2,313
Write-off of investment securities	4,986	4,434
Asset retirement obligations	261	261
Loss on fire	167	-
Successor enterprise shares	-	2,814
Loss carried forward	456	3,566
Other Businesses	1,548	942
Subtotal deferred tax assets	19,206	21,284
Valuation allowance	(6,347)	(7,202)
Total deferred tax assets	12,859	14,082
Deferred tax liabilities		
Qualified post-formation acquisition	(2,269)	(2,269)
Valuation difference on available-for-sale securities	(287)	(261)
Other Businesses	(528)	(477)
Total deferred tax liabilities	(3,084)	(3,007)
Net deferred tax assets	¥9,775 million	¥11,075 million

In addition to the above, deferred tax liabilities for land revaluation were recorded in non-current liabilities in the amount of ¥18,140 million for the fiscal years ended March 31, 2023 and 2024.

2. Breakdown of items which caused the difference, if any, between the normal statutory tax rate and the effective tax rate after adoption of tax-effect accounting

Notes have been omitted for the previous and current fiscal years because the Company posted a loss before income taxes.

3. Accounting treatment for national and local corporate taxes and accounting tax effect accounting therefor

The Company will transition from the non-consolidated taxation system to the group tax sharing system from the next fiscal year ended March 31, 2025. Additionally, with regard to the accounting treatment and disclosure of tax effect accounting for national and local corporate taxes, the Company has adopted “the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Practical Solution No. 42, August 12, 2021)” from the end of the current fiscal year.

(Business combinations)

Transactions under common control, etc.

(Company split with Toyobo MC Corporation related to the Company's functional materials business)

At its meeting held on January 25, 2023, the Company's Board of Directors resolved to have the Company's functional materials business succeeded by Toyobo MC Corporation, which is a wholly-owned subsidiary established on September 5, 2022, through an absorption-type company split (hereinafter "the Split"), and the Company concluded an absorption-type company split agreement effective as of January 25, 2023 and implemented the Split effective as of April 1, 2023. Details are as described in "1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, (Business combinations))."

(Merger with Toyobo Information System Create Co., Ltd.)

At its meeting held on December 26, 2022, the Company's Board of Directors resolved to approve the merger of the Company with Toyobo Information System Create Co., Ltd., a consolidated subsidiary, through an absorption-type merger, and the Company concluded a merger agreement effective as of December 26, 2022 and implemented the absorption-type merger effective as of April 1, 2023. Details are as described in "1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, (Business combinations))."

(Revenue recognition)

Information useful for understanding revenue from contracts with customers has been omitted because the same content is presented in "1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, (Revenue recognition)."

(Significant subsequent events)

At the meeting of the Board of Directors held on April 25, 2024, a comprehensive resolution regarding the issuance of unsecured straight bonds on the Japanese market was passed. Details are as described in "1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, (Significant subsequent events)."

(iv) Supplementary schedules

[Schedule of property, plant and equipment, etc.]

(Millions of yen)

Category	Type of assets	Balance at the beginning of the current fiscal year	Increase during the current fiscal year	Decrease during the current fiscal year	Depreciation during the current fiscal year	Balance at the end of the current fiscal year	Accumulated depreciation
Property, plant and equipment	Buildings	33,739	9,470	4,672 [9]	2,014	36,523	47,201
	Structures	5,847	1,350	419 [2]	550	6,229	11,090
	Machinery and equipment	36,493	18,677	6,968 [54]	7,891	40,311	186,140
	Vehicles	135	66	22 [0]	59	120	739
	Tools, furniture, and fixtures	4,154	1,076	714 [6]	1,142	3,373	11,833
	Land	80,629 (56,648)	2,878	3,977	-	79,530 (56,648)	-
	Leased assets	96	5,644	1	320	5,419	2,568
	Construction in progress	37,629	52,330	43,082	-	46,877	-
	Total	198,722	91,491	59,855 [72]	11,976	218,383	259,571
Intangible assets	Software	1,740	585	45	662	1,618	-
	Other Businesses	1,289	1,350	578	165	1,897	-
	Total	3,029	1,936	623	827	3,515	-

(Notes) 1. The figures in brackets in the “Decrease during the current fiscal year” column represent the amounts of impairment losses included in the total figures in the column.

2. The figures in parentheses represent the revaluation reserve for land in accordance with the Act on Revaluation of Land (Act No. 34 published on March 31, 1998).

3. Main factors for the increase in buildings during the current fiscal year are the construction of new food packaging film manufacturing facilities, the renovation of the Research Center and the construction of a new building at the Inuyama Plant.

4. Main factors for the increase in machinery and equipment during the current fiscal year are the construction of new food packaging film manufacturing facilities, the renewal of our in-house thermal power generation plant at the Iwakuni Production Center, the construction of new industrial film manufacturing facilities and the augmentation of private power generation facilities at the Inuyama Plant.

5. The increase in land during the current fiscal year is due to the purchase of land from Japan Exlan Co., Ltd.

6. The main factor for the decrease in land during the current fiscal year is the sale of land belonging to the former Mie Plant.

7. The main factor for the increase in lease obligations during the current fiscal year is the renewal of the in-house thermal power generation plant at the Iwakuni Production Center.

8. Main factors for the increase in construction in progress during the current fiscal year are the construction of new industrial film production facilities, the construction of a new building at the Tsuruga Biochemicals Plant, the renovation of aging facilities at the Otsu Pharmaceuticals Plant and the construction of an integrated production plant with NIPRO CORPORATION.

9. Increases during the current fiscal year include increases due to the merger with Toyobo Information System Create Co., Ltd. as shown below:

Buildings	¥73 million
Tools, furniture, and fixtures	4
Leased assets	570
Software	13
Other intangible assets	275

10. Decreases during the current fiscal year include decreases due to the establishment of Toyobo MC Corporation as shown below:

Buildings	¥4,091 million
Structures	320
Machinery and equipment	6,599
Vehicles	21
Tools, furniture, and fixtures	660
Construction in progress	4,296
Software	45
Other intangible assets	1

[Schedule of allowances]

(Millions of yen)

Account item	Balance at the beginning of the current fiscal year	Increase during the current fiscal year	Decrease during the current fiscal year	Balance at the end of the current fiscal year
Allowance for doubtful accounts	616	1,156	8	1,764
Provision for bonuses	2,943	2,622	2,943	2,622
Provision for loss on guarantees	972	207	-	1,179

(2) Details of Major Assets and Liabilities

This information has been omitted because the Company has prepared the consolidated financial statements.

(3) Others

Not applicable

VI. Outline of Share-related Administration of the Reporting Company

Fiscal year	From April 1 to March 31
Annual General Meeting of Shareholders	In June
Record date	March 31
Record date for dividends of surplus	September 30 March 31
Number of shares constituting one unit	100 shares
Purchase and sale of shares in amounts less than one unit	
Handling office	(Special account) 4-5-33, Kitahama, Chuo-ku, Osaka Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited
Shareholder registry administrator	(Special account) 1-4-1, Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Transfer agent	―――
Purchasing/selling fee	Free of charge
Method of public notice	The Company's method of public notice is through electronic public notice. However, if the above-mentioned method of public notice is not possible due to an accident or for other unavoidable reasons, then the Nihon Keizai Shimbun newspaper will be adopted as its medium. Public notice URL: https://www.toyobo-global.com/
Shareholder benefits	Not applicable

VII. Reference Information on the Reporting Company

1. Information about the Parent of the Reporting Company

The Company has no parent company, etc.

2. Other Reference Information

The Company submitted the following documents during the period from the starting date of the current fiscal year to the date on which the Annual Securities Report was submitted.

(1) Annual Securities Report and documents attached thereto, and Confirmation Letter thereof

The Annual Securities Report for the 165th fiscal year (from April 1, 2022, to March 31, 2023) and documents attached thereto, and Confirmation Letter thereof, were submitted to the Director-General of the Kanto Local Finance Bureau on June 28, 2023.

(2) Internal Control Report and documents attached thereto

The Internal Control Report for the 165th fiscal year (from April 1, 2022, to March 31, 2023) thereto was submitted to the Director-General of the Kanto Local Finance Bureau on June 28, 2023.

(3) Quarterly Securities Report and Confirmation Letter thereof

The Quarterly Securities Report for the first quarter of the 166th fiscal year (from April 1, 2023, to June 30, 2023) and documents attached thereto were submitted to the Director-General of the Kanto Local Finance Bureau on August 10, 2023.

The Quarterly Securities Report for the second quarter of the 166th fiscal year (from July 1, 2023, to September 30, 2023) and documents attached thereto were submitted to the Director-General of the Kanto Local Finance Bureau on November 13, 2023.

The Quarterly Securities Report for the third quarter of the 166th fiscal year (from October 1, 2023, to December 31, 2023) and documents attached thereto were submitted to the Director-General of the Kanto Local Finance Bureau on February 13, 2024.

(4) Extraordinary Report

Submitted to the Director-General of the Kanto Local Finance Bureau on June 30, 2023.
This Extraordinary Report pertains to the provisions of Article 24-5, paragraph 4 of the Financial Instruments and Exchange Act and Article 19, paragraph 2, item 9-2 (matters for resolution) of the Cabinet Office Order on Disclosure of Corporate Affairs.

Submitted to the Director-General of the Kanto Local Finance Bureau on January 25, 2024.
This Extraordinary Report pertains to the provisions of Article 24-5, paragraph 4 of the Financial Instruments and Exchange Act and Article 19, paragraph 2, item 9-2 (changes in Representative Directors) of the Cabinet Office Order on Disclosure of Corporate Affairs.

Submitted to the Director-General of the Kanto Local Finance Bureau on February 9, 2024.
This Extraordinary Report pertains to the provisions of Article 24-5, paragraph 4 of the Financial Instruments and Exchange Act and Article 19, paragraph 2, items 12 and 19 (events which may have serious effects on the financial position, operating results and cash flow status) of the Cabinet Office Order on Disclosure of Corporate Affairs.

(5) Shelf Registration Statement and documents attached thereto

Submitted to the Director-General of the Kanto Local Finance Bureau on April 2, 2024.
The submission pertains to the shelf registration concerning the offering of corporate bonds.

(6) Corrections to the Shelf Registration Statement

Submitted to the Director-General of the Kanto Local Finance Bureau on May 11, 2023.
Submitted to the Director-General of the Kanto Local Finance Bureau on June 30, 2023.
Submitted to the Director-General of the Kanto Local Finance Bureau on November 10, 2023.
Submitted to the Director-General of the Kanto Local Finance Bureau on January 25, 2024.
Submitted to the Director-General of the Kanto Local Finance Bureau on February 9, 2024.

(7) Supplementary Documents to the Shelf Registration Statement and documents attached thereto

Submitted to the Director-General of the Kinki Local Finance Bureau on December 1, 2023.

Part II Information about the Reporting Company's Guarantor, etc.

Not applicable

Independent Auditor's Report on the Financial Statements and Internal Control on Financial Reporting

June 25, 2024

To the Board of Directors of Toyobo Co., Ltd.:

KPMG AZSA LLC

Osaka Office, Japan

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Yoshihide Takehisa
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Tetsuo Yamada
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Seiko Ohashi

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Toyobo Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") provided in the "Financial Information" section of Toyobo's Annual Securities Report ("Yukashoken Hokokusho"), which comprise the consolidated balance sheets as at March 31, 2024 and the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in net assets, and the consolidated statements of cash flows for the year then ended, as well as a summary of significant accounting policies and other explanatory information and supplementary schedules, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were the most significant in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><td colspan="2">Appropriateness of the judgment as to whether an impairment loss on non-current assets held by the packaging film business should be recognized</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>In the consolidated balance sheet of Toyobo Co., Ltd., as described in “1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, (Significant accounting estimates), 2.(1),” ¥15,163 million was booked in non-current assets held by the packaging film business of Toyobo Co., Ltd. The packaging film business has continued to post operating losses due to the likes of reduced sales quantities caused by a delayed recovery in demand and start-up costs for new production equipment.
While non-current assets are depreciated in a systematic manner, they need to be tested for impairment whenever there is any indication of impairment. The impairment test is performed by comparing the undiscounted future cash flows that are expected to be generated from the related asset group with their carrying amounts. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss.
Regarding the packaging film business, an impairment test was conducted for non-current assets because indications of impairment were identified due to the ongoing operating losses. However, the recognition of an impairment loss was determined to be unnecessary due to the total amount of undiscounted future cash flow exceeding the book value. The business plan prepared by management used to determine whether an impairment loss on non-current assets held by the packaging film business should be recognized contains estimates of future demand recovery and costs related to the start-up of new production equipment. Those forecasts involved a high degree of uncertainty, and management’s judgment thereon had a significant effect on the estimated future cash flows.
Therefore, we determined that our assessment of the appropriateness of the judgment as to whether an impairment loss on non-current assets held by the packaging film business should be recognized was the most significant in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.</td><td>In order to assess the appropriateness of the judgment as to whether an impairment loss on non-current assets held by the packaging film business should be recognized, we mainly performed the below procedures.
(1) Internal control testing
Test of the design and operating effectiveness of internal controls relevant to whether an impairment loss on the non-current assets should be recognized.
(2) Assessment of the reasonableness of the estimated future cash flows
Assessment of the appropriateness of the key assumptions included in the business plan used to estimate future cash flows by making inquiries to management regarding the basis on which those assumptions were developed, as well as by performing the following procedures:
- With respect to estimates of future recovery in demand, inquiries to responsible managers and comparison with external information such as historical actual sales volume data and future demand projections; and
- With respect to the start-up of new production equipment, inquiries to responsible managers regarding progress in the initial plan as well as the inspection of work schedules related to that launch and the verification of consistency of the plan with results to assess the rationality of the estimates of costs relating to such start-up.
- Independently estimated future cash flows by incorporating the effect of specific uncertainty into the business plan and then assessed the possible effect on the judgment as to whether an impairment loss should be recognized.</td></tr>
</table>

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the financial statements, and the independent auditor’s reports thereon. Management is responsible for the preparation and presentation of other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors’ performance of their duties with regard to the design, implementation, and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to a going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors’ performance of their duties including the design, implementation, and maintenance of the Group’s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. - Design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude whether it is appropriate that management uses the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan and the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information on the entities or business activities within the Group in order to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those that were most significant in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless laws or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public-interest benefits of such communication.

Report on the Audit of the Internal Control Report

Opinion

We have also audited the accompanying internal control report of Toyobo Co., Ltd. as of March 31, 2024, in accordance with Article 193-2(2) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as at March 31, 2024, presents fairly, in all material respects, the results of the assessments of internal control on financial reporting in accordance with assessment standards for internal controls over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of the internal control report in accordance with auditing standards for internal control on financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Internal Control Report section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and for the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control on financial reporting generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing and examining the design and operation of internal control on financial reporting.

Internal control on financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement and to issue an auditor's report that includes our opinion.

As part of our audit in accordance with auditing standards for internal control on financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control on financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on the significance of the effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures, and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control on financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We report to the corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in any internal control identified during our audit of the internal control report, and those that were remediated, and other matters required under internal control auditing standards.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are as described in "Corporate Governance," "3) Audits included in "Information about the Reporting Company."

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group that is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

The original copy of the above Independent Auditor's Report is kept separately by the Company (the reporting company).
XBRL data are outside the scope of audit.

Independent Auditor's Report on the Financial Statements

June 25, 2024

To the Board of Directors of Toyobo Co., Ltd.:

KPMG AZSA LLC

Osaka Office, Japan

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Yoshihide Takehisa
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Tetsuo Yamada
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Seiko Ohashi

Report on the Audit of the Non-consolidated Financial Statements

Opinion

We have audited the non-consolidated financial statements of Toyobo Co., Ltd. ("the Company") provided in the "Financial Information" section of Toyobo's Annual Securities Report ("Yukashoken Hokokusho"), which comprise the non-consolidated balance sheets as at March 31, 2024, and the non-consolidated statements of income and the non-consolidated statements of changes in net assets for the 166th year ended March 31, 2024, and a summary of significant accounting policies, other explanatory information, and supplementary schedules, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2024 and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were the most significant in our audit of the non-consolidated financial statements for the current period. These matters were addressed in the context of our audit of the non-consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the judgment as to whether an impairment loss on non-current assets held by the packaging film business should be recognized
The "appropriateness of the judgment as to whether an impairment loss on non-current assets held by the packaging film business should be recognized," the key audit matter to be noted in the independent auditor's report for the non-consolidated financial statements, is virtually identical to the "appropriateness of the judgment as to whether an impairment loss on non-current assets held by the packaging film business should be recognized" noted in the independent auditor's report for the consolidated financial statements. Therefore, the details of the key audit matter are omitted here.

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the financial statements, and the independent auditor's reports thereon. Management is responsible for the preparation and presentation of other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation, and maintenance of the reporting process for the other information.

Our opinion on the non-consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the non-consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation, and maintenance of the Group's financial reporting process.

Auditor’s Responsibilities for the Audit of the Non-consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. - Design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the non-consolidated financial statements are in accordance with accounting standards generally accepted in Japan and the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were most significant in the audit of the non-consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless laws or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public-interest benefits of such communication.

Fee-related Information

Fee-related information is described in the auditor’s report on the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Company that is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

The original copy of the above Independent Auditor’s Report is kept separately by the Company (the reporting company).
XBRL data are outside the scope of audit.

[Cover Page]

[Document title]	Confirmation Letter
[Stipulating clause]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Place of filing]	Director-General of the Kanto Local Finance Bureau
[Filing date]	June 25, 2024
[Company name]	Toyobo Co., Ltd.
[Company name in English]	TOYOBO CO., LTD.
[Title and name of representative]	Ikuo Takeuchi, President & Representative Director
[Title and name of the chief financial officer]	Taizo Ono, Executive Officer
[Address of registered headquarters]	1-13-1 Umeda, Kita-ku, Osaka, Japan
[Place for public inspection]	Tokyo Branch, Toyobo Co., Ltd. (17-10, Kyobashi 1-chome, Chuo-ku, Tokyo, Japan) Nagoya Branch, Toyobo Co., Ltd. (390 Ichibagi-cho, Nishi-ku, Nagoya, Japan) Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

1 [Appropriateness of the information contained in the Annual Securities Report]

Ikuo Takeuchi, President & Representative Director of the Company, and Taizo Ono, Chief Financial Officer of the Company, confirmed that the information contained in the Company's Annual Securities Report for the 166th term (from April 1, 2023 to March 31, 2024) is described appropriately in accordance with the Financial Instruments and Exchange Act.

2 [Other information for special attention]

Not applicable

[Cover Page]

[Document title]	Internal Control Report
[Stipulating clause]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Place of filing]	Director-General of the Kanto Local Finance Bureau
[Filing date]	June 25, 2024
[Company name]	Toyobo Co., Ltd.
[Company name in English]	TOYOBO CO., LTD.
[Title and name of representative]	Ikuo Takeuchi, President & Representative Director
[Title and name of the chief financial officer]	Taizo Ono, Executive Officer
[Address of registered headquarters]	1-13-1 Umeda, Kita-ku, Osaka, Japan
[Place for public inspection]	Tokyo Branch, Toyobo Co., Ltd. (17-10, Kyobashi 1-chome, Chuo-ku, Tokyo, Japan) Nagoya Branch, Toyobo Co., Ltd. (390 Ichibagi-cho, Nishi-ku, Nagoya, Japan) Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

1 [Basic framework of internal control related to financial reporting]

Ikuo Takeuchi, President & Representative Director of the Company, and Taizo Ono, Chief Financial Officer of the Company, are responsible for overseeing and examining the design and operation of the Company's internal controls on financial reporting. They have designed and operated the Company's internal controls on financial reporting in compliance with the basic framework of internal control set out in the recommendations on standards for evaluation and audit of internal controls on financial reporting and on the setting of the standards for evaluating and auditing internal controls on financial reporting published by the Business Accounting Council.

Internal controls are intended to achieve their purpose to a reasonable extent by ensuring that basic elements of internal controls combine organically and function in an integrated manner. Accordingly, internal controls on financial reporting may not completely prevent or detect financial statement misstatements.

2 [Scope, date, and procedures for evaluation]

The evaluation of the Company's internal controls on financial reporting was conducted, with the last day of the current fiscal year, March 31, 2024, set as the record date, following generally accepted standards for the evaluation of internal control over financial reporting.

In the evaluation, the Company's internal controls (company-wide internal controls) that have material impacts on the entire consolidated financial reporting were evaluated. Then, based on the results, certain work processes were selected as the evaluation targets. In the work process evaluation, the selected work processes were analyzed to identify major issues with the Company's internal controls that have material impacts on the reliability of financial reporting. Following that, the design and operation of internal controls were evaluated with respect to the identified major issues to assess the effectiveness of the Company's internal controls.

The scope of the evaluation of the Company's internal controls on financial reporting included the Company, and the internal controls of its consolidated subsidiaries and its associates accounted for using the equity method that were determined in view of the materiality of impacts on the reliability of financial reporting. The materiality of impacts on the reliability of financial reporting is determined by considering the materiality of financial impacts and qualitative impacts. The scope of the evaluation of internal controls on work processes was determined rationally, based on the results of the evaluation of the company-wide internal controls in which the Company and 28 consolidated subsidiaries were assessed. Other than the above entities, twenty-four consolidated subsidiaries and five associates accounted for using the equity method were excluded from the scope of the evaluation of the company-wide internal controls because their materiality was considered only limited in financial and qualitative terms.

As for the scope of the evaluation of internal controls on work processes, four business entities were selected as material business entities. These were the three largest among the entities included in the scope of the evaluation in terms of net sales (after eliminating transactions between consolidated entities) for the previous fiscal year, and they accounted for approximately two-thirds of the Group's consolidated net sales for the previous fiscal year. The targets of the evaluation include the work processes in these selected material business entities that lead to net sales, accounts receivable - trade, and inventories, which are account items significantly related to the purpose of their business. Moreover, the work processes that carry high risks of material false statements occurring and are related to material account items that involve estimation or projection or to a business or operation that engages in high-risk transactions were considered material work processes and included in the evaluation targets. This was in view of their impacts on financial reporting, regardless of whether they belong to the selected material business entities or the other business entities.

3 [Result of evaluation]

As a result of the above evaluation, the Company's internal controls on financial reporting were considered effective as of the last day of the current fiscal year.

4 [Supplementary information]

Not applicable

5 [Other information for special attention]

Not applicable